

**JEWISH FAMILY SERVICE OF NASHVILLE
AND MIDDLE TENNESSEE, INC.**

Financial Statements

August 31, 2007 and 2006

(With Independent Auditors' Report Thereon)



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

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

Independent Auditors' Report

To the Board of Directors of Jewish Family Service
of Nashville and Middle Tennessee, Inc.

We have audited the accompanying statements of financial position of Jewish Family Service of Nashville and Middle Tennessee, Inc. (the "Organization") as of August 31, 2007 and 2006, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service of Nashville and Middle Tennessee, Inc. as of August 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
December 7, 2007

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Financial Position

August 31, 2007 and 2006

Assets

	<u>2007</u>	<u>2006</u>
Cash	\$ 2,827	\$ 37,365
Grants receivable	6,587	6,145
United Way designations receivable	3,515	3,084
Accounts receivable, less allowance for doubtful accounts of \$2,000 in 2007	5,757	8,544
Pledges receivable	2,450	3,150
Other receivables	222	513
Prepaid expenses	2,199	1,230
Investments	148,763	155,352
Property and equipment, net	557	811
Beneficial interests in trusts controlled by others	<u>32,706</u>	<u>21,755</u>
 Total assets	 \$ <u><u>205,583</u></u>	 \$ <u><u>237,949</u></u>

Liabilities and Net Assets

Accounts payable	\$ <u>16,103</u>	\$ <u>17,199</u>
 Net assets:		
Unrestricted:		
Designated by governing board	117,802	113,548
Undesignated	14,678	26,951
Net investment in property and equipment	<u>557</u>	<u>811</u>
Total unrestricted net assets	133,037	141,310
 Temporarily restricted net assets	3,419	37,605
 Permanently restricted net assets	<u>53,024</u>	<u>41,835</u>
 Total net assets	<u>189,480</u>	<u>220,750</u>
 Total liabilities and net assets	\$ <u><u>205,583</u></u>	\$ <u><u>237,949</u></u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Activities

Years Ended August 31, 2007 and 2006

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Public support received directly	\$ 7,964	\$ 955	\$ 10,168	\$ 19,087	\$ 4,478	\$ 360	\$ 30	\$ 4,868
Health and wellness fair	6,419	-	-	6,419	4,323	-	-	4,323
Fundraiser, net of expenses (2007 - \$10,417; 2006 - \$10,835)	68,080	-	-	68,080	56,232	-	-	56,232
Memorial Fund	1,248	-	-	1,248	1,330	-	-	1,330
Auto donations	1,049	-	-	1,049	24	-	-	24
United Way	4,843	-	-	4,843	7,057	-	-	7,057
Community Health Charities of TN	277	-	-	277	1,320	-	-	1,320
Combined Federal Campaign/HICA Caring	26	-	-	26	1,312	-	-	1,312
Jewish Federation	117,500	-	-	117,500	155,000	37,500	-	192,500
Use of donated facilities	18,480	-	-	18,480	18,480	-	-	18,480
Donated services	-	-	-	-	2,062	-	-	2,062
Helping Hands grant	17,875	-	-	17,875	19,427	-	-	19,427
Other grants	17,466	4,100	-	21,566	19,511	-	-	19,511
Investment income	6,236	-	-	6,236	5,676	-	667	6,343
Net gain on investments	13,675	-	1,021	14,696	10,856	-	559	11,415
Fees, net	55,125	-	-	55,125	45,129	-	-	45,129
Net assets released from restrictions:								
Needy family assistance	941	(941)	-	-	422	(422)	-	-
Jewish Federation	37,500	(37,500)	-	-	-	-	-	-
Frist grant	800	(800)	-	-	-	-	-	-
Micah Children's Tzedekah	-	-	-	-	382	(382)	-	-
Wall of Remembrance Fund	-	-	-	-	255	(255)	-	-
United Way	-	-	-	-	4,179	(4,179)	-	-
Memorial fund	-	-	-	-	108	-	(108)	-
Total support and revenue	375,504	(34,186)	11,189	352,507	357,563	32,622	1,148	391,333
Expenses:								
Program services:								
Helping Hands	28,813	-	-	28,813	30,159	-	-	30,159
Financial aid and counseling	267,492	-	-	267,492	240,269	-	-	240,269
Family and community education	14,889	-	-	14,889	25,160	-	-	25,160
Total program services	311,194	-	-	311,194	295,588	-	-	295,588
Management and general	72,583	-	-	72,583	72,626	-	-	72,626
Total expenses	383,777	-	-	383,777	368,214	-	-	368,214
Change in net assets	(8,273)	(34,186)	11,189	(31,270)	(10,651)	32,622	1,148	23,119
Net assets, beginning of year	141,310	37,605	41,835	220,750	151,961	4,983	40,687	197,631
Net assets, end of year	\$ 133,037	\$ 3,419	\$ 53,024	\$ 189,480	\$ 141,310	\$ 37,605	\$ 41,835	\$ 220,750

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Cash Flows

Years Ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>(31,270)</u>	\$ <u>23,119</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	254	1,480
Provision for bad debts	2,000	-
Net unrealized gain on investments	(10,197)	(8,777)
Permanently restricted donations received	(10,168)	(30)
Change in beneficial interests in trusts controlled by others	(10,951)	(1,118)
(Increase) in grants receivable	(442)	(2,356)
(Increase) decrease in United Way designations receivable	(431)	757
(Increase) decrease in accounts receivable	787	(3,717)
(Increase) decrease in pledges receivable	700	(2,270)
Decrease in other receivables	291	1,332
(Increase) in prepaid expenses	(969)	(71)
Increase (decrease) in accounts payable	<u>(1,096)</u>	<u>1,358</u>
Total adjustments	<u>(30,222)</u>	<u>(13,412)</u>
Net cash provided (used) by operating activities	<u>(61,492)</u>	<u>9,707</u>
Cash flows from investing activities:		
Purchases of investments	(102,136)	(103,419)
Proceeds from sale of investments	<u>118,922</u>	<u>114,879</u>
Net cash provided by investing activities	<u>16,786</u>	<u>11,460</u>
Cash flows from financing activities -		
Collection of permanently restricted donations	<u>10,168</u>	<u>30</u>
Increase (decrease) in cash	(34,538)	21,197
Cash at beginning of year	<u>37,365</u>	<u>16,168</u>
Cash at end of year	\$ <u><u>2,827</u></u>	\$ <u><u>37,365</u></u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statement of Functional Expenses

Year Ended August 31, 2007

	<u>Program Services</u>				<u>Management and General</u>	<u>Total</u>
	<u>Helping Hands</u>	<u>Financial Aid and Counseling</u>	<u>Family and Community Education</u>	<u>Total</u>		
Salaries	\$ 17,789	\$ 162,506	\$ 10,033	\$ 190,328	\$ 46,227	\$ 236,555
Temporary/Contract Services	3,896	13,149	638	17,683	4,357	22,040
Employee health and retirement benefits	783	21,213	1,233	23,229	3,987	27,216
Payroll taxes	1,347	12,350	774	14,471	3,521	17,992
Total payroll and related expenses	23,815	209,218	12,678	245,711	58,092	303,803
Professional fees	212	6,038	396	6,646	1,727	8,373
Provision for bad debts	-	2,000	-	2,000	-	2,000
Conferences, conventions and meetings	829	9,560	142	10,531	1,627	12,158
Depreciation	19	177	10	206	48	254
Dues	63	1,826	138	2,027	609	2,636
Marketing and public relations	70	5,049	148	5,267	652	5,919
Rent	2,375	10,198	630	13,203	5,276	18,479
Specific assistance to individuals	-	8,305	-	8,305	-	8,305
Supplies	822	5,696	296	6,814	1,594	8,408
Telephone	112	3,308	209	3,629	1,090	4,719
Travel	290	1,732	6	2,028	519	2,547
Postage	97	1,234	49	1,380	247	1,627
Equipment contracts	36	1,100	70	1,206	412	1,618
Insurance	60	1,678	91	1,829	548	2,377
Taxes and licenses	13	373	26	412	142	554
	<u>\$ 28,813</u>	<u>\$ 267,492</u>	<u>\$ 14,889</u>	<u>\$ 311,194</u>	<u>\$ 72,583</u>	<u>\$ 383,777</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statement of Functional Expenses

Year Ended August 31, 2006

	Program Services				Management and General	Total
	Helping Hands	Financial Aid and Counseling	Family and Community Education	Total		
Salaries	\$ 22,090	\$ 159,729	\$ 17,828	\$ 199,647	\$ 49,138	\$ 248,785
Donated services	-	2,026	38	2,064	-	2,064
Employee health and retirement benefits	749	18,133	2,125	21,007	5,344	26,351
Payroll taxes	1,424	11,621	1,289	14,334	3,502	17,836
Total payroll and related expenses	24,263	191,509	21,280	237,052	57,984	295,036
Professional fees	82	5,134	687	5,903	1,506	7,409
Conferences, conventions and meetings	411	7,949	86	8,446	2,424	10,870
Depreciation	121	961	101	1,183	297	1,480
Dues	76	1,768	152	1,996	566	2,562
Marketing and public relations	623	4,423	610	5,656	670	6,326
Rent	2,275	9,867	1,120	13,262	5,218	18,480
Specific assistance to individuals	-	5,086	-	5,086	-	5,086
Supplies	1,166	5,329	372	6,867	1,376	8,243
Telephone	71	2,975	302	3,348	1,010	4,358
Travel	213	1,315	52	1,580	386	1,966
Postage	67	803	68	938	167	1,105
Equipment contracts	31	1,106	121	1,258	398	1,656
Insurance	47	1,598	146	1,791	555	2,346
Taxes and licenses	3	362	51	416	37	453
Computer expense	709	61	12	782	24	806
Frist Foundation grant - website	1	23	-	24	8	32
	<u>\$ 30,159</u>	<u>\$ 240,269</u>	<u>\$ 25,160</u>	<u>\$ 295,588</u>	<u>\$ 72,626</u>	<u>\$ 368,214</u>

See accompanying notes to financial statements.

Notes to Financial Statements

August 31, 2007 and 2006

(1) Organization and purpose

The Jewish Family Service of Nashville and Middle Tennessee, Inc. ("Jewish Family Service") is a Tennessee not-for-profit corporation. Its purpose is to provide a full range of social services. These services include counseling and psychotherapy, emergency financial assistance to the Jewish Community, adoption, case management, information and referral, Jewish family and community education, and other social service activities. The service area is Davidson County and Middle Tennessee.

(2) Summary of significant accounting policies

The financial statements of Jewish Family Service have been prepared on the accrual basis. The significant accounting policies followed are described below:

(a) Revenue and support recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted. Permanently restricted net assets include resources subject to donor-imposed restrictions that those resources be maintained permanently.

Interest and investment income are recorded as revenue when received. Revenue is recorded for the use of the donated facilities and donated services when the use of space or service occurs.

(b) Receivables and credit policy

Accounts receivable for counseling services are uncollateralized client obligations due at the time the service is provided. Certain clients have been granted extended payment terms. Late fees or interest charges are not assessed on delinquent accounts. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected.

Pledges receivable are recorded when notice is received that a future donation will occur. No discounts are recorded on pledges receivable that are due within 12 months.

Notes to Financial Statements, Continued

August 31, 2007 and 2006

United Way receivables are recorded when notice is received that a future donation will occur. Grant revenue is recorded when expenditures are incurred that will be reimbursed by the grantor.

(c) Investment securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. The changes in unrealized gains and losses are recognized in the statement of activities for the year.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets and ordinary income from investments, receivables, and related activity are accounted for in the unrestricted or temporarily restricted net assets unless the donor specifies that such gains and losses or ordinary income are to be maintained permanently.

Jewish Family Service treats the investment of cash in money market funds as investments for financial reporting purposes.

(d) Income taxes

Jewish Family Service qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

(e) Property and equipment

Property and equipment are stated at acquisition cost, or estimated fair market value at the time of the gift if donated, less accumulated depreciation, as calculated by the straight-line method, over estimated useful lives of three to seven years for furniture and equipment.

(f) Program and supportive services

The following program and supportive services are included in the accompanying financial statements:

Financial Aid and Counseling – provides on-going individual, group, family and marital counseling using various therapeutic approaches, emergency financial assistance, adoption and case management.

Helping Hands – designed to support senior adults and people with disabilities in the Nashville Jewish community. Helping Hands is made possible by a grant from the Jewish Foundation of the Jewish Federation ("Jewish Federation") of Nashville and Middle Tennessee.

Notes to Financial Statements, Continued

August 31, 2007 and 2006

Family and Community Education – includes preventive group presentations and workshops to strengthen Jewish family life.

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or activity. Includes costs associated with providing coordination and implementation of Jewish Family Service's program strategy, business management, general recordkeeping, budgeting and related purposes.

Expenses by function are allocated among programs and supportive services based on time records and analyses by management.

(g) Donated services and facilities

The value of services donated by individuals who help with the Helping Hands program is not reflected in the financial statements because of the lack of an objective basis by which to measure such value.

Jewish Family Service occupies, without charge, certain office space located in the Gordon Jewish Community Center. The estimated annual fair rental value of the office space is recognized as revenue and expense in the financial statements.

(h) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Reclassifications

Certain reclassifications have been made to the 2006 financial statements in order for them to conform to the 2007 presentation. The reclassifications have no effect on net assets or change in net assets as previously reported.

(3) Grants receivable

Grants receivable consist of the following as of August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Jewish Federation – Helping Hands	\$ 4,281	\$ 5,145
Endowment Fund Receivable	1,248	-
Adoption Training Grant	1,058	-
Jewish Federation- Singles Program	-	500
Gordon Jewish Community Center – Singles Program	-	500
	<u>\$ 6,587</u>	<u>\$ 6,145</u>

Notes to Financial Statements, Continued

August 31, 2007 and 2006

(4) Investments

Investments consist of the following as of August 31, 2007 and August 31, 2006:

	<u>2007</u>	<u>2006</u>
<u>Mutual Funds</u>		
Income Fund of America, Inc.	\$ 45,163	\$ 71,837
Washington Mutual	27,564	24,705
<u>Money Market Funds</u>		
Robert W. Baird & Co., Inc.	12,114	532
<u>Separately Invested – Condo Proceeds:</u>		
<u>Money Market Funds</u>		
Robert W. Baird & Co., Inc.	2,401	769
<u>Mutual Funds</u>		
Income Fund of America, Inc.	46,789	44,305
Washington Mutual	<u>14,732</u>	<u>13,204</u>
	<u>\$148,763</u>	<u>\$155,352</u>

The following schedule summarizes the investment income in the statements of activities for 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Investment income	<u>\$ 6,236</u>	<u>\$ 6,343</u>
Unrealized gain on investments	\$ 10,197	\$ 8,777
Realized gain on investments	<u>4,499</u>	<u>2,638</u>
Net gain on investments	<u>\$ 14,696</u>	<u>\$ 11,415</u>

Ten percent of the investment income of the separately invested securities is added to principal in accordance with the restrictions set by the donor.

(5) Property and equipment

Property and equipment consist of the following as of August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Furniture and equipment	\$ 29,326	\$ 29,326
Less accumulated depreciation	<u>28,769</u>	<u>28,515</u>
	<u>\$ 557</u>	<u>\$ 811</u>

Notes to Financial Statements, Continued

August 31, 2007 and 2006

(6) Beneficial interests in trusts controlled by others

The Jewish Foundation of the Jewish Federation holds the Al Beit Memorial Fund, the Elise Steiner Fund and the Kopald Berkell Professional Education Fund for the benefit of Jewish Family Service. Jewish Family Service periodically receives distributions from the funds. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in permanently restricted net assets based on explicit donor restrictions.

(7) Accounts payable – related parties

Included in accounts payable at August 31, 2006 is \$312 payable to the Jewish Federation relating to the reimbursement of certain operating expenses and pledges.

Included in accounts payable at August 31, 2007 and 2006 are \$82 and \$456, respectively, payable to the Gordon Jewish Community Center relating to the reimbursement of certain operating expenses.

(8) Net assets

Temporarily restricted net assets consist of the following at August 31, 2007 and August 31, 2006:

	<u>2007</u>	<u>2006</u>
American Psychiatric Foundation Grant	\$ 3,300	\$ -
Jewish Federation	-	37,500
Wall of Remembrance Fund	105	105
Helping Hands Fund	<u>14</u>	<u>-</u>
	<u>\$ 3,419</u>	<u>\$ 37,605</u>

Permanently restricted net assets are required by donors to be held in perpetuity with the income from such assets expendable to support certain programs. Permanently restricted net assets consist of the following at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Earl Kirshner Adoption Free Loan Fund	\$ 20,318	\$ 20,080
Al Beit Memorial Fund	11,441	11,185
Elise Steiner Designated Fund	10,846	10,570
Kopald Berkell Professional Education Fund	<u>10,419</u>	<u>-</u>
	<u>\$ 53,024</u>	<u>\$ 41,835</u>

Notes to Financial Statements, Continued

August 31, 2007 and 2006

(9) Pension plan

Jewish Family Service employees who meet certain participation requirements may elect to participate in a defined contribution plan. Participants must contribute a minimum of 1% of their covered wages and may contribute up to a maximum of 20% each year, with Jewish Family Service making a matching contribution of up to 5% of covered wages. Pension expense for matching contributions amounted to \$8,949 in 2007 and \$10,488 in 2006.

(10) Concentrations of credit risk

Financial instruments that potentially subject Jewish Family Service to concentrations of credit risk consist of grants, accounts and United Way designations receivable. Accounts receivable consist of client accounts and are widely dispersed to mitigate credit risk. Grant and United Way receivables represent concentrations of credit risk to the extent that they are receivable from concentrated sources.

Jewish Family Service 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 statements of financial position.