

**JEWISH FEDERATION OF NASHVILLE  
AND MIDDLE TENNESSEE**

**Financial Statements**

**August 31, 2008 and 2007**

**(With Independent Auditors' Report Thereon)**



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

# **JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**

## **Table of Contents**

|  | <b><u>Page</u></b> |
|--|--------------------|
| <b>Independent Auditors' Report</b>                      | <b>1</b>           |
| <b>Financial Statements:</b>                             |                    |
| <b>Statements of Financial Position</b>                  | <b>2</b>           |
| <b>Statement of Activities and Changes in Net Assets</b> | <b>3 - 5</b>       |
| <b>Statements of Cash Flows</b>                          | <b>6</b>           |
| <b>Statement of Functional Expenses</b>                  | <b>7</b>           |
| <b>Notes to the Financial Statements</b>                 | <b>8 - 13</b>      |



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

### INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Jewish Federation of Nashville and Middle Tennessee:

We have audited the accompanying statements of financial position of the Jewish Federation of Nashville and Middle Tennessee (the "Federation") as of August 31, 2008 and 2007, the related statements of cash flows for the years then ended, and the statements of activities and changes in net assets and functional expenses for the year ended August 31, 2008. 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. The 2007 summarized comparative information contained on the statements of activities and changes in net assets and functional expenses has been derived from the Federation's 2007 financial statements and, in our report dated January 22, 2008, we expressed an unqualified opinion on those financial statements.

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 audits 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 Nashville and Middle Tennessee as of August 31, 2008 and 2007, its cash flows for the years then ended, and its changes in net assets and functional expenses for the year ended August 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

*Lattimore Black Morgan & Cain, PC*

Brentwood, Tennessee  
February 6, 2009

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statements of Financial Position

August 31, 2008 and 2007

| Assets   | 2008                |                   |                   | 2007             |                   |                   |
|--|---------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|  | Federation          | Foundation        | Total             | Federation       | Foundation        | Total             |
| Cash and cash equivalents  | \$ 307,991          | 114,133           | 422,124           | 597,348          | 229,259           | 826,607           |
| Investments  | 1,489,364           | 25,918,030        | 27,407,394        | 1,435,416        | 29,182,953        | 30,618,369        |
| Pledges receivable, less allowance for uncollectible pledges of \$96,000 and \$74,000 in 2008 and 2007, respectively | 1,299,383           | -                 | 1,299,383         | 1,860,118        | -                 | 1,860,118         |
| Interest receivable  | -                   | 13,530            | 13,530            | -                | 13,530            | 13,530            |
| Other receivables  | 46,606              | 1,309             | 47,915            | 177,107          | 4,808             | 181,915           |
| Due (to) from other programs   | 282,765             | (282,765)         | -                 | 40,034           | (40,034)          | -                 |
| Furniture and equipment, net of accumulated depreciation of \$237,017 and \$229,523 in 2008 and 2007, respectively   | 16,333              | 7,185             | 23,518            | 23,827           | 7,185             | 31,012            |
| Other assets   | 48,001              | 30,281            | 78,282            | 43,004           | 26,859            | 69,863            |
| <b>Total assets</b>  | <b>\$ 3,490,443</b> | <b>25,801,703</b> | <b>29,292,146</b> | <b>4,176,854</b> | <b>29,424,560</b> | <b>33,601,414</b> |
| <b>Liabilities and Net Assets</b>  |                     |                   |                   |                  |                   |                   |
| <b>Liabilities:</b>  |                     |                   |                   |                  |                   |                   |
| Accounts payable and accrued expenses  | \$ 18,422           | -                 | 18,422            | 9,752            | 847               | 10,599            |
| Allocations payable  | 1,488               | -                 | 1,488             | 1,488            | -                 | 1,488             |
| Funds held for Gordon Jewish Community Center  | -                   | 828,009           | 828,009           | -                | 1,058,582         | 1,058,582         |
| <b>Total liabilities</b>   | <b>19,910</b>       | <b>828,009</b>    | <b>847,919</b>    | <b>11,240</b>    | <b>1,059,429</b>  | <b>1,070,669</b>  |
| <b>Net assets:</b>   |                     |                   |                   |                  |                   |                   |
| <b>Unrestricted:</b>   |                     |                   |                   |                  |                   |                   |
| Designated by governing board:   |                     |                   |                   |                  |                   |                   |
| Endowment program  | -                   | 22,905,849        | 22,905,849        | -                | 26,157,143        | 26,157,143        |
| Other  | 1,402,295           | -                 | 1,402,295         | 1,570,051        | -                 | 1,570,051         |
| Net investment in furniture and equipment  | 16,333              | 7,185             | 23,518            | 23,827           | 7,185             | 31,012            |
| <b>Total unrestricted</b>  | <b>1,418,628</b>    | <b>22,913,034</b> | <b>24,331,662</b> | <b>1,593,878</b> | <b>26,164,328</b> | <b>27,758,206</b> |
| Temporarily restricted   | 2,051,905           | 2,032,403         | 4,084,308         | 2,571,736        | 2,172,546         | 4,744,282         |
| Permanently restricted   | -                   | 28,257            | 28,257            | -                | 28,257            | 28,257            |
| <b>Total net assets</b>  | <b>3,470,533</b>    | <b>24,973,694</b> | <b>28,444,227</b> | <b>4,165,614</b> | <b>28,365,131</b> | <b>32,530,745</b> |
| <b>Total liabilities and net assets</b>  | <b>\$ 3,490,443</b> | <b>25,801,703</b> | <b>29,292,146</b> | <b>4,176,854</b> | <b>29,424,560</b> | <b>33,601,414</b> |

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Activities and Changes in Net Assets - Federation

Year ended August 31, 2008  
(with comparative totals for the year ended August 31, 2007)

|  | Federation          |                        |                        | Total              |                  |
|--|---------------------|------------------------|------------------------|--------------------|------------------|
|  | Unrestricted        | Temporarily Restricted | Permanently Restricted | 2008               | 2007             |
| <b>Support and revenue:</b>                        |                     |                        |                        |                    |                  |
| Public support received directly                   | \$ -                | 1,601,316              | -                      | 1,601,316          | 2,877,919        |
| Interest, dividends and capital gain distributions | 59,030              | -                      | -                      | 59,030             | 95,298           |
| Net gain on investments                            | 2,479               | -                      | -                      | 2,479              | 1,069            |
| Observer publication                               | 111,729             | -                      | -                      | 111,729            | 158,118          |
| Other  | 25,283              | -                      | -                      | 25,283             | 37,058           |
| Net assets released from restrictions:             |                     |                        |                        |                    |                  |
| Annual campaign                                    | 2,121,147           | (2,121,147)            | -                      | -                  | -                |
| Other  | -                   | -                      | -                      | -                  | -                |
| <b>Total support and revenue</b>                   | <b>2,319,668</b>    | <b>(519,831)</b>       | <b>-</b>               | <b>1,799,837</b>   | <b>3,169,462</b> |
| <b>Allocations, grants and expenses:</b>           |                     |                        |                        |                    |                  |
| Allocations:                                       |                     |                        |                        |                    |                  |
| Overseas and Israel agencies                       | 915,227             | -                      | -                      | 915,227            | 1,440,893        |
| National agencies                                  | 34,650              | -                      | -                      | 34,650             | 52,425           |
| Local agencies                                     | 1,171,270           | -                      | -                      | 1,171,270          | 1,205,139        |
| Grants   | -                   | -                      | -                      | -                  | -                |
| Observer publication                               | 123,290             | -                      | -                      | 123,290            | 121,701          |
| Management and general expenses:                   |                     |                        |                        |                    |                  |
| Fund raising                                       | 306,884             | -                      | -                      | 306,884            | 341,624          |
| Administrative                                     | 300,381             | -                      | -                      | 300,381            | 262,132          |
| <b>Total allocations, grants and expenses</b>      | <b>2,851,702</b>    | <b>-</b>               | <b>-</b>               | <b>2,851,702</b>   | <b>3,423,914</b> |
| <b>Increase (decrease) in net assets</b>           | <b>(532,034)</b>    | <b>(519,831)</b>       | <b>-</b>               | <b>(1,051,865)</b> | <b>(254,452)</b> |
| Net assets at beginning of year                    | 1,593,878           | 2,571,736              | -                      | 4,165,614          | 3,713,489        |
| Board designated endowment program transfers       | 356,784             | -                      | -                      | 356,784            | 706,577          |
| <b>Net assets at end of year</b>                   | <b>\$ 1,418,628</b> | <b>2,051,905</b>       | <b>-</b>               | <b>3,470,533</b>   | <b>4,165,614</b> |

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Activities and Changes in Net Assets - Foundation

Year ended August 31, 2008  
(with comparative totals for the year ended August 31, 2007)

|  |                      |                           | Foundation                |                    |                   |
|--|----------------------|---------------------------|---------------------------|--------------------|-------------------|
|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total              |                   |
|  |                      |                           |                           | 2008               | 2007              |
| <b>Support and revenue:</b>                        |                      |                           |                           |                    |                   |
| Public support received directly                   | \$ 316,572           | 106,883                   | -                         | 423,455            | 1,152,253         |
| Interest, dividends and capital gain distributions | 660,506              | 60,170                    | -                         | 720,676            | 1,382,631         |
| Net gain (loss) on investments                     | (2,343,094)          | (216,108)                 | -                         | (2,559,202)        | 1,786,463         |
| Observer publication                               | -                    | -                         | -                         | -                  | -                 |
| Other  | 3,559                | -                         | -                         | 3,559              | 4,584             |
| Net assets released from restrictions:             |                      |                           |                           |                    |                   |
| Annual campaign                                    | -                    | -                         | -                         | -                  | -                 |
| Other  | 91,088               | (91,088)                  | -                         | -                  | -                 |
| <b>Total support and revenue</b>                   | <u>(1,271,369)</u>   | <u>(140,143)</u>          | <u>-</u>                  | <u>(1,411,512)</u> | <u>4,325,931</u>  |
| <b>Allocations, grants and expenses:</b>           |                      |                           |                           |                    |                   |
| Allocations:                                       |                      |                           |                           |                    |                   |
| Overseas and Israel agencies                       | -                    | -                         | -                         | -                  | -                 |
| National agencies                                  | -                    | -                         | -                         | -                  | -                 |
| Local agencies                                     | -                    | -                         | -                         | -                  | -                 |
| Grants   | 1,315,560            | -                         | -                         | 1,315,560          | 1,344,385         |
| Observer publication                               | -                    | -                         | -                         | -                  | -                 |
| Management and general expenses:                   |                      |                           |                           |                    |                   |
| Fund raising                                       | -                    | -                         | -                         | -                  | -                 |
| Administrative                                     | 307,581              | -                         | -                         | 307,581            | 239,107           |
| <b>Total allocations, grants and expenses</b>      | <u>1,623,141</u>     | <u>-</u>                  | <u>-</u>                  | <u>1,623,141</u>   | <u>1,583,492</u>  |
| <b>Increase (decrease) in net assets</b>           | <b>(2,894,510)</b>   | <b>(140,143)</b>          | <b>-</b>                  | <b>(3,034,653)</b> | <b>2,742,439</b>  |
| Net assets at beginning of year                    | 26,164,328           | 2,172,546                 | 28,257                    | 28,365,131         | 26,329,269        |
| Board designated endowment program transfers       | (356,784)            | -                         | -                         | (356,784)          | (706,577)         |
| <b>Net assets at end of year</b>                   | <u>\$ 22,913,034</u> | <u>2,032,403</u>          | <u>28,257</u>             | <u>24,973,694</u>  | <u>28,365,131</u> |

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Activities and Changes in Net Assets - Combined

Year ended August 31, 2008  
(with comparative totals for the year ended August 31, 2007)

|  | Total All Funds      |                        |                        | Total              |                   |
|--|----------------------|------------------------|------------------------|--------------------|-------------------|
|  | Unrestricted         | Temporarily Restricted | Permanently Restricted | 2008               | 2007              |
| <b>Support and revenue:</b>                        |                      |                        |                        |                    |                   |
| Public support received directly                   | \$ 316,572           | 1,708,199              | -                      | 2,024,771          | 4,030,172         |
| Interest, dividends and capital gain distributions | 719,536              | 60,170                 | -                      | 779,706            | 1,477,929         |
| Net gain (loss) on investments                     | (2,340,615)          | (216,108)              | -                      | (2,556,723)        | 1,787,532         |
| Observer publication                               | 111,729              | -                      | -                      | 111,729            | 158,118           |
| Other  | 28,842               | -                      | -                      | 28,842             | 41,642            |
| Net assets released from restrictions:             |                      |                        |                        |                    |                   |
| Annual campaign                                    | 2,121,147            | (2,121,147)            | -                      | -                  | -                 |
| Other  | 91,088               | (91,088)               | -                      | -                  | -                 |
| <b>Total support and revenue</b>                   | <b>1,048,299</b>     | <b>(659,974)</b>       | <b>-</b>               | <b>388,325</b>     | <b>7,495,393</b>  |
| <b>Allocations, grants and expenses:</b>           |                      |                        |                        |                    |                   |
| Allocations:                                       |                      |                        |                        |                    |                   |
| Overseas and Israel agencies                       | 915,227              | -                      | -                      | 915,227            | 1,440,893         |
| National agencies                                  | 34,650               | -                      | -                      | 34,650             | 52,425            |
| Local agencies                                     | 1,171,270            | -                      | -                      | 1,171,270          | 1,205,139         |
| Grants   | 1,315,560            | -                      | -                      | 1,315,560          | 1,344,385         |
| Observer publication                               | 123,290              | -                      | -                      | 123,290            | 121,701           |
| Management and general expenses:                   |                      |                        |                        |                    |                   |
| Fund raising                                       | 306,884              | -                      | -                      | 306,884            | 341,624           |
| Administrative                                     | 607,962              | -                      | -                      | 607,962            | 501,239           |
| <b>Total allocations, grants and expenses</b>      | <b>4,474,843</b>     | <b>-</b>               | <b>-</b>               | <b>4,474,843</b>   | <b>5,007,406</b>  |
| <b>Increase (decrease) in net assets</b>           | <b>(3,426,544)</b>   | <b>(659,974)</b>       | <b>-</b>               | <b>(4,086,518)</b> | <b>2,487,987</b>  |
| Net assets at beginning of year                    | 27,758,206           | 4,744,282              | 28,257                 | 32,530,745         | 30,042,758        |
| Board designated endowment program transfers       | -                    | -                      | -                      | -                  | -                 |
| <b>Net assets at end of year</b>                   | <b>\$ 24,331,662</b> | <b>4,084,308</b>       | <b>28,257</b>          | <b>28,444,227</b>  | <b>32,530,745</b> |

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statements of Cash Flows

Years ended August 31, 2008 and 2007

|   | 2008                  |                    |                    | 2007             |                    |                    |
|---|-----------------------|--------------------|--------------------|------------------|--------------------|--------------------|
|   | Federation            | Foundation         | Total              | Federation       | Foundation         | Total              |
| Cash flows from operating activities:   |                       |                    |                    |                  |                    |                    |
| Increase (decrease) in net assets   | <u>\$ (1,051,865)</u> | <u>(3,034,653)</u> | <u>(4,086,518)</u> | <u>(254,452)</u> | <u>2,742,439</u>   | <u>2,487,987</u>   |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: |                       |                    |                    |                  |                    |                    |
| Depreciation and amortization   | 7,494                 | -                  | 7,494              | 7,494            | 4,225              | 11,719             |
| Net (gain) loss on investments  | (2,479)               | 2,559,202          | 2,556,723          | (1,069)          | (1,786,463)        | (1,787,532)        |
| Endowment program transfers   | 356,784               | (356,784)          | -                  | 706,577          | (706,577)          | -                  |
| Provision for bad debts   | 25,000                | -                  | 25,000             | 3,569            | -                  | 3,569              |
| (Increase) decrease in operating assets:  |                       |                    |                    |                  |                    |                    |
| Pledges receivable  | 535,735               | -                  | 535,735            | (142,132)        | -                  | (142,132)          |
| Other receivables   | 130,501               | 3,499              | 134,000            | (143,129)        | 18,916             | (124,213)          |
| Other assets  | (4,997)               | (3,422)            | (8,419)            | 34,132           | (10,301)           | 23,831             |
| Due to (from) other programs  | (242,731)             | 242,731            | -                  | 20,923           | (20,923)           | -                  |
| Increase (decrease) in operating liabilities:   |                       |                    |                    |                  |                    |                    |
| Accounts payable and accrued expenses   | 8,670                 | (847)              | 7,823              | 2,112            | (46,359)           | (44,247)           |
| Funds held for Gordon Jewish Community Center   | -                     | (230,573)          | (230,573)          | -                | (165,569)          | (165,569)          |
| Total adjustments   | <u>813,977</u>        | <u>2,213,806</u>   | <u>3,027,783</u>   | <u>488,477</u>   | <u>(2,713,051)</u> | <u>(2,224,574)</u> |
| Net cash provided (used) by operating activities  | <u>(237,888)</u>      | <u>(820,847)</u>   | <u>(1,058,735)</u> | <u>234,025</u>   | <u>29,388</u>      | <u>263,413</u>     |
| Cash flows from investing activities:   |                       |                    |                    |                  |                    |                    |
| Purchases of furniture and equipment  | -                     | -                  | -                  | (6,067)          | -                  | (6,067)            |
| Purchases of investments  | (241,410)             | (4,232,652)        | (4,474,062)        | (1,612,360)      | (1,553,028)        | (3,165,388)        |
| Proceeds from sale/redemption of investments  | <u>189,941</u>        | <u>4,938,373</u>   | <u>5,128,314</u>   | <u>1,540,507</u> | <u>1,752,899</u>   | <u>3,293,406</u>   |
| Net cash provided (used) by investing activities  | <u>(51,469)</u>       | <u>705,721</u>     | <u>654,252</u>     | <u>(77,920)</u>  | <u>199,871</u>     | <u>121,951</u>     |
| Increase (decrease) in cash and cash equivalents  | <u>(289,357)</u>      | <u>(115,126)</u>   | <u>(404,483)</u>   | <u>156,105</u>   | <u>229,259</u>     | <u>385,364</u>     |
| Cash and cash equivalents at beginning of year  | <u>597,348</u>        | <u>229,259</u>     | <u>826,607</u>     | <u>441,243</u>   | <u>-</u>           | <u>441,243</u>     |
| Cash and cash equivalents at end of year  | <u>\$ 307,991</u>     | <u>114,133</u>     | <u>422,124</u>     | <u>597,348</u>   | <u>229,259</u>     | <u>826,607</u>     |

See accompanying notes to the financial statements.



# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Functional Expenses

Year ended August 31, 2008  
(with comparative totals for the year ended August 31, 2007)

|                                      | Program<br>Expenses | Management and General Expenses |                              |            | Total Expenses |           |
|--------------------------------------|---------------------|---------------------------------|------------------------------|------------|----------------|-----------|
|                                      |                     | Fund<br>Raising                 | Administrative<br>Federation | Foundation | 2008           | 2007      |
| Salaries                             | \$ -                | 197,304                         | 146,152                      | 176,218    | 519,674        | 537,296   |
| Payroll taxes                        | -                   | 13,023                          | 8,333                        | 10,909     | 32,265         | 35,813    |
| Retirement plan expense              | -                   | 9,338                           | 4,411                        | 6,203      | 19,952         | 16,230    |
| Employee insurance                   | -                   | 15,671                          | 14,437                       | 12,774     | 42,882         | 42,236    |
| Employee benefits                    | -                   | 1,519                           | 2,321                        | 791        | 4,631          | 4,626     |
| Total salaries and employee benefits | -                   | 236,855                         | 175,654                      | 206,895    | 619,404        | 636,201   |
| Allocations and grants               | 3,559,997           | -                               | -                            | -          | 3,559,997      | 4,164,543 |
| Annual meeting                       | -                   | -                               | 6,726                        | -          | 6,726          | 4,021     |
| Automobile expenses                  | -                   | 76                              | 734                          | -          | 810            | 604       |
| Campaign programs                    | -                   | 21,312                          | -                            | -          | 21,312         | 32,681    |
| Depreciation and amortization        | -                   | -                               | 7,494                        | -          | 7,494          | 11,719    |
| Conferences                          | -                   | -                               | 2,471                        | 289        | 2,760          | 2,789     |
| Bad debts                            | -                   | -                               | 25,000                       | -          | 25,000         | 3,569     |
| Board/lay travel                     | -                   | -                               | 993                          | -          | 993            | 2,975     |
| Insurance                            | -                   | -                               | 5,117                        | -          | 5,117          | 5,799     |
| Israel mission                       | -                   | 13,995                          | -                            | -          | 13,995         | 9,379     |
| Legal and professional               | -                   | 8,601                           | 13,240                       | 44,906     | 66,747         | 32,070    |
| Equipment contract                   | -                   | 8,357                           | 8,364                        | 4,596      | 21,317         | 19,713    |
| Supplies                             | -                   | 5,309                           | 4,887                        | 3,324      | 13,520         | 17,060    |
| Postage                              | -                   | 2,649                           | 3,876                        | 1,583      | 8,108          | 9,772     |
| Printing and publications            | -                   | -                               | 4,878                        | 7,461      | 12,339         | 16,816    |
| Promotional events                   | -                   | -                               | -                            | 9,202      | 9,202          | 2,036     |
| Staff development                    | -                   | 4,289                           | 7,439                        | 3,077      | 14,805         | 15,490    |
| Telephone                            | -                   | 3,754                           | 3,765                        | 1,808      | 9,327          | 11,503    |
| Temporary labor                      | -                   | 439                             | 194                          | 189        | 822            | 1,235     |
| Miscellaneous                        | -                   | 1,248                           | 29,549                       | 24,251     | 55,048         | 7,431     |
| Total expenses                       | \$ 3,559,997        | 306,884                         | 300,381                      | 307,581    | 4,474,843      | 5,007,406 |

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2008 and 2007

### (1) Nature of operations

The Jewish Federation of Nashville and Middle Tennessee (the "Federation") is a Tennessee not-for-profit corporation. Its purposes are to develop and strengthen Jewish community life, to carry on and support such activities as are in the community interest, to provide a common ground for the discussion of all matters pertaining to the general welfare of the Jewish community and for action thereupon where indicated, and to administer and staff a unified Jewish community fundraising campaign and allocation process to support a wide variety of local, national and international needs.

### (2) Summary of significant accounting policies

#### (a) 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 the Federation 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 the Federation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Federation. Generally, the donors of these assets permit the Federation to use all or part of the income earned on any related investments for general or specific purposes.

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, the Federation reports the support as unrestricted.

The Federation classifies its net assets, activities and cash flows as those relating to its annual fundraising campaign, programming and other operating activities (Federation), or the Jewish Foundation of Nashville (Foundation) program.

The Foundation program is comprised of the following:

General Foundation - The Board of Directors is responsible for approving distributions of income and principal as permitted, solely for those charitable purposes established by the Federation.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2008 and 2007

**Philanthropic** - The donor (or his designee) has the privilege of making recommendations relating to distributions of principal and income. Such recommendations are advisory only and are not binding on the Foundation program's Board of Directors.

**Field of Interest** - The donor may designate a functional area or field of interest, within which specific projects or beneficiaries are selected by the Board of Directors.

**Designated** - The beneficiaries and schedule of distributions are established at the time of gift and approved by the Board of Trustees.

(b) **Cash equivalents**

The Federation considers all highly-liquid investments with original maturities of less than three months to be cash equivalents.

(c) **Investments**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the statements of financial position. Investment income shown in the statements of activities includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income is reported in the period earned as an increase in unrestricted net assets unless the use of the assets is limited by donor-imposed restrictions. Investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment income is reported as an increase in temporarily restricted net assets depending on the nature of the restrictions.

(d) **Furniture and equipment**

Furniture and equipment are stated at cost. Donated assets are recorded at their estimated market value at the date of the gift. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(e) **Income taxes**

The Federation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

# **JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**

## **Notes to the Financial Statements**

**August 31, 2008 and 2007**

**(f) Public support and revenue**

Fund-raising campaigns are conducted each Fall through the following Spring to fund allocations for the subsequent year beginning September 1. Annual campaign pledges (unconditional promises to give) are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Contributions receivable in future periods are recorded at their estimated net realizable value. The majority of the promises to give are received from Nashville and Middle Tennessee contributors to the annual campaign. Pledges receivable are reported net of a provision for uncollectible pledges, which is estimated based on past experience with collections and management's evaluation of current outstanding pledges.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 and reported in the statement of activities as net assets released from restrictions.

**(g) Allocations and grants**

Allocations and grants (unconditional promises to give) are recorded when authorized by the Board of Directors.

**(h) 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.

**(i) Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**(j) Summarized comparative information for prior year**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not constitute a complete presentation of financial information for that year. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended August 31, 2007, from which the summarized information was derived.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2008 and 2007

### (k) New accounting pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. SFAS 157 also requires organizations to disclose the fair value of their financial instruments according to a fair value hierarchy as defined in the standard. Additionally, organizations are required to provide enhanced disclosure regarding financial instruments, including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"). FSP 157-2 delays the effective date of SFAS 157 for certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. Therefore, the Federation expects to adopt certain provisions of SFAS 157 during fiscal year 2009.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP 157-3"). FSP 157-3 was effective upon issuance.

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1 *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP 117-1"). FSP 117-1 requires that the amount of permanently restricted net assets should not be reduced by losses on investments of the funds or by an organization's expenditures from the fund. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies and additional disclosures not presently required. FSP 117-1 is effective for financial statements for fiscal years ending after December 15, 2008. Therefore, the Federation expects to adopt FSP 117-1 during fiscal year 2009.

The Federation is currently assessing the impact of adopting these accounting standards.

### (3) Credit risk and other concentrations

The Federation generally maintains cash on deposit at banks in excess of federally insured amounts. The Federation has not experienced any losses in such accounts and management believes the Federation is not exposed to any significant credit risk related to cash.

The Federation 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 financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2008 and 2007

**(4) Investments**

A summary of investments at August 31, 2008 and 2007 is as follows:

|                    | <u>2008</u>          | <u>2007</u>          |
|--------------------|----------------------|----------------------|
| Israel bonds       | \$ 834,271           | \$ 821,162           |
| Money market funds | 1,591,338            | 1,494,754            |
| Equity funds       | 13,721,951           | 16,254,702           |
| Fixed income funds | 7,817,305            | 8,449,461            |
| Real estate funds  | <u>3,442,529</u>     | <u>3,598,290</u>     |
|                    | <u>\$ 27,407,394</u> | <u>\$ 30,618,369</u> |

**(5) Funds held for Gordon Jewish Community Center**

The funds held for the Gordon Jewish Community Center ("GJCC") are philanthropic funds that earn investment income and losses through the pooled fund instruments. Unlike regular philanthropic funds, the Foundation does not own them, but rather they are the property of the GJCC. The Foundation only administers the changes in these funds.

**(6) Restricted net assets**

Temporarily restricted net assets as of August 31, 2008 and 2007 are available for the following purposes:

|   | <u>2008</u>         | <u>2007</u>         |
|---|---------------------|---------------------|
| Pledges received in the current period to fund the following year's allocations   | \$ 2,012,323        | \$ 2,459,232        |
| Unallocated contributions in the current period for donor restricted gifts to special campaigns (Israel Crisis Fund, Israel Emergency Campaign and Operation Promise) | 39,582              | 62,504              |
| Funds held for general assembly   | -                   | 50,000              |
| Various other funds established by donors for the Foundation program with contributions restricted for specific fields of interest                                    | <u>2,032,403</u>    | <u>2,172,546</u>    |
|   | <u>\$ 4,084,308</u> | <u>\$ 4,744,282</u> |

Permanently restricted net assets are held in perpetuity with the income from assets expendable to specific purposes and amounted to \$28,257 at August 31, 2008 and 2007.

# **JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**

## **Notes to the Financial Statements**

**August 31, 2008 and 2007**

**(7) Retirement plan**

The Federation sponsors a retirement plan covering substantially all employees. Participants must contribute a minimum of 1% of their compensation and may contribute up to a maximum of 20% each year. The Federation makes matching contributions of up to 5% of compensation for employees who have at least one year of service. The Federation made contributions of \$19,952 and \$16,230 to the plan in 2008 and 2007, respectively.

**(8) Donated services and facilities**

The value of services donated by individuals in annual fund raising campaigns is not reflected in the financial statements because of the lack of an objective basis by which to measure such value. In addition, the Federation does not recognize the value (approximately \$70,000 annually) of the use of facilities furnished by the Gordon Jewish Community Center. In management's opinion, such reporting does not materially affect the financial statements.

**(9) Related party transactions**

The Federation was owed pledges receivable from board members and management amounting to approximately \$353,000 and \$628,000 at August 31, 2008 and 2007, respectively.

**(10) Subsequent event**

During 2008, the United States and global economies experienced unprecedented market events, including liquidity concerns and credit-standing deterioration for financial institutions and other entities. These conditions resulted in significant declines in the fair value of marketable securities and other investments. As of December 31, 2008, the Federation's investments had a fair value of approximately \$20.8 million (a decline in market value of approximately \$6.6 million since August 31, 2008). In management's opinion, there are no significant impairments in investments since August 31, 2008 which should be classified as other than temporary.