



CANNON & COMPANY

**THE JEWISH FOUNDATION OF MEMPHIS**

**COMBINED FINANCIAL STATEMENTS**

**YEARS ENDED**

**DECEMBER 31, 2007 AND 2006**



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# CANNON & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
The Jewish Foundation of Memphis  
Memphis, Tennessee

## Independent Auditor's Report

We have audited the accompanying combined statements of financial position of *The Jewish Foundation of Memphis* and subsidiary as of December 31, 2007 and 2006, and the related combined statements of activities, functional expenses and statements of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with United States of America generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Foundation of Memphis and subsidiary as of December 31, 2007 and 2006, and the results of its operations and changes in net assets for the years then ended in conformity with generally accepted accounting principles of the United States of America.

*Cannon & Company*  
Certified Public Accountants

Memphis, Tennessee  
August 29, 2008

**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2007 AND 2006**

**ASSETS**

|   | <b>2007</b>          | <b>2006</b>          |
|---|----------------------|----------------------|
| Cash and Cash Equivalents   | \$ 239,179           | \$ 292,711           |
| Contributions Receivable  | 2,996                | 2,996                |
| Investments   | 18,284,678           | 17,159,044           |
| Investments-Temporarily Restricted  | 1,275,875            | 1,232,732            |
| Charitable Remainder Trust-Temporarily Restricted   | 526,452              | 592,377              |
| Furniture, Equipment and Leasehold Improvements Net of<br>Accumulated Depreciation of \$61,753 and \$59,362 | 83,460               | 8,319                |
| Cash Surrender Life Insurance   | 553,907              | 494,577              |
| Total Assets  | <b>\$ 20,966,547</b> | <b>\$ 19,782,756</b> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|  |                  |                  |
|--|------------------|------------------|
| Accounts Payable and Accrued Expenses                  | \$ 9,364         | \$ 7,304         |
| Grants and Contributions Payable                       |                  | 58,270           |
| Assets Held for Others                                 | 7,604,023        | 6,835,065        |
| Annuity Liability                                      | 102,113          | 110,638          |
| Liability Under Trust Agreement-Temporarily Restricted | 303,527          | 351,564          |
| Total Liabilities                                      | <b>8,019,027</b> | <b>7,362,841</b> |

**NET ASSETS**

|                                  |                      |                      |
|----------------------------------|----------------------|----------------------|
| Unrestricted:                    |                      |                      |
| Donor Advised                    | 11,448,720           | 10,946,370           |
| Temporarily Restricted           | 1,498,800            | 1,473,545            |
| Total Net Assets                 | <b>12,947,520</b>    | <b>12,419,915</b>    |
| Total Liabilities and Net Assets | <b>\$ 20,966,547</b> | <b>\$ 19,782,756</b> |

The accompanying notes form an integral part of these financial statements.

**THE JEWISH FOUNDATION OF MEMPHIS  
COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

|   | 2007          |                        |               | 2006          |                        |               |
|---|---------------|------------------------|---------------|---------------|------------------------|---------------|
|   | Unrestricted  | Temporarily Restricted | Total         | Unrestricted  | Temporarily Restricted | Total         |
| <b>REVENUES AND OTHER SUPPORT</b>                     |               |                        |               |               |                        |               |
| Public Support  | \$ 3,496,875  | \$ 34,555              | \$ 3,531,430  | \$ 3,530,626  | \$ 120,831             | \$ 3,651,457  |
| Donated Facilities                                    | 3,443         |                        | 3,443         | 5,008         |                        | 5,008         |
| Interest Dividends                                    | 189,188       | 81,038                 | 270,226       | 202,489       | 69,893                 | 272,382       |
| Realized Capital Gains (Losses)                       | 772,503       | 109,688                | 882,191       | 501,288       | 60,420                 | 561,708       |
| Unrealized Capital Gains (Losses)                     | (213,179)     | (102,949)              | (316,128)     | 341,248       | 19,477                 | 360,725       |
| Change in Trust                                       | (160)         |                        | (160)         | 6,148         |                        | 6,148         |
| Fees and Cash Value of Life Insurance                 | 166,130       |                        | 166,130       | 220,928       |                        | 220,928       |
| Other Income  | 8,525         |                        | 8,525         | 8,256         |                        | 8,256         |
| Total Unrestricted Revenues and Gains                 | 4,423,325     | 122,332                | 4,545,657     | 4,815,991     | 270,621                | 5,086,612     |
| Net Assets Released From Restriction                  | 97,077        | (97,077)               |               | 72,607        | (72,607)               |               |
| Total Unrestricted Revenues, Gains, and Other Support | 4,520,402     | 25,255                 | 4,545,657     | 4,888,598     | 198,014                | 5,086,612     |
| <b>EXPENSES</b>                                       |               |                        |               |               |                        |               |
| Program Expenses                                      | 3,702,570     |                        | 3,702,570     | 3,719,750     |                        | 3,719,750     |
| Management and General                                | 194,201       |                        | 194,201       | 191,333       |                        | 191,333       |
| Fundraising Expenses                                  | 122,331       |                        | 122,331       | 104,424       |                        | 104,424       |
| Total Expenses  | 4,019,102     |                        | 4,019,102     | 4,015,507     |                        | 4,015,507     |
| <b>CHANGE IN NET ASSETS</b>                           | 501,300       | 25,255                 | 526,555       | 873,091       | 198,014                | 1,071,105     |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>                | 10,946,370    | 1,473,545              | 12,419,915    | 10,073,279    | 1,275,531              | 11,348,810    |
| <b>NET ASSETS AT END OF YEAR</b>                      | \$ 11,447,670 | \$ 1,498,800           | \$ 12,946,470 | \$ 10,946,370 | \$ 1,473,545           | \$ 12,419,915 |

The accompanying notes form an integral part of these financial statements.



**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2007**

|  | <u>Support Services</u> |                           |                 | Total<br>Functional<br>Expenses |
|--|-------------------------|---------------------------|-----------------|---------------------------------|
|  | Program                 | Management<br>and General | Fund<br>Raising |                                 |
| <b>OPERATING EXPENSES</b>                      |                         |                           |                 |                                 |
| Salaries                                       | \$ 46,750               | \$ 78,552                 | \$ 78,220       | \$ 203,522                      |
| Employee Benefits and Payroll Taxes            | 6,361                   | 10,688                    | 10,643          | 27,692                          |
| Professional and Consulting Fees               |                         | 17,450                    |                 | 17,450                          |
| Printing and Publications                      |                         |                           | 19,562          | 19,562                          |
| Telephone                                      |                         | 989                       | 2,966           | 3,955                           |
| Conferences and Travel                         |                         | 3,608                     |                 | 3,608                           |
| B'nai Tzedek                                   | 10,582                  |                           |                 | 10,582                          |
| Programming and Outreach                       | 10,524                  |                           |                 | 10,524                          |
| Occupancy                                      | 2,243                   | 8,334                     | 2,604           | 13,181                          |
| Donated Facilities                             | 586                     | 2,177                     | 680             | 3,443                           |
| Postage & Shipping                             |                         | 3,426                     | 3,426           | 6,852                           |
| Supplies                                       |                         | 4,627                     |                 | 4,627                           |
| Entertainment                                  |                         |                           | 830             | 830                             |
| Computer                                       |                         | 4,320                     |                 | 4,320                           |
| Dues and Subscriptions                         |                         | 745                       | 1,060           | 1,805                           |
| Miscellaneous                                  |                         |                           | 2,340           | 2,340                           |
| Total Operating Expenses                       | 77,046                  | 134,916                   | 122,331         | 334,293                         |
| <b>NON OPERATING EXPENSES</b>                  |                         |                           |                 |                                 |
| Grants to Selected or Designated Organizations | 3,586,040               |                           |                 | 3,586,040                       |
| Investment Management Fees                     |                         | 44,183                    |                 | 44,183                          |
| Interest Expense                               |                         | 738                       |                 | 738                             |
| Disbursements to Trust Beneficiaries           | 39,484                  |                           |                 | 39,484                          |
| Annuity Payments                               |                         | 11,973                    |                 | 11,973                          |
| Depreciation                                   |                         | 2,391                     |                 | 2,391                           |
| Total Non Operating Expenses                   | 3,625,524               | 59,285                    | -               | 3,684,809                       |
| Total Functional Expenses                      | \$ 3,702,570            | \$ 194,201                | \$ 122,331      | \$ 4,019,102                    |

The accompanying notes form an integral part of these financial statements.



**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2006**

|  | <u>Support Services</u> |                           |                   | Total<br>Functional<br>Expenses |
|--|-------------------------|---------------------------|-------------------|---------------------------------|
|  | Program                 | Management<br>and General | Fund<br>Raising   |                                 |
| <b>OPERATING EXPENSES</b>                      |                         |                           |                   |                                 |
| Salaries                                       | \$ 45,477               | \$ 75,334                 | \$ 72,185         | \$ 192,996                      |
| Employee Benefits and Payroll Taxes            | 6,222                   | 10,306                    | 9,875             | 26,403                          |
| Professional and Consulting Fees               |                         | 12,925                    |                   | 12,925                          |
| Printing and Publications                      |                         |                           | 12,569            | 12,569                          |
| Telephone                                      |                         | 724                       | 2,172             | 2,896                           |
| Conferences and Travel                         |                         | 2,643                     |                   | 2,643                           |
| B'nai Tzedek                                   | 16,771                  |                           |                   | 16,771                          |
| Programming and Outreach                       | 3,815                   |                           |                   | 3,815                           |
| Occupancy                                      | 1,473                   | 5,473                     | 1,710             | 8,656                           |
| Donated Facilities                             | 852                     | 3,167                     | 990               | 5,009                           |
| Postage & Shipping                             |                         | 1,813                     | 1,813             | 3,626                           |
| Supplies                                       |                         | 4,147                     |                   | 4,147                           |
| Entertainment                                  |                         |                           | 1,302             | 1,302                           |
| Computer                                       |                         | 3,939                     |                   | 3,939                           |
| Dues and Subscriptions                         |                         | 870                       | 1,262             | 2,132                           |
| Miscellaneous                                  |                         |                           | 546               | 546                             |
| Total Operating Expenses                       | 74,610                  | 121,341                   | 104,424           | 300,375                         |
| <b>NON OPERATING EXPENSES</b>                  |                         |                           |                   |                                 |
| Grants to Selected or Designated Organizations | 3,600,712               |                           |                   | 3,600,712                       |
| Investment Management Fees                     |                         | 55,680                    |                   | 55,680                          |
| Disbursements to Trust Beneficiaries           | 44,428                  |                           |                   | 44,428                          |
| Annuity Payments                               |                         | 11,973                    |                   | 11,973                          |
| Depreciation                                   |                         | 2,339                     |                   | 2,339                           |
| Total Non Operating Expenses                   | 3,645,140               | 69,992                    | -                 | 3,715,132                       |
| <b>Total Functional Expenses</b>               | <b>\$ 3,719,750</b>     | <b>\$ 191,333</b>         | <b>\$ 104,424</b> | <b>\$ 4,015,507</b>             |

The accompanying notes form an integral part of these financial statements.



**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   | <u>2007</u>       | <u>2006</u>        |
|---|-------------------|--------------------|
| Change in Net Assets  | \$ 526,555        | \$ 1,071,105       |
| <b>Adjustments to Reconcile Change in Net Assets To Net Cash Provided<br/>by (Used in) Operating Activities</b> |                   |                    |
| Depreciation Expense  | 2,391             | 2,339              |
| Donated Marketable Securities   | 127,520           | 47,616             |
| (Gain)/Loss on Sale of Investments  | (1,371,175)       | (561,708)          |
| Net Unrealized (Gain)/Loss on Investments   | 481,438           | (360,725)          |
| (Increase) Decrease in Other Assets   | (158,651)         | (224,262)          |
| Increase (Decrease) in Accounts Payable and Accrued Expenses  | 2,060             | (36,153)           |
| Increase (Decrease) in Grants and Contributions Payable   | (58,270)          | 42,270             |
| Increase (Decrease) in Assets Held for Others   | 768,958           | 1,118,823          |
| Increase (Decrease) in Annuity Liability  | (8,525)           | (8,256)            |
| Increase (Decrease) in Liability Under Trust Agreement  | (48,037)          | 4,383              |
| Net Cash Provided by Operating Activities   | <u>264,264</u>    | <u>1,095,432</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                    |
| Proceeds From Sale of Investments   | 11,148,102        | 14,877,221         |
| Purchase of Fixed Assets  | (77,532)          | (1,192)            |
| Purchase of Investments   | (11,389,416)      | (16,879,505)       |
| Net Cash (Used in) Investing Activities   | <u>(318,846)</u>  | <u>(2,003,476)</u> |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>(54,582)</b>   | <b>(908,044)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>   | <u>292,711</u>    | <u>1,200,755</u>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <u>\$ 238,129</u> | <u>\$ 292,711</u>  |
| <b>SUPPLEMENTAL DISCLOSURE:</b>   |                   |                    |
| Interest Paid   | \$ 738            | \$ -               |

The accompanying notes form an integral part of these financial statements.



**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying combined financial statements include the accounts of the Jewish Foundation of Memphis and JFM Realty, Inc. both of which are under common control. Significant interorganization transactions and balances have been eliminated.

The Jewish Foundation of Memphis (the "Foundation") was established in late 1995 to provide the resources necessary to meet the future challenges and needs of agencies, synagogues and schools in the Memphis Jewish community. JFM Realty, Inc. was established in January, 2000 to solicit contributions of real estate for the benefit of the Foundation.

Donors may contribute to the following types of funds: Unrestricted Funds – Philanthropic (Donor Advised) Funds – unrestricted funds for which the donor or a designee has reserved the right to make non-binding distribution recommendations to the Board; Agency Funds – those restricted for the sole use of the named beneficiary; Designated Funds – those established to provide support to a specific agency, synagogue, school or program specified by the donor; those from which distributions are directed by a specified committee for future community support.

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with the provision of Statement of Financial Accounting Standard No. 117, "*Financial Statement of Not-for-Profit Organizations.*"

The preparation of the 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the estimated liability for the Charitable Remainder Unitrust and the Charitable Gift Annuity.

Unconditional promises to give are recorded as revenues at the time an unconditional promise is received from a donor. Allowance for doubtful accounts are based on management past experience. No allowance was needed for 2007 and 2006.

Contributions are recorded at estimated fair value at the date of donation. With respect to publicly traded equity securities, fair values are deemed to be the average of high and low quoted trading prices on the date of the gift. It is the Foundation's policy to show restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Investments are carried at fair value as stated by the quoted market price at year end. Securities are held in custodial investment accounts administered by certain major financial institutions. The investment administrators are responsible for custody and investment management and disburse funds on instructions from the Board. Interest and dividend income are recorded on the accrual basis. Realized gains and losses on the sales of securities are calculated on the basis of specific identification of the securities sold.

Investments include various types of debt and equity securities among a mixture of companies in diverse markets. Investments are exposed to several risks, such as interest rate, market and credit risks. Due to the risks associated within certain investments, it is at least reasonably possible that changes to the value of the investments will occur in the near term and that such changes could materially affect the amounts reported in the Foundations financial statements.

Unconditional promises to give that are expected to be collected in future years, such as charitable remainder trusts, are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions and grants are approved by the Foundation's Board of Directors (the "Board") and for accounting purposes, such distributions are recognized as expenses in the period an unconditional promise to give is made.

Donated facilities and professional services are recorded as contributions in the accompanying statements at their estimated values at the date of receipt.



**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED NOTES TO FINANCIAL STATEMENTS-CONTINUED**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

The Internal Revenue Service has classified the Foundation as exempt from federal income taxes under Section 501(c)(3) of the United States Revenue Code.

For purposes of the statements of cash flows, the Foundation considers cash on hand and in savings and checking accounts, certificates of deposit and treasury bills with maturities of 90 days or less to be cash equivalents. The cash and cash equivalents balance excludes cash held in the long-term investment portfolio.

Furniture and equipment purchased are stated at cost, and property and equipment donated are recorded at management's estimated fair value at date of gift. Depreciation is computed on the straight-line method over the following estimated useful lives:

|                        | Years |
|------------------------|-------|
| Computer Equipment     | 5     |
| Software               | 3     |
| Furniture              | 7     |
| Leasehold Improvements | 39    |

The Foundation did not have any components of comprehensive income. Thus, net income and comprehensive income are the same.

Certain items in the 2006 report have been reclassified to conform to the current year classification. Such reclassifications had no effect on previously reported net income.

The Foundation receives gifts of beneficial interest in a trust that is held by others. Under the terms of the trust the Foundation has the irrevocable right to receive a changing percentage of the income earned on the trust assets until 2 years past the death of the named beneficiaries. At the end of the two years the Foundation will receive a designated percentage of the trust assets. At the time of receipt a gift is recorded based on the fair value of the assets contributed to the trust (or the portion thereof that benefits the Foundation). Annual distributions from the trust are reported as unrestricted income based upon donor designations. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in temporality restricted net assets. The beneficial interest is included in cash surrender life insurance on the statement of financial position.

**NOTE 2 - CHARITABLE REMAINDER UNITRUST**

During 1999, an individual established a charitable remainder unitrust for which the Foundation was named the trustee. A specified percent of the net fair market value of the assets of trust shall be paid to the designated beneficiaries in equal installments during their lives.

Upon death of the surviving recipient, the trust will terminate and the trustee will receive all the principal and income of the trust. The grantor has reserved the right to designate a beneficiary for no more than 50 percent of trust assets or to add an additional remainderman.

The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the statement of activities as a temporarily restricted contribution in the period the trust is established. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 5.2% and 5.8% for the years ended December 31, 2007 and 2006, respectively, and applicable mortality tables.

The Foundation is also named as beneficiary under certain trusts administered by others. The assets of those trusts are not included in the statement of financial position since the trusts are revocable or the beneficiary may be changed at the decision of the respective grantors.



**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED NOTES TO FINANCIAL STATEMENTS-CONTINUED**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 3 – CHARITABLE GIFT ANNUITY**

In 2003, the Foundation entered into an annuity trust agreement whereby the Foundation agreed to provide a specified rate of return to the annuitants over their lives. Any remaining assets became the property of the Foundation.

The obligation was recorded at the present value of the expected future distributions. The difference between the fair value of the assets received and the liability to the donor was recognized as contribution revenue. On an annual basis the Foundation revalues the liability based on applicable mortality tables and discount rates.

**NOTE 4 - INVESTMENTS**

Investments at December 31, 2007 and 2006 are made up of the following:

|  | <u>2007</u>          | <u>2006</u>          |
|--|----------------------|----------------------|
| <b>Cash Held in Long-Term Investment Portfolio</b> |                      |                      |
| Cash   | \$ 513,795           | \$ 396,688           |
| Government   | 636,219              | 938,352              |
| <b>Equities</b>                                    |                      |                      |
| Common Stocks                                      | 661,119              | 2,680,489            |
| Preferred Stock                                    | -                    | 329,626              |
| Mutual Funds                                       | 12,913,595           | 9,646,789            |
| <b>Fixed Income</b>                                |                      |                      |
| Bonds  | <u>4,835,825</u>     | <u>4,399,832</u>     |
| <b>Total</b>                                       | <u>\$ 19,560,553</u> | <u>\$ 18,391,776</u> |

The above balances include \$1,275,875 and \$1,232,732 of investments that are temporarily restricted for the years ended December 31, 2007 and 2006, respectively.

**NOTE 5 - FURNITURE AND FIXTURES**

Major classes of furniture and equipment consist of the following:

|                               | <u>2007</u>      | <u>2006</u>     |
|-------------------------------|------------------|-----------------|
| Computer Equipment            | \$ 13,351        | \$ 13,351       |
| Software                      | 45,426           | 45,426          |
| Leasehold Improvements        | 77,532           | -               |
| Furniture and Fixtures        | <u>8,904</u>     | <u>8,904</u>    |
|                               | 145,213          | 67,681          |
| Less Accumulated Depreciation | <u>(61,753)</u>  | <u>(59,362)</u> |
| Net Furniture and Equipment   | <u>\$ 83,460</u> | <u>\$ 8,319</u> |

**NOTE 6 - ASSETS HELD FOR OTHERS**

Included in investments are assets that have been transferred by outside organizations to the Foundation to include in its investment portfolio. These funds can be used by those organizations upon demand and are thereby presented as a liability to those entities.



**THE JEWISH FOUNDATION OF MEMPHIS**  
**COMBINED NOTES TO FINANCIAL STATEMENTS-CONTINUED**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 6 - ASSETS HELD FOR OTHERS – CONTINUED**

|                                   | <u>2007</u>         | <u>2006</u>         |
|-----------------------------------|---------------------|---------------------|
| Margolin Hebrew Academy           | \$ 4,217,827        | \$ 3,676,719        |
| Temple Israel                     | 899,061             | 859,229             |
| Baron Hirsch Congregation         | 614,162             | 574,782             |
| Jewish Family Service, Inc.       | 1,061,428           | 946,742             |
| Bornblum Solomon Schechter School | 214,570             | 188,607             |
| Plough Towers                     | 223,594             | 208,227             |
| Beth Shalom                       | 373,381             | 380,759             |
|                                   | <u>\$ 7,604,023</u> | <u>\$ 6,835,065</u> |

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Foundation leased office space on a monthly basis from a company in which an officer of the Board of Directors has an ownership interest. Expense incurred under the lease totaled \$7,945 and \$8,657 for the years ended December 31, 2007 and 2006, respectively. The formal lease agreement expired in November 2006.

**NOTE 8 – RETIREMENT PLAN**

The Foundation has a contributory money purchase retirement plan which is a qualified plan under the Internal Revenue Code. The Foundation's policy is to fund retirement costs accrued. All employees over the age of 18 are eligible to participate in the plan. The amount of the Foundation's annual contribution is equal to a percentage of the participant's yearly compensation. The Foundation's costs with respect to the plan were \$13,440 and \$12,861 for the years ended December 31, 2007 and 2006, respectively.

**NOTE 9 – CONCENTRATION OF CREDIT RISK**

The Foundation maintains several bank accounts. The Federal Deposit Insurance Corporation (FDIC) up to \$100,000 insures accounts at such institutions. Cash exceeded federally insured limits by \$11,818 and \$371,053 for the years ended December 31, 2007 and 2006, respectively.

The Foundation receives its funding from the Jewish community in and around Memphis, Tennessee. This geographical concentration could significantly impact the operations of the Foundation should the economy or financial viability of the donors experience economic problems.

**NOTE 10 – PURCHASE OF AN ANNUITY**

The Foundation purchased a commercial annuity in early 2004 that specified payments consistent with the agreed upon amounts required in Note 3 – Charitable Gift Annuity. The contract does not allow for a cash surrender value nor does it allow for payments to a beneficiary. The contract is insured for \$100,000 per annuitant. Based on the life expectancy of the annuitants, this amount is sufficient to cover the expected distributions. However, in no way has this contract removed the liability from the Foundation.

**NOTE 11 – CONTRIBUTED FACILITIES**

The estimated value of the donated facilities, based on the fair market value of similar property is approximately \$3,443 and \$5,008 for the years ended December 31, 2007 and 2006, respectively.

**NOTE 12 – LINE OF CREDIT**

In August of 2007, the Foundation entered into a \$100,000 line of credit with a bank bearing interest at 1.000 percentage point below prime. The prime rate at December 31, 2007 was 7.50% The outstanding balance on the line of credit as of December 31, 2007 was \$0. Interest expense on the line for the year ended December 31, 2007 was \$738.