

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

FINANCIAL STATEMENTS

August 31, 2012

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Jewish Family Service of Nashville and Middle Tennessee, Inc. (a nonprofit organization) as of August 31, 2012 and the related statements of activities, cash flows and functional expenses for the year 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 10, the Organization restated its net assets effective August 31, 2011 to properly account for investments held by Jewish Federation of Nashville and Middle Tennessee ("Jewish Federation").

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, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

January 15, 2013

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2012

Assets

Cash	\$	25,685
Grant receivables from Jewish Federation		7,109
Contribution receivables		3,060
Accounts receivable, less allowance for doubtful accounts of \$110		6,112
Other receivables		1,095
Prepaid expenses		2,657
Investments		216,863
Property and equipment, net		<u>2,777</u>
Total assets	\$	<u><u>265,358</u></u>

Liabilities and Net Assets

Accounts payable	\$	3,692
Accrued expenses		<u>9,542</u>
Total liabilities		<u>13,234</u>
Net assets:		
Unrestricted		240,763
Temporarily restricted		<u>11,361</u>
Total net assets		<u>252,124</u>
Total liabilities and net assets	\$	<u><u>265,358</u></u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Fundraisers, net of expenses of \$14,483	\$ 111,454	\$ -	\$ 111,454
Jewish Federation grants	100,887	-	100,887
Public support received directly	54,843	-	54,843
Fees, net	43,320	-	43,320
Other grants	33,250	-	33,250
Use of donated facilities	18,480	-	18,480
Jewish Federation reimbursements	8,159	-	8,159
United Way	6,314	-	6,314
Investment income	3,211	-	3,211
Foundation distributions	840	-	840
Auto donation	332	-	332
	<u>381,090</u>	<u>-</u>	<u>381,090</u>
Total support and revenue			
Expenses:			
Program services:			
Adoption and counseling	192,275	-	192,275
Financial aid/Kosher food box	45,741	-	45,741
Senior services	38,519	-	38,519
Family and community education	14,273	-	14,273
	<u>290,808</u>	<u>-</u>	<u>290,808</u>
Total program services			
Management and general	67,400	-	67,400
	<u>67,400</u>	<u>-</u>	<u>67,400</u>
Total expenses			
	<u>358,208</u>	<u>-</u>	<u>358,208</u>
Change in net assets from operations	22,882	-	22,882
Net gain on investments	8,885	-	8,885
	<u>8,885</u>	<u>-</u>	<u>8,885</u>
Change in net assets	31,767	-	31,767
Net assets, beginning of year - as restated	208,996	11,361	220,357
	<u>208,996</u>	<u>11,361</u>	<u>220,357</u>
Net assets, end of year	\$ 240,763	\$ 11,361	\$ 252,124
	<u>\$ 240,763</u>	<u>\$ 11,361</u>	<u>\$ 252,124</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF CASH FLOWS
Year Ended August 31, 2012

Cash flows from operating activities:	
Change in net assets	\$ 31,767
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,311
Net realized and unrealized gain on investments	(8,885)
Changes in operating assets and liabilities:	
Receivables from Jewish Federation	21,387
Receivables from community organizations	(682)
Accounts receivable	1,985
Prepaid expenses	(97)
Accounts payable	(6,285)
Accrued expenses	(551)
Net cash provided by operating activities	40,950
Cash flows from investing activities:	
Proceeds from disposal of property and equipment	57
Purchases of investments	(53,208)
Proceeds from sale of investments	17,500
Net cash used in investing activities	(35,651)
Increase in cash	5,299
Cash, beginning of year	20,386
Cash, end of year	\$ 25,685

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2012

	Program Services				Total	Management and General	
	Adoption and Counseling	Financial Aid/Kosher Food Box	Senior Services	Family and Community Education		Total	General
Salaries	\$ 138,100	\$ 19,479	\$ 21,234	\$ 8,484	\$ 187,297	\$ 46,811	\$ 234,108
Payroll taxes	10,059	1,371	1,606	625	13,661	3,552	17,213
Employee health and retirement benefits	11,190	678	65	725	12,658	1,837	14,495
Total payroll expenses	159,349	21,528	22,905	9,834	213,616	52,200	265,816
Rent	8,972	1,228	2,234	499	12,933	5,547	18,480
Specific assistance to individuals	-	16,244	-	-	16,244	-	16,244
Program expenses	-	976	9,563	17	10,556	-	10,556
Supplies	4,283	552	250	2,950	8,035	1,442	9,477
Professional fees	4,477	383	1,318	351	6,529	1,748	8,277
Marketing and public relations	3,572	446	315	83	4,416	881	5,297
Insurance	2,382	1,115	313	179	3,989	1,042	5,031
Conferences, conventions, and meetings	2,487	154	1,472	165	4,278	604	4,882
Telephone	2,870	250	45	97	3,262	470	3,732
Dues and subscriptions	1,350	296	13	22	1,681	694	2,375
Depreciation and amortization	-	-	-	-	-	2,311	2,311
Disaster relief	-	2,310	-	-	2,310	-	2,310
Postage and delivery	1,010	95	23	50	1,178	309	1,487
Travel	958	143	55	16	1,172	85	1,257
Taxes, licenses, and other	565	21	13	10	609	67	676
Total expenses	<u>\$ 192,275</u>	<u>\$ 45,741</u>	<u>\$ 38,519</u>	<u>\$ 14,273</u>	<u>\$ 290,808</u>	<u>\$ 67,400</u>	<u>\$ 358,208</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2012

NOTE 1 – ORGANIZATION AND PURPOSE

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.

NOTE 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.

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 Jewish Family Service 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 Jewish Family Service and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Jewish Family Service.

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, Jewish Family Service reports the support as unrestricted.

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

Cash

For purposes of the statement of cash flows, Jewish Family Service considers cash funds and cash bank accounts to be cash.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Receivables and Credit Policy

Accounts receivable for counseling services are uncollateralized client obligations due at the time the service is provided. 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.

Contribution receivables 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.

Grant revenue is recorded when expenditures are incurred that will be reimbursed by the grantor.

Program and Supportive Services

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

Adoption and counseling – provides adoption services and on-going individual group, family and marital counseling, including case management, using various therapeutic approaches.

Financial aid/Kosher food box – provides emergency financial assistance or a monthly food box containing Kosher food items to those in need. Recipients are interviewed by a social worker to determine eligibility.

Senior services – supports senior adults and people with disabilities in the Nashville Jewish community. Senior services is subsidized by a grant from the Jewish Federation of Nashville and Middle Tennessee (“Jewish Federation”). The Temple also provides funds necessary to support a Temple senior lunch program.

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

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supportive Services (Continued)

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.

Donated Services and Facilities

The value of services donated by individuals who assist with programs 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 fair rental value of the office space is recognized as revenue and expense in the accompanying financial statements.

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.

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, no provision for federal income taxes is included in the accompanying financial statements.

Jewish Family Service follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance that 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. Jewish Family Service has no tax penalties or interest reported in the accompanying financial statements. Jewish Family Service had no uncertain tax positions at August 31, 2012. Tax years prior to the year ended August 30, 2009 are closed to examination.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Jewish Family Service evaluated subsequent events through January 15, 2013, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – GRANT RECEIVABLES FROM JEWISH FEDERATION

Grant receivables from Jewish Federation consist of the following at August 31, 2012:

Financial assistance	\$	2,744
Other		1,840
Kosher food boxes		1,047
Senior services		984
Helping Hands Music Program		<u>494</u>
	\$	<u>7,109</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

Jewish Family Service has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The 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 are described below:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) 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.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2012

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

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.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the statement of activities.

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, 2012.

Money market funds and mutual funds: Valued at the net asset value of shares held by Jewish Family Service 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 Jewish Family Service's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are comprised of the following at August 31, 2012:

	Quoted Prices in Active Markets for Identical Items (Level 1)
Money market funds	\$ 135,313
Stock mutual funds	12,380
Balanced mutual funds	<u>69,170</u>
	<u>\$ 216,863</u>

The following schedule summarizes the investment income in the statements of activities at August 31, 2012:

Investment income	<u>\$ 3,211</u>
Unrealized gain on investments	<u>\$ 8,885</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2012

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2012:

Furniture, equipment and software	\$ 36,764
Less accumulated depreciation and amortization	<u>(33,987)</u>
	<u>\$ 2,777</u>

NOTE 6 – NET ASSETS

Jewish Family Service has received contributions from donors with the stipulation that such contributions are to be used for specific purposes. Temporarily restricted net assets consist of the following at August 31, 2012:

Helping Hands Fund	\$ 10,000
Needy Family Assistance Fund	1,256
Wall of Remembrance Fund	<u>105</u>
	<u>\$ 11,361</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

Jewish Family Service's office space is located in the Gordon Jewish Community Center. No rent payments are required, but the use of donated facilities is recorded at its estimated value. Donated facilities amounted to \$18,480 for the year ended August 31, 2012.

NOTE 8 – PENSION PLAN

Jewish Family Service employees who meet certain participation requirements may elect to participate in a defined contribution plan. Those who elect to participate must contribute a minimum of 1% of their covered wages and may contribute up to a maximum of 20% each year. Jewish Family Service has the option of making a matching contribution. During fiscal 2012, Jewish Family Service did not match contributions of employees who participated in the defined contribution plan.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

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 statement of financial position.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2012

NOTE 10 – RESTATEMENT

The Jewish Federation holds the Al Beit Memorial Fund, the Elise Steiner Fund, the Kopald Berkell Professional Education Fund, and the Jeffrey and Donna Eskind Family Fund, the income from which is periodically distributed to Jewish Family Service for the support of select programs. During the year ended August 31, 2012, management became aware that Jewish Federation has ultimate authority and control over the investments and distributions. Management determined that the assets should be removed from the financial statements of Jewish Family Service. Accordingly, Jewish Family Service has restated its net assets effective August 31, 2011 as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, as previously reported at August 31, 2011:	\$ 209,390	\$ 11,361	\$ 51,654	\$ 272,405
Less investments held as assets by the Jewish Federation:	<u>(394)</u>	<u>-</u>	<u>(51,654)</u>	<u>(52,048)</u>
Net Assets, as restated at August 31, 2011:	<u>\$ 208,996</u>	<u>\$ 11,361</u>	<u>\$ -</u>	<u>\$ 220,357</u>

The change in net assets for the year ended August 31, 2011 was revised from \$25,429 as previously reported to \$21,262.