

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

FINANCIAL STATEMENTS

June 30, 2014

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 financial statements of Jewish Family Service of Nashville and Middle Tennessee, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 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 Jewish Family Service of Nashville and Middle Tennessee, Inc. as of June 30, 2014, 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.

Frasier, Owen + Hard, PLLC

October 30, 2014

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014

Assets

Cash	\$ 65,969
Grants receivable from Jewish Federation	3,261
Contributions receivable	8,976
Accounts receivable, less allowance for doubtful accounts of \$110	5,329
Other receivables	2,418
Prepaid expenses	4,489
Investments	301,863
Property and equipment, net	<u>7,375</u>
Total assets	<u><u>\$ 399,680</u></u>

Liabilities and Net Assets

Accounts payable	\$ 8,596
Accrued expenses	<u>11,332</u>
Total liabilities	<u>19,928</u>
Net assets:	
Unrestricted	368,391
Temporarily restricted	<u>11,361</u>
Total net assets	<u>379,752</u>
Total liabilities and net assets	<u><u>\$ 399,680</u></u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Fundraisers, net of expenses of \$21,679	\$ 175,276	\$ -	\$ 175,276
Jewish Federation grants	120,894	-	120,894
Other grants	63,000	-	63,000
Fees, net	50,224	-	50,224
Public support received directly	28,821	-	28,821
Use of donated facilities	18,480	-	18,480
Investment income	4,069	-	4,069
United Way	3,936	-	3,936
Jewish Federation reimbursements	1,000	-	1,000
Foundation distributions	700	-	700
Loss on disposal of equipment	(239)	-	(239)
	<u>466,161</u>	<u>-</u>	<u>466,161</u>
Total support and revenue			
Expenses:			
Program services:			
Adoption	125,213	-	125,213
Counseling and case management	57,204	-	57,204
Financial aid/Kosher food box	43,014	-	43,014
Senior services	48,767	-	48,767
Family and community education	51,116	-	51,116
	<u>325,314</u>	<u>-</u>	<u>325,314</u>
Total program services			
Management and general	81,641	-	81,641
	<u>406,955</u>	<u>-</u>	<u>406,955</u>
Total expenses			
Change in net assets from operations	59,206	-	59,206
Net gain on investments	13,906	-	13,906
	<u>73,112</u>	<u>-</u>	<u>73,112</u>
Change in net assets			
Net assets, beginning of year	295,279	11,361	306,640
	<u>\$ 368,391</u>	<u>\$ 11,361</u>	<u>\$ 379,752</u>
Net assets, end of year			

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

Cash flows from operating activities:	
Change in net assets	\$ 73,112
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,250
Net realized and unrealized gain on investments	(13,906)
Loss on disposal of equipment	239
Changes in operating assets and liabilities:	
Grants receivable from Jewish Federation	(2,243)
Contributions receivable	(5,550)
Accounts receivable	3,596
Other receivables	(612)
Prepaid expenses	(118)
Accounts payable	(1,849)
Accrued expenses	2,996
Net cash provided by operating activities	<u>57,915</u>
Cash flows from investing activities:	
Purchases of property and equipment	(3,915)
Purchases of investments	<u>(86,617)</u>
Net cash used in investing activities	<u>(90,532)</u>
Decrease in cash	(32,617)
Cash, beginning of year	<u>98,586</u>
Cash, end of year	<u><u>\$ 65,969</u></u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services							Total Program Expenses	Management and General	Total Expenses
	Adoption	Counseling and Case Management	Financial Aid/ Kosher Food Box	Senior Services	Family and Community Education	Total Program Expenses	Management and General			
Salaries	\$ 88,531	\$ 38,914	\$ 19,151	\$ 26,184	\$ 31,000	\$ 203,780	\$ 60,027	\$ 263,807		
Employee health and retirement benefits	8,471	3,785	2,038	429	2,765	17,488	2,143	19,631		
Payroll taxes	6,554	2,831	1,355	1,959	2,262	14,961	4,237	19,198		
Total payroll expenses	103,556	45,530	22,544	28,572	36,027	236,229	66,407	302,636		
Program expenses	1,949	64	8,365	13,666	2,790	26,834	28	26,862		
Rent	6,858	2,983	1,441	362	2,156	13,800	4,680	18,480		
Professional fees	2,555	1,203	1,204	1,490	6,808	13,260	2,148	15,408		
Supplies	2,405	2,383	1,221	2,097	603	8,709	1,291	10,000		
Marketing and public relations	1,264	695	881	2,254	1,068	6,162	1,421	7,583		
Specific assistance to individuals	-	-	6,312	-	-	6,312	-	6,312		
Insurance	1,641	704	325	91	544	3,305	1,143	4,448		
Telephone	1,494	981	214	51	274	3,014	550	3,564		
Conferences, conventions, and meetings	1,363	736	223	56	255	2,633	602	3,235		
Dues and subscriptions	899	512	131	62	336	1,940	565	2,505		
Depreciation and amortization	-	-	-	-	-	-	2,250	2,250		
Postage and delivery	453	199	93	22	149	916	418	1,334		
Travel	759	92	57	43	101	1,052	126	1,178		
Bad debt	-	1,116	-	-	-	1,116	-	1,116		
Taxes, licenses, and other	17	6	3	1	5	32	12	44		
Total expenses	\$ 125,213	\$ 57,204	\$ 43,014	\$ 48,767	\$ 51,116	\$ 325,314	\$ 81,641	\$ 406,955		

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 of accounting. 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. Jewish Family Service had no permanently restricted net assets at June 30, 2014.

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)
June 30, 2014

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.

Contributions receivable are recorded when notice is received that a future donation will occur. No discounts are recorded on contributions receivable that are due within twelve months.

Grant revenue from the Jewish Federation of Nashville and Middle Tennessee ("Jewish Federation") 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 – provides birth parent counseling, domestic and international home studies, and post-adoption services.

Counseling and case management – provides on-going individual, family and marital counseling 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. 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.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supportive Services (Continued)

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.

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

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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 June 30, 2014. Tax years prior to the year ended August 31, 2011 are closed to examination.

Subsequent Events

Jewish Family Service evaluated subsequent events through October 30, 2014, 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 – GRANTS RECEIVABLE FROM JEWISH FEDERATION

Grants receivable from Jewish Federation consist of the following at June 30, 2014:

Financial assistance program	\$ 2,215
Welcome Shabbat	620
Senior services music program	<u>426</u>
	<u>\$ 3,261</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.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

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.

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 June 30, 2014.

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 stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30, 2014:

Money market funds	\$	58,192
Stock mutual funds		16,652
Balanced mutual funds		185,965
Bonds		<u>41,054</u>
	<u>\$</u>	<u>301,863</u>

The following schedule summarizes the investment income in the statement of activities for the year ended June 30, 2014:

Investment income	\$	<u>4,069</u>
Unrealized gain on investments		<u>13,906</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014:

Furniture, equipment and software	\$ 15,526
Less accumulated depreciation and amortization	<u>(8,151)</u>
	<u>\$ 7,375</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 June 30, 2014:

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 June 30, 2014.

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 subject to Internal Revenue Service limitations. Jewish Family Service has the option of making a matching contribution. During the year ended June 30, 2014, Jewish Family Service matched up to 1.5% of contributions of employees who participated in the defined contribution plan. For the year ended June 30, 2014, Jewish Family Services contributed \$2,230 in matching contributions.

NOTE 9 – CONCENTRATIONS

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)
June 30, 2014

NOTE 9 – CONCENTRATIONS (Continued)

Jewish Family Service receives a substantial amount of its support from the Jewish Federation in the form of grants. A significant reduction in the level of this support, if this were to occur, may have a significant effect on Jewish Family Service's programs and activities. At June 30, 2014, \$3,261 of Jewish Federation grant revenues are recorded as grants receivable.