

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

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

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Report of Independent Auditor

To the Board of Directors
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 statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, cash flows, and functional expenses for the years 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 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 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 2, Jewish Family Service of Nashville and Middle Tennessee, Inc. adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Cheng Bekant LLP

Nashville, Tennessee
January 15, 2020

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 26,493	\$ 62,216
Grants receivable from Jewish Federation	12,511	-
Contributions receivable	12,728	7,464
Accounts and other receivables, less allowance for doubtful accounts of \$2,500 for 2019 and 2018	12,550	9,802
Prepaid expenses	4,436	4,632
Investments	986,586	799,479
Property and equipment, net	19,822	16,800
Total Assets	\$ 1,075,126	\$ 900,393
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 10,484	\$ 8,772
Accrued expenses	11,873	16,367
Total Liabilities	22,357	25,139
Net Assets:		
Net Assets without donor restrictions	990,705	845,232
Net Assets with donor restrictions	62,064	30,022
Total Net Assets	1,052,769	875,254
Total Liabilities and Net Assets	\$ 1,075,126	\$ 900,393

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Fundraisers, net of expenses of \$21,073	\$ 233,859	\$ -	\$ 233,859
Jewish Federation grants	133,354	-	133,354
Public support received directly	40,602	32,790	73,392
Other grants	71,000	-	71,000
Fees, net	30,024	-	30,024
Use of donated facilities	33,660	-	33,660
Investment income	18,893	-	18,893
United Way	3,284	-	3,284
Foundation distributions	2,700	-	2,700
Net assets released from restrictions	748	(748)	-
Total Support and Revenue	<u>568,124</u>	<u>32,042</u>	<u>600,166</u>
Expenses:			
Program Services:			
Senior services	90,294	-	90,294
Counseling and case management	77,426	-	77,426
Family and community education	52,539	-	52,539
Adoption	37,402	-	37,402
Financial aid/Kosher food box	37,165	-	37,165
Total Program Services	<u>294,826</u>	<u>-</u>	<u>294,826</u>
Supporting Services:			
Management and general	107,992	-	107,992
Fundraising	62,294	-	62,294
Total Supporting Services	<u>170,286</u>	<u>-</u>	<u>170,286</u>
Total Expenses	<u>465,112</u>	<u>-</u>	<u>465,112</u>
Change in net assets from operations	103,012	32,042	135,054
Net gain on investments	42,461	-	42,461
Change in net assets	145,473	32,042	177,515
Net assets, beginning of year	845,232	30,022	875,254
Net assets, end of year	<u>\$ 990,705</u>	<u>\$ 62,064</u>	<u>\$ 1,052,769</u>

The accompanying notes to the financial statements are an integral part of these statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Fundraisers, net of expenses of \$26,840	\$ 231,207	\$ -	\$ 231,207
Jewish Federation grants	134,000	-	134,000
Public support received directly	51,481	6,212	57,693
Other grants	71,401	-	71,401
Fees, net	40,322	-	40,322
Use of donated facilities	33,660	-	33,660
Investment income	23,498	-	23,498
United Way	3,617	-	3,617
Foundation distributions	2,531	-	2,531
Jewish Federation reimbursements	600	-	600
Net assets released from restrictions	56,733	(56,733)	-
Total Support and Revenue	<u>649,050</u>	<u>(50,521)</u>	<u>598,529</u>
Expenses:			
Program Services:			
Senior services	67,935	-	67,935
Counseling and case management	90,183	-	90,183
Family and community education	52,249	-	52,249
Adoption	49,357	-	49,357
Financial aid/Kosher food box	43,080	-	43,080
Total Program Services	<u>302,804</u>	<u>-</u>	<u>302,804</u>
Supporting Services:			
Management and general	91,775	-	91,775
Fundraising	52,463	-	52,463
Total Supporting Services	<u>144,238</u>	<u>-</u>	<u>144,238</u>
Total Expenses	<u>447,042</u>	<u>-</u>	<u>447,042</u>
Change in net assets from operations	202,008	(50,521)	151,487
Net gain on investments	4,785	-	4,785
Change in net assets	206,793	(50,521)	156,272
Net assets, beginning of year	638,439	80,543	718,982
Net assets, end of year	<u>\$ 845,232</u>	<u>\$ 30,022</u>	<u>\$ 875,254</u>

The accompanying notes to the financial statements are an integral part of these statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 177,515	\$ 156,272
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,731	2,526
Donated investments	-	(6,164)
Bad debt expense	1,054	2,390
Net realized and unrealized gain on investments	(42,461)	(4,785)
Changes in operating assets and liabilities:		
Grants receivable from Jewish Federation	(12,511)	1,731
Contributions receivable	(5,264)	56,633
Accounts and other receivables	(3,802)	6,716
Prepaid expenses	196	(615)
Accounts payable	1,712	(729)
Accrued expenses	(4,494)	4,323
Net cash provided by operating activities	<u>115,676</u>	<u>218,298</u>
Cash flows from investing activities:		
Purchases of property and equipment	(6,753)	-
Purchases of investments	(203,893)	(232,354)
Sale of investments	59,247	30,000
Net cash used in investing activities	<u>(151,399)</u>	<u>(202,354)</u>
(Decrease) increase in cash and cash equivalents	(35,723)	15,944
Cash and cash equivalents, beginning of year	62,216	46,272
Cash and cash equivalents, end of year	<u>\$ 26,493</u>	<u>\$ 62,216</u>
Supplemental disclosure of cash flow information:		
Donated investments	<u>\$ -</u>	<u>\$ 6,164</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Total Program Expenses	Supporting Services		Total Expenses
	Senior Services	Counseling and Case Management	Family and Community Education	Adoption	Financial Aid/ Kosher Food Box		Management and General	Fundraising	
Salaries	\$ 42,853	\$ 52,532	\$ 29,498	\$ 25,421	\$ 17,842	\$ 168,146	\$ 72,825	\$ 43,072	\$ 284,043
Employee health and retirement benefits	2,981	9,030	4,094	3,094	2,126	21,325	4,917	5,421	31,663
Payroll taxes	3,180	3,859	2,166	1,868	1,320	12,393	5,744	3,157	21,294
Total Payroll Expenses	49,014	65,421	35,758	30,383	21,288	201,864	83,486	51,650	337,000
Rent	4,809	6,131	4,809	3,486	4,809	24,044	4,808	4,808	33,660
Professional fees	10,492	1,674	3,217	902	1,288	17,573	7,590	1,288	26,451
Program expenses	12,213	341	5,563	81	1,963	20,161	183	1,510	21,854
Marketing and public relations	9,539	528	1,380	373	1,119	12,939	1,081	407	14,427
Supplies	2,217	1,217	427	375	472	4,708	457	1,281	6,446
Specific assistance	-	-	-	-	5,133	5,133	-	-	5,133
Depreciation	-	-	-	-	-	-	3,731	-	3,731
Insurance	513	667	513	359	513	2,565	513	513	3,591
Conferences, conventions, and meetings	286	415	264	250	264	1,479	1,368	264	3,111
Dues and subscriptions	-	60	-	125	-	185	2,003	240	2,428
Telephone	94	674	94	657	94	1,613	94	94	1,801
Travel	480	79	327	283	53	1,222	371	63	1,656
Postage and delivery	523	123	113	66	95	920	448	102	1,470
Bad debt	-	-	-	-	-	-	1,054	-	1,054
Other	22	28	22	25	22	119	733	22	874
Taxes, licenses, and other	92	68	52	37	52	301	72	52	425
Total Expenses	\$ 90,294	\$ 77,426	\$ 52,539	\$ 37,402	\$ 37,165	\$ 294,826	\$ 107,992	\$ 62,294	\$ 465,112

The accompanying notes to the financial statements are an integral part of these statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services					Total Program Expenses	Supporting Services		Total Expenses
	Senior Services	Counseling and Case Management	Family and Community Education	Adoption	Financial Aid/ Kosher Food Box		Management and General	Fundraising	
Salaries	\$ 36,088	\$ 64,653	\$ 29,842	\$ 34,960	\$ 18,567	\$ 184,110	\$ 62,203	\$ 35,314	\$ 281,627
Employee health and retirement benefits	2,498	8,322	3,026	2,543	2,777	19,166	4,624	4,853	28,643
Payroll taxes	2,785	4,806	2,217	2,623	1,374	13,805	4,826	2,661	21,292
Total Payroll Expenses	41,371	77,781	35,085	40,126	22,718	217,081	71,653	42,828	331,562
Rent	4,808	4,808	4,808	4,808	4,808	24,040	4,812	4,808	33,660
Program expenses	11,879	168	2,358	17	3,231	17,653	61	150	17,864
Professional fees	4,733	672	3,958	783	583	10,729	4,615	859	16,203
Supplies	2,473	1,239	751	780	874	6,117	2,503	1,447	10,067
Specific assistance to individuals	-	-	-	-	8,526	8,526	-	-	8,526
Marketing and public relations	750	577	2,982	577	1,006	5,892	793	903	7,588
Dues and subscriptions	257	362	499	382	257	1,757	2,380	257	4,394
Insurance	599	599	599	599	599	2,995	529	599	4,123
Conferences, conventions, and meetings	417	647	730	126	42	1,962	1,480	62	3,504
Depreciation and amortization	-	-	-	-	-	-	2,526	-	2,526
Bad debt	-	2,390	-	-	-	2,390	-	-	2,390
Telephone	175	681	175	641	175	1,847	175	175	2,197
Postage and delivery	151	143	143	171	143	751	136	241	1,128
Travel	229	62	107	293	64	755	58	80	893
Taxes, licenses, and other	93	54	54	54	54	309	54	54	417
Total Expenses	<u>\$ 67,935</u>	<u>\$ 90,183</u>	<u>\$ 52,249</u>	<u>\$ 49,357</u>	<u>\$ 43,080</u>	<u>\$ 302,804</u>	<u>\$ 91,775</u>	<u>\$ 52,463</u>	<u>\$ 447,042</u>

The accompanying notes to the financial statements are an integral part of these statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of organization

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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Jewish Family Service. These net assets may be used at the discretion of Jewish Family Service’s management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Jewish Family Service or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent contributions receivable and amounts available for programs.

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 net assets with donor restrictions 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 without donor restrictions.

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 – Jewish Family Service considers all cash accounts and highly liquid investments with an original maturity when purchased of three months or less to be cash and cash equivalents. Cash and cash equivalents held in investment accounts are excluded from the definition of cash and cash equivalents.

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

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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 unconditional donation will occur. No discounts are recorded on contributions receivable that are due within 12 months. All contributions receivable at June 30, 2019 and 2018 are due within 12 months. Management considers all contributions at June 30, 2019 and 2018 to be fully collectible. As such, no allowance is recorded.

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 Supporting Services – The following program and supporting 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 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.

Fundraising – Includes costs of activities directed toward appeals for financial support.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time and effort.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Donated Services and Facilities – The value of services donated by individuals who assist with programs is not reflected in the financial statements since it does not meet the recording requirements specified by accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 and is not a private foundation. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

Jewish Family Service follows 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 June 30, 2019 and 2018.

Restricted Endowment Funds – The Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The guidance requires that the amount of net assets held in perpetuity cannot be reduced by losses on investments of the funds or by an organization’s expenditures from the fund unless the donor required the gift to be held in specific investments or under special circumstances necessary to comply with donor intentions. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures not previously required. These disclosures are provided in Note 7.

Subsequent Events – Jewish Family Service evaluated subsequent events through January 15, 2020, 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.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncement – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Jewish Family Service has adopted these new accounting requirements retrospectively to all periods presented in the financial statements, with the exception of the disclosures of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Future Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for Jewish Family Service for the year ending June 30, 2022. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with practical expedients available. Jewish Family Service is currently in the process of evaluating the impact of adoption of this ASU on the financial statements. See Note 8 for disclosure regarding Jewish Family Service’s current operating leases.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending June 30, 2020. Management is evaluating the impact of this standard on Jewish Family Service’s financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. Jewish Family Service is currently evaluating the adoption of this ASU on its financial statements and related disclosures.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3—Liquidity and availability of resources

Jewish Family Service regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Jewish Family Service considers all expenditures related to its ongoing activities of providing senior services, counseling and case management, family and community education, adoption and financial aid, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of Jewish Family Service's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditure, that is, without donor or other restrictions limited their use, within one year of the statement of financial position date, compromise the following at June 30, 2019.

Financial assets:

Cash and cash equivalents	\$ 26,493
Grants receivable from Jewish Federation	12,511
Contributions receivable	12,728
Accounts and other receivables, less allowances	12,550
Investments	986,586
Total financial assets, at year-end	<u>1,050,868</u>

Less amounts unavailable for general expenditures within one year, due to:

Contributions restricted for specific programs	(37,064)
Net Assets held in perpetuity	(25,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 988,804</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 THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 are valued at their fair values in the statements of financial position. The realized and unrealized gains or losses on investments are reflected in the statements of activities.

The following is a description of the valuation methodology used for asset measurement at fair value. There have been no changes in the methodology used at June 30, 2019 and 2018.

Pooled Investment Funds – The pooled investment funds are maintained under an agreement with the Endowment Fund of the Jewish Federation (the “Endowment fund”). Under the agreement, Jewish Family Service funds placed with the Endowment Fund are to be invested in a manner consistent with the Endowment Fund's investment objectives. Investment income recognized by Jewish Family Service includes Jewish Family Service's share of any gains or losses on such pooled funds. Jewish Family Service values these funds as Level 2 because the specific units held do not have quoted prices and are not traded on an active market.

Money Market Funds and Mutual Funds – Valued at the quoted market prices for individual assets of shares held by Jewish Family Service at year-end.

The method 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Balanced mutual funds	\$ 227,086	\$ -	\$ -	\$ 227,086
Stock mutual funds	322,995	-	-	322,995
Bond mutual funds	177,427	-	-	177,427
Money market funds	234,078	-	-	234,078
Pooled investment funds	-	25,000	-	25,000
Total Investments	<u>\$ 961,586</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 986,586</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Fair value measurements (continued)

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Balanced mutual funds	\$ 264,906	\$ -	\$ -	\$ 264,906
Stock mutual funds	248,820	-	-	248,820
Bond mutual funds	168,261	-	-	168,261
Money market funds	117,492	-	-	117,492
Pooled investment funds	-	-	-	-
Total Investments	<u>\$ 799,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,479</u>

Note 5—Property and equipment

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 15,064	\$ 15,064
Furniture, equipment, and software	19,142	18,696
Less accumulated depreciation and amortization	(14,384)	(16,960)
	<u>\$ 19,822</u>	<u>\$ 16,800</u>

Note 6—Net assets with donor restrictions

Jewish Family Service has received contributions from donors with the stipulation that such contributions are to be used for specific purposes. Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Helping Hands Fund	\$ 10,000	\$ 10,000
Contributions receivable	12,728	7,464
Greatest Need Fund	6,405	5,256
Laylani Fund	5,176	4,083
Trachtman Special Program	2,530	2,954
Needy Family Assistance Fund	120	160
Wall of Remembrance Fund	105	105
Endowment Fund	25,000	-
	<u>\$ 62,064</u>	<u>\$ 30,022</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
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Note 7—Endowment

Jewish Family Service's endowment was established to further its programs. The endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors as endowments, are classified and reported based on the existence or absence of donor or board-imposed restrictions and designations, respectively.

Jewish Family Service has interpreted the UPMIFA as requiring that Jewish Family Service classify as net assets held in perpetuity a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are approved for expenditure by Jewish Family Service in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Jewish Family Service considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Jewish Family Service and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Jewish Family Service
- The investment policies of Jewish Family Service

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 25,000	\$ 25,000
Total Funds	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions to donor restricted endowment	-	25,000	25,000
Investment income allocated for withdrawal	-	-	-
Expenditures	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

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JUNE 30, 2019 AND 2018

Note 7—Endowment (continued)

The endowment funds for Jewish Family Service were transferred to Jewish Federation to establish a separately managed fund known as the “Jewish Family Service Endowment Fund” and will be administered by the Federation for the sole benefit of Jewish Family Service. The Funds and any subsequent additional funds to Jewish Family Service Endowment Fund will be invested in a manner consistent with Jewish Family Service’s standard investment policy. Annual distributions of income are made in accordance with the spending policy of Jewish Family Service.

Note 8—Donated facilities

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 \$33,660 for each of the years ended June 30, 2019 and 2018.

Note 9—Pension plan

Jewish Family Service employees who meet certain participation requirements may elect to participate in a defined contribution pension 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 years ended June 30, 2019 and 2018, Jewish Family Service matched up to 4.5% and 4.0%, respectively, of compensation of employees who participated in the defined contribution plan. For the years ended June 30, 2019 and 2018, Jewish Family Services recognized expense of \$10,172 and \$9,061, respectively, in matching contributions.

Note 10—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 such changes could materially affect the amounts reported in the statements of financial position.

Jewish Family Service receives a substantial amount of its support from the Jewish Federation in the form of grants. A 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.