



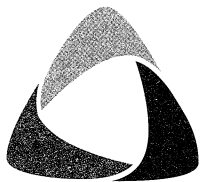
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FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

JEWISH VOCATIONAL SERVICE, INC.

Contents
September 30, 2015

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Independent Auditor's Report

To the Board of Directors of
Jewish Vocational Service, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Vocational Service, Inc. (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Vocational Service, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Pinning & Co., P.C.

Boston, Massachusetts
February 3, 2016

JEWISH VOCATIONAL SERVICE, INC.

 Statement of Financial Position
 September 30, 2015

Assets	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Current Assets:				
Cash and cash equivalents	\$ 906,346	\$ 1,910,250	\$ -	\$ 2,816,596
Cash - restricted	45,795	17,318	-	63,113
Allocations receivable from CJP	-	764,100	-	764,100
Federal, state and other program receivables, net	1,504,411	-	-	1,504,411
Current portion of pledges receivable	37,996	1,196,238	-	1,234,234
Prepaid expenses and other current assets	57,077	-	-	57,077
Total current assets	2,551,625	3,887,906	-	6,439,531
Investments	895,423	563,573	16,534	1,475,530
Pledges Receivable, net of discount and current portion	-	605,376	-	605,376
Notes Receivable, net	37,967	35,177	-	73,144
Investments - Restricted	272,838	-	-	272,838
Deposits	235,208	-	-	235,208
Property and Equipment, net	1,499,670	-	-	1,499,670
Total assets	<u>\$ 5,492,731</u>	<u>\$ 5,092,032</u>	<u>\$ 16,534</u>	<u>\$ 10,601,297</u>
Liabilities and Net Assets				
Current Liabilities:				
Current portion of capital lease obligation	\$ 236,247	\$ -	\$ -	\$ 236,247
Current portion of due to CJP	15,543	-	-	15,543
Accounts payable	277,787	-	-	277,787
Accrued expenses and other	507,471	-	-	507,471
Other liabilities	56,437	-	-	56,437
Total current liabilities	1,093,485	-	-	1,093,485
Capital Lease Obligation, net of current portion	1,005,540	-	-	1,005,540
Due to CJP, net of current portion	191,222	-	-	191,222
Deferred Rent	777,634	-	-	777,634
Deferred Compensation	272,838	-	-	272,838
Total liabilities	3,340,719	-	-	3,340,719
Net Assets:				
Unrestricted:				
Operating	1,894,129	-	-	1,894,129
Property and equipment	257,883	-	-	257,883
Total unrestricted	2,152,012	-	-	2,152,012
Temporarily restricted	-	5,092,032	-	5,092,032
Permanently restricted	-	-	16,534	16,534
Total net assets	2,152,012	5,092,032	16,534	7,260,578
Total liabilities and net assets	<u>\$ 5,492,731</u>	<u>\$ 5,092,032</u>	<u>\$ 16,534</u>	<u>\$ 10,601,297</u>

The accompanying notes are an integral part of these statements.

JEWISH VOCATIONAL SERVICE, INC.
**Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support:				
Federal and state contracts	\$ 4,902,286	\$ -	\$ -	\$ 4,902,286
Grants and contributions	614,421	2,722,102	-	3,336,523
Program revenue	1,957,346	-	-	1,957,346
Allocations from CJP	768,936	764,100	-	1,533,036
In-kind contributions	83,592	-	-	83,592
Investment return designated for operations	-	23,649	-	23,649
Other revenue	3,664	-	-	3,664
Net assets released from restrictions - time	1,947,299	(1,947,299)	-	-
Net assets released from restrictions - purpose	832,828	(832,828)	-	-
Total operating revenue and support	11,110,372	729,724	-	11,840,096
Operating Expenses:				
Program services	8,473,293	-	-	8,473,293
Administration	1,741,016	-	-	1,741,016
Development	857,194	-	-	857,194
Total operating expenses	11,071,503	-	-	11,071,503
Changes in net assets from operations	38,869	729,724	-	768,593
Non-Operating Revenues and Expenses:				
Capital grants	345,090	186,141	-	531,231
Loss on disposal of property and equipment	(6,364)	-	-	(6,364)
Investment return designated for operations	-	(23,649)	-	(23,649)
Investment return, net	(29,129)	(19,012)	-	(48,141)
Moving expenses	(152,988)	-	-	(152,988)
Changes in net assets	195,478	873,204	-	1,068,682
Net Assets:				
Beginning of year	1,956,534	4,218,828	16,534	6,191,896
End of year	\$ 2,152,012	\$ 5,092,032	\$ 16,534	\$ 7,260,578

The accompanying notes are an integral part of these statements.

JEWISH VOCATIONAL SERVICE, INC.

Statement of Cash Flows

For the Year Ended September 30, 2015

Cash Flows from Operating Activities:

Changes in net assets	\$ 1,068,682
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	88,988
Bad debt	20,826
Capital grants	(531,231)
Investment return, net	48,141
Loss on disposal of property and equipment	6,364
Changes in operating assets and liabilities:	
Cash - restricted	(27,350)
Allocations receivable from CJP	59,635
Pledges receivable	163,784
Federal, state and other program receivables, net	(719,906)
Prepaid expenses and other current assets	101,154
Deposits	(100,208)
Accounts payable	59,612
Accrued expenses and other	80,658
Deferred revenue	(37,663)
Other liabilities	21,472
Deferred rent	777,634

Net cash provided by operating activities	<u>1,080,592</u>
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Cash Flows from Investing Activities:

Acquisition of property and equipment	(192,103)
Proceeds from the sale of investments	23,649
Issuance of notes receivable	<u>(26,443)</u>

Net cash used in investing activities	<u>(194,897)</u>
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Cash Flows from Financing Activities:

Capital grants	531,231
Loan payments to CJP	(14,640)
Payments on capital lease obligation	<u>(19,332)</u>

Net cash provided by financing activities	<u>497,259</u>
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Net Change in Cash and Cash Equivalents	1,382,954
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Cash and Cash Equivalents:

Beginning of year	<u>1,433,642</u>
End of year	<u><u>\$ 2,816,596</u></u>

Supplemental Disclosure of Cash Transactions:

Cash paid for interest	<u><u>\$ 18,134</u></u>
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Supplemental Disclosure of Non-Cash Transactions:

Acquisition of property and equipment via capital lease obligation	<u><u>\$ 1,261,119</u></u>
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The accompanying notes are an integral part of these statements.

JEWISH VOCATIONAL SERVICE, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2015

	Program Services												
	The Work Place	Skills Training	Business Services	Education	Bridges to College	Refugee Employment	Disability Services	Career Moves	Special Initiatives	Total Program Services	Adminis- tration	Development	Total
Personnel:													
Salaries and wages	\$ 1,045,646	\$ 701,718	\$ 926,180	\$ 572,377	\$ 488,320	\$ 544,179	\$ 459,115	\$ 343,778	\$ 43,840	\$ 5,125,153	\$ 982,536	\$ 462,560	\$ 6,570,249
Payroll taxes and fringe benefits	220,286	182,035	183,472	128,584	114,056	110,837	127,139	56,290	8,364	1,131,063	195,720	104,174	1,430,957
Total personnel	1,265,932	883,753	1,109,652	700,961	602,376	655,016	586,254	400,068	52,204	6,256,216	1,178,256	566,734	8,001,206
Occupancy	360,829	174,609	58,079	158,249	186,733	146,123	64,754	49,930	2,633	1,201,939	48,515	15,053	1,265,507
Operational:													
Professional fees and subcontractors	21,276	146,524	40,075	17,504	16,047	9,113	1,006	24,079	-	275,624	202,854	118,100	596,578
Equipment	26,272	13,951	16,125	19,717	18,486	11,511	4,401	5,045	334	115,842	61,651	17,020	194,513
Scholarship	-	-	-	-	-	-	-	-	193,177	193,177	-	-	193,177
Meetings and staff development	9,170	4,490	11,312	580	3,338	8,419	1,222	2,160	-	40,691	44,766	100,638	186,095
Client costs	16,626	43,278	75	-	63,463	8,870	684	-	-	132,996	16,926	-	149,922
Miscellaneous	2,684	3,470	16,414	729	17,893	1,389	5,264	1,624	32	49,499	61,913	5,686	117,098
Supplies	9,649	9,204	17,449	5,056	4,723	3,414	3,711	1,951	14	55,171	23,284	24,374	102,829
Depreciation	12,915	10,556	15,058	6,798	6,690	7,293	6,405	4,370	706	70,791	14,838	3,359	88,988
Communication	7,213	4,698	8,835	5,403	3,234	2,807	2,106	2,239	191	36,726	15,882	1,167	53,775
Insurance	3,720	3,100	3,561	2,394	1,954	2,137	2,120	1,285	239	20,510	8,777	992	30,279
Interest	-	-	-	-	-	-	-	-	-	-	30,146	-	30,146
Advertising and publicity	1,904	3,269	5,193	1,655	6,333	1,065	747	1,465	-	21,631	5,350	1,223	28,204
Bad debt	-	-	-	-	-	-	-	-	-	-	20,826	-	20,826
Bank fees	194	1,022	50	-	17	-	-	1,197	-	2,480	7,032	2,848	12,360
Total operational	111,623	243,562	134,147	59,836	142,178	56,018	27,666	45,415	194,693	1,015,138	514,245	275,407	1,804,790
Total expenses	\$ 1,738,384	\$ 1,301,924	\$ 1,301,878	\$ 919,046	\$ 931,287	\$ 857,157	\$ 678,674	\$ 495,413	\$ 249,530	\$ 8,473,293	\$ 1,741,016	\$ 857,194	\$ 11,071,503

The accompanying notes are an integral part of these statements.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

1. OPERATIONS AND NONPROFIT STATUS

Jewish Vocational Service, Inc. (JVS) is a Massachusetts nonprofit organization and a beneficiary agency of the Combined Jewish Philanthropies of Greater Boston, Inc. (CJP). Established in 1938, JVS provides extensive educational, skills training, financial coaching, career counseling, and job placement services to refugees and immigrants, individuals with disabilities, entry-level workers, low-income individuals, and professional job seekers. JVS also operates a one stop career center, "JVS CareerSolution". These services are provided throughout the greater Boston 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. JVS operates the following programs:

The Work Place and Career Moves (CareerSolution) - CareerSolution provides high quality, customized employment and career services to job seekers, career changers, and employers. Services include workshops and seminars, 1:1 job search and career coaching, and screening for education and training programs. Additionally, JVS provides credentialed career counseling services that are expert, affordable and linked with a major workforce development organization. CareerSolution partners with area businesses to provide a convenient one-stop source for skilled workers and training options for incumbent workers.

Skills Training - Skills Training provides individuals training to become a Certified Nursing Assistant or a Nationally Certified Pharmacy Technician in short-term, high intensity programs. Designed with employer feedback, these programs focus on getting participants certified and into a career ladder job.

Business Services - Business Services offers career development services to help retain and promote current employees. Services include workplace English classes, customer service training, effective communication, and supervisory training. These services are customizable, and are delivered at the employer site.

Education - The Adult Diploma Program (ADP) provides adult students education advancement opportunities. ADP students work to receive a Boston Public School diploma. The program includes skills training, such as career planning and navigating financial aid.

Bridges to College - Bridges to College provides adult students education advancement opportunities. Bridges to College students prepare for entrance to college. The program includes skills training, such as career planning and navigating financial aid.

Refugee Employment - The Refugee Employment Department provides comprehensive employment services for job seekers that have recently arrived in the United States. The approach combines English classes, vocational training and individualized job search and preparation with a JVS Career Coach.

Disability Services - Transitions to Work, an employer-based program for young adults, prepares participants to work through hands-on training and classroom instruction. The Connections Program works 1:1 with Jewish adults to pursue vocational and educational goals, connecting participants to employment, education, volunteer and/or placement supports. Clients are also referred for job placement services through the Massachusetts Rehabilitation Commission.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

1. OPERATIONS AND NONPROFIT STATUS (Continued)

JVS is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). JVS is also exempt from state income taxes. Donors may deduct contributions made to JVS within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

JVS prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Principle Adoption

In fiscal year 2015, JVS adopted FASB Accounting Standards Update 2015-07, *Fair Value Measurement* [Topic 820-10], *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. As early application is allowed, JVS has used the retrospective approach for the period presented whereby investments for which fair value is measured using the net asset value per share practical expedient have been removed from the fair value hierarchy (see Note 3).

Cash and Cash Equivalents

Cash equivalents include cash balances maintained in checking accounts and money market accounts. For purpose of the statement 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

Cash - restricted consist 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. The balance of these funds as of September 30, 2015 was \$63,113.

Federal, State and Other Program Receivables and Allowance for Doubtful Accounts

Federal, State and other program receivables, net includes grant and contract receivables that are recorded at unpaid balances, less allowances for doubtful accounts. The allowance is based upon collection experience and other circumstances which may affect JVS' ability to collect.

JVS uses the allowance method for recognizing potential uncollectible amounts relating to pledges and federal, state and other program receivables. JVS writes off uncollectible grant and contract receivables upon determining they will not be collected.

Notes Receivable

JVS makes uncollateralized loans which are funded though 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.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are held through a co-investment with CJP. These investments are held in the Jewish Community Endowment Pool (JCEP), a limited partnership under the managerial control of CJP. Investment return consists of interest, dividends, and realized and unrealized gains and losses on investments (see Note 3). Interest and dividend income is recorded as earned. Realized gains and losses on investment transactions are recognized as changes in net assets in the period in which they occur.

Property and Equipment

The cost of property, equipment and improvements with a value of greater than \$5,000 is capitalized. Donated assets are recorded at fair value on the date of donation. Costs for maintenance and repairs are expensed as they are incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	7 years
Leasehold improvements	3 years
Computers and equipment	3 years

Net Asset Classifications

Unrestricted Net Assets

Unrestricted net assets represent those net resources that bear no external restrictions and are generally available for use by JVS. JVS has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of JVS.

Property and equipment net assets represent funds used in activities relating to the JVS's property and equipment and financing fees, net of related debt.

Temporarily Restricted Net Assets

JVS receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes.

Temporarily restricted net assets at September 30, 2015 consisted of the following:

Time restricted	\$ 2,565,714
Purpose restricted:	
Other	1,547,806
Scholarship	228,798
Scholarship funds (see Note 10)	551,096
Capital	186,141
Appreciation and unspent earnings on permanently restricted endowment	<u>12,477</u>
	<u>\$ 5,092,032</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Permanently Restricted Net Assets

JVS has assets which are maintained in perpetuity that allow JVS to use or expend the economic benefits derived from the donated fund in order to support operating needs or other donor stated requirements.

In-Kind Contributions

JVS receives donated services from various individuals or organizations. These services are reflected in the accompanying financial statements at fair value as determined by the donor or management. These services were comprised of the following for the year ended September 30, 2015:

Legal	\$ 58,385
Fundraising consultant	<u>25,207</u>
	<u>\$ 83,592</u>

Advertising Costs

JVS expenses advertising costs as they are incurred. Advertising expense was \$28,204 for the year ended September 30, 2015, and is included in advertising and publicity in the accompanying statement of functional expenses.

Expense Allocation

Expenses related directly to a program are distributed to that function, while other expenses are distributed based on management's estimate of the percentage attributable to each function.

Revenue Recognition

Federal and state contracts are recorded when services are provided and costs are incurred. Unrestricted grants and contributions are recorded as revenue when received or unconditionally committed. Program revenue is recorded as revenue when services are provided. All other revenue is recognized as earned.

Restricted grants and contributions are recorded as temporarily restricted revenue, gains and other support and net assets when the conditions are substantially met. Transfers are made to unrestricted net assets as costs are incurred or as time restrictions or program restrictions lapse. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.

Estimates

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

JVS accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. JVS has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2015. JVS' information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Fair Value Measurements

JVS follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that JVS would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

JVS uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities have been valued using level 1 inputs.

Subsequent Events

Subsequent events have been evaluated through February 3, 2016, which is the date the financial statements were available to be issued. No events met the criteria for disclosure in the accompanying financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

3. INVESTMENTS

Investments consist of JVS's share of CJP's investment's in JCEP. The overall financial objective is to meet short-term and long-term obligations and needs of JVS by earning an adequate return on assets with moderate volatility in year-to-year contribution levels.

Fair value measurement (see above) was determined using the following inputs at September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Co-investment with CJP*	\$ -	\$ -	\$ -	\$ 1,475,530

*In accordance with subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position (see Note 2).

The co-investment with CJP consists of the following categories of investments:

Money market funds	20.8%
Absolute return	6.7
International equity	4.2
Domestic equity	3.5
Fixed income	2.3
Real assets	1.6
Alternative investments:	
Absolute return	31.4
International equity	16.9
Credit related	4.3
Domestic equity	3.9
Real assets	2.7
Private equity/venture capital	1.7
Total alternative investments	<u>60.9</u>
Total	<u>100.0%</u>

JVS can withdraw, as of December 31 of any calendar year, or 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 definitely valued or liquidated.

Investment Return

The following schedule summarizes the investment return for the year ended September 30, 2015:

Net realized gains	\$ 32,730
Interest and dividends	5,405
Investment fees	(6,875)
Net unrealized losses	<u>(79,401)</u>
Investment return, net	<u>\$ (48,141)</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

4. PLEDGES RECEIVABLE

Pledges receivable include unconditional promises to give which are expected to be collected over the next five years.

Pledges receivable are due as follows at September 30, 2015:

Due in one year	\$ 1,234,234
Due in two to five years	<u>615,425</u>
	1,849,659
Less - present value discount	<u>10,049</u>
	1,839,610
Less - current portion	<u>1,234,234</u>
Long-term pledges receivable	<u>\$ 605,376</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2015:

Furniture and equipment	\$ 1,261,119
Leasehold improvements	304,736
Computers and equipment	<u>15,473</u>
	1,581,328
Less - accumulated depreciation	<u>81,658</u>
Property and equipment, net	<u>\$ 1,499,670</u>

Depreciation expense for the year ended September 30, 2015 was \$88,988.

6. NOTES RECEIVABLE

Notes receivable consist of the following at September 30, 2015:

Lebowich Fund notes	\$ 32,872
Other notes	25,000
New Century Club notes	12,305
Boston Private Bank notes	5,512
Zanditon notes	<u>2,533</u>
	78,222
Less - allowance for doubtful accounts	<u>5,078</u>
Notes receivable, net	<u>\$ 73,144</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

6. NOTES RECEIVABLE (Continued)

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

<u>Loan Program</u>	<u>Purpose</u>	<u>Range of Loan Amount</u>	<u>Repayment Terms</u>
Lebowich Fund notes	College Loans	\$200-\$1,600	Quarterly, up to 5 years (deferred until 1 year after graduation)
Other notes	College Loans	\$250-\$1,500	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)
Boston Private Bank notes	Small Business Start Up	\$1,000-\$3,500	Monthly, up to 3 years
Zanditon notes	College Loans	\$300-\$700	Quarterly, up to 5 years (deferred until 1 year after graduation)

7. NOTE PAYABLE TO A BANK

JVS has a line of credit agreement with a bank which allows for maximum borrowings of up to \$1,250,000. Interest is payable monthly on the outstanding balance at the institution's prime lending rate (3.25% at September 30, 2015). The note is secured by all business assets of JVS. There were no outstanding balances at September 30, 2015. This agreement is renewable annually in January. The line of credit agreement contains various covenants with which JVS must comply. JVS was in compliance with the covenants as of and for the year ended September 30, 2015.

8. LEASE AGREEMENTS

JVS had an agreement to lease office space through March 2015, at which point it was not renewed. Monthly payments were approximately \$55,250 under this agreement. Rent expense under this agreement for the year ended September 30, 2015 was approximately \$332,000 and is included in occupancy on the accompanying statement of functional expenses.

In July 2014, JVS executed an agreement to lease new office space beginning in April 2015. The lease term is for ten years and contains an option to extend the lease for two additional five year terms, neither of which have been exercised at February 3, 2016. The lease requires base monthly payments of \$114,114 in the first year with annual increases noted in the lease agreement.

The lease includes a tenant improvement allowance to be paid by the landlord totaling \$3,118,905. The lease specifies that JVS will apply the unspent portion of the allowance to offset payments of the base rent until the balance is fully absorbed. Total improvement allowance in excess of actual costs incurred totaled \$636,164 (including reimbursements of \$239,435 from an unrelated workforce development organization, see page 14) which will be applied as pre-payment of rent. JVS is recognizing rent expense for this lease on a straight-line basis over the term of the lease in accordance with ASU 2013-270, (Topic 840): *Leases*. Deferred rent as of September 30, 2015 was \$777,634. JVS is also required to maintain certain insurance coverage and pay for its proportionate share of the increase of real estate taxes and operating expenses over the base year as outlined in the agreement. Rent expense for the year ended September 30, 2015 under this lease totaled \$767,014 and is included in occupancy on the accompanying statement of functional expenses.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

8. LEASE AGREEMENTS (Continued)

The new lease required a prepayment of a security deposit of \$135,000 during fiscal year 2014, as well as a prepayment of rent totaling \$100,208, which was paid during fiscal year 2015. These amounts are included in deposits on the accompanying statement of financial position as of September 30, 2015.

JVS also has a tenant at will agreement to lease a facility for \$650 per month (see Note 13). Rent expense was approximately \$7,800 for the year ended September 30, 2015, which is included in occupancy on the accompanying statement of functional expenses.

JVS leases office equipment under an operating lease which commenced during fiscal year 2015 and expires in July 2020. Monthly payments are approximately \$4,700.

Future minimum lease payments under the leases are as follows:

	<u>Facilities</u>	<u>Equipment</u>
2016	\$ 1,157,278	\$ 23,560
2017	\$ 1,522,070	\$ 56,544
2018	\$ 1,836,958	\$ 56,544
2019	\$ 1,836,958	\$ 56,544
2020	\$ 1,843,001	\$ 47,120
Thereafter	\$ 9,335,856	\$ -

Use of Space Agreement

The aforementioned facility lease that commenced during fiscal year 2015 contains a provision for JVS to sublet up to twenty-five percent of the space to an unrelated workforce development organization.

JVS entered into a memorandum of understanding with a local workforce development organization (the Organization) which specifies a portion of the leased space will be available to establish education and training systems that prepare youth, dislocated workers and other skilled adults for worthwhile and sustainable employment. In exchange, the Organization agreed to work with JVS to provide training and employment opportunities for JVS clients. The Organization will share in the operating costs of the facilities. During fiscal year 2015, the Organization made a donation to JVS totaling \$35,000. It is anticipated that beginning in 2016 the Organization will make an annual donation in lieu of rent of \$50,000 to JVS. The Organization also reimbursed JVS \$239,435 for improvements made to the portion of the space it occupies (see page 13).

9. CAPITAL LEASE OBLIGATION

Capital lease obligation consists of the following as of September 30, 2015:

Capital lease for office furniture and equipment, due in monthly principal and interest installments of \$22,863 with interest at 3.36%, through August 2020.	<u>\$ 1,241,787</u>
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JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

9. CAPITAL LEASE OBLIGATIONS (Continued)

Future minimum payments under this agreement are as follows:

2016	\$ 274,356
2017	274,356
2018	274,356
2019	274,356
2020	<u>251,493</u>
Total future minimum payments	1,348,917
Less - amounts representing interest	<u>107,130</u>
Present value of future minimum lease payments	1,241,787
Less - current portion	<u>236,247</u>
	<u>\$ 1,005,540</u>

Interest expense under this agreement totaled \$7,008 for the year ended September 30, 2015, and is included in occupancy on the accompanying statement of functional expenses. For the year ended September 30, 2015, depreciation expense on property and equipment purchased under capital lease was \$63,059.

10. ENDOWMENT

Changes in endowment funds by net asset class are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment funds, beginning of year	\$ 606,234	\$ 16,534	\$ 622,768
Investment activity:			
Realized gains	13,174	-	13,174
Interest and dividends	2,253		2,253
Investment fees	(2,767)		(2,767)
Investment return designated for operations	(23,649)	-	(23,649)
Unrealized losses	<u>(31,672)</u>	<u>-</u>	<u>(31,672)</u>
Endowment funds, end of year	<u>\$ 563,573</u>	<u>\$ 16,534</u>	<u>\$ 580,107</u>

Included in the temporarily restricted endowment funds as of September 30, 2015 is \$551,096 of scholarship funds received by three donors. These funds were established without any permanent restriction on the use of original principal, but with limitations as to the amount of annual expenditure. The donor allows appropriations in accordance with JVS's spending policy appropriation.

Spending Policy

JVS's spending policy on its temporarily restricted endowment funds is determined by CJP. Annually, JVS receives from CJP the amount it should allocate for scholarships to be spent in the following fiscal year. During fiscal year 2015, JVS appropriated \$23,649 to be used for 2016 scholarships.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

11. CONTINGENCIES

JVS receives significant assistance from numerous government agencies in the form of contracts and grants. Expenditures of these funds require compliance with the agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of JVS. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of JVS as of September 30, 2015.

JVS, from time-to-time, is the defendant in lawsuits. It is management's experience that JVS will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from these lawsuits.

12. PENSION PLANS

JVS has a nonqualified deferred compensation arrangement with certain senior management employees. This plan provides for discretionary contributions of up to \$7,500 per year 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 year ended September 30, 2015 were \$41,381. Plan assets and liabilities totaled \$272,838 during the year ended September 30, 2015 and are included in investments - restricted and deferred compensation on the accompanying statement of financial position.

In addition, JVS has a 403(b) plan available to all JVS employees. No discretionary employer contributions are allowed to be made to the plan.

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 accompanying financial statements. The total commitment for fiscal year 2015 was \$1,553,036 and is included in unrestricted and temporarily restricted operating revenue and support on the accompanying statement of activities and changes in net assets. As of September 30, 2015 CJP owed JVS \$764,100 which is reflected as allocations receivable from CJP on the accompanying statement of financial position.

During 2005, CJP agreed to loan JVS the funds needed to fund certain retirement plan obligations totaling approximately \$580,000. The loan is unsecured and is to be repaid in equal installments over 20 years with no interest. JVS originally reported this loan at \$319,992, its net present value at the date of commencement. The present value the loan is \$206,765 as of September 30, 2015, including imputed interest at a rate of 6%. The balance of this loan is reported on the statement of financial position as follows:

Current portion of due to CJP	\$ 15,543
Due to CJP, net of current portion	<u>191,222</u>
	<u>\$ 206,765</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2015

13. RELATED PARTY TRANSACTIONS (Continued)

Future maturities over the remainder of the term of the loan are as follows:

2016	\$ 15,543
2017	\$ 16,502
2018	\$ 17,520
2019	\$ 18,600
2020	\$ 19,748
Thereafter	\$ 118,852

Interest recorded on this loan for the year ended September 30, 2015 was \$12,012.

JVS leases an office from a company that employs one of JVS's Board Members. JVS occupies the office as a tenant at will for \$650 per month (see Note 8). Total rent expense was \$7,800 for the year ended September 30, 2015.

During 2015, JVS also received donated legal services from members of the Board of Directors pertaining to the review of the new office lease (see Note 8). The value of the donated services was \$58,385 for the year ended September 30, 2015.

14. CONCENTRATION OF CREDIT RISK

JVS maintains its cash and cash equivalents balances in Massachusetts banks, which are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash and cash equivalents balances in the accounts at one financial institution exceeded the insured amount. JVS has not experienced any losses in its accounts. JVS' management believes JVS is not exposed to any significant credit risk on cash and cash equivalents.