

**JEWISH FEDERATION OF NASHVILLE  
AND MIDDLE TENNESSEE**

**FINANCIAL STATEMENTS**

*As of and for the Years Ended June 30, 2019 and 2018*

*And Report of Independent Auditor*

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**TABLE OF CONTENTS**

---

**REPORT OF INDEPENDENT AUDITOR ..... 1-2**

**FINANCIAL STATEMENTS**

Statements of Financial Position .....3  
Statements of Activities ..... 4-5  
Statements of Cash Flows.....6  
Statements of Functional Expenses ..... 7-8  
Notes to the Financial Statements..... 9-18

## **Report of Independent Auditor**

To the Board of Directors  
Jewish Federation of Nashville and Middle Tennessee  
Nashville, Tennessee

We have audited the accompanying financial statements of Jewish Federation of Nashville and Middle Tennessee (the "Federation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 audits 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 Jewish Federation of Nashville and Middle Tennessee as of June 30, 2019 and 2018, 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.

**Changes in Financial Statement Presentation**

As discussed in Note 2 of the financial statements, Jewish Federation of Nashville and Middle Tennessee adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cheryl Bekant LLP

Nashville, Tennessee  
November 22, 2019

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2019 AND 2018*

|  | <b>2019</b>          | <b>2018</b>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Cash and cash equivalents  | \$ 729,447           | \$ 277,734           |
| Investments  | 35,168,764           | 34,285,513           |
| Pledges receivable, less allowance for uncollectible<br>pledges of \$91,991 and \$91,991, respectively | 777,725              | 806,275              |
| Other receivables  | 31,377               | 22,195               |
| Prepaid expenses   | 650                  | -                    |
| Furniture and equipment, net of accumulated<br>depreciation of \$48,188 and \$36,095 respectively      | 25,290               | 35,630               |
| <b>Total Assets</b>  | <b>\$ 36,733,253</b> | <b>\$ 35,427,347</b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                      |                      |
| Liabilities:   |                      |                      |
| Accounts payable and accrued expenses  | \$ 46,355            | \$ 89,875            |
| Allocations payable  | 268,385              | 268,385              |
| Funds held for others  | 5,935,649            | 4,505,608            |
| <b>Total Liabilities</b>   | <b>6,250,389</b>     | <b>4,863,868</b>     |
| Net Assets:  |                      |                      |
| Without Donor Restrictions:  |                      |                      |
| Designated by governing board for endowment program  | 20,398,552           | 20,909,227           |
| Undesignated   | 207,724              | 508,589              |
| Board designated   | 593,046              | 588,892              |
| <b>Total Without Donor Restrictions</b>  | <b>21,199,322</b>    | <b>22,006,708</b>    |
| With Donor Restrictions  | 9,283,542            | 8,556,771            |
| <b>Total Net Assets</b>  | <b>30,482,864</b>    | <b>30,563,479</b>    |
| <b>Total Liabilities and Net Assets</b>  | <b>\$ 36,733,253</b> | <b>\$ 35,427,347</b> |

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2019*

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
|--|---------------------------------------|------------------------------------|----------------------|
| Support and Revenue:                   |                                       |                                    |                      |
| Public support received directly       | \$ 431,069                            | \$ 2,674,562                       | \$ 3,105,631         |
| Investment income, net                 | 1,085,598                             | 405,463                            | 1,491,061            |
| Observer publication                   | 201,008                               | -                                  | 201,008              |
| Other                                  | 119,323                               | -                                  | 119,323              |
| Net Assets Released from Restrictions: |                                       |                                    |                      |
| Annual campaign                        | 2,112,443                             | (2,112,443)                        | -                    |
| Other                                  | 240,811                               | (240,811)                          | -                    |
| Total Support and Revenue              | <u>4,190,252</u>                      | <u>726,771</u>                     | <u>4,917,023</u>     |
| Expenses:                              |                                       |                                    |                      |
| Program services                       | 3,987,979                             | -                                  | 3,987,979            |
| Supporting Services:                   |                                       |                                    |                      |
| Fundraising                            | 519,013                               | -                                  | 519,013              |
| Management and general                 | <u>490,646</u>                        | <u>-</u>                           | <u>490,646</u>       |
| Total Expenses                         | <u>4,997,638</u>                      | <u>-</u>                           | <u>4,997,638</u>     |
| Change in net assets                   | (807,386)                             | 726,771                            | (80,615)             |
| Net assets, beginning of year          | <u>22,006,708</u>                     | <u>8,556,771</u>                   | <u>30,563,479</u>    |
| Net assets, end of year                | <u>\$ 21,199,322</u>                  | <u>\$ 9,283,542</u>                | <u>\$ 30,482,864</u> |

The accompanying notes to the financial statements are an integral part of these statements.

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2018*

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
|--|---------------------------------------|------------------------------------|----------------------|
| Support and Revenue:                   |                                       |                                    |                      |
| Public support received directly       | \$ 933,538                            | \$ 2,193,224                       | \$ 3,126,762         |
| Investment income, net                 | 1,680,469                             | 421,535                            | 2,102,004            |
| Observer publication                   | 183,707                               | -                                  | 183,707              |
| Other                                  | 105,659                               | -                                  | 105,659              |
| Net Assets Released from Restrictions: |                                       |                                    |                      |
| Annual campaign                        | 1,987,881                             | (1,987,881)                        | -                    |
| Other                                  | 340,688                               | (340,688)                          | -                    |
| Total Support and Revenue              | <u>5,231,942</u>                      | <u>286,190</u>                     | <u>5,518,132</u>     |
| Expenses:                              |                                       |                                    |                      |
| Program services                       | 4,425,045                             | -                                  | 4,425,045            |
| Supporting Services:                   |                                       |                                    |                      |
| Fundraising                            | 626,711                               | -                                  | 626,711              |
| Management and general                 | 465,958                               | -                                  | 465,958              |
| Total Expenses                         | <u>5,517,714</u>                      | <u>-</u>                           | <u>5,517,714</u>     |
| Change in net assets                   | (285,772)                             | 286,190                            | 418                  |
| Net assets, beginning of year          | <u>22,292,480</u>                     | <u>8,270,581</u>                   | <u>30,563,061</u>    |
| Net assets, end of year                | <u>\$ 22,006,708</u>                  | <u>\$ 8,556,771</u>                | <u>\$ 30,563,479</u> |

The accompanying notes to the financial statements are an integral part of these statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>            |                   |                   |
| Change in net assets                                    | \$ (80,615)       | \$ 418            |
| Adjustments to reconcile change in net assets           |                   |                   |
| to net cash provided by (used in) operating activities: |                   |                   |
| Depreciation  | 12,093            | 6,033             |
| Net gain on investments                                 | (33,851)          | (925,748)         |
| Changes in operating assets and liabilities:            |                   |                   |
| Pledges receivable                                      | 28,550            | 76,727            |
| Other receivables                                       | (9,182)           | 2,856             |
| Prepaid expense   | (650)             | -                 |
| Accounts payable and accrued expenses                   | (43,520)          | (13,925)          |
| Allocations payable                                     | -                 | 1                 |
| Funds held for others                                   | 1,430,041         | 551,119           |
| Net cash provided by (used in) operating activities     | <u>1,302,866</u>  | <u>(302,519)</u>  |
| <b>Cash flows from investing activities:</b>            |                   |                   |
| Purchases of furniture and equipment                    | (1,753)           | (28,557)          |
| Purchases of investments                                | (15,734,421)      | (14,299,708)      |
| Proceeds from sale or redemption of investments         | 14,885,021        | 13,865,946        |
| Net cash used in investing activities                   | <u>(851,153)</u>  | <u>(462,319)</u>  |
| Net increase (decrease) in cash and cash equivalents    | 451,713           | (764,838)         |
| Cash and cash equivalents, beginning of year            | 277,734           | 1,042,572         |
| Cash and cash equivalents, end of year                  | <u>\$ 729,447</u> | <u>\$ 277,734</u> |

The accompanying notes to the financial statements are an integral part of these statements.



**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2019*

|                                      | <b>Program<br/>Services</b> | <b>Fundraising</b> | <b>Management<br/>and General</b> | <b>Total</b>        |
|--------------------------------------|-----------------------------|--------------------|-----------------------------------|---------------------|
| Salaries                             | \$ 402,070                  | \$ 309,989         | \$ 334,347                        | \$ 1,046,406        |
| Payroll taxes                        | 30,893                      | 23,818             | 25,689                            | 80,400              |
| Employee insurance                   | 22,887                      | 17,646             | 19,032                            | 59,565              |
| Retirement plan expense              | 9,398                       | 7,245              | 7,815                             | 24,458              |
| Employee benefits                    | 1,978                       | 1,526              | 1,646                             | 5,150               |
| Total Salaries and Employee Benefits | 467,226                     | 360,224            | 388,529                           | 1,215,979           |
| Grants                               | 3,258,073                   | -                  | -                                 | 3,258,073           |
| Campaign programs                    | 44,106                      | 91,508             | -                                 | 135,614             |
| Observer publication                 | 133,099                     | -                  | -                                 | 133,099             |
| Equipment contract                   | 12,916                      | 12,878             | 12,878                            | 38,672              |
| Contract services                    | 34,313                      | -                  | -                                 | 34,313              |
| Life and legacy                      | -                           | 30,701             | -                                 | 30,701              |
| Other operations                     | 2,547                       | 2,350              | 5,490                             | 10,387              |
| Legal and accounting fees            | -                           | -                  | 28,672                            | 28,672              |
| Postage                              | 16,006                      | 1,863              | 2,910                             | 20,779              |
| Staff development                    | 5,530                       | 9,006              | 3,751                             | 18,287              |
| Printing and publications            | 4,808                       | 4,794              | 4,794                             | 14,396              |
| Conferences, meetings, and travel    | 3,429                       | 3,165              | 7,394                             | 13,988              |
| Depreciation                         | -                           | -                  | 12,093                            | 12,093              |
| Insurance                            | -                           | -                  | 7,507                             | 7,507               |
| Storage and back-up                  | -                           | -                  | 5,807                             | 5,807               |
| Credit card fees                     | -                           | -                  | 5,596                             | 5,596               |
| Memberships and subscriptions        | 4,392                       | 323                | 834                               | 5,549               |
| Supplies                             | 500                         | 1,170              | 3,360                             | 5,030               |
| Telephone                            | 1,034                       | 1,031              | 1,031                             | 3,096               |
| Total Expenses                       | <u>\$ 3,987,979</u>         | <u>\$ 519,013</u>  | <u>\$ 490,646</u>                 | <u>\$ 4,997,638</u> |

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2018*

|                                      | <b>Program<br/>Services</b> | <b>Fundraising</b> | <b>Management<br/>and General</b> | <b>Total</b>        |
|--------------------------------------|-----------------------------|--------------------|-----------------------------------|---------------------|
| Salaries                             | \$ 346,749                  | \$ 384,977         | \$ 295,255                        | \$ 1,026,981        |
| Payroll taxes                        | 25,586                      | 28,407             | 21,786                            | 75,779              |
| Employee insurance                   | 17,952                      | 19,932             | 15,286                            | 53,170              |
| Retirement plan expense              | 16,165                      | 17,947             | 13,764                            | 47,876              |
| Employee benefits                    | 1,232                       | 1,367              | 1,049                             | 3,648               |
| Total Salaries and Employee Benefits | 407,684                     | 452,630            | 347,140                           | 1,207,454           |
| Grants                               | 3,729,931                   | -                  | -                                 | 3,729,931           |
| Observer publication                 | 158,142                     | -                  | -                                 | 158,142             |
| Campaign programs                    | 17,313                      | 93,041             | -                                 | 110,354             |
| Conferences, meetings, and travel    | 15,016                      | 13,860             | 32,376                            | 61,252              |
| Other operations                     | 31,074                      | 5,606              | 13,096                            | 49,776              |
| Life and legacy                      | -                           | 36,481             | -                                 | 36,481              |
| Printing and publications            | 9,013                       | 9,013              | 7,300                             | 25,326              |
| Postage                              | 18,726                      | 2,180              | 3,405                             | 24,311              |
| Accounting fees                      | -                           | -                  | 23,706                            | 23,706              |
| Contract services                    | 22,777                      | -                  | -                                 | 22,777              |
| Staff development                    | 5,139                       | 8,368              | 3,485                             | 16,992              |
| Supplies                             | 1,051                       | 2,461              | 7,069                             | 10,581              |
| Memberships and subscriptions        | 6,592                       | 484                | 1,252                             | 8,328               |
| Insurance                            | -                           | -                  | 6,767                             | 6,767               |
| Credit card fees                     | -                           | -                  | 6,631                             | 6,631               |
| Depreciation                         | -                           | -                  | 6,033                             | 6,033               |
| Storage and back-up                  | -                           | -                  | 5,110                             | 5,110               |
| Equipment contract                   | 1,297                       | 1,297              | 1,297                             | 3,891               |
| Telephone                            | 1,290                       | 1,290              | 1,291                             | 3,871               |
| Total Expenses                       | <u>\$ 4,425,045</u>         | <u>\$ 626,711</u>  | <u>\$ 465,958</u>                 | <u>\$ 5,517,714</u> |

The accompanying notes to the financial statements are an integral part of these statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

---

### **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:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. All contributions are considered available for general use unless specifically restricted by the donor.

*Net Assets With Donor Restrictions* – 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

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

*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 \$165,000 and \$191,000 for the years ended June 30, 2019 and 2018, respectively. Investment income is reported in the period earned as an increase in net assets without donor restrictions 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 net assets without donor restrictions 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 net assets with donor restrictions 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.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

---

### **Note 2—Summary of significant accounting policies (continued)**

*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.

*Support and Revenue* – Fundraising 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 net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 based on estimated time and effort.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

*Subsequent Events* – The Federation evaluated subsequent events through November 22, 2019, 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.

*Reclassifications* – The Federation has made certain reclassifications to the 2018 net assets without donor restrictions balance to conform to the 2019 presentation.

*New Accounting Pronouncement* – On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Federation has adopted these new accounting requirements retrospectively to all periods presented in these financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 2—Summary of significant accounting policies (continued)

*Future Pronouncements – Revenue Recognition* – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending June 30, 2020. The Federation is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. The Federation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

### Note 3—Liquidity and availability

The Federation regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Federation considers all expenditures related to its ongoing activities of providing programs and services to develop and strengthen Jewish community life as well as conduct of services undertaken to support those activities to be general expenditures.

As a part of the Federation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

|   | 2019       | 2018       |
|---|------------|------------|
| Financial assets at year end:   |            |            |
| Cash and cash equivalents   | \$ 729,447 | \$ 277,734 |
| Pledges receivable, net   | 777,725    | 806,275    |
| Other receivables   | 31,377     | 22,195     |
| Investments   | 35,168,764 | 34,285,513 |
| Total financial assets  | 36,707,313 | 35,391,717 |
| Less amounts not available to be used for general expenditures within one year: |            |            |
| Purpose and time restrictions   | 9,283,542  | 8,556,771  |
| Board designations  | 20,991,598 | 21,498,119 |
| Funds held for others   | 5,935,649  | 4,505,608  |
| Financial assets not available to be used within one year                       | 36,210,789 | 34,560,498 |
| Financial assets available to meet general expenditures within one year         | \$ 496,524 | \$ 831,219 |

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

---

### Note 4—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. Uninsured balances were approximately \$450,800 and \$194,000 as of June 30, 2019 and 2018, respectively.

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 5—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 6—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.

*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; and
- 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, 2019 and 2018.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 6—Investments (continued)

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.

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, 2019:

|                               | Level 1              | Level 2           | Level 3             | Total                |
|-------------------------------|----------------------|-------------------|---------------------|----------------------|
| Cash and cash equivalents     | \$ 42,803            | \$ -              | \$ -                | \$ 42,803            |
| Mutual funds:                 |                      |                   |                     |                      |
| Fixed income                  | 11,275,591           | -                 | -                   | 11,275,591           |
| Domestic equity               | 8,622,691            | -                 | -                   | 8,622,691            |
| International equity          | 6,544,343            | -                 | -                   | 6,544,343            |
| Israel and fixed income bonds | 489,382              | 734,987           | -                   | 1,224,369            |
| Alternative investment funds  | -                    | -                 | 7,458,967           | 7,458,967            |
| Total                         | <u>\$ 26,974,810</u> | <u>\$ 734,987</u> | <u>\$ 7,458,967</u> | <u>\$ 35,168,764</u> |

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 6—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, 2018:

|                               | Level 1              | Level 2           | Level 3             | Total                |
|-------------------------------|----------------------|-------------------|---------------------|----------------------|
| Cash and cash equivalents     | \$ 24,977            | \$ -              | \$ -                | \$ 24,977            |
| Mutual funds:                 |                      |                   |                     |                      |
| Fixed income                  | 11,379,120           | -                 | -                   | 11,379,120           |
| Domestic equity               | 8,195,424            | -                 | -                   | 8,195,424            |
| International equity          | 5,918,077            | -                 | -                   | 5,918,077            |
| Israel and fixed income bonds | 478,565              | 763,855           | -                   | 1,242,420            |
| Alternative investment funds  | -                    | -                 | 7,525,495           | 7,525,495            |
| Total                         | <u>\$ 25,996,163</u> | <u>\$ 763,855</u> | <u>\$ 7,525,495</u> | <u>\$ 34,285,513</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, 2019:

|                        |                     |
|------------------------|---------------------|
| Balance, June 30, 2018 | \$ 7,525,495        |
| Sales                  | (284,388)           |
| Purchases              | 169,662             |
| Unrealized gain        | 48,198              |
| Balance, June 30, 2019 | <u>\$ 7,458,967</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, 2018:

|                        |                     |
|------------------------|---------------------|
| Balance, June 30, 2017 | \$ 6,733,829        |
| Sales                  | (96,000)            |
| Purchases              | 272,133             |
| Unrealized gain        | 615,533             |
| Balance, June 30, 2018 | <u>\$ 7,525,495</u> |



# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 7—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:

|   | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|
| Vanderbilt Hillel, Inc.                   | \$ 4,158,018        | \$ 3,899,856        |
| Gordon Jewish Community Center            | 560,120             | 456,736             |
| Akiva School                              | 647,107             | 149,016             |
| Jewish Family Service                     | 25,506              | -                   |
| Congregation Sherith Israel Cemetery Fund | 544,898             | -                   |
| Total funds held for others               | <u>\$ 5,935,649</u> | <u>\$ 4,505,608</u> |

### Note 8—Net assets with donor restrictions

Total net assets with donor restrictions are available for the following purposes at June 30:

|   | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|
| Contributions received to fund the following year's allocations   | \$ 1,787,554        | \$ 2,112,443        |
| Earl Kirshner Loan Fund   | 20,873              | 20,873              |
| Gesher/Bridge Fund  | 34,493              | 34,493              |
| Various other funds established by donors for the foundation<br>program with contributions restricted for specific fields of interest | <u>7,440,622</u>    | <u>6,388,962</u>    |
| Total restricted net assets   | <u>\$ 9,283,542</u> | <u>\$ 8,556,771</u> |

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Note 9—Board designated net assets

Board designated net assets are comprised of following at June 30:

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| Endowment program                         | \$ 20,398,552        | \$ 20,909,227        |
| Technology                                | 152,578              | 141,078              |
| New Initiatives                           | 103,038              | 103,038              |
| Reserve funds                             | -                    | 32,718               |
| Local P2G                                 | 8,402                | 4,201                |
| Jewish Sleep Away Camp Scholarships       | 4,471                | 5,492                |
| Mission Fund                              | 40,389               | 74,746               |
| President and Executive Fund              | 30,235               | 11,425               |
| Board Discretionary Fund                  | 164,784              | 180,564              |
| Security                                  | 63,859               | -                    |
| Net investment in furniture and equipment | 25,290               | 35,630               |
| Total board designated net assets         | <u>\$ 20,991,598</u> | <u>\$ 21,498,119</u> |

### Note 10—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, 2019:

|                             |                      |
|-----------------------------|----------------------|
| Unrestricted:               |                      |
| Board-designated endowments | <u>\$ 20,398,552</u> |

Changes in endowment net assets for the year ended June 30, 2019:

|  |                      |
|--|----------------------|
| Balance, June 30, 2018                       | \$ 20,909,227        |
| Support, revenue, and transfers              | 1,483,687            |
| Allocations, grants, expenses, and transfers | <u>(1,994,362)</u>   |
| Balance, June 30, 2019                       | <u>\$ 20,398,552</u> |

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

---

### Note 10—Endowments (continued)

Endowment net asset composition by type of fund at June 30, 2018:

|                             |                      |
|-----------------------------|----------------------|
| Unrestricted:               |                      |
| Board-designated endowments | <u>\$ 20,909,227</u> |

Changes in endowment net assets for the year ended June 30, 2018:

|  |                      |
|--|----------------------|
| Balance, June 30, 2017                       | \$ 20,912,199        |
| Support, revenue, and transfers              | 2,373,395            |
| Allocations, grants, expenses, and transfers | <u>(2,376,367)</u>   |
| Balance, June 30, 2018                       | <u>\$ 20,909,227</u> |

### Note 11—Vanderbilt Hillel Endowed Funds

Approximately \$2,900,000 of donor-restricted funds were transferred to the Federation's investment accounts from Vanderbilt University (the "University") during the year ended June 30, 2016 as a charitable endowment ("Endowed Funds") for the perpetual benefit and support of Vanderbilt Hillel, Inc.'s 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 the University's endowment. During the years ended June 30, 2019 and 2018, the Federation received additional funds of approximately \$253,000 and \$400,000, respectively, for Endowed Funds. Also under the agreement, the Federation has agreed to distribute 5% of the fair market value of the Endowed Funds based on a trailing 12-month rolling market average. All such funds held for the benefit of Vanderbilt Hillel, Inc. are reported as funds held for others in the accompanying statements of financial position.

### Note 12—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 \$24,458 and \$47,876 to the plan during the years ended June 30, 2019 and 2018, 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 13—Donated services and facilities

The value of services donated by individuals in annual fundraising 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 GJCC. In management's opinion, such reporting does not materially affect the financial statements.

### Note 14—Related party transactions

The Federation has outstanding pledges from board members and employees amounting to approximately \$75,000 and \$274,000 for the years ended June 30, 2019 and 2018, respectively.