

**Financial Statements**  
**Jewish Vocational Service, Inc.**

**September 30, 2012 and 2011**



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

# **JEWISH VOCATIONAL SERVICE, INC.**

## ***Financial Statements***

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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, 2012 and 2011, 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, 2012 and 2011 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 23, 2013  
Boston, Massachusetts

# JEWISH VOCATIONAL SERVICE, INC.

## *Statements of Financial Position*

	<i>September 30,</i>	
	<i>2012</i>	<i>2011</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 687,322	\$ 857,622
Cash restricted for donor intent and programs	1,306,066	1,609,356
Allocations receivable from CJP	897,671	1,251,250
Federal, state and other program receivables, net	997,015	858,562
Current portion of pledges receivable	38,800	87,500
Prepaid expenses and other current assets	119,454	181,145
Investments	1,362,496	1,239,456
<b>Total current assets</b>	<b><u>5,408,824</u></b>	<b><u>6,084,891</u></b>
Long-term assets:		
Furniture and equipment, net	8,697	19,227
Pledges receivable, long-term	568,628	231,069
Notes receivable, net	39,468	35,476
Other assets	240,419	182,716
<b>Total long-term assets</b>	<b><u>857,212</u></b>	<b><u>468,488</u></b>
<b>Total assets</b>	<b><u>\$ 6,266,036</u></b>	<b><u>\$ 6,553,379</u></b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 84,998	\$ 102,597
Accrued expenses	372,923	405,178
Unearned tuition	145,280	147,180
Other liabilities	266,688	208,891
Current portion of due to CJP	11,530	10,860
<b>Total current liabilities</b>	<b><u>881,419</u></b>	<b><u>874,706</u></b>
Due to CJP, net of current portion	233,647	245,177
<b>Total liabilities</b>	<b><u>1,115,066</u></b>	<b><u>1,119,883</u></b>
Net assets:		
Unrestricted	1,747,122	1,721,428
Temporarily restricted	3,387,314	3,695,534
Permanently restricted	16,534	16,534
<b>Total net assets</b>	<b><u>5,150,970</u></b>	<b><u>5,433,496</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 6,266,036</u></b>	<b><u>\$ 6,553,379</u></b>

# JEWISH VOCATIONAL SERVICE, INC.

## *Statements of Activities and Changes in Net Assets*

*Years Ended September 30,*

	<i>2012</i>				<i>2011</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
<b>Revenue, gains and other support:</b>					
Allocations from CJP	\$ 1,500	\$ 883,154	\$ -	\$ 884,654	\$ 1,269,150
Federal and state contracts	3,285,171	-	-	3,285,171	4,010,645
Contributions/grants	1,216,100	1,713,982	-	2,930,082	1,744,531
Program revenue	926,356	-	-	926,356	823,900
Net investment income	77,735	52,779	-	130,514	9,834
Other revenue	75,429	-	-	75,429	4,892
<b>Total revenue, gains and other support</b>	<b>5,582,291</b>	<b>2,649,915</b>	<b>-</b>	<b>8,232,206</b>	<b>7,862,952</b>
Net assets released from restrictions:					
Release of restrictions time and purpose	1,673,473	(1,673,473)	-	-	-
Release of time restrictions on CJP allocation	1,284,662	(1,284,662)	-	-	-
<b>Total net assets released from restrictions</b>	<b>2,958,135</b>	<b>(2,958,135)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total revenue, gains, other support, and releases of restriction</b>	<b>8,540,426</b>	<b>(308,220)</b>	<b>-</b>	<b>8,232,206</b>	<b>7,862,952</b>
<b>Expenses:</b>					
Program services	6,549,002	-	-	6,549,002	6,608,683
Administration	1,347,064	-	-	1,347,064	1,260,184
Fundraising	618,666	-	-	618,666	365,537
<b>Total expenses</b>	<b>8,514,732</b>	<b>-</b>	<b>-</b>	<b>8,514,732</b>	<b>8,234,404</b>
<b>Change in net assets</b>	<b>25,694</b>	<b>(308,220)</b>	<b>-</b>	<b>(282,526)</b>	<b>(371,452)</b>
Net assets, beginning	1,721,428	3,695,534	16,534	5,433,496	5,804,948
<b>Net assets, ending</b>	<b>\$ 1,747,122</b>	<b>\$ 3,387,314</b>	<b>\$ 16,534</b>	<b>\$ 5,150,970</b>	<b>\$ 5,433,496</b>

*See accompanying notes to the financial statements.*

# JEWISH VOCATIONAL SERVICE, INC.

## *Statement of Activities and Changes in Net Assets*

*Year Ended September 30, 2011*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenue, gains and other support:</b>				
Allocations from CJP	\$ -	\$ 1,269,150	\$ -	\$ 1,269,150
Federal and state contracts	4,010,645	-	-	4,010,645
Contributions/grants	826,507	918,024	-	1,744,531
Program revenue	823,900	-	-	823,900
Net investment income	7,988	1,846	-	9,834
Other revenue	4,892	-	-	4,892
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total revenue, gains and other support</b>	<b>5,673,932</b>	<b>2,189,020</b>	<b>-</b>	<b>7,862,952</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets released from restrictions:				
Release of restrictions time and purpose	1,617,548	(1,617,548)	-	-
Release of time restrictions on CJP allocation	949,378	(949,378)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total net assets released from restrictions</b>	<b>2,566,926</b>	<b>(2,566,926)</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total revenue, gains, other support, and releases of restriction</b>	<b>8,240,858</b>	<b>(377,906)</b>	<b>-</b>	<b>7,862,952</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenses:</b>				
Program services	6,608,683	-	-	6,608,683
Administration	1,260,184	-	-	1,260,184
Fundraising	365,537	-	-	365,537
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenses</b>	<b>8,234,404</b>	<b>-</b>	<b>-</b>	<b>8,234,404</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Change in net assets</b>	<b>6,454</b>	<b>(377,906)</b>	<b>-</b>	<b>(371,452)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, beginning	1,714,974	4,073,440	16,534	5,804,948
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets, ending</b>	<b>\$ 1,721,428</b>	<b>\$ 3,695,534</b>	<b>\$ 16,534</b>	<b>\$ 5,433,496</b>
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See accompanying notes to the financial statements.

# JEWISH VOCATIONAL SERVICE, INC.

## Statements of Functional Expenses

Years Ended September 30,

	2012				2011			
	<i>Program Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>
<b>Expenses:</b>								
<b>Personnel:</b>								
Salaries and wages	\$ 4,178,702	\$ 825,626	\$ 257,541	\$ 5,261,869	\$ 4,207,088	\$ 776,314	\$ 194,339	\$ 5,177,741
Payroll taxes and fringe benefits	990,405	219,511	63,619	1,273,535	977,217	196,026	47,901	1,221,144
Total personnel	5,169,107	1,045,137	321,160	6,535,404	5,184,305	972,340	242,240	6,398,885
<b>Occupancy</b>	639,906	58,172	14,823	712,901	689,631	54,361	10,264	754,256
<b>Operational:</b>								
Professional fees and subcontractors	278,534	117,269	40,699	436,502	221,315	102,516	15,002	338,833
Equipment	114,024	29,669	8,408	152,101	151,274	35,412	6,298	192,984
Client expenses	71,989	-	-	71,989	98,493	-	-	98,493
Miscellaneous/other	43,599	20,635	35,687	99,921	54,303	19,820	17,890	92,013
Supplies	96,362	5,091	2,074	103,527	71,644	3,644	1,234	76,522
Communication	48,781	13,178	5,700	67,659	47,658	11,881	6,227	65,766
Meetings and staff development	29,965	16,723	10,472	57,160	26,463	20,356	5,805	52,624
Fundraising	-	-	73,228	73,228	-	-	50,166	50,166
In-kind expense	-	-	72,000	72,000	-	-	-	-
Insurance	-	30,972	-	30,972	-	30,528	-	30,528
Depreciation	6,553	3,748	229	10,530	15,598	3,897	529	20,024
Advertising and publicity	16,935	514	440	17,889	16,763	410	936	18,109
Interest	15,792	-	-	15,792	16,423	-	-	16,423
Scholarship	15,921	-	-	15,921	13,603	-	-	13,603
Bank fees	1,534	5,956	1,246	8,736	1,210	5,019	1,445	7,674
Bad debts	-	-	32,500	32,500	-	-	7,501	7,501
Total operational	739,989	243,755	282,683	1,266,427	734,747	233,483	113,033	1,081,263
<b>Total expenses</b>	<b>\$ 6,549,002</b>	<b>\$ 1,347,064</b>	<b>\$ 618,666</b>	<b>\$ 8,514,732</b>	<b>\$ 6,608,683</b>	<b>\$ 1,260,184</b>	<b>\$ 365,537</b>	<b>\$ 8,234,404</b>

See accompanying notes to the financial statements.

# JEWISH VOCATIONAL SERVICE, INC.

## *Statements of Cash Flows*

	<i>Years Ended September 30,</i> <b>2012</b>	<i>2011</i>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (282,526)	\$ (371,452)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,530	20,024
Bad debt expense	32,500	7,501
Realized gain on sale of investments	(28,459)	(66,512)
Unrealized (gain)/loss on investments	(93,806)	68,068
Change in:		
Cash restricted for donor intent and programs	303,290	(241,186)
Allocations receivable from CJP	353,579	(344,500)
Pledges receivable	(326,300)	1,137,000
Present value discount on pledges receivable	4,941	(5,931)
Federal, state and other program receivables, net	(138,453)	80,658
Prepaid expenses and other current assets	61,691	(80,940)
Notes receivable	(3,992)	(9,200)
Other assets	(57,703)	(7,420)
Accounts payable	(17,599)	12,856
Accrued expenses	(32,255)	55,657
Unearned tuition	(1,900)	47,946
Other liabilities	57,797	(29,261)
Total adjustments	123,861	644,760
<b>Net cash provided by (used in) operating activities</b>	<b>(158,665)</b>	<b>273,308</b>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	-	(6,920)
Proceeds from withdrawal of investments	-	48,309
Purchase of investments	(775)	(124,357)
<b>Net cash used in investing activities</b>	<b>(775)</b>	<b>(82,968)</b>
<b>Cash flows from financing activities:</b>		
Loan payments to CJP	(10,860)	(10,229)
<b>Net cash used in financing activities</b>	<b>(10,860)</b>	<b>(10,229)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(170,300)</b>	<b>180,111</b>
Cash and cash equivalents, beginning	857,622	677,511
<b>Cash and cash equivalents, ending</b>	<b>\$ 687,322</b>	<b>\$ 857,622</b>

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:

#### ***Basis of Accounting***

The financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting.

#### ***Basis of Presentation***

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of externally-imposed restrictions. Accordingly, net assets and changes therein are classified 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.

#### ***Use of Estimates***

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. Significant management estimates included in the financial statements relate to allowance for doubtful accounts on program, pledges and notes receivables, present value discount on long-term pledges receivable, fair value of certain investments, useful lives of depreciable assets, allocation of costs charged to federal and state programs and the present value of amounts due to CJP.

# **JEWISH VOCATIONAL SERVICE, INC.**

## ***Notes to Financial Statements***

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

#### ***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.

#### ***Cash Restricted for Donor Intent and Programs***

Cash restricted for donor intent consists of funds that JVS must use for donor specified program support and other initiatives. Some funds have also been set aside to fund small business loans to qualifying individuals.

During 2010, JVS entered into an agreement with a bank, under which the bank will make loans to approved clients of the JVS microenterprise program and JVS will establish a loan loss reserve equal to at least 30% of the bank's outstanding loans. The balance of the funds in the loan loss reserve as of September 30, 2012 and 2011 was \$30,678 and \$20,606, respectively.

#### ***Allowance for Doubtful Accounts***

JVS uses the allowance method for recognizing potential uncollectible amounts relating to pledges and federal, state and other program receivables. At September 30, 2012 and 2011, the allowance was approximately \$76,700 and \$44,200, respectively.

#### ***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 Measurements***

JVS reports certain assets and liabilities at fair value on a recurring or non-recurring basis depending on the underlying policy for the particular item, in accordance with fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Recurring fair value measurements include JVS's investments. Non-recurring measurements include pledges receivable. In addition, JVS reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require JVS to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock-up and notice periods associated with the underlying funds.

# **JEWISH VOCATIONAL SERVICE, INC.**

## ***Notes to Financial Statements***

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

#### ***Fair Value Measurements (Continued)***

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. Instruments which are generally included in this category include 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. Level 2 also includes investments reported at net asset value per share with lock-up periods of 90 days or less.

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. Level 3 also includes investments reported at net asset value per share with lock-up periods greater than 90 days.

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.

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 active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of JVS's financial instruments, see Note 3 - Fair Values of Financial Instruments.

#### ***Notes Receivable***

JVS makes uncollateralized loans which are funded through private contributions from donors and institutional resources to eligible college students. These notes are interest free. JVS also makes uncollateralized loans to individuals who have completed JVS small business training services, for use in starting small businesses. All notes receivable are carried at their estimated net realizable value.

Management reviews loan payment activity on a quarterly basis to determine the reasonableness of allowances for bad debt. The review is based on the dollar amount outstanding, as well as both long-term and short-term payment history and communications, if any, with the borrower.

# **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. Fair value of any donated land, buildings and equipment would effectively be recorded using a Level 3 market approach. Furniture and equipment greater than \$5,000 are capitalized 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. No salvage values are assumed in the computation of depreciation. 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.

#### ***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.

Unconditional promises to give are recorded at fair value when initially pledged and are considered a Level 2 fair value approach. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. While the risk adjusted rate is theoretically specific to each balance, management has determined that an overall average discount rate of 3.5% as of September 30, 2012 and 2011 reasonably accounts for this inherent risk. Amortization of the discount is included in contributions revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plans on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

# **JEWISH VOCATIONAL SERVICE, INC.**

## ***Notes to Financial Statements***

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

#### ***Grant and Contract Revenue and Receivables***

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 \$29,200 at both September 30, 2012 and 2011. Unbilled accounts receivable were approximately \$623,648 and \$596,038 at September 30, 2012 and 2011, 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 expenses advertising costs as incurred. Advertising expense for the years ended September 30, 2012 and 2011 totaled \$17,889 and \$18,108, 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 and state 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.

#### ***Uncertain Tax Positions***

JVS accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. JVS has identified its tax status as a tax-exempt entity as its only significant tax position; however, JVS has determined that such tax position does not result in an uncertainty requiring recognition. JVS's federal and state tax returns are generally open for examination for three years following the date filed.

#### ***Reclassifications***

Certain amounts reported in the 2011 financial statements have been reclassified to conform with the 2012 presentation.

#### ***Subsequent Events***

JVS has evaluated subsequent events through January 23, 2013, 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 - Investments***

JVS's investments at fair value are summarized as follows at September 30:

	<b>2012</b>	<b>2011</b>
Domestic equity	\$ 149,429	\$ 157,411
International equity	144,332	130,143
Emerging markets	87,144	68,170
Private equity/venture capital	38,125	45,860
Absolute return/hedged equity	559,626	580,065
Real assets	102,121	88,001
Fixed income	43,436	40,903
Cash and cash equivalents	238,283	128,903
	<b>\$ 1,362,496</b>	<b>\$ 1,239,456</b>

Net income on investments is comprised of the following for the year ended September 30:

	<b>2012</b>	<b>2011</b>
Net realized gains	\$ 28,459	\$ 66,512
Net unrealized gains (losses)	93,806	(68,068)
Investment fees	(6,428)	(5,088)
Interest and dividends	6,191	4,444
<b>Net investment income (loss)</b>	<b>\$ 122,028</b>	<b>\$ (2,200)</b>

JVS also recorded \$8,486 and \$12,034 in interest income related to cash and cash equivalents as of September 30, 2012 and 2011, respectively.

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 3 - Fair Values of Financial Instruments*

The valuation of JVS's investments by the fair value hierarchy consisted of the following at September 30, 2012:

	<i><b>Total</b></i>	<i><b>Level 1</b></i>	<i><b>Level 2</b></i>	<i><b>Level 3</b></i>
Domestic equity	\$ 149,429	\$ 1,012	\$ -	\$ 148,417
International equity	144,332	-	-	144,332
Emerging markets	87,144	-	-	87,144
Private equity/venture capital	38,125	-	-	38,125
Absolute return/hedge equity	559,626	-	-	559,626
Real assets	102,121	-	-	102,121
Fixed income	43,436	-	-	43,436
Cash and cash equivalents	<u>238,283</u>	<u>-</u>	<u>-</u>	<u>238,283</u>
	<b>\$ 1,362,496</b>	<b>\$ 1,012</b>	<b>\$ -</b>	<b>\$ 1,361,484</b>

JVS can withdraw, as of December 31 of any calendar year, or on any such date considered appropriate by CJP, all or a percentage of its assets by giving at least 92 days' advance written notice, subject to the right of CJP to accept shorter notice. In certain cases, CJP reserves the right to hold back a small portion of a withdrawal amount until underlying investments can be definitively valued or liquidated.

The valuation of JVS's investments by the fair value hierarchy consisted of the following at September 30, 2011:

	<i><b>Total</b></i>	<i><b>Level 1</b></i>	<i><b>Level 2</b></i>	<i><b>Level 3</b></i>
Domestic equity	\$ 157,411	\$ -	\$ -	\$ 157,411
International equity	130,143	-	-	130,143
Emerging markets	68,170	-	-	68,170
Private equity/venture capital	45,860	-	-	45,860
Absolute return/hedge equity	580,065	-	-	580,065
Real assets	88,001	-	-	88,001
Fixed income	40,903	-	-	40,903
Cash and cash equivalents	<u>128,903</u>	<u>-</u>	<u>-</u>	<u>128,903</u>
	<b>\$ 1,239,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,239,456</b>

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 3 - Fair Values of Financial Instruments (Continued)*

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

	2012	2011
<b>Balance, beginning of year</b>	<b>\$ 1,239,456</b>	<b>\$ 1,164,965</b>
Interest and dividends	6,191	4,444
Realized gains	28,459	66,512
Unrealized gains (losses)	93,806	(68,068)
Purchases	-	125,000
Withdrawals	-	(48,309)
Expenses	(6,428)	(5,088)
<b>Balance, end of year</b>	<b>\$ 1,361,484</b>	<b>\$ 1,239,456</b>

### *Domestic, International, Emerging Markets and Private Equity and Venture Capital Investments*

Equity investments include direct and indirect investments in domestic, including Canadian stocks, international stocks, including emerging markets, and other equity investments, including private equity and venture capital funds, and fixed income or cash reserves held by equity investment managers. The purpose of the equity allocation is to provide a total return that will provide for both growth in principal and current income. Over the long term, the equity allocation is intended to preserve the real value of assets.

### *Absolute Return and Hedged Equity Investments*

Absolute return and hedged equity investments include direct and indirect investments in marketable or semi-marketable strategies such as arbitrage, long/short hedge funds and event driven strategies and provide an “absolute” return on a reasonably consistent basis that in general provides a return of 400 basis points to 500 basis points over Treasury Bills.

### *Real Asset Investments*

Real asset investments include direct and indirect investments in real estate and natural resources or commodities. The purpose of the real asset allocation is to provide a return over the inflation rate that is less correlated to returns on financial assets and likely to be more closely linked to the inflation rate itself. Investments under this allocation should seek a return of inflation plus 5% over a market cycle appropriate to the investments.

### *Fixed Income Investments*

Fixed income investments include cash, cash equivalents and direct and indirect investments in bonds and other income securities. The purpose of the fixed income allocation is to provide a deflation hedge; to provide diversification to reduce the overall volatility of the portfolio; and to produce current income (to be added to dividend income from the equity allocation) in support of current cash needs.

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 4 - 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>2012</i>	<i>2011</i>
Less than one year	\$ 38,800	\$ 87,500
One to five years	<u>625,000</u>	<u>250,000</u>
	663,800	337,500
Less: present value discount	(8,872)	(3,931)
Less: allowance for doubtful pledges	<u>(47,500)</u>	<u>(15,000)</u>
<b>Pledges receivable, net</b>	<b><u>\$ 607,428</u></b>	<b><u>\$ 318,569</u></b>
Current portion of pledges receivable	\$ 38,800	\$ 87,500
Pledges receivable, long-term	<u>568,628</u>	<u>231,069</u>
<b>Pledges receivable, net</b>	<b><u>\$ 607,428</u></b>	<b><u>\$ 318,569</u></b>

### *Note 5 - Furniture and Equipment*

Furniture and equipment consist of the following at September 30:

	<i>2012</i>	<i>2011</i>
Furniture and equipment	\$ 534,812	\$ 534,812
Leasehold improvements	15,600	15,600
Computer equipment	72,745	72,745
Other equipment	<u>220,887</u>	<u>220,887</u>
	844,044	844,044
Less: accumulated depreciation	<u>835,347</u>	<u>824,817</u>
<b>Furniture and equipment, net</b>	<b><u>\$ 8,697</u></b>	<b><u>\$ 19,227</u></b>

Depreciation expense for the years ended September 30, 2012 and 2011 was \$10,530 and \$20,024, respectively.

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 6 - Notes Receivable*

Notes receivable consist of the following at September 30:

	<i>2012</i>	<i>2011</i>
Boston Private Bank notes	\$ 2,217	\$ 4,118
New Century Club notes	13,000	6,500
Lebowich Fund notes	<u>29,329</u>	<u>29,936</u>
	<b>44,546</b>	<b>40,554</b>
Less: allowance for doubtful accounts	<u>(5,078)</u>	<u>(5,078)</u>
<b>Notes receivables, net</b>	<b>\$ <u>39,468</u></b>	<b>\$ <u>35,476</u></b>

The following is a summary of the general terms of the three loan programs:

<i>Loan Program</i>	<i>Purpose</i>	<i>Range of Loan Amount</i>	<i>Repayment Terms</i>
Boston Private Bank notes	Small Business Start Up	\$1,000-\$3,500	Monthly, up to 3 years
Lebowich Fund notes	College Loans	\$200-\$1,600	Quarterly, up to 5 years (deferred until 1 year after graduation)
New Century Club notes	College Loans	\$250-\$1,500	Quarterly, up to 5 years (deferred until 1 year after graduation)

### *Note 7 - Line of Credit*

JVS has a line of credit with a financial institution with a maximum 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, 2012 and 2011 was 3.25%. The note is collateralized by all business assets of JVS. There were no outstanding balances at September 30, 2012 and 2011.

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 8 - Operating Lease Commitments*

JVS leases various facilities and office equipment under operating leases which expire at various dates through March 2015. Rent expense, net of income, was approximately \$656,100 and \$683,900 for the years ended September 30, 2012 and 2011, respectively.

Future minimum lease payments under the leases are as follows:

2013	\$ 663,000
2014	663,000
2015	<u>332,000</u>
	<u>\$ 1,658,000</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 work with JVS to provide training and employment opportunities for JVS clients. The agreement included two three-year renewal options at the mutual agreement of both parties. During 2012, the second renewal option was exercised. JVS estimates the cost of the leased space to be approximately \$62,500 per year. During fiscal years 2012 and 2011, the retailer paid JVS \$35,000 for the use of the space. During fiscal years 2013 through 2015, JVS will receive \$35,000 annually for the sublet space per the lease renewal noted above.

Included in other liabilities at September 30, 2012 and 2011 is \$34,008 and \$51,012 for the years then ended, respectively, which represents a deferred lease liability, associated with straight lining the minimum lease payments, in accordance with U.S. generally accepted accounting principles.

### *Note 9 - Fundraising Revenue and Expenses*

Fundraising revenue (excluding allocations from CJP) for the years ended September 30, 2012 and 2011 was \$2,930,082 and \$1,744,531 of which \$1,713,982 and \$918,024 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, 2012 and 2011 totaled \$618,666 and \$365,537, respectively.

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 10 - Temporarily Restricted Net Assets*

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

	<i>2012</i>	<i>2011</i>
Accumulated unspent gains:		
Scholarships	\$ 10,590	\$ 8,283
Other temporarily restricted net assets:		
Restricted by time	604,628	283,569
Restricted by purpose:		
Scholarships	568,359	567,804
CJP allocation	897,671	1,226,522
Specific programs	1,306,066	1,609,356
	<u>\$ 3,387,314</u>	<u>\$ 3,695,534</u>

Net assets were released from donor restrictions as JVS incurred expenses satisfying the restricted purposes or by the passage of time as follows for the years ended September 30:

	<i>2012</i>	<i>2011</i>
Payments on pledges and donations	\$ 1,657,560	\$ 1,603,946
Scholarships	15,913	13,602
CJP allocation	1,284,662	949,378
	<u>\$ 2,958,135</u>	<u>\$ 2,566,926</u>

### *Note 11 - Net Assets and Endowment Matters*

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended September 30, 2012:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Investments, beginning of year</b>	<b>\$ 509,321</b>	<b>\$ 16,534</b>	<b>\$ 525,855</b>
Investment activity:			
Interest and dividends	2,599	-	2,599
Realized gains	11,696	-	11,696
Unrealized gains	38,548	-	38,548
Expenses	(2,641)	-	(2,641)
<b>Investments, end of year</b>	<u><b>\$ 559,523</b></u>	<u><b>\$ 16,534</b></u>	<u><b>\$ 576,057</b></u>

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 11 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended September 30, 2011:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Investments, beginning of year</b>	<b>\$ 555,158</b>	<b>\$ 16,534</b>	<b>\$ 571,692</b>
Investment activity:			
Withdrawals	(47,309)	-	(47,309)
Interest and dividends	1,968	-	1,968
Realized gains	28,705	-	28,705
Unrealized gains	(26,983)	-	(26,983)
Expenses	(2,218)	-	(2,218)
<b>Investments, end of year</b>	<b>\$ 509,321</b>	<b>\$ 16,534</b>	<b>\$ 525,855</b>

Due to delays in the processing of the disbursements from CJP, amounts to be disbursed in accordance with the scholarship spending policy of \$20,837 were not received until subsequent to September 30, 2012. Amounts due under the spending policy for both 2011 and 2010 totaling \$47,309 were received during 2011. The scholarship spending policy is reviewed on an annual basis based on the budgeting process.

### *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, 2010, JVS adopted a formal investment and spending policy. JVS invests its investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of investment return that is independent of cash yield and appreciation of investments earned during the year is provided for program support. JVS's spending policy is designed to stabilize annual spending levels and to preserve the real value of the investment portfolio over time. The spending policy for 2012 and 2011 is equal to 4% of the investment market value at September 30, 2012 and 2011, respectively.

# **JEWISH VOCATIONAL SERVICE, INC.**

## ***Notes to Financial Statements***

### ***Note 11 - Net Assets and Endowment Matters (Continued)***

#### ***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 U.S. generally accepted accounting principles, 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, 2012 and 2011.

#### ***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 12 - 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. Contributions made to this plan during the years ended September 30, 2012 and 2011 were \$21,373 and \$23,509, 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, 2012 and 2011.

### ***Note 13 - 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 \$884,654 and \$1,269,150 for the years ended September 30, 2012 and 2011, respectively. This amount is included in unrestricted and temporarily restricted net assets and represents CJP's commitment to JVS for fiscal 2012 and 2011. Actual amounts received were \$1,251,250 and \$906,750 for the years ended September 30, 2012 and 2011, respectively.

# JEWISH VOCATIONAL SERVICE, INC.

## *Notes to Financial Statements*

### *Note 13 - Related Party Transactions (Continued)*

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 \$245,177 and \$256,037 for the years ended September 30, 2012 and 2011, 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	\$ 11,530
Due to CJP, net of current portion	<u>233,647</u>
	<u><u>\$ 245,177</u></u>

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

2013	\$ 11,530
2014	12,241
2015	12,996
2016	13,798
2017	14,649
Thereafter	<u>179,963</u>
	<u><u>\$ 245,177</u></u>

Interest recorded on this loan for the years ended September 30, 2012 and 2011 was approximately \$15,800 and \$16,400, respectively.

The amount due also includes withdrawals due from the investment pool in accordance with the spending policy for scholarships JVS adopted during 2010 which amounts to \$20,873 and \$21,310 for September 30, 2012 and 2011, respectively.

In August 2011, JVS leased an office from Fairlane Chapel, LLC as a tenant at will for \$600 per month. Fairlane Chapel, LLC employs one of JVS's Board Members. As of August 2012, JVS rented an additional cubicle at a cost of \$400 per month for ReServe program staff. Total rent expense as of September 30, 2012 and 2011 was \$8,600 and \$1,200, respectively.

In September 2011, JVS entered into an agreement with Business Transformations, a consulting firm that employs one of JVS's Board Members. The firm was engaged to provide consulting and training related to the Facing the Employer Program and improve processes and outreach with employers around placement of JVS clients. The firm is providing these services at a discounted rate. The total contract is \$15,000. Total consultant expense under this agreement was \$10,100 and \$5,000 as of September 30, 2012 and 2011, respectively. In addition, in 2012, the Board Member provided consulting services for the Career Moves program related to fee revenue strategies. Total consultant expense was \$2,000 as of September 30, 2012.

# **JEWISH VOCATIONAL SERVICE, INC.**

## ***Notes to Financial Statements***

### ***Note 14 - 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. JVS monitors its exposure and has not experienced any losses in such accounts.

### ***Note 15 - Cash Flows Information***

Cash paid for interest for the years ended September 30, 2012 and 2011 totaled approximately \$15,800 and \$16,400, respectively.

During 2011, JVS disposed of fully depreciated equipment with original gross costs totaling \$192,087.