

**JEWISH FEDERATION OF NASHVILLE
AND MIDDLE TENNESSEE**

Financial Statements

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)



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

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

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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, 2010 and 2009, 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, 2010. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2010 and 2009, its cash flows for the years then ended, and its changes in net assets and functional expenses for the year ended August 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
December 27, 2010

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Statements of Financial Position

August 31, 2010 and 2009

	2010			2009		
Assets	Federation	Foundation	Total	Federation	Foundation	Total
Cash and cash equivalents	\$ 1,073,636	231,576	1,305,212	857,578	28,684	886,262
Investments	496,759	21,806,828	22,303,587	1,461,643	20,728,184	22,189,827
Pledges receivable, less allowance for uncollectible pledges of \$92,000 and \$96,000 in 2010 and 2009, respectively	1,142,007	-	1,142,007	1,231,793	-	1,231,793
Other receivables	1,734	21,918	23,652	1,066	19,222	20,288
Due (to) from other programs	575,744	(575,744)	-	370,683	(370,683)	-
Furniture and equipment, net of accumulated depreciation of \$257,524 and \$252,478 in 2010 and 2009, respectively	3,337	163	3,500	8,220	326	8,546
Other assets	4,926	31,768	36,694	4,359	31,578	35,937
Total assets	\$ 3,298,143	21,516,509	24,814,652	3,935,342	20,437,311	24,372,653
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 23,971	-	23,971	14,468	-	14,468
Funds held for Gordon Jewish Community Center	-	473,161	473,161	-	537,704	537,704
Total liabilities	23,971	473,161	497,132	14,468	537,704	552,172
Net assets:						
Unrestricted:						
Designated by governing board:						
Endowment program	-	19,182,160	19,182,160	-	18,170,067	18,170,067
Other	1,008,207	-	1,008,207	1,675,743	-	1,675,743
Net investment in furniture and equipment	3,337	163	3,500	8,220	326	8,546
Total unrestricted	1,011,544	19,182,323	20,193,867	1,683,963	18,170,393	19,854,356
Temporarily restricted	2,262,628	1,861,025	4,123,653	2,236,911	1,729,214	3,966,125
Total net assets	3,274,172	21,043,348	24,317,520	3,920,874	19,899,607	23,820,481
Total liabilities and net assets	\$ 3,298,143	21,516,509	24,814,652	3,935,342	20,437,311	24,372,653

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, 2010
(with comparative totals for the year ended August 31, 2009)

	Federation				Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	2010	2009
Support and revenue:					
Public support received directly	\$ -	1,919,712	-	1,919,712	1,971,666
Interest, dividends and capital gain distributions	53,045	-	-	53,045	25,662
Net loss on investments	(38,871)	-	-	(38,871)	(21,901)
Observer publication	126,424	-	-	126,424	143,030
Other	37,698	-	-	37,698	38,481
Net assets released from restrictions:					
Annual campaign	1,893,995	(1,893,995)	-	-	-
Other	-	-	-	-	-
Total support and revenue	<u>2,072,291</u>	<u>25,717</u>	<u>-</u>	<u>2,098,008</u>	<u>2,156,938</u>
Allocations, grants and expenses:					
Allocations:					
Overseas and Israel agencies	925,000	-	-	925,000	391,989
National agencies	31,639	-	-	31,639	39,302
Local agencies	980,155	-	-	980,155	1,049,130
Grants	-	-	-	-	-
Observer publication	119,309	-	-	119,309	117,797
Management and general expenses:					
Fund raising	248,489	-	-	248,489	260,495
Administrative	<u>273,567</u>	<u>-</u>	<u>-</u>	<u>273,567</u>	<u>275,858</u>
Total allocations, grants and expenses	<u>2,578,159</u>	<u>-</u>	<u>-</u>	<u>2,578,159</u>	<u>2,134,571</u>
Increase (decrease) in net assets	(505,868)	25,717	-	(480,151)	22,367
Net assets at beginning of year	1,683,963	2,236,911	-	3,920,874	3,470,533
Board designated endowment program transfers	<u>(166,551)</u>	<u>-</u>	<u>-</u>	<u>(166,551)</u>	<u>427,974</u>
Net assets at end of year	<u>\$ 1,011,544</u>	<u>2,262,628</u>	<u>-</u>	<u>3,274,172</u>	<u>3,920,874</u>

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, 2010
(with comparative totals for the year ended August 31, 2009)

	Unrestricted	Foundation		Total
		Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Public support received directly	\$ 436,109	32,263	-	314,603
Interest, dividends and capital gain distributions	447,347	44,770	-	665,718
Net gain (loss) on investments	978,677	96,914	-	(4,139,251)
Observer publication	-	-	-	-
Other	1,282	-	1,282	5,877
Net assets released from restrictions:				
Annual campaign	-	-	-	-
Other	42,136	(42,136)	-	-
Total support and revenue	1,905,551	131,811	-	(3,153,053)
Allocations, grants and expenses:				
Allocations:				
Overseas and Israel agencies	-	-	-	-
National agencies	-	-	-	-
Local agencies	-	-	-	-
Grants	818,685	-	-	1,259,131
Observer publication	-	-	-	-
Management and general expenses:				
Fund raising	-	-	-	-
Administrative	241,487	-	-	233,929
Total allocations, grants and expenses	1,060,172	-	-	1,493,060
Increase (decrease) in net assets	845,379	131,811	-	(4,646,113)
Net assets at beginning of year	18,170,393	1,729,214	-	24,973,694
Board designated endowment program transfers	166,551	-	-	(427,974)
Net assets at end of year	\$ 19,182,323	1,861,025	-	19,899,607

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, 2010
(with comparative totals for the year ended August 31, 2009)

	Total All Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Public support received directly	\$ 436,109	1,951,975	-	2,388,084
Interest, dividends and capital gain distributions	500,392	44,770	-	545,162
Net gain (loss) on investments	939,806	96,914	-	1,036,720
Observer publication	126,424	-	-	126,424
Other	38,980	-	-	38,980
Net assets released from restrictions:				
Annual campaign	1,893,995	(1,893,995)	-	-
Other	42,136	(42,136)	-	-
Total support and revenue	3,977,842	157,528	-	4,135,370
Allocations, grants and expenses:				
Allocations:				
Overseas and Israel agencies	925,000	-	-	925,000
National agencies	31,639	-	-	31,639
Local agencies	980,155	-	-	980,155
Grants	818,685	-	-	818,685
Observer publication	119,309	-	-	119,309
Management and general expenses:				
Fund raising	248,489	-	-	248,489
Administrative	515,054	-	-	515,054
Total allocations, grants and expenses	3,638,331	-	-	3,638,331
Increase (decrease) in net assets	339,511	157,528	-	497,039
Net assets at beginning of year	19,854,356	3,966,125	-	23,820,481
Board designated endowment program transfers	-	-	-	-
Net assets at end of year	\$ 20,193,867	4,123,653	-	24,317,520
				23,820,481

See accompanying notes to the financial statements.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Statements of Cash Flows

Years ended August 31, 2010 and 2009

	2010		2009	
	Federation	Foundation	Federation	Foundation
		Total		Total
Cash flows from operating activities:				
Increase (decrease) in net assets				
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:				
Depreciation and amortization	4,883	163	8,113	7,348
Net (gain) loss on investments	38,871	(1,075,591)	21,901	4,139,251
Endowment program transfers	(166,551)	166,551	427,974	(427,974)
(Increase) decrease in operating assets:				
Pledges receivable	89,786	-	67,590	-
Other receivables	(668)	(2,696)	45,540	(4,383)
Other assets	(567)	(190)	43,642	(1,297)
Due to (from) other programs	(205,061)	205,061	(87,918)	87,918
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	9,503	-	(5,442)	-
Funds held for Gordon Jewish Community Center	-	(64,543)	-	(290,305)
Total adjustments	(229,804)	(771,245)	521,400	3,510,558
Net cash provided (used) by operating activities	(709,955)	205,945	543,767	(1,135,555)
Cash flows from investing activities:				
Purchases of furniture and equipment	-	-	-	(489)
Purchases of investments	(192,620)	(2,600,665)	(153,685)	(765,002)
Proceeds from sale/redemption of investments	1,118,633	2,597,612	159,505	1,815,597
Net cash provided (used) by investing activities	926,013	(3,053)	5,820	1,050,106
Increase (decrease) in cash and cash equivalents	216,058	202,892	549,587	(85,449)
Cash and cash equivalents at beginning of year	857,578	28,684	307,991	114,133
Cash and cash equivalents at end of year	<u>\$ 1,073,636</u>	<u>231,576</u>	<u>857,578</u>	<u>886,262</u>

See accompanying notes to the financial statements.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Statement of Functional Expenses

Year ended August 31, 2010
(with comparative totals for the year ended August 31, 2009)

	Program Expenses	Management and General Expenses			Total Expenses	
		Fund Raising	Federation	Administrative Foundation	2010	2009
Salaries	\$ -	169,503	135,403	166,336	471,242	484,975
Payroll taxes	-	11,537	9,108	11,315	31,960	31,626
Retirement plan expense	-	4,472	2,643	3,266	10,381	13,595
Employee insurance	-	11,967	13,461	11,776	37,204	41,013
Employee benefits	-	50	50	51	151	1,369
Total salaries and employee benefits	-	197,529	160,665	192,744	550,938	572,578
Allocations	1,936,794	-	-	-	1,936,794	1,480,421
Grants	818,685	-	-	-	818,685	1,259,131
Observer publication	119,309	-	-	-	119,309	117,797
Annual meeting	-	-	804	-	804	313
Automobile expenses	-	-	12	-	12	182
Campaign programs	-	22,015	-	-	22,015	21,895
Depreciation and amortization	-	-	4,883	163	5,046	15,461
Conferences	-	-	1,068	9	1,077	1,385
Bad debts	-	-	3,025	-	3,025	(3)
Insurance	-	-	5,399	-	5,399	6,712
Israel mission	-	-	-	-	-	60
Legal and professional	-	8,629	12,512	16,529	37,670	32,362
Equipment contract	-	8,567	8,567	4,896	22,030	20,604
Supplies	-	3,036	3,012	1,699	7,747	2,881
Postage	-	1,614	2,534	874	5,022	8,587
Printing and publications	-	-	4,768	3,584	8,352	7,703
Promotional events	-	-	-	-	-	846
Staff development	-	1,690	1,381	840	3,911	959
Telephone	-	4,876	4,932	2,787	12,595	8,329
Temporary labor	-	-	125	-	125	30
Miscellaneous	-	533	59,880	17,362	77,775	69,398
Total expenses	\$ 2,874,788	248,489	273,567	241,487	3,638,331	3,627,631

See accompanying notes to the financial statements.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Notes to the Financial Statements

August 31, 2010 and 2009

(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

The consolidated financial statements of the Federation are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Accounting standards codification

On June 29, 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("Codification" or "ASC") 105, *Generally Accepted Accounting Principles* ("ASC 105"). ASC 105 establishes the Codification as the sole source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). Existing GAAP was not intended to be changed as a result of the Codification, and accordingly the change did not impact the financial statements. The Codification does change the way the guidance is organized and presented.

(b) 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.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Notes to the Financial Statements

August 31, 2010 and 2009

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.

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.

(c) Cash equivalents

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

(d) 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 received 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.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Notes to the Financial Statements

August 31, 2010 and 2009

(e) 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 are 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.

(f) 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.

The Federation changed its method of accounting for uncertainty in income taxes as of September 1, 2009 as a result of adopting new principles required by GAAP. Using the new accounting, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The change had no material effect on the Federation's financial statements.

As of August 31, 2010, the Federation has accrued no interest and no penalties related to uncertain tax positions. It is the Federation's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Federation files a U.S. Federal information tax return. The Federation is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended August 31, 2007 through August 31, 2010.

(g) 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.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Notes to the Financial Statements

August 31, 2010 and 2009

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.

(h) Allocations and grants

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

(i) 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.

(j) 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.

(k) 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, 2009, from which the summarized information was derived.

(l) Events occurring after reporting date

The Federation has evaluated events and transactions that occurred between August 31, 2009 and December 27, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Notes to the Financial Statements

August 31, 2010 and 2009

(3) Credit risk and other concentrations

Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation or the Security Investors Protection Corporation ("SIPC") up to \$250,000. The Federation generally maintains accounts at financial institutions in excess of insured amounts. The Federation has not experienced any losses in such accounts and management believes the organization is not exposed to any significant credit risk related to these accounts.

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.

(4) Investments

A summary of investments at August 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 283,219	\$ 779,741
Mutual funds	17,823,425	17,652,568
Israel bonds and fixed income bonds	1,228,321	799,546
Real estate funds	<u>2,968,622</u>	<u>2,957,972</u>
	<u>\$ 22,303,587</u>	<u>\$ 22,189,827</u>

(5) Fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation's management has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

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August 31, 2010 and 2009

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measurement at fair value. There have been no changes in the methodologies used at August 31, 2010 and 2009.

- (i) *Money market and mutual funds:* Valued at the net asset value of shares held by the Federation at year-end.
- (ii) *Israel and corporate bonds:* Valued using observable inputs including benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency.
- (iii) *Real estate funds:* Valued by the custodian based on the last prior sales price on the principal board of trade or other contracts market or by quotations from the contra party bank.
- (iv) *Pledges receivable:* Valued at the net realizable value of the pledges receivable outstanding at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Federation's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Federation's assets at fair value as of August 31, 2010 and 2009:

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

Notes to the Financial Statements

August 31, 2010 and 2009

	<u>2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 283,219	\$ -	\$ -	\$ 283,219
Mutual funds:				
Fixed income	6,642,388	-	-	6,642,388
Domestic equity	8,051,576	-	-	8,051,576
International equity	<u>3,129,461</u>	<u>-</u>	<u>-</u>	<u>3,129,461</u>
	<u>17,823,425</u>	<u>-</u>	<u>-</u>	<u>17,823,425</u>
Israel and fixed income bonds	-	1,228,321	-	1,228,321
Real estate funds	-	-	2,968,622	2,968,622
Pledges receivable, net	<u>-</u>	<u>-</u>	<u>1,142,007</u>	<u>1,142,007</u>
Total	<u>\$ 18,106,644</u>	<u>\$ 1,228,321</u>	<u>\$ 4,110,629</u>	<u>\$ 23,445,594</u>

	<u>2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 779,741	\$ -	\$ -	\$ 779,741
Equity funds	10,722,247	-	-	10,722,247
Israel bonds and fixed income funds	-	7,729,867	-	7,729,867
Real estate funds	-	-	2,957,972	2,957,972
Pledges receivable, net	<u>-</u>	<u>-</u>	<u>1,231,793</u>	<u>1,231,793</u>
Total	<u>\$ 11,501,988</u>	<u>\$ 7,729,867</u>	<u>\$ 4,189,765</u>	<u>\$ 23,421,620</u>

The following table provides a summary of changes in fair value of the Federation's Level 3 assets for the year ended August 31, 2010 and 2009:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Real estate funds</u>	<u>Pledges receivable, net</u>	<u>Total</u>
Balance at August 31, 2008	\$ 3,442,529	\$ 1,299,383	\$ 4,741,912
Unrealized losses	(484,557)	-	(484,557)
New pledges	-	1,971,666	1,971,666
Pledge payments received, net	<u>-</u>	<u>(2,039,256)</u>	<u>(2,039,256)</u>
Balance at August 31, 2009	2,957,972	1,231,793	4,189,765
Unrealized gains	10,650	-	10,650
New pledges	-	1,919,712	1,919,712
Pledge payments received, net	<u>-</u>	<u>(2,009,498)</u>	<u>(2,009,498)</u>
Balance at August 31, 2010	<u>\$ 2,968,622</u>	<u>\$ 1,142,007</u>	<u>\$ 4,110,629</u>

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(6) 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 Federation does not own them, but rather they are the property of the GJCC. The Federation only administers the changes in these funds.

(7) Restricted net assets

Temporarily restricted net assets as of August 31, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Pledges received to fund the following year's allocations	\$ 2,110,563	\$ 2,172,011
Unallocated contributions in the current period for donor restricted gifts to special campaigns (Israel Crisis Fund, Israel Emergency Campaign, Operation Promise, and the 2010 Flood Relief Fund)	152,065	64,900
Various other funds established by donors for the Foundation program with contributions restricted for specific fields of interest	<u>1,861,025</u>	<u>1,729,214</u>
	<u>\$ 4,123,653</u>	<u>\$ 3,966,125</u>

(8) Endowments

The Federation's endowments were established to further the charitable purposes established by the Federation and includes funds designated by the Board of Directors to function as endowments. Contributions received for the various funds are invested in money market funds, mutual funds, Israel and fixed income bonds, and real estate funds in accordance with the investment policy statement maintained by the Federation, which states that the primary purpose of the investment activities is to provide a regular and reliable source of income to meet the needs and services of the Federation. In order to provide the means by which to support the policy objectives, the Federation will continue to maintain a diversified portfolio of investments intended to achieve a long-term return on assets that is approximately 6% greater than the rate of inflation as measured by the Consumer Price Index. Distributions from the endowments are made as determined by the Board of Directors to satisfy program objectives described in Note 2(b).

Endowment Net Asset Composition by Type of Fund

	<u>2010</u>	<u>2009</u>
Unrestricted:		
Board-designated endowments	\$ <u>19,182,160</u>	\$ <u>18,170,067</u>

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Changes in Endowment Net Assets for the Years Ended August 31, 2010 and 2009:

Balance at August 31, 2008	\$ 22,905,849
Support and revenue	(2,821,607)
Allocations, grants, expenses and transfers	<u>(1,914,175)</u>
Balance at August 31, 2009	18,170,067
Support and revenue	1,905,551
Allocations, grants, expenses and transfers	<u>(893,458)</u>
Balance at August 31, 2010	\$ <u>19,182,160</u>

(9) 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 3% (reduced from 5% as of February 1, 2009) of compensation for employees who have at least one year of service. The Federation made contributions of \$10,381 and \$13,595 to the plan in 2010 and 2009, respectively.

(10) 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.

(11) Related party transactions

During 2010, the spouse of a board member was appointed as the Executive Director of a related party organization to which allocations of funds are provided each year by the Federation.

The Federation had pledges receivable from board members and management amounting to approximately \$303,000 and \$380,000 at August 31, 2010 and 2009, respectively. Support received from board members and management amounted to approximately \$282,000 and \$276,000 in 2010 and 2009, respectively.