

Financial Statements
Jewish Vocational Service, Inc.

September 30, 2009 and 2008



Mayer Hoffman McCann P.C.
An Independent CPA Firm
Tofias New England Division

JEWISH VOCATIONAL SERVICE, INC.

Financial Statements

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Mayer Hoffman McCann P.C.

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Independent Auditors' Report

Board of Directors
Jewish Vocational Service, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of Jewish Vocational Service, Inc. ("JVS") as of September 30, 2009 and 2008 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of JVS's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Vocational Service, Inc. as of September 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

January 19, 2010
Cambridge, Massachusetts

JEWISH VOCATIONAL SERVICE, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 741,523	\$ 568,942
Cash restricted for donor intent	1,236,031	621,561
Allocations receivable from CJP	775,318	928,200
Accounts receivable, net	827,209	1,106,612
Current portion of pledges receivable	623,358	314,759
Prepaid expenses	104,054	24,529
Investments	<u>1,069,742</u>	<u>1,031,778</u>
Total current assets	<u>5,377,235</u>	<u>4,596,381</u>
Long-term assets:		
Furniture and equipment, net	47,097	50,319
Pledges receivable, long-term	174,430	108,966
Notes receivable, net	25,989	24,912
Other assets	<u>131,947</u>	<u>102,616</u>
Total long-term assets	<u>379,463</u>	<u>286,813</u>
Total assets	\$ <u>5,756,698</u>	\$ <u>4,883,194</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 45,756	\$ 54,291
Accrued expenses	370,802	403,844
Unearned tuition	70,062	116,556
Other liabilities	237,742	214,450
Current portion of due to CJP	<u>9,635</u>	<u>9,075</u>
Total current liabilities	<u>733,997</u>	<u>798,216</u>
Due to CJP, net of current portion	<u>266,266</u>	<u>275,901</u>
Total liabilities	<u>1,000,263</u>	<u>1,074,117</u>
Net assets:		
Unrestricted	1,682,347	1,313,061
Temporarily restricted	3,057,554	2,479,482
Permanently restricted	<u>16,534</u>	<u>16,534</u>
Total net assets	<u>4,756,435</u>	<u>3,809,077</u>
Total liabilities and net assets	\$ <u>5,756,698</u>	\$ <u>4,883,194</u>

JEWISH VOCATIONAL SERVICE, INC.

Statements of Activities and Changes in Net Assets

	<i>Year Ended September 30, 2009</i>				<i>2008</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
Revenue, gains and other support:					
Allocations from CJP	\$ -	\$ 889,438	\$ -	\$ 889,438	\$ 948,200
Government contracts	3,901,202	-	-	3,901,202	5,226,902
Contributions/grants	854,324	1,863,329	-	2,717,653	1,428,121
Program revenue	841,955	-	-	841,955	821,416
Net investment income (loss)	49,951	31,949	-	81,900	(58,189)
Other revenue	16,978	-	-	16,978	45,923
Total revenue, gains and other support	5,664,410	2,784,716	-	8,449,126	8,412,373
Net assets released from restrictions:					
Release of restrictions time and purpose	1,233,827	(1,233,827)	-	-	-
Release of time restrictions on CJP allocation	972,817	(972,817)	-	-	-
Total net assets released from restrictions	2,206,644	(2,206,644)	-	-	-
Total revenue, gains, other support, and releases of restriction	7,871,054	578,072	-	8,449,126	8,412,373
Expenses:					
Program services	6,004,218	-	-	6,004,218	6,552,264
Administration	1,175,134	-	-	1,175,134	1,240,389
Fundraising	322,416	-	-	322,416	317,894
Total expenses	7,501,768	-	-	7,501,768	8,110,547
Change in net assets	369,286	578,072	-	947,358	301,826
Net assets, beginning	1,313,061	2,479,482	16,534	3,809,077	3,507,251
Net assets, ending	\$ 1,682,347	\$ 3,057,554	\$ 16,534	\$ 4,756,435	\$ 3,809,077

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2008

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenue, gains and other support:				
Allocations from CJP	\$ 20,000	\$ 928,200	\$ -	\$ 948,200
Government contracts	5,226,902	-	-	5,226,902
Contributions/grants	408,053	1,020,068	-	1,428,121
Program revenue	821,416	-	-	821,416
Net investment income (loss)	(19,504)	(38,685)	-	(58,189)
Other revenue	45,923	-	-	45,923
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	6,502,790	1,909,583	-	8,412,373
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets released from restrictions:				
Release of restrictions time and purpose	704,778	(704,778)	-	-
Release of time restrictions on CJP allocation	928,200	(928,200)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets released from restrictions	1,632,978	(1,632,978)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue, gains, other support, and releases of restriction	8,135,768	276,605	-	8,412,373
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Program services	6,552,264	-	-	6,552,264
Administration	1,240,389	-	-	1,240,389
Fundraising	317,894	-	-	317,894
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	8,110,547	-	-	8,110,547
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	25,221	276,605	-	301,826
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, beginning	1,287,840	2,202,877	16,534	3,507,251
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Net assets, ending	\$ 1,313,061	\$ 2,479,482	\$ 16,534	\$ 3,809,077
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See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Functional Expenses

Years Ended September 30,								
	2009				2008			
	<i>Program</i>				<i>Program</i>			
	<i>Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>	<i>Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>
Expenses:								
Personnel:								
Salaries and wages	\$ 3,753,774	\$ 718,181	\$ 177,147	\$ 4,649,102	\$ 4,171,189	\$ 727,065	\$ 164,487	\$ 5,062,741
Payroll taxes and fringe benefits	823,591	157,987	41,970	1,023,548	882,074	167,954	36,530	1,086,558
Total personnel	4,577,365	876,168	219,117	5,672,650	5,053,263	895,019	201,017	6,149,299
Occupancy	745,609	52,763	9,060	807,432	644,666	54,116	8,739	707,521
Operational:								
Professional fees and subcontractors	232,667	105,399	13,453	351,519	300,284	140,689	32,910	473,883
Equipment	117,190	33,176	7,124	157,490	100,582	34,680	3,322	138,584
Miscellaneous/other	39,224	28,337	15,860	83,421	97,298	22,038	15,450	134,786
Meetings and staff development	18,895	19,751	100	38,746	31,295	31,095	1,287	63,677
Supplies	81,279	4,009	2,327	87,615	100,412	1,906	629	102,947
Communication	55,645	11,008	4,633	71,286	54,396	13,097	4,936	72,429
Client expenses	56,701	-	-	56,701	66,085	-	-	66,085
Depreciation	24,769	4,651	979	30,399	41,907	5,974	1,135	49,016
Fundraising	-	-	48,336	48,336	-	-	47,522	47,522
Insurance	-	33,723	-	33,723	500	35,297	-	35,797
Scholarship	19,525	-	-	19,525	20,686	-	-	20,686
Interest	17,589	17	-	17,606	20,111	285	-	20,396
Advertising and publicity	14,433	199	309	14,941	18,190	1,047	105	19,342
Bank fees	3,327	5,971	1,118	10,416	2,589	5,095	842	8,526
Bad debts	-	(38)	-	(38)	-	51	-	51
Total operational	681,244	246,203	94,239	1,021,686	854,335	291,254	108,138	1,253,727
Total expenses	\$ 6,004,218	\$ 1,175,134	\$ 322,416	\$ 7,501,768	\$ 6,552,264	\$ 1,240,389	\$ 317,894	\$ 8,110,547

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Cash Flows

	<i>Years Ended September 30,</i>	
	<i>2009</i>	<i>2008</i>
Cash flows from operating activities:		
Change in net assets	\$ <u>947,358</u>	\$ <u>301,826</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,399	49,016
Realized (gain) loss on sale of investments	(14,867)	(37,421)
Unrealized (gain) loss on investments	(45,009)	122,823
Change in:		
Cash restricted for donor intent	(614,470)	(621,561)
Allocations receivable from CJP	152,882	-
Pledges receivable	(373,599)	(17,029)
Present value discount on pledges receivable	(464)	10,678
Accounts receivable, net	279,403	140,941
Prepaid expenses	(79,525)	49,668
Notes receivable	(1,077)	(4,597)
Other assets	(29,331)	40,270
Accounts payable	(8,535)	(131,934)
Accrued expenses	(33,042)	(29,171)
Unearned tuition	(46,494)	64,843
Other liabilities	<u>23,292</u>	<u>(52,032)</u>
Total adjustments	<u>(760,437)</u>	<u>(415,506)</u>
Net cash provided by (used for) operating activities	<u>186,921</u>	<u>(113,680)</u>
Cash flows from investing activities:		
Purchase of equipment	(27,177)	(36,907)
Net sales of investments	<u>21,912</u>	<u>16,264</u>
Net cash used for investing activities	<u>(5,265)</u>	<u>(20,643)</u>
Cash flows from financing activities:		
Principal payments on long-term debt and capital leases	-	(6,008)
Loan payments to CJP	<u>(9,075)</u>	<u>(6,341)</u>
Net cash used for financing activities	<u>(9,075)</u>	<u>(12,349)</u>
Net increase (decrease) in cash and cash equivalents	172,581	(146,672)
Cash and cash equivalents, beginning	<u>568,942</u>	<u>715,614</u>
Cash and cash equivalents, ending	\$ <u><u>741,523</u></u>	\$ <u><u>568,942</u></u>

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies

Jewish Vocational Service, Inc. ("JVS"), a nonprofit organization, is a beneficiary agency of the Combined Jewish Philanthropies of Greater Boston, Inc. ("CJP"). Established in 1938, JVS provides extensive educational, skills training, career counseling and testing, and job placement services. JVS also provides training, technical assistance and loans to microenterprises, and operates a one stop career center, "The Work Place", in collaboration with the City of Boston, Massachusetts. Services are provided in the greater Boston, Massachusetts area. JVS's support and revenue is derived principally from contracts with Federal, state and local government agencies, contributions from foundations and private donors, and contributions from CJP.

A summary of accounting policies consistently applied in the financial statements follows:

Financial Statement Presentation

The financial statements are presented on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Accordingly, net assets of JVS and changes therein are classified and reported as follows:

Unrestricted Net Assets - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - consist of assets that are subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions and/or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed.

Permanently Restricted Net Assets - net assets that are to be maintained in perpetuity that allow JVS to use or expend the economic benefits derived from the donated fund to support operating needs or other donor stated requirements.

Financial Statement Preparation

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These 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 period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

Cash equivalents include cash balances maintained in checking accounts and money market accounts. For purpose of the statements of cash flows, JVS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts

JVS uses the allowance method for recognizing potential uncollectible amounts relating to pledges and accounts receivable. At September 30, 2009 and 2008, the allowance was \$37,500.

Investments

JVS holds their investments through a co-investment with CJP. These investments are held in the Jewish Community Endowment Pool, a limited partnership under the managerial control of CJP. Realized and unrealized gains and losses are reported in the statements of activities and changes in net assets. Investment income (interest and dividends) is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Fair Value of Financial Instruments

JVS measures the fair market value of its financial instruments in accordance with reporting principles for not-for-profit accounting, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs to determine the exit price as well as to categorize its financial instruments, based on the priority of inputs to the valuation technique, into a three-level hierarchy, as discussed below.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments included in Level 1 includes listed equity and debt securities publicly traded on a stock exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Instruments which are generally included in this category include less liquid and restricted equity securities and over-the-counter derivatives including corporate bonds and loans and public company equity securities with legal restrictions.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include investments in privately held portfolio companies, promissory notes to privately held companies and interests in other investment partnerships.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Furniture and Equipment

Furniture and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Furniture and equipment greater than \$5,000 are recorded and depreciated. Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Furniture and equipment	7 years
Leasehold improvements	3 years
Computer equipment	3 years
Other equipment	7 years

In-Kind Support

JVS records as revenue, the value of donated services provided by qualified professionals that JVS would have purchased if not donated. Additionally, volunteers have donated a significant amount of time to programs of JVS. The value of their services has not been reflected in the accompanying financial statements pursuant to accounting standards.

Revenue Recognition

Program revenue is earned under cost reimbursement contracts and other funding arrangements with various Federal, state and local funding agencies. Revenue is recognized when cost is incurred or when services are rendered depending on the nature of the arrangement.

Contributions and unconditional promises to give are recorded as revenue in the period received or verifiably committed. Contributions subject to donor imposed stipulations that are met in the same reporting period are reported releases from restriction. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions not expected to be collected within one year are recorded at the estimated present value of future cash flows utilizing an appropriate discount rate. All contributions are considered to be available for the general programs of JVS unless restricted by the donor. Contributions of assets other than cash are recorded at their estimated fair value on the date of contribution.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Grant and Contract Revenue

JVS has expended resources in connection with Federal and State contracts and grants that are subject to review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agency if expenditures are disallowed. Management is not aware of any specific disallowances, but has provided a reserve for unreimbursable costs in the amount of \$30,000 at September 30, 2009 and 2008. Unbilled accounts receivable were approximately \$684,695 and \$617,552 at September 30, 2009 and 2008, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expense

JVS reports advertising costs as incurred. Advertising expense for the years ended September 30, 2009 and 2008 totaled \$14,941 and \$19,342, respectively.

Income Tax Status

JVS is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the financial statements.

Reclassifications

Certain amounts reported in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Subsequent Events

JVS has evaluated subsequent events through January 19, 2010, the date the Budget and Finance Committee approved and authorized the financial statements to be issued.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 2 - Fair Value Measurements

JVS follows the fair value measurement standards for financial instruments, which among other matters, requires enhanced disclosures about instruments that are measured and reported at fair value and establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price used in measuring instruments at fair value. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available quoted prices or for which fair value can be measured for actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The implementation of the fair value measurement standards had no impact on reported amounts.

The valuation of JVS's investments by the above fair value hierarchy consisted of the following at September 30, 2009.

	<i>Portion carried at fair value</i>	<i>Quote prices in active markets Level 1</i>	<i>Significant observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>
Domestic equity	\$ 163,672	\$ 68,040	\$ 95,632	\$ -
International equity	83,439	24,397	34,585	24,457
Emerging markets	59,906	59,906	-	-
Private equity/venture capital	105,904	-	-	105,904
Absolute return/hedged equity	422,548	-	19,467	403,081
Real assets	35,301	-	-	35,301
Fixed income	74,882	-	-	74,882
Cash and cash equivalents	124,090	124,090	-	-
	<u><u>\$ 1,069,742</u></u>	<u><u>\$ 276,433</u></u>	<u><u>\$ 149,684</u></u>	<u><u>\$ 643,625</u></u>

The approximate changes in instruments measured at fair value for which JVS has used Level 3 inputs to determine fair value are as follows.

	<i>Level 3</i>
Balance, beginning of year	\$ 528,000
Purchases (sales), net	103,000
Realized and unrealized gains, net	<u>13,000</u>
Balance, end of year	<u><u>\$ 644,000</u></u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 2 - Fair Value Measurements (Continued)

The following methods and assumptions were used by JVS in estimating the fair value of its financial instruments:

Allocations receivable from CJP	Carrying amount approximates fair value
Accounts receivable, net	Carrying amount approximates fair value
Pledges receivable	Carrying amount approximates fair value
Notes receivable, net	Carrying amount approximates fair value
Accounts payable	Carrying amount approximates fair value
Amounts due to CJP	Carrying amount approximates fair value

Net income on investments is comprised of the following at September 30:

	<i>2009</i>	<i>2008</i>
Net realized gains	\$ 14,867	\$ 37,421
Net unrealized gains (losses)	45,009	(122,823)
Interest and dividends	22,024	27,213
Net investment income (loss)	\$ 81,900	\$ (58,189)

Note 3 - Pledges Receivable

Pledges receivable represents unconditional promises to give. Long-term pledges receivable are recorded at the present value of estimated future cash flows. Pledges receivable as of September 30 are expected to be realized as follows:

	<i>2009</i>	<i>2008</i>
Less than one year	\$ 623,358	\$ 314,759
One to five years	195,000	130,000
	818,358	444,759
Less: present value discount	(13,071)	(13,535)
Less: allowance for doubtful pledges	(7,499)	(7,499)
Pledges receivable, net	\$ 797,788	\$ 423,725
Current portion of pledges receivable	\$ 623,358	\$ 314,759
Pledges receivable, long-term	174,430	108,966
Pledges receivable, net	\$ 797,788	\$ 423,725

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 3 - Pledges Receivable (Continued)

JVS was the beneficiary of a challenge grant whereby JVS was eligible to receive up to an additional \$150,000 in matching donations if JVS could raise \$150,000 in specific donations for its Center for Careers and Lifelong Learning division. As of September 30, 2008, JVS had raised \$150,000 that would qualify them to collect the match. As of September 30, 2008, the remaining amount due on the pledge was \$100,000. This amount was collected during 2009.

Note 4 - Furniture and Equipment

Furniture and equipment consist of the following at September 30:

	2009	2008
Furniture and equipment	\$ 726,900	\$ 726,900
Leasehold improvements	5,600	5,600
Computer equipment	72,745	72,745
Other equipment	<u>213,968</u>	<u>186,790</u>
	1,019,213	992,035
Less: accumulated depreciation	<u>972,116</u>	<u>941,716</u>
Furniture and equipment, net	\$ <u>47,097</u>	\$ <u>50,319</u>

Depreciation expense for the years ended September 30, 2009 and 2008 was \$30,399 and \$49,016, respectively.

Note 5 - Notes Receivable

During 2007, JVS became the custodian of certain loan funds from CJP. These loans are interest free and are deferred until students graduate. The value of the loans is included in notes receivable, net of a reserve of \$5,078 at September 30, 2009 and 2008.

Note 6 - Line of Credit

JVS has a line of credit with a financial institution with a maximum line-of-credit availability of \$750,000. The line is reviewed annually in February. Interest is computed at the institution's prime lending rate on the outstanding balance, which at September 30, 2009 and 2008 was 3.25% and 5.00%, respectively. The note is collateralized by all business assets of JVS. There were no outstanding balances at September 30, 2009 and 2008.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 7 - Operating Lease Commitments

JVS leases various facilities and office equipment under operating leases which expire at various dates through March 31, 2015. As part of one of its lease agreements, the landlord had agreed to provide JVS with a \$15,000 per year donation which had been accounted for as a reduction to rent expense up until the year ended September 30, 2007. During 2008, the landlord sold the building; however, the original landlord pledged to continue making the \$15,000 per year pledge until such time as the total gift reaches \$150,000. As of September 30, 2009 and 2008, the gift has been recorded as a pledge receivable and has been recognized as revenue instead of a reduction to rent.

Rent expense was approximately \$731,000 and \$625,000 for the years ended September 30, 2009 and 2008, respectively.

Future minimum lease payments under the leases are as follows:

2010	\$ 638,000
2011	663,000
2012	663,000
2013	663,000
2014	663,000
Thereafter	<u>332,000</u>
	<u>\$ 3,622,000</u>

During 2007, JVS entered into a three year agreement to provide some of their leased space to a local retail company to establish education and training systems that prepare youth, dislocated workers and other skilled adults for worthwhile and sustainable employment. In exchange, this local retailer agreed to hire at least 50 JVS trained people each year. JVS estimates the cost of the leased space to be approximately \$45,000 per year. The agreement includes two three year renewal options at the mutual agreement of both parties.

Included in other liabilities at September 30, 2009 is \$34,008 which represents a deferred lease liability associated with straight lining the minimum lease payments, in accordance with accounting principles.

Note 8 - Fundraising Revenue and Expenses

Fundraising revenue (excluding allocations from CJP) for the years ended September 30, 2009 and 2008 was \$2,717,653 and \$1,428,121 of which \$1,863,329 and \$1,020,068 was included in temporarily restricted as a result of time and purpose restrictions related to these funds, respectively. Corresponding fundraising expenses for the years ended September 30, 2009 and 2008 totaled \$322,416 and \$317,894, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 consist of the following:

	2009	2008
Accumulated unspent gains:		
Scholarships	\$ 7,119	\$ 6,307
Other temporarily restricted net assets:		
Restricted by time	503,350	394,687
Restricted by purpose:		
Scholarships	535,736	528,727
CJP Allocation	775,318	928,200
Specific programs	1,236,031	621,561
	<u><u>\$ 3,057,554</u></u>	<u><u>\$ 2,479,482</u></u>

Note 10 - Net Assets and Endowment Matters

New Accounting Pronouncement

U.S. generally accepted accounting principles require enhanced disclosures for each period for which JVS presents financial statements.

The following represents required disclosure relative to the composition of investments and endowment funds at September 30, 2009:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Investments, beginning of year	\$ 501,833	\$ 16,534	\$ 518,367
Investment activity:			
Withdrawals	(20,819)	-	(20,819)
Interest and dividends	1,499	-	1,499
Realized gains	7,219	-	7,219
Unrealized gains	21,836	-	21,836
Expenses	(1,788)	-	(1,788)
Investments, end of year	<u><u>\$ 509,780</u></u>	<u><u>\$ 16,534</u></u>	<u><u>\$ 526,314</u></u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 10 - Net Assets and Endowment Matters (Continued)

New Accounting Pronouncement (Continued)

The following represents required disclosure relative to the composition of investments and endowment funds at September 30, 2008:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Investments, beginning of year	\$ 564,955	\$ 16,534	\$ 581,489
Investment activity:			
Withdrawals	(25,290)	-	(25,290)
Interest and dividends	5,228	-	5,228
Realized gains	18,636	-	18,636
Unrealized gains (losses)	(60,892)	-	(60,892)
Expenses	(804)	-	(804)
Investments, end of year	\$ <u>501,833</u>	\$ <u>16,534</u>	\$ <u>518,367</u>

Interpretation of Relevant Law and Spending Policy

The Attorney General of Massachusetts has issued written guidance that all gains on permanently restricted endowment funds that have not been appropriated in accordance with the law should be classified as temporarily restricted net assets unless otherwise restricted by the donor.

State law allows the Board of Directors to appropriate a percentage of net appreciation as is prudent considering JVS's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

As of September 30, 2009, the Organization is in the process of adopting a formal investment and spending policy.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires JVS to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature must be reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations. There were no deficiencies at September 30, 2009 and 2008.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 10 - Net Assets and Endowment Matters (Continued)

Return Objectives and Risk Parameters

JVS's investment portfolio is managed to provide for long-term needs of the organization and its programs. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow needs. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, JVS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JVS targets an asset allocation strategy wherein assets are diversified among certain asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, JVS seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 11 - Pension Plan

JVS has a nonqualified deferred compensation arrangement with certain senior management employees. This plan provides for discretionary contributions of up to \$7,500 or a percentage of salary each year per participant as defined. Annual contributions vest over a three year period and require annual approval of the executive officers of the Board of Directors. Cash contributions made to this plan during the years ended September 30, 2009 and 2008 were \$28,048 and \$25,304, respectively.

In addition, JVS has a 403(b) plan available to all eligible employees. There were no employer contributions to the plan for the years ended September 30, 2009 and 2008.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 12 - Related Party Transactions

JVS is a beneficiary agency of CJP. JVS records the amount of the approved allocation from CJP as revenue and a receivable in the financial statements. Such allocation amounts were \$889,438 and \$928,200 for the years ended September 30, 2009 and 2008. This amount is included in temporarily restricted net assets and represents CJP's commitment to JVS for fiscal 2010 and 2009. Actual amounts received were \$928,000 and \$928,200 for the years ended September 30, 2009 and 2008, respectively.

During 2005, CJP agreed to loan JVS the funds needed to fund certain retirement plan obligations of approximately \$580,000. The loan is unsecured and to be repaid in equal installments over 20 years with no interest. JVS has reported this liability at its net present value of \$275,901 and \$284,976 for the years ended September 30, 2009 and 2008, respectively, including an imputed interest at a rate of 6% and such amount is reported on the statement of financial position as Due to CJP as follows:

Current portion of due to CJP	\$ 9,635
Due to CJP, net of current portion	<u>266,266</u>
	<u><u>\$ 275,901</u></u>

Future maturities of Due to CJP for the remainder of the loan term are as follows:

2010	\$ 9,635
2011	10,229
2012	10,860
2013	11,530
2014	12,241
Thereafter	221,406

Interest recorded on this loan for the years ended September 30, 2009 and 2008 was approximately \$17,600 and \$17,900, respectively.

Included in other liabilities at September 30, 2009 and 2008 is \$55,262 and \$58,804, respectively, due to CJP. These funds represent the remaining portion of payments received during the year on the CJP allocation receivable that have not yet been awarded to students for scholarships and loans. As such, these funds are considered a liability until they are awarded and disbursed.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 13 - Concentrations of Credit Risk

JVS receives a significant amount of revenue from contracts with the Federal Government and the Commonwealth of Massachusetts.

JVS maintains its cash and cash equivalents at various financial institutions which at times may exceed federally insured limits.

Note 14 - Cash Flows Information

Cash paid for interest for the years ended September 30, 2009 and 2008 totaled \$17,606 and \$20,396, respectively.

Note 15 - Accounting for Uncertain Tax Positions

Accounting principles for risk and uncertainties for accounting for income taxes, including temporary differences between tax and financial accounting basis of assets and liabilities and tax benefits of tax positions used in the preparation of JVS's tax returns. The uncertainties of any tax positions were accounted for under this approach in which disclosure was not required of a loss contingency involving an unasserted claim or assessment when there had been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it was considered probable that a claim would be asserted and there was a reasonable possibility that the outcome would be unfavorable.

In June 2006, new guidance was released that further interpreted the existing principles. When the new guidance is implemented, JVS will be required to utilize different recognition thresholds and measurement requirements when compared to existing applicable technical literature. On December 30, 2008, the new guidance was deferred and postponed the adoption of these provisions for JVS until fiscal 2010. As such, JVS has not determined the impact of this new guidance on its accounting for incomes taxes and has not implemented the requirements of this pronouncement in the fiscal 2009 financial statements.