

**JEWISH FEDERATION OF NASHVILLE  
AND MIDDLE TENNESSEE**

**Financial Statements**

**August 31, 2011 and 2010**

**(With Independent Auditors' Report Thereon)**



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

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of the Jewish Federation of Nashville and Middle Tennessee (the "Federation") as of August 31, 2011 and 2010, the related statements of cash flows for the years then ended, and the statements of activities and changes in net assets and functional expenses for the year ended August 31, 2011. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Nashville and Middle Tennessee as of August 31, 2011 and 2010, its cash flows for the years then ended, and its changes in net assets and functional expenses for the year ended August 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

*Lattimore Black Morgan & Cain, PC*

Brentwood, Tennessee  
January 3, 2012

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statements of Financial Position

August 31, 2011 and 2010

Assets	2011			2010		
	Federation	Foundation	Total	Federation	Foundation	Total
Cash and cash equivalents	\$ 1,205,479	387,233	1,592,712	1,073,636	231,576	1,305,212
Investments	497,444	23,426,709	23,924,153	496,759	21,806,828	22,303,587
Pledges receivable, less allowance for uncollectible pledges of \$38,000 and \$92,000 in 2011 and 2010, respectively	978,344	-	978,344	1,142,007	-	1,142,007
Other receivables	11,105	3,796	14,901	14,701	21,918	36,619
Due (to) from other programs	704,796	(704,796)	-	575,744	(575,744)	-
Furniture and equipment, net of accumulated depreciation of \$259,003 and \$257,524 in 2011 and 2010, respectively	2,533	-	2,533	3,337	163	3,500
Other assets	3,113	26,591	29,704	4,926	31,768	36,694
Total assets	\$ 3,402,814	23,139,533	26,542,347	3,311,110	21,516,509	24,827,619
<u>Liabilities and Net Assets</u>						
Liabilities:						
Checks written in excess of bank balance	\$ 21,973	30,234	52,207	-	-	-
Accounts payable and accrued expenses	70,859	-	70,859	36,938	-	36,938
Funds held for Gordon Jewish Community Center	-	404,674	404,674	-	473,161	473,161
Total liabilities	92,832	434,908	527,740	36,938	473,161	510,099
Net assets:						
Unrestricted:						
Designated by governing board:						
Endowment program	-	20,660,286	20,660,286	-	19,182,160	19,182,160
Other	1,169,249	-	1,169,249	1,008,207	-	1,008,207
Net investment in furniture and equipment	2,533	-	2,533	3,337	163	3,500
Total unrestricted	1,171,782	20,660,286	21,832,068	1,011,544	19,182,323	20,193,867
Temporarily restricted	2,138,200	2,044,339	4,182,539	2,262,628	1,861,025	4,123,653
Total net assets	3,309,982	22,704,625	26,014,607	3,274,172	21,043,348	24,317,520
Total liabilities and net assets	\$ 3,402,814	23,139,533	26,542,347	3,311,110	21,516,509	24,827,619

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Activities and Changes in Net Assets - Federation

Year ended August 31, 2011  
(with comparative totals for the year ended August 31, 2010)

	Federation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Public support received directly	\$ 42,857	1,731,652	-	1,774,509
Interest, dividends and capital gain distributions	35,065	-	-	35,065
Net loss on investments	(24,184)	-	-	(24,184)
Observer publication	128,655	-	-	128,655
Other	29,059	-	-	29,059
Net assets released from restrictions:				
Annual campaign	1,856,080	(1,856,080)	-	-
Other	-	-	-	-
Total support and revenue	<u>2,067,532</u>	<u>(124,428)</u>	<u>-</u>	<u>1,943,104</u>
Allocations, grants and expenses:				
Allocations:				
Overseas and Israel agencies	616,006	-	-	616,006
National agencies	20,011	-	-	20,011
Local agencies	991,065	-	-	991,065
Grants	-	-	-	-
Observer publication	120,790	-	-	120,790
Management and general expenses:				
Fund raising	257,592	-	-	257,592
Administrative	214,298	-	-	214,298
Total allocations, grants and expenses	<u>2,219,762</u>	<u>-</u>	<u>-</u>	<u>2,219,762</u>
Decrease in net assets	(152,230)	(124,428)	-	(276,658)
Net assets at beginning of year	1,011,544	2,262,628	-	3,274,172
Board designated endowment program transfers	<u>312,468</u>	<u>-</u>	<u>-</u>	<u>312,468</u>
Net assets at end of year	<u>\$ 1,171,782</u>	<u>2,138,200</u>	<u>-</u>	<u>3,309,982</u>
				<u>3,274,172</u>

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Activities and Changes in Net Assets - Foundation

Year ended August 31, 2011  
(with comparative totals for the year ended August 31, 2010)

	Unrestricted	Temporarily Restricted	Foundation		Total
			Permanently Restricted	2011	2010
Support and revenue:					
Public support received directly	\$ 341,998	7,699	-	349,697	468,372
Interest, dividends and capital gain distributions	590,826	62,401	-	653,227	492,117
Net gain on investments	1,746,506	171,072	-	1,917,578	1,075,591
Observer publication	-	-	-	-	-
Other	1,041	-	-	1,041	1,282
Net assets released from restrictions:					
Annual campaign	-	-	-	-	-
Other	57,858	(57,858)	-	-	-
Total support and revenue	2,738,229	183,314	-	2,921,543	2,037,362
Allocations, grants and expenses:					
Allocations:					
Overseas and Israel agencies	-	-	-	-	-
National agencies	-	-	-	-	-
Local agencies	-	-	-	-	-
Grants	692,194	-	-	692,194	740,440
Observer publication	-	-	-	-	-
Management and general expenses:					
Fund raising	86,567	-	-	86,567	78,245
Administrative	169,037	-	-	169,037	241,487
Total allocations, grants and expenses	947,798	-	-	947,798	1,060,172
Increase in net assets	1,790,431	183,314	-	1,973,745	977,190
Net assets at beginning of year	19,182,323	1,861,025	-	21,043,348	19,899,607
Board designated endowment program transfers	(312,468)	-	-	(312,468)	166,551
Net assets at end of year	\$ 20,660,286	2,044,339	-	22,704,625	21,043,348

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Activities and Changes in Net Assets - Combined

Year ended August 31, 2011  
(with comparative totals for the year ended August 31, 2010)

	Total All Funds			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010
Support and revenue:					
Public support received directly	\$ 384,855	1,739,351	-	2,124,206	2,388,084
Interest, dividends and capital gain distributions	625,891	62,401	-	688,292	545,162
Net gain on investments	1,722,322	171,072	-	1,893,394	1,036,720
Observer publication	128,655	-	-	128,655	126,424
Other	30,100	-	-	30,100	38,980
Net assets released from restrictions:					
Annual campaign	1,856,080	(1,856,080)	-	-	-
Other	57,858	(57,858)	-	-	-
Total support and revenue	4,805,761	58,886	-	4,864,647	4,135,370
Allocations, grants and expenses:					
Allocations:					
Overseas and Israel agencies	616,006	-	-	616,006	925,000
National agencies	20,011	-	-	20,011	31,639
Local agencies	991,065	-	-	991,065	980,155
Grants	692,194	-	-	692,194	740,440
Observer publication	120,790	-	-	120,790	119,309
Management and general expenses:					
Fund raising	344,159	-	-	344,159	326,734
Administrative	383,335	-	-	383,335	515,054
Total allocations, grants and expenses	3,167,560	-	-	3,167,560	3,638,331
Increase in net assets	1,638,201	58,886	-	1,697,087	497,039
Net assets at beginning of year	20,193,867	4,123,653	-	24,317,520	23,820,481
Board designated endowment program transfers	-	-	-	-	-
Net assets at end of year	\$ 21,832,068	4,182,539	-	26,014,607	24,317,520

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statements of Cash Flows

### Years ended August 31, 2011 and 2010

	2011		2010	
	Federation	Foundation	Federation	Foundation
	Total		Total	
Cash flows from operating activities:				
Increase (decrease) in net assets	\$ (276,658)	1,973,745	1,697,087	977,190
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:				
Depreciation and amortization	1,316	163	1,479	163
Net (gain) loss on investments	24,184	(1,917,578)	(1,893,394)	(1,075,591)
Endowment program transfers	312,468	(312,468)	-	166,551
(Increase) decrease in operating assets:				
Pledges receivable	163,663	-	163,663	-
Other receivables	3,596	18,122	21,718	(2,696)
Other assets	1,813	5,177	6,990	(190)
Due to (from) other programs	(129,052)	129,052	-	205,061
Increase (decrease) in operating liabilities:				
Checks written in excess of bank balance	21,973	30,234	52,207	-
Accounts payable and accrued expenses	33,921	-	33,921	-
Funds held for Gordon Jewish Community Center	-	(68,487)	(68,487)	(64,543)
Total adjustments	433,882	(2,115,785)	(1,681,903)	(771,245)
Net cash provided (used) by operating activities	157,224	(142,040)	15,184	205,945
Cash flows from investing activities:				
Purchases of furniture and equipment	(512)	-	(512)	-
Purchases of investments	(165,233)	(10,762,125)	(10,927,358)	(2,600,665)
Proceeds from sale/redemption of investments	140,364	11,059,822	11,200,186	2,597,612
Net cash provided (used) by investing activities	(25,381)	297,697	272,316	(3,053)
Increase in cash and cash equivalents	131,843	155,657	287,500	202,892
Cash and cash equivalents at beginning of year	1,073,636	231,576	1,305,212	28,684
Cash and cash equivalents at end of year	\$ 1,205,479	387,233	1,592,712	231,576

See accompanying notes to the financial statements.



# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Statement of Functional Expenses

Year ended August 31, 2011  
(with comparative totals for the year ended August 31, 2010)

	Program Expenses	Management and General Expenses			Total Expenses	
		Fund Raising	Federation	Administrative Foundation	2011	2010
Salaries	\$ -	244,986	127,116	107,226	479,328	536,578
Payroll taxes	-	17,385	8,372	7,291	33,048	36,877
Retirement plan expense	-	6,537	1,805	1,902	10,244	12,327
Employee insurance	-	12,845	12,853	10,530	36,228	42,710
Employee benefits	-	2,750	2,751	5,706	11,207	151
Total salaries and employee benefits	-	284,503	152,897	132,655	570,055	628,643
Allocations	1,627,082	-	-	-	1,627,082	1,936,794
Grants	692,194	-	-	-	692,194	740,440
Observer publication	120,790	-	-	-	120,790	119,309
Annual meeting	-	-	4,808	-	4,808	804
Automobile expenses	-	-	60	-	60	12
Campaign programs	-	29,601	-	-	29,601	22,015
Depreciation and amortization	-	-	1,316	163	1,479	5,046
Conferences	-	-	1,796	59	1,855	1,077
Bad debts	-	-	-	-	-	3,025
Insurance	-	-	6,280	-	6,280	5,399
Legal and professional	-	8,881	10,084	7,936	26,901	37,670
Equipment contract	-	9,187	8,929	5,250	23,366	22,030
Supplies	-	2,611	2,558	1,373	6,542	7,747
Postage	-	1,959	2,884	1,003	5,846	5,022
Printing and publications	-	-	4,823	3,269	8,092	8,352
Staff development	-	1,676	1,205	994	3,875	3,911
Telephone	-	3,559	3,710	2,034	9,303	12,595
Temporary labor	-	-	69	-	69	125
Miscellaneous	-	2,182	12,879	14,301	29,362	78,315
Total expenses	\$ 2,440,066	344,159	214,298	169,037	3,167,560	3,638,331

See accompanying notes to the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

(1) Nature of operations

The Jewish Federation of Nashville and Middle Tennessee (the "Federation") is a Tennessee not-for-profit corporation. Its purposes are to develop and strengthen Jewish community life, to carry on and support such activities as are in the community interest, to provide a common ground for the discussion of all matters pertaining to the general welfare of the Jewish community and for action thereupon where indicated, and to administer and staff a unified Jewish community fundraising campaign and allocation process to support a wide variety of local, national and international needs.

(2) Summary of significant accounting policies

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

(a) 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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Federation reports the support as unrestricted.

The Federation classifies its net assets, activities and cash flows as those relating to its annual fundraising campaign, programming and other operating activities (Federation), or the Jewish Foundation of Nashville (Foundation) program.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

The Foundation program is comprised of the following:

General Foundation - The Board of Directors is responsible for approving distributions of income and principal as permitted, solely for those charitable purposes established by the Federation.

Philanthropic - The donor (or his designee) has the privilege of making recommendations relating to distributions of principal and income. Such recommendations are advisory only and are not binding on the Foundation program's Board of Directors.

Field of Interest - The donor may designate a functional area or field of interest, within which specific projects or beneficiaries are selected by the Board of Directors.

Designated - The beneficiaries and schedule of distributions are established at the time of gift and approved by the Board of Trustees.

(b) Cash equivalents

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

(c) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the statements of financial position. Investment income shown in the statements of activities includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income is reported in the period earned as an increase in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions. Investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment income is reported as an increase in temporarily restricted net assets depending on the nature of the restrictions.

(d) Furniture and equipment

Furniture and equipment are stated at cost. Donated assets are recorded at their estimated market value at the date of the gift. Depreciation and amortization are provided over the assets' estimated useful lives using the straight-line method.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

(e) Income taxes

The Federation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

Under generally accepted accounting principles, a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Federation has no uncertain tax positions that qualify for recognition or other disclosure in the financial statements.

As of August 31, 2011, the Federation has accrued no interest and no penalties related to uncertain tax positions. It is the Federation’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

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

(f) Public support and revenue

Fund-raising campaigns are conducted each Fall through the following Spring to fund allocations for the subsequent year beginning September 1. Annual campaign pledges (unconditional promises to give) are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Contributions receivable in future periods are recorded at their estimated net realizable value. The majority of the promises to give are received from Nashville and Middle Tennessee contributors to the annual campaign. Pledges receivable are reported net of a provision for uncollectible pledges, which is estimated based on past experience with collections and management's evaluation of current outstanding pledges.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions.

(g) Allocations and grants

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

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

(h) Use of estimates

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

(i) 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.

(j) Summarized comparative information for prior year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not constitute a complete presentation of financial information for that year. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended August 31, 2011, from which the summarized information was derived.

(k) Reclassifications

Certain reclassifications have been made to the 2010 financial statements in order for them to conform to the 2011 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(l) Events occurring after reporting date

The Federation has evaluated events and transactions that occurred between August 31, 2011 and January 3, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Credit risk and other concentrations

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

The Federation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

### (4) Investments

A summary of investments at August 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Money market funds	\$ 40,275	\$ 283,219
Mutual funds	20,560,071	17,823,425
Israel bonds and fixed income bonds	1,029,193	1,228,321
Real estate funds	<u>2,294,614</u>	<u>2,968,622</u>
	<u>\$ 23,924,153</u>	<u>\$ 22,303,587</u>

During the year ended August 31, 2010, the Federation transferred approximately \$500,000 of amounts held in cash and cash equivalent accounts to the Foundation. The transferred amounts were used by the Foundation to purchase investments on the Federation's behalf, as the Federation desired to earn a greater investment return than that earned by the previously held cash and cash equivalent accounts. The value of such investments was approximately \$556,000 and \$502,000 at August 31, 2011 and 2010, respectively.

### (5) Fair value measurements

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

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

**Level 2 - Inputs to the valuation methodology include:**

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

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

**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.

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

The following is a description of the valuation methodologies used for asset measurement at fair value. There have been no changes in the methodologies used at August 31, 2011 and 2010.

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

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

The following table sets forth by level, within the fair value hierarchy, the Federation's assets at fair value as of August 31, 2011 and 2010:

	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 40,275	\$ -	\$ -	\$ 40,275
Mutual funds:				
Fixed income	8,459,812	-	-	8,459,812
Domestic equity	9,418,118	-	-	9,418,118
International equity	<u>2,682,141</u>	<u>-</u>	<u>-</u>	<u>2,682,141</u>
	<u>20,560,071</u>	<u>-</u>	<u>-</u>	<u>20,560,071</u>
Israel and fixed income bonds	-	1,029,193	-	1,029,193
Real estate funds	-	-	2,294,614	2,294,614
Pledges receivable, net	<u>-</u>	<u>-</u>	<u>978,344</u>	<u>978,344</u>
Total	<u>\$ 20,600,346</u>	<u>\$ 1,029,193</u>	<u>\$ 3,272,958</u>	<u>\$ 24,902,497</u>

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

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

The following table provides a summary of changes in fair value of the Federation's Level 3 assets for the year ended August 31, 2011 and 2010:

	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>		
	<u>Real estate funds</u>	<u>Pledges receivable, net</u>	<u>Total</u>
Balance at August 31, 2009	\$ 2,957,972	\$ 1,231,793	\$ 4,189,765
Unrealized gains	10,650	-	10,650
New pledges	-	1,919,712	1,919,712
Pledge payments received, net	<u>-</u>	<u>(2,009,498)</u>	<u>(2,009,498)</u>
Balance at August 31, 2010	2,968,622	1,142,007	4,110,629
Unrealized losses	(674,008)	-	(674,008)
New pledges	-	1,595,838	1,595,838
Pledge payments received, net	<u>-</u>	<u>(1,759,501)</u>	<u>(1,759,501)</u>
Balance at August 31, 2011	<u>\$ 2,294,614</u>	<u>\$ 978,344</u>	<u>\$ 3,272,958</u>

**(6) Funds held for Gordon Jewish Community Center**

The funds held for the Gordon Jewish Community Center ("GJCC") are philanthropic funds that earn investment income and losses through the pooled fund instruments. Unlike regular philanthropic funds, the Federation does not own them, but rather they are the property of the GJCC. The Federation only administers the changes in these funds.



# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

### (7) Restricted net assets

Temporarily restricted net assets as of August 31, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Pledges received to fund the following year's allocations	\$ 2,014,856	\$ 2,110,563
Unallocated contributions in the current period for donor restricted gifts to special campaigns (Israel Crisis Fund, Israel Emergency Campaign, Operation Promise, and the 2010 Flood Relief Fund)	123,344	152,065
Various other funds established by donors for the Foundation program with contributions restricted for specific fields of interest	<u>2,044,339</u>	<u>1,861,025</u>
	<u>\$ 4,182,539</u>	<u>\$ 4,123,653</u>

### (8) Endowments

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

#### Endowment Net Asset Composition by Type of Fund

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Board-designated endowments	\$ <u>20,660,286</u>	\$ <u>19,182,160</u>

# JEWISH FEDERATION OF NASHVILLE AND MIDDLE TENNESSEE

## Notes to the Financial Statements

August 31, 2011 and 2010

### Changes in Endowment Net Assets for the Years Ended August 31, 2011 and 2010:

Balance at August 31, 2009	\$ 18,170,067
Support and revenue	1,905,551
Allocations, grants, expenses and transfers	<u>(893,458)</u>
Balance at August 31, 2010	19,182,160
Support and revenue	2,738,229
Allocations, grants, expenses and transfers	<u>(1,260,103)</u>
Balance at August 31, 2011	<u>\$ 20,660,286</u>

#### (9) Retirement plan

The Federation sponsors a retirement plan covering substantially all employees. Participants must contribute a minimum of 1% of their compensation and may contribute up to a maximum of 20% each year. The Federation makes matching contributions of up to 3% of compensation for employees who have at least one year of service. The Federation made contributions of \$10,244 and \$10,381 to the plan in 2011 and 2010, respectively.

#### (10) Donated services and facilities

The value of services donated by individuals in annual fund raising campaigns is not reflected in the financial statements because of the lack of an objective basis by which to measure such value. In addition, the Federation does not recognize the value (approximately \$70,000 annually) of the use of facilities furnished by the Gordon Jewish Community Center. In management's opinion, such reporting does not materially affect the financial statements.

#### (11) Related party transactions

During 2010, the spouse of a board member was appointed as the Executive Director of a related party organization to which allocations of funds are provided each year by the Federation. During 2011, the spouse of a Federation employee was elected to serve as a Federation board member.

The Federation had pledges receivable from board members and management amounting to approximately \$172,000 and \$303,000 at August 31, 2011 and 2010, respectively. Pledges made by board members and management during 2011 and 2010 amounted to approximately \$149,000 and \$282,000, respectively.