

**JEWISH FEDERATION OF NASHVILLE
AND MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2016 and 2015

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Jewish Federation of Nashville and Middle Tennessee (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Du + Hand, LLC

Nashville, Tennessee
December 5, 2016

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and June 30, 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 450,253	\$ 366,751
Investments	29,828,159	29,024,137
Pledges receivable, less allowance for uncollectible pledges of \$91,991 and \$81,991, respectively	1,046,955	1,069,800
Prepaid expenses	-	35,741
Note receivable	197,000	-
Other receivables	27,940	25,953
Furniture and equipment, net of accumulated depreciation of \$24,589 and \$36,274, respectively	18,578	11,228
Total assets	\$ 31,568,885	\$ 30,533,610
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 32,628	\$ 10,479
Allocations payable	330,000	305,393
Funds held for others	3,152,398	461,652
Total liabilities	3,515,026	777,524
Net assets:		
Unrestricted:		
Designated by governing board for endowment program	19,499,975	21,102,341
Other	574,648	554,639
Net investment in furniture and equipment	18,578	11,228
Total unrestricted	20,093,201	21,668,208
Temporarily restricted	7,960,658	8,087,878
Total net assets	28,053,859	29,756,086
Total liabilities and net assets	\$ 31,568,885	\$ 30,533,610

See accompanying notes.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Public support received directly	\$ 1,003,238	\$ 2,351,203	\$ 3,354,441
Net loss on investments	(1,131,102)	(439,325)	(1,570,427)
Interest and dividends, net	918,659	284,137	1,202,796
Observer publication	159,824	-	159,824
Other	91,536	-	91,536
Net assets released from restrictions:			
Annual campaign	2,084,638	(2,084,638)	-
Other	238,597	(238,597)	-
	<u>3,365,390</u>	<u>(127,220)</u>	<u>3,238,170</u>
Total support and revenue			
Expenses:			
Program services	4,137,085	-	4,137,085
Supporting services:			
Fundraising	390,818	-	390,818
Management and general	412,494	-	412,494
	<u>4,940,397</u>	<u>-</u>	<u>4,940,397</u>
Total expenses			
Change in net assets	(1,575,007)	(127,220)	(1,702,227)
Net assets - beginning of year	<u>21,668,208</u>	<u>8,087,878</u>	<u>29,756,086</u>
Net assets - end of year	<u>\$ 20,093,201</u>	<u>\$ 7,960,658</u>	<u>\$ 28,053,859</u>

See accompanying notes.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Public support received directly	\$ 1,232,606	\$ 2,296,993	\$ 3,529,599
Net gain on investments	46,080	13,259	59,339
Interest and dividends, net	470,085	126,592	596,677
Observer publication	159,889	-	159,889
Other	68,676	-	68,676
Net assets released from restrictions:			
Annual campaign	1,902,510	(1,902,510)	-
Other	401,202	(401,202)	-
	<u>4,281,048</u>	<u>133,132</u>	<u>4,414,180</u>
Total support and revenue			
Expenses:			
Program services	3,848,396	-	3,848,396
Supporting services:			
Fundraising	377,428	-	377,428
Management and general	435,315	-	435,315
	<u>4,661,139</u>	<u>-</u>	<u>4,661,139</u>
Total expenses			
Change in net assets	(380,091)	133,132	(246,959)
Net assets - beginning of year	<u>22,048,299</u>	<u>7,954,746</u>	<u>30,003,045</u>
Net assets - end of year	<u><u>\$ 21,668,208</u></u>	<u><u>\$ 8,087,878</u></u>	<u><u>\$ 29,756,086</u></u>

See accompanying notes.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,702,227)	\$ (246,959)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,718	5,956
Net loss (gain) on investments	1,570,427	(59,339)
Changes in operating assets and liabilities:		
Pledges receivable	22,845	(51,927)
Other receivables	(1,987)	(10,862)
Prepaid expense	35,741	(1,916)
Accounts payable and accrued expenses	22,149	(16,824)
Allocations payable	24,607	(13,519)
Funds held for others	<u>2,690,746</u>	<u>15,204</u>
Net cash provided by (used in) operating activities	<u>2,668,019</u>	<u>(380,186)</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	(13,068)	(10,201)
Issuance of note receivable	(197,000)	-
Purchases of investments	(17,939,863)	(18,153,003)
Proceeds from sale or redemption of investments	<u>15,565,414</u>	<u>18,430,088</u>
Net cash (used in) provided by investing activities	<u>(2,584,517)</u>	<u>266,884</u>
Net increase (decrease) in cash and cash equivalents	83,502	(113,302)
Cash and cash equivalents - beginning of year	<u>366,751</u>	<u>480,053</u>
Cash and cash equivalents - end of year	<u><u>\$ 450,253</u></u>	<u><u>\$ 366,751</u></u>

See accompanying notes.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 350,191	\$ 264,408	\$ 268,834	\$ 883,433
Payroll taxes	24,879	18,784	19,099	62,762
Employee insurance	21,326	16,102	16,371	53,799
Retirement plan expense	13,980	10,555	10,732	35,267
Employee benefits	698	528	536	1,762
Total salaries and employee benefits	411,074	310,377	315,572	1,037,023
Grants	2,670,972	-	-	2,670,972
Allocations	750,100	-	-	750,100
Campaign programs	86,002	56,628	-	142,630
Observer publication	109,483	-	-	109,483
Demographic study	52,416	-	-	52,416
Postage	19,312	2,248	3,511	25,071
Accounting fees	-	-	24,811	24,811
Conferences, meetings and travel	5,992	5,530	12,918	24,440
Contract services	12,825	-	-	12,825
Printing and publications	4,517	4,517	3,144	12,178
Other operations	2,501	2,310	5,396	10,207
Bad debt	-	-	10,000	10,000
Insurance	-	-	8,801	8,801
Staff development	2,620	4,266	1,777	8,663
Supplies	778	1,821	5,230	7,829
Memberships and subscriptions	5,798	426	1,101	7,325
Credit card fees	-	-	6,799	6,799
Depreciation and amortization	-	-	5,718	5,718
Storage and back-up	-	-	5,021	5,021
Telephone	1,352	1,352	1,352	4,056
Equipment contract	1,343	1,343	1,343	4,029
Total expenses	<u>\$ 4,137,085</u>	<u>\$ 390,818</u>	<u>\$ 412,494</u>	<u>\$ 4,940,397</u>

See accompanying notes.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 291,968	\$ 266,941	\$ 275,283	\$ 834,192
Payroll taxes	20,484	18,728	19,314	58,526
Employee insurance	19,298	17,644	18,196	55,138
Retirement plan expense	9,699	8,868	9,145	27,712
Employee benefits	489	448	461	1,398
Total salaries and employee benefits	341,938	312,629	322,399	976,966
Grants	2,503,600	-	-	2,503,600
Allocations	769,155	-	-	769,155
Observer publication	107,851	-	-	107,851
Campaign programs	25,686	38,773	-	64,459
Other operations	11,062	10,211	23,852	45,125
Demographic study	41,171	-	-	41,171
Accounting fees	-	-	25,985	25,985
Postage	16,548	1,926	3,009	21,483
Conferences, meetings and travel	4,406	4,067	9,500	17,973
Contract services	14,182	-	-	14,182
Insurance	-	-	11,030	11,030
Printing and publications	3,925	3,925	3,061	10,911
Bad debt	-	-	9,636	9,636
Storage and back-up	-	-	8,390	8,390
Depreciation and amortization	-	-	5,956	5,956
Memberships and subscriptions	4,691	345	891	5,927
Telephone	1,965	1,965	1,965	5,895
Supplies	521	1,220	3,504	5,245
Credit card fees	-	-	4,787	4,787
Staff development	1,071	1,743	726	3,540
Equipment contract	624	624	624	1,872
Total expenses	<u>\$ 3,848,396</u>	<u>\$ 377,428</u>	<u>\$ 435,315</u>	<u>\$ 4,661,139</u>

See accompanying notes.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – NATURE OF OPERATIONS

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Federation are presented 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 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. At June 30, 2016 and 2015, the Federation had no permanently restricted net assets.

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.

Cash Equivalents

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

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of approximately \$168,000 and \$155,000 for the years ended June 30, 2016 and 2015, respectively. 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.

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 furniture and equipment 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.

Income Taxes

The Federation is a not-for-profit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Federation follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Federation has no tax penalties or interest reported in the accompanying financial statements. The Federation had no uncertain tax positions at June 30, 2016. Tax years that remain open for examination include years ended June 30, 2013 through June 30, 2016.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue

Fund-raising campaigns are conducted each fall through the following spring to fund allocations for the subsequent year beginning July 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 to the annual campaign are received from Nashville and Middle Tennessee contributors. 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 statements of activities as net assets released from restrictions.

Allocations and Grants

Allocations and grants (unconditional promises to give to others) are recorded when authorized by the board of directors.

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.

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 FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Federation evaluated subsequent events through December 5, 2016, when these financial statements were available to be issued. The Federation is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – CREDIT RISK AND OTHER CONCENTRATIONS

Accounts at banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Federation generally maintains accounts at banks in excess of 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 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.

NOTE 4 – PLEDGES RECEIVABLE

The Federation has included unconditional promises to give in pledges receivable, less an allowance for uncollectible pledges. All pledges are scheduled to be received within one year.

NOTE 5 – INVESTMENTS

The Federation has adopted the provisions of the Fair Value Measurement topic of FASB ASC for its investments. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. 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 (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 has the ability to access.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 5 – INVESTMENTS (Continued)

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 the 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.

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. There have been no changes in the methodologies used during the years ended June 30, 2016 and 2015.

The following is a description of the valuation methodologies used for asset measurement at fair value.

- *Fixed income securities, money market, and mutual funds:* Valued at the net asset value of shares held by the Federation at year-end.
- *Israel and fixed income bonds:* Valued using observable inputs including benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency.
- *Alternative investment funds:* Valued by applicable fund administrator based on reported values of underlying funds.

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.

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 5 – INVESTMENTS (Continued)

The following table sets forth the Federation's major categories of investments measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 84,079	\$ -	\$ -	\$ 84,079
Mutual funds:				
Fixed income	9,738,623	-	-	9,738,623
Domestic equity	8,752,552	-	-	8,752,552
International equity	4,281,160	-	-	4,281,160
Government bonds	399,976	-	-	399,976
Israel and fixed income bonds	-	785,000	-	785,000
Alternative investment funds	<u>-</u>	<u>-</u>	<u>5,786,769</u>	<u>5,786,769</u>
Total	<u>\$ 23,256,390</u>	<u>\$ 785,000</u>	<u>\$ 5,786,769</u>	<u>\$ 29,828,159</u>

The following table sets forth the Federation's major categories of investments measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 15,037	\$ -	\$ -	\$ 15,037
Mutual funds:				
Fixed income	9,191,029	-	-	9,191,029
Domestic equity	8,587,354	-	-	8,587,354
International equity	4,500,803	-	-	4,500,803
Government bonds	467,966	-	-	467,966
Israel and fixed income bonds	-	1,058,177	-	1,058,177
Alternative investment funds	<u>-</u>	<u>-</u>	<u>5,203,771</u>	<u>5,203,771</u>
Total	<u>\$ 22,762,189</u>	<u>\$ 1,058,177</u>	<u>\$ 5,203,771</u>	<u>\$ 29,024,137</u>

The following table sets forth a summary of changes in the fair value of the Federation's Level 3 alternative investment funds for the year ended June 30, 2016:

Balance at June 30, 2015	\$ 5,203,771
Sales	(123,461)
Purchases	778,359
Unrealized loss	<u>(71,900)</u>
Balance at June 30, 2016	<u>\$ 5,786,769</u>

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 5 – INVESTMENTS (Continued)

The following table sets forth a summary of changes in the fair value of the Federation's Level 3 alternative investment funds for the year ended June 30, 2015:

Balance at June 30, 2014	\$ 5,922,270
Sales	(1,234,509)
Purchases	140,892
Unrealized gain	<u>375,118</u>
Balance at June 30, 2015	<u>\$ 5,203,771</u>

NOTE 6 – FUNDS HELD FOR OTHERS

The funds held for the Gordon Jewish Community Center ("GJCC"), Akiva School and Vanderbilt Hillel, Inc. are agency 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, Akiva School and Vanderbilt Hillel, Inc. The Federation only administers the changes in these funds. Funds held for others were as follows at June 30:

	<u>2016</u>	<u>2015</u>
Vanderbilt Hillel, Inc.	\$ 2,710,751	\$ -
Gordon Jewish Community Center	350,926	365,331
Akiva School	<u>90,721</u>	<u>96,321</u>
Total funds held for others	<u>\$ 3,152,398</u>	<u>\$ 461,652</u>

NOTE 7 – RESTRICTED NET ASSETS

Total restricted net assets as of June 30 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Contributions received to fund the following year's allocations	\$ 2,312,832	\$ 2,098,574
Various other funds established by donors for the Foundation program with contributions restricted for specific fields of interest	<u>5,647,826</u>	<u>5,989,304</u>
Total restricted net assets	<u>\$ 7,960,658</u>	<u>\$ 8,087,878</u>

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 8 – ENDOWMENTS

The Federation's endowments were created to further the charitable purposes established by the Federation and include 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 alternative investment 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 1.

Endowment Net Asset Composition by Type of Fund at June 30, 2016:

Unrestricted:	
Board-designated endowments	\$ <u>19,499,975</u>

Changes in Endowment Net Assets for the year ended June 30, 2016:

Balance at June 30, 2015	\$ 21,102,341
Support, revenue and transfers	1,089,387
Allocations, grants, expenses and transfers	<u>(2,691,753)</u>
Balance at June 30, 2016	\$ <u>19,499,975</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2015:

Unrestricted:	
Board-designated endowments	\$ <u>21,102,341</u>

Changes in Endowment Net Assets for the year ended June 30, 2015:

Balance at June 30, 2014	\$ 21,269,082
Support, revenue and transfers	2,043,130
Allocations, grants, expenses and transfers	<u>(2,209,871)</u>
Balance at June 30, 2015	\$ <u>21,102,341</u>

JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 9 – VANDERBILT HILLEL ENDOWED FUNDS

Approximately \$2,900,000 of donor-restricted funds were transferred to the Federation's investment accounts from Vanderbilt University as a charitable endowment ("Endowed Funds") for the perpetual benefit and support of Vanderbilt Hillel, Inc. activities that enhance Jewish life at the University. The Federation has agreed to hold, manage, invest, and reinvest the Endowed Funds; if Vanderbilt Hillel, Inc. ever ceases to exist, the Endowed Funds balance will be transferred to Vanderbilt University's endowment. Also under the agreement, the Federation has agreed to distribute 5% of the fair market value of the Endowed Funds based on a trailing twelve month rolling market average.

The Federation loaned \$197,000 to Vanderbilt Hillel, Inc. effective July 31, 2015. The unpaid principal and accrued interest, at the rate of 4.25% per annum, was repaid on August 12, 2016. In addition, the Federation guaranteed a bank loan issued in December 2015 to Vanderbilt Hillel, Inc. in the amount \$125,000.

NOTE 10 – 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 up to 5% of compensation for employees who have at least one year of service. The Federation made contributions of \$35,267 and \$27,712 to the plan during the years ended June 30, 2016 and 2015, respectively. Additionally, the Federation has established a deferred compensation plan for the benefit of one employee in which this employee receives contributions in amounts as determined by the board of directors.

NOTE 11 – 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.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Federation uses the services of a financial institution which has one officer that serves on the Federation's board of directors. In addition, certain board members serve on boards of organizations that receive Federation grants.

The Federation received pledges from board members and employees amounting to approximately \$183,000 and \$159,000 for the years ended June 30, 2016 and 2015, respectively.