

**JEWISH FEDERATION OF NASHVILLE  
AND MIDDLE TENNESSEE**

**FINANCIAL STATEMENTS**

***As of and for the Years Ended June 30, 2018  
and 2017***

***And Report of Independent Auditor***

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
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## **Report of Independent Auditor**

The Board of Directors  
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 (the "Federation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 13 to the financial statements, the Federation restated the classification of net assets and funds held for others at June 30, 2017 to properly reflect temporarily restricted net assets, funds held for others, and support and revenue. Our opinion is not modified with respect to that matter.

**Prior Year Financial Statements**

The financial statements of Jewish Federation of Nashville and Middle Tennessee as of June 30, 2017, were audited by other auditors whose report dated November 13, 2017, expressed an unmodified opinion on those statements.

*Cheng Bekeant LLP*

Nashville, Tennessee  
November 26, 2018

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

*JUNE 30, 2018 AND 2017*

	<b>2018</b>	<b>(AS RESTATED) 2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 277,734	\$ 1,042,572
Investments	34,285,513	32,926,003
Pledges receivable, less allowance for uncollectible pledges of \$91,991 and \$91,991, respectively	806,275	883,002
Other receivables	22,195	25,051
Furniture and equipment, net of accumulated depreciation of \$36,095 and \$30,061 respectively	35,630	13,106
<b>Total Assets</b>	<b>\$ 35,427,347</b>	<b>\$ 34,889,734</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 89,875	\$ 103,800
Allocations payable	268,385	268,384
Funds held for others	4,505,608	3,954,489
<b>Total Liabilities</b>	<b>4,863,868</b>	<b>4,326,673</b>
Net Assets:		
Unrestricted:		
Designated by governing board for endowment program	21,798,128	21,801,100
Other	172,950	478,274
Net investment in furniture and equipment	35,630	13,106
Total Unrestricted	22,006,708	22,292,480
Temporarily restricted	8,556,771	8,270,581
<b>Total Net Assets</b>	<b>30,563,479</b>	<b>30,563,061</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 35,427,347</b>	<b>\$ 34,889,734</b>

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

*YEAR ENDED JUNE 30, 2018*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Support and Revenue:			
Public support received directly	\$ 933,538	\$ 2,193,224	\$ 3,126,762
Net gain on investments	860,729	65,019	925,748
Interest and dividends, net	819,740	356,516	1,176,256
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**  
**STATEMENT OF ACTIVITIES (AS RESTATED)**

*YEAR ENDED JUNE 30, 2017*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Support and Revenue:			
Public support received directly	\$ 1,614,871	\$ 2,063,211	\$ 3,678,082
Net gain on investments	2,346,744	591,871	2,938,615
Interest and dividends, net	312,317	163,021	475,338
Observer publication	180,057	-	180,057
Other	107,420	-	107,420
Net assets released from restrictions:			
Annual campaign	2,256,716	(2,256,716)	-
Other	251,464	(251,464)	-
Total Support and Revenue	<u>7,069,589</u>	<u>309,923</u>	<u>7,379,512</u>
Expenses:			
Program services	3,987,162	-	3,987,162
Supporting services:			
Fundraising	477,602	-	477,602
Management and general	405,546	-	405,546
Total Expenses	<u>4,870,310</u>	<u>-</u>	<u>4,870,310</u>
Change in net assets	2,199,279	309,923	2,509,202
Net assets, beginning of year	<u>20,093,201</u>	<u>7,960,658</u>	<u>28,053,859</u>
Net assets, end of year	<u>\$ 22,292,480</u>	<u>\$ 8,270,581</u>	<u>\$ 30,563,061</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, 2018 AND 2017

	2018	(AS RESTATED) 2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 418	\$ 2,509,202
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,033	5,472
Net gain on investments	(925,748)	(2,938,615)
Changes in operating assets and liabilities:		
Pledges receivable	76,727	163,953
Other receivables	2,856	2,889
Accounts payable and accrued expenses	(13,925)	71,172
Allocations payable	1	(61,616)
Funds held for others	551,119	802,091
Net cash (used in) provided by operating activities	<u>(302,519)</u>	<u>554,548</u>
<b>Cash flows from investing activities:</b>		
Purchases of furniture and equipment	(28,557)	-
Repayment of note receivable	-	197,000
Purchases of investments	(14,299,708)	(9,575,982)
Proceeds from sale or redemption of investments	13,865,946	9,416,753
Net cash (used in) provided by investing activities	<u>(462,319)</u>	<u>37,771</u>
Net (decrease) increase in cash and cash equivalents	(764,838)	592,319
Cash and cash equivalents, beginning of year	1,042,572	450,253
Cash and cash equivalents, end of year	<u>\$ 277,734</u>	<u>\$ 1,042,572</u>



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

*YEAR ENDED JUNE 30, 2018*

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management 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 and amortization	-	-	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>

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES (AS RESTATED)**

*YEAR ENDED JUNE 30, 2017*

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 344,412	\$ 307,258	\$ 264,398	\$ 916,068
Payroll taxes	24,558	21,909	18,853	65,320
Employee insurance	20,024	17,864	15,372	53,260
Retirement plan expense	17,252	15,391	13,244	45,887
Employee benefits	640	571	492	1,703
Total Salaries and Employee Benefits	406,886	362,993	312,359	1,082,238
Grants	3,361,222	-	-	3,361,222
Observer publication	131,953	-	-	131,953
Campaign programs	12,764	80,085	-	92,849
Contract services	27,900	-	-	27,900
Accounting fees	-	-	25,739	25,739
Postage	17,796	2,071	3,236	23,103
Other operations	5,275	4,869	11,376	21,520
Conferences, meetings, and travel	4,993	4,609	10,764	20,366
Printing and publications	5,599	5,599	4,163	15,361
Supplies	1,004	2,349	6,749	10,102
Staff development	2,841	4,626	1,926	9,393
Insurance	-	-	8,934	8,934
Memberships and subscriptions	6,749	496	1,281	8,526
Life and legacy	-	7,725	-	7,725
Credit card fees	-	-	6,492	6,492
Depreciation and amortization	-	-	5,472	5,472
Telephone	1,762	1,762	1,763	5,287
Storage and back-up	-	-	4,874	4,874
Equipment contract	418	418	418	1,254
Total Expenses	<u>\$ 3,987,162</u>	<u>\$ 477,602</u>	<u>\$ 405,546</u>	<u>\$ 4,870,310</u>

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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### **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, 2018 and 2017, 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.

*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 \$191,000 and \$175,000 for the years ended June 30, 2018 and 2017, 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.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

*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 50% 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, 2018.

*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 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 ("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.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

*Subsequent Events* – The Federation evaluated subsequent events through November 26, 2018, 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.

*Future Pronouncements* – In May 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under 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 will be effective for the Federation on July 1, 2019. The Federation is currently evaluating the effect of the implementation of this new standard.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU will be effective for the Federation on July 1, 2018. Early adoption is permitted. The Federation is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard will be effective for the Federation on July 1, 2019. Early adoption is permitted. The Federation is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

### **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.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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### 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.

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, 2018 and 2017.

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

JUNE 30, 2018 AND 2017

### 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, 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
Bonds	478,565	-	-	478,565
Israel and fixed income bonds	-	763,855	-	763,855
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 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, 2017:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 19,934	\$ -	\$ -	\$ 19,934
Mutual funds:				
Fixed income	9,334,256	-	-	9,334,256
Domestic equity	9,949,728	-	-	9,949,728
International equity	5,639,052	-	-	5,639,052
Bonds	464,538	-	-	464,538
Israel and fixed income bonds	-	784,666	-	784,666
Alternative investment funds	-	-	6,733,829	6,733,829
Total	<u>\$ 25,407,508</u>	<u>\$ 784,666</u>	<u>\$ 6,733,829</u>	<u>\$ 32,926,003</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, 2018 AND 2017

### 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, 2017:

Balance, June 30, 2016	\$ 5,786,769
Sales	(16,800)
Purchases	156,000
Unrealized gain	807,860
Balance, June 30, 2017	<u>\$ 6,733,829</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:

	2018	(AS RESTATED) 2017
Vanderbilt Hillel, Inc.	\$ 3,899,856	\$ 3,437,286
Gordon Jewish Community Center	456,736	396,524
Akiva School	149,016	120,679
Total funds held for others	<u>\$ 4,505,608</u>	<u>\$ 3,954,489</u>

### Note 7—Restricted net assets

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

	2018	(AS RESTATED) 2017
Contributions received to fund the following year's allocations	\$ 2,167,809	\$ 2,043,247
Various other funds established by donors for the Foundation program with contributions restricted for specific fields of interest	6,388,962	6,227,334
Total restricted net assets	<u>\$ 8,556,771</u>	<u>\$ 8,270,581</u>



# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### 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, 2018:

Unrestricted:

Board-designated endowments	<u>\$ 21,798,128</u>
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Changes in Endowment Net Assets for the year ended June 30, 2018:

Balance, June 30, 2017	\$ 21,801,100
Support, revenue, and transfers	2,373,395
Allocations, grants, expenses, and transfers	<u>(2,376,367)</u>
Balance, June 30, 2018	<u>\$ 21,798,128</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2017:

Unrestricted:

Board-designated endowments	<u>\$ 21,801,100</u>
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Changes in Endowment Net Assets for the year ended June 30, 2017:

Balance, June 30, 2016	\$ 19,499,975
Support, revenue, and transfers	4,475,602
Allocations, grants, expenses, and transfers	<u>(2,174,477)</u>
Balance, June 30, 2017	<u>\$ 21,801,100</u>

### 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 (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. 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, 2018 and 2017, the Federation received additional funds of \$400,000 and \$550,000, 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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

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### **Note 9—Vanderbilt Hillel Endowed Funds (continued)**

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 line of credit issued in December 2015 to Vanderbilt Hillel, Inc. in the amount \$125,000. No amounts were outstanding under the line of credit at June 30, 2018 or 2017. The line of credit expires December 31, 2019.

### **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 \$47,876 and \$45,887 to the plan during the years ended June 30, 2018 and 2017, 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 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 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 \$274,000 and \$213,000 for the years ended June 30, 2018 and 2017, respectively.

### **Note 13—Restatement**

A correction was made to the 2017 financial statements. This correction was necessary to properly classify a deposit received during 2017 on behalf of Vanderbilt Hillel Endowed Funds. The financial statement presentation of the deposit and related subsequent fund activity, initially recorded as an increase to temporarily restricted net assets, has been reflected in the accompanying restated financial statements as funds held for others.

**JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2018 AND 2017*

**Note 13—Restatement (continued)**

Following is a summary of the effects of the correction on respective financial statement line items as of and for the year ended June 30, 2017:

	<b>Previously Stated</b>	<b>Restatement</b>	<b>Restated</b>
Funds held for others	\$ 3,394,495	\$ 559,994	\$ 3,954,489
Temporarily restricted net assets	8,830,575	(559,994)	8,270,581
Temporarily restricted support and revenue:			
Public support received directly	2,613,211	(550,000)	2,063,211
Net gain on investments	600,078	(8,207)	591,871
Interest and dividends, net	164,808	(1,787)	163,021
Change in net assets	\$ 3,069,196	\$ (559,994)	\$ 2,509,202