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JEWISH VOCATIONAL SERVICE, INC.

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

JEWISH VOCATIONAL SERVICE, INC.

Contents
September 30, 2017 and 2016

	<u>Pages</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 21

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 statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

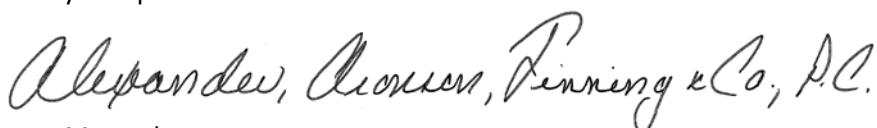
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Boston, Massachusetts
March 9, 2018

JEWISH VOCATIONAL SERVICE, INC.

Statements of Financial Position
September 30, 2017 and 2016

Assets	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Assets:								
Cash and cash equivalents	\$ 2,920,399	\$ 1,315,860	\$ -	\$ 4,236,259	\$ 824,889	\$ 2,844,634	\$ -	\$ 3,669,523
Cash - restricted	45,500	17,680	-	63,180	45,818	17,330	-	63,148
Short-term investments	-	997,915	-	997,915	-	-	-	-
Allocations receivable from CJP	-	938,100	-	938,100	-	918,100	-	918,100
Federal, state and other program receivables, net	1,476,829	-	-	1,476,829	2,396,861	-	-	2,396,861
Current portion of pledges receivable	-	14,654	-	14,654	-	999,875	-	999,875
Current portion of notes receivable	-	13,221	-	13,221	-	5,981	-	5,981
Prepaid expenses and other current assets	65,419	-	-	65,419	166,637	-	-	166,637
Total current assets	4,508,147	3,297,430	-	7,805,577	3,434,205	4,785,920	-	8,220,125
Investments	1,049,314	2,102,978	16,534	3,168,826	954,996	572,030	16,534	1,543,560
Pledges Receivable, net of discount and current portion	-	-	-	-	-	270,709	-	270,709
Notes Receivable, net	6,152	28,896	-	35,048	11,758	36,511	-	48,269
Investments - Restricted	422,423	-	-	422,423	333,715	-	-	333,715
Deposits	135,000	-	-	135,000	135,000	-	-	135,000
Property and Equipment, net	1,179,703	-	-	1,179,703	1,338,432	-	-	1,338,432
Total assets	<u>\$ 7,300,739</u>	<u>\$ 5,429,304</u>	<u>\$ 16,534</u>	<u>\$ 12,746,577</u>	<u>\$ 6,208,106</u>	<u>\$ 5,665,170</u>	<u>\$ 16,534</u>	<u>\$ 11,889,810</u>
Liabilities and Net Assets								
Current Liabilities:								
Current portion of capital lease obligation	\$ 252,646	\$ -	\$ -	\$ 252,646	\$ 244,309	\$ -	\$ -	\$ 244,309
Current portion of due to CJP	17,520	-	-	17,520	16,502	-	-	16,502
Current portion of deferred revenue	920,739	-	-	920,739	92,854	-	-	92,854
Current portion of deferred rent	158,463	-	-	158,463	-	-	-	-
Accounts payable	260,666	-	-	260,666	260,181	-	-	260,181
Accrued expenses and other	594,482	-	-	594,482	446,528	-	-	446,528
Other liabilities	45,500	-	-	45,500	45,325	-	-	45,325
Total current liabilities	2,250,016	-	-	2,250,016	1,105,699	-	-	1,105,699
Capital Lease Obligation, net of current portion	508,584	-	-	508,584	761,230	-	-	761,230
Due to CJP, net of current portion	161,012	-	-	161,012	176,569	-	-	176,569
Deferred Revenue, net of current portion	159,302	-	-	159,302	182,473	-	-	182,473
Deferred Rent, net of current portion	1,338,771	-	-	1,338,771	1,392,242	-	-	1,392,242
Deferred Compensation	422,423	-	-	422,423	333,715	-	-	333,715
Total liabilities	4,840,108	-	-	4,840,108	3,951,928	-	-	3,951,928
Net Assets:								
Unrestricted:								
Operating	2,042,158	-	-	2,042,158	1,923,285	-	-	1,923,285
Property and equipment	418,473	-	-	418,473	332,893	-	-	332,893
Total unrestricted	2,460,631	-	-	2,460,631	2,256,178	-	-	2,256,178
Temporarily restricted	-	5,429,304	-	5,429,304	-	5,665,170	-	5,665,170
Permanently restricted	-	-	16,534	16,534	-	-	16,534	16,534
Total net assets	2,460,631	5,429,304	16,534	7,906,469	2,256,178	5,665,170	16,534	7,937,882
Total liabilities and net assets	<u>\$ 7,300,739</u>	<u>\$ 5,429,304</u>	<u>\$ 16,534</u>	<u>\$ 12,746,577</u>	<u>\$ 6,208,106</u>	<u>\$ 5,665,170</u>	<u>\$ 16,534</u>	<u>\$ 11,889,810</u>

The accompanying notes are an integral part of these statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support:								
Federal and state contracts	\$ 7,883,655	\$ -	\$ -	\$ 7,883,655	\$ 5,491,973	\$ -	\$ -	\$ 5,491,973
Grants and contributions	2,169,118	812,003	-	2,981,121	387,168	3,801,063	-	4,188,231
Program revenue	2,066,395	-	-	2,066,395	2,126,036	-	-	2,126,036
Allocations from CJP	-	938,100	-	938,100	-	918,100	-	918,100
In-kind contributions	91,824	-	-	91,824	280,279	-	-	280,279
Investment return designated for scholarships	-	30,093	-	30,093	-	29,990	-	29,990
Other revenue	28,204	-	-	28,204	33,531	-	-	33,531
Net assets released from restrictions - time	918,100	(918,100)	-	-	2,305,794	(2,305,794)	-	-
Net assets released from restrictions - purpose	1,125,768	(1,125,768)	-	-	1,692,537	(1,692,537)	-	-
Total operating revenue and support	14,283,064	(263,672)	-	14,019,392	12,317,318	750,822	-	13,068,140
Operating Expenses:								
Program services	11,062,478	-	-	11,062,478	9,692,443	-	-	9,692,443
Administration	2,152,607	-	-	2,152,607	1,929,481	-	-	1,929,481
Development	957,844	-	-	957,844	836,942	-	-	836,942
Total operating expenses	14,172,929	-	-	14,172,929	12,458,866	-	-	12,458,866
Changes in net assets from operations	110,135	(263,672)	-	(153,537)	(141,548)	750,822	-	609,274
Non-Operating Revenues (Expenses):								
Investment return, net	94,318	57,899	-	152,217	59,573	38,447	-	98,020
Investment return designated for scholarships	-	(30,093)	-	(30,093)	-	(29,990)	-	(29,990)
Net assets released from restrictions - capital	-	-	-	-	186,141	(186,141)	-	-
Changes in net assets	204,453	(235,866)	-	(31,413)	104,166	573,138	-	677,304
Net Assets:								
Beginning of year	2,256,178	5,665,170	16,534	7,937,882	2,152,012	5,092,032	16,534	7,260,578
End of year	\$ 2,460,631	\$ 5,429,304	\$ 16,534	\$ 7,906,469	\$ 2,256,178	\$ 5,665,170	\$ 16,534	\$ 7,937,882

The accompanying notes are an integral part of these statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Cash Flows

For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (31,413)	\$ 677,304
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	165,193	164,044
Investment return, net	(152,217)	(98,020)
Changes in operating assets and liabilities:		
Cash - restricted	(32)	(35)
Allocations receivable from CJP	(20,000)	(154,000)
Federal, state and other program receivables, net	920,032	(892,450)
Pledges receivable	1,255,930	569,026
Prepaid expenses and other current assets	101,218	(9,352)
Accounts payable	485	(17,606)
Accrued expenses and other	147,954	(60,943)
Deferred revenue	804,714	275,327
Deferred rent	104,992	614,608
Other liabilities	175	-
Net cash provided by operating activities	<u>3,297,031</u>	<u>1,067,903</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(6,464)	(2,806)
Purchase of investments	(2,501,057)	-
Proceeds from the sale of investments	30,093	29,990
Payments received from notes receivable	5,981	7,782
Net cash provided by (used in) investing activities	<u>(2,471,447)</u>	<u>34,966</u>
Cash Flows from Financing Activities:		
Due to CJP	(14,539)	(13,694)
Payments on capital lease obligation	(244,309)	(236,248)
Net cash used in financing activities	<u>(258,848)</u>	<u>(249,942)</u>
Net Change in Cash and Cash Equivalents	566,736	852,927
Cash and Cash Equivalents:		
Beginning of year	3,669,523	2,816,596
End of year	<u>\$ 4,236,259</u>	<u>\$ 3,669,523</u>
Supplemental Disclosure of Cash Transactions:		
Cash paid for interest	<u>\$ 72,207</u>	<u>\$ 73,267</u>

JEWISH VOCATIONAL SERVICE, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2017
(With Summarized Comparative Totals for the Year Ended September 30, 2016)

	2017											2016
	Program Services											
	CareerSolution	Skills Training	Business Services	Education	Bridges to College	Refugee Employment	Disability Services	Special Initiatives	Total Program Services	Adminis-tration	Development	Total
Personnel:												
Salaries and wages	\$ 1,381,596	\$ 1,146,282	\$ 1,348,114	\$ 576,406	\$ 530,840	\$ 908,775	\$ 517,716	\$ 20,270	\$ 6,429,999	\$ 944,725	\$ 527,212	\$ 7,901,936
Payroll taxes and fringe benefits	314,234	257,544	303,488	130,289	119,468	201,493	113,086	3,698	1,443,300	233,876	119,561	1,796,737
Total personnel	1,695,830	1,403,826	1,651,602	706,695	650,308	1,110,268	630,802	23,968	7,873,299	1,178,601	646,773	9,698,673
Occupancy	598,916	331,577	22,390	276,960	173,953	223,645	49,847	-	1,677,288	79,136	8,662	1,765,086
Operational:												
Professional fees	10,732	147,207	78,018	19,426	53,715	239,837	253	130	549,318	585,786	76,680	1,211,784
Equipment	35,909	19,047	12,873	13,588	24,465	13,637	5,791	74	125,384	99,716	22,854	247,954
Scholarships	-	-	-	-	-	-	-	220,060	220,060	-	-	220,060
Client costs	9,015	173,831	135	290	9,037	19,064	577	-	211,949	-	-	211,949
Depreciation	29,139	29,224	29,686	12,769	11,728	20,814	11,200	-	144,560	12,968	7,665	165,193
Fundraising	-	-	-	-	-	-	-	-	-	-	142,354	142,354
Supplies	10,703	11,793	31,724	12,219	5,762	3,691	2,432	768	79,092	19,446	24,906	123,444
Miscellaneous	5,275	1,046	13,611	1,046	2,287	1,605	5,505	-	30,375	60,129	10,795	101,299
Meetings and staff development	3,199	1,664	8,967	1,168	1,942	687	1,905	-	19,532	47,483	1,470	68,485
Advertising and publicity	6,848	5,483	4,861	5,092	1,493	34,847	929	-	59,553	622	7,817	67,992
Communication	6,816	8,366	11,472	4,843	3,194	7,907	2,710	-	45,308	7,139	1,853	54,300
Interest	-	-	-	-	-	-	-	-	-	42,160	-	42,160
Insurance	4,704	4,716	4,792	2,062	1,894	3,360	2,044	-	23,572	10,617	1,237	35,426
Bank fees	1,454	1,633	101	-	-	-	-	-	3,188	8,804	4,778	16,770
Total operational	123,794	404,010	196,240	72,503	115,517	345,449	33,346	221,032	1,511,891	894,870	302,409	2,709,170
Total expenses	\$ 2,418,540	\$ 2,139,413	\$ 1,870,232	\$ 1,056,158	\$ 939,778	\$ 1,679,362	\$ 713,995	\$ 245,000	\$ 11,062,478	\$ 2,152,607	\$ 957,844	\$ 14,172,929

JEWISH VOCATIONAL SERVICE, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2016

	Program Services								Total Program Services	Adminis- tration	Development	Total
	CareerSolution	Skills Training	Business Services	Education	Bridges to College	Refugee Employment	Disability Services	Special Initiatives				
Personnel:												
Salaries and wages	\$ 1,641,665	\$ 788,790	\$ 923,311	\$ 564,144	\$ 480,373	\$ 581,204	\$ 496,175	\$ 18,527	\$ 5,494,189	\$ 989,366	\$ 458,197	\$ 6,941,752
Payroll taxes and fringe benefits	325,956	193,904	178,214	131,420	120,633	114,359	135,350	2,047	1,201,883	262,948	100,207	1,565,038
Total personnel	1,967,621	982,694	1,101,525	695,564	601,006	695,563	631,525	20,574	6,696,072	1,252,314	558,404	8,506,790
Occupancy	508,626	248,830	49,988	365,443	195,724	219,825	54,753	-	1,643,189	130,978	14,802	1,788,969
Operational:												
Professional fees	63,380	501,049	75,427	9,138	478	415	368	-	650,255	252,865	82,001	985,121
Equipment	31,457	21,069	8,456	8,693	12,551	9,437	4,632	-	96,295	80,674	30,994	207,963
Scholarships	-	-	-	-	-	-	-	100,468	100,468	-	-	100,468
Client costs	5,688	71,176	1,600	692	30,779	16,924	353	-	127,212	1,193	-	128,405
Depreciation	34,580	21,257	24,432	12,976	13,403	12,702	12,925	1,399	133,674	23,569	6,801	164,044
Fundraising	-	-	-	-	-	-	-	-	-	-	78,852	78,852
Supplies	35,132	8,847	22,004	7,472	3,358	7,252	2,765	738	87,568	23,500	22,512	133,580
Miscellaneous	7,454	3,937	9,187	1,031	3,080	1,915	5,747	-	32,351	56,944	5,598	94,893
Meetings and staff development	18,382	1,616	11,074	555	1,933	4,386	1,226	-	39,172	30,946	28,944	99,062
Advertising and publicity	18,116	1,599	5,112	335	1,443	1,802	530	-	28,937	4,700	2,034	35,671
Communication	9,414	4,776	9,112	4,716	2,830	3,131	2,145	-	36,124	10,570	1,219	47,913
Interest	-	-	-	-	-	-	-	-	-	43,102	-	43,102
Insurance	5,025	3,089	3,555	1,887	1,949	2,129	1,878	204	19,716	10,768	989	31,473
Bank fees	1,369	-	41	-	-	-	-	-	1,410	7,358	3,792	12,560
Total operational	229,997	638,415	170,000	47,495	71,804	60,093	32,569	102,809	1,353,182	546,189	263,736	2,163,107
Total expenses	<u>\$ 2,706,244</u>	<u>\$ 1,869,939</u>	<u>\$ 1,321,513</u>	<u>\$ 1,108,502</u>	<u>\$ 868,534</u>	<u>\$ 975,481</u>	<u>\$ 718,847</u>	<u>\$ 123,383</u>	<u>\$ 9,692,443</u>	<u>\$ 1,929,481</u>	<u>\$ 836,942</u>	<u>\$ 12,458,866</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

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.

During fiscal year 2016, JVS began a "Pay for Success" program. The Massachusetts Adult Basic Education Initiative, a project of JVS in partnership with Social Finance (a not for profit organization), is designed to serve nearly 2,500 adult learners from Greater Boston, where large concentrations of immigrants and long waitlists for English language instruction are significant barriers to employment. The program combines vocational training, contextualized English for Speakers of Other Languages instruction, college readiness, and employment assistance. Potential measurable outcomes include increased earnings, improved employment, and post-secondary enrollment.

JVS operates the following programs:

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, Nationally Certified Pharmacy Technician and other various vocational training programs 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 and individualized job search, and preparation with a JVS Career Coach.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

1. OPERATIONS AND NONPROFIT STATUS (Continued)

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.

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 (U.S. GAAP) established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

Cash and 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

Cash - restricted 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. The balance of these funds as of September 30, 2017 and 2016, was \$63,180 and \$63,148, respectively.

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 of approximately \$26,000 as of September 30, 2017 and 2016. 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.

Pledges Receivable

Pledges receivable at September 30, 2017 and 2016, consist of contributions committed to certain programs (see Note 4). Pledges are recorded at their net present value when unconditionally committed. JVS discounted long-term pledges to present value using a discount rate of 1.66% as of September 30, 2016. There was no discount as of September 30, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable and Allowance for Loan Losses

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's 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 loan losses. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms and financial strength and cash flows of the borrower.

Investments

Investments include JVS's share of CJP's investments in the Jewish Community Endowment Pool (JCEP) a limited partnership under the managerial control of CJP. 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. The value of these investments is \$1,665,684 and \$1,543,560 as of September 30, 2017 and 2016, respectively. At September 30, 2017, investments also include treasury bonds that earn interest at rates varying from 0.875% to 1.75% per annum, which mature at dates varying from June 2018 to January 2019. Treasury bonds with a maturity date of less than one year are considered short-term. All other investments are long-term. Investment return consists of interest, dividends, and realized and unrealized gains and losses on investments, net of investment management fees (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	Life of lease
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, net of related capital lease obligation.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

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 consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Purpose restricted:		
Various programs	\$ 3,819,157	\$ 4,081,284
Scholarships	72,211	93,756
Time restricted	938,100	918,100
Scholarship funds (see Note 10)	584,002	558,397
Appreciation and unspent earnings on permanently restricted endowment	<u>15,834</u>	<u>13,633</u>
	<u>\$ 5,429,304</u>	<u>\$ 5,665,170</u>

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. These services were comprised of the following for the years ended September 30:

	<u>2017</u>	<u>2016</u>
IT consulting	\$ 52,750	\$ -
Legal	34,074	192,019
Event coordination	5,000	-
Pay for Success consulting	<u>-</u>	<u>88,260</u>
	<u>\$ 91,824</u>	<u>\$ 280,279</u>

Advertising Costs

JVS expenses advertising costs as they are incurred. Advertising expense was \$67,992 and \$35,671 for the years ended September 30, 2017 and 2016, respectively, and is shown as advertising and publicity in the accompanying statements 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Federal and state contracts are recorded when services are provided and costs are incurred. Unrestricted grants and contributions and allocations from CJP 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.

Deferred Revenue

Revenues received in advance of services provided are recorded as deferred revenue on the statements of financial position. Deferred revenue that will be earned in the next fiscal year is classified as short-term. All other deferred revenue is classified as long-term.

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 statements 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, 2017 and 2016. JVS's information returns are subject to examination by the Federal and state jurisdictions.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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 JVS. 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.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by JVS and an active market with quoted prices exists, the market price of an identical security is used to report fair value. JVS's interests in the investments with CJP is reported at the net asset value (NAV) reported by the fund, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of September 30, 2017 and 2016, JVS had no plans to sell investments at amounts different from NAV.

A summary of inputs used in valuing JVS's investments as of September 30, 2017 and 2016, is included in Note 3.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and is considered Level 1 in the fair value hierarchy.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of education, camp and student activity services are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenues (expenses). Non-operating revenues (expenses) include net assets released from capital restrictions and investment activity.

Subsequent Events

Subsequent events have been evaluated through March 9, 2018, which is the date the financial statements were available to be issued. There were no events that met the criteria for disclosure in the accompanying financial statements.

3. INVESTMENTS

Fair value measurement (see Note 2) was determined using the following inputs at September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments with CJP*	\$ -	\$ -	\$ -	\$ 1,665,684
Treasury bonds	<u>2,501,057</u>	<u>-</u>	<u>-</u>	<u>2,501,057</u>
	<u>\$ 2,501,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,166,741</u>

Fair value measurement was determined using the following inputs at September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments with CJP*	\$ -	\$ -	\$ -	\$ 1,543,560

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value (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 statements of financial position (see Note 2).

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

3. INVESTMENTS (Continued)

The investment with CJP consists of the following categories of investments as of September 30:

	<u>2017</u>	<u>2016</u>
Money market funds	16.3%	16.7%
Absolute return	4.4	6.7
Domestic equity	2.0	3.7
Real assets	<u>1.0</u>	<u>1.9</u>
	<u>23.7</u>	<u>29.0</u>
Alternative investments:		
Absolute return	35.8	33.1
International equity	23.6	21.6
Domestic equity	6.9	6.5
Credit related	4.3	4.3
Real assets	2.8	2.8
Private equity/venture capital	2.7	1.7
Fixed income	<u>0.2</u>	<u>1.0</u>
Total alternative investments	<u>76.3</u>	<u>71.0</u>
Total	<u>100.0%</u>	<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. Investments, exclusive of the certificates of deposit, are not insured and are subject to ongoing market fluctuations.

Investment Return

The following schedule summarizes the investment return for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Net unrealized gains	\$ 135,910	\$ 86,594
Net realized gains	13,449	14,311
Interest and dividends	10,842	4,030
Investment fees	<u>(7,984)</u>	<u>(6,915)</u>
Investment return, net	<u>\$ 152,217</u>	<u>\$ 98,020</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

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:

	<u>2017</u>	<u>2016</u>
Due in one year	\$ 14,654	\$ 999,875
Due in two to five years	-	275,279
	<u>14,654</u>	<u>1,275,154</u>
Less - present value discount at 1.66%	-	4,570
	<u>14,654</u>	<u>1,270,584</u>
Less - current portion	<u>14,654</u>	<u>999,875</u>
Long-term pledges receivable	<u>\$ -</u>	<u>\$ 270,709</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 1,261,119	\$ 1,261,119
Leasehold improvements	307,542	307,542
Computers and equipment	<u>21,937</u>	<u>15,473</u>
	1,590,598	1,584,134
Less - accumulated depreciation	<u>410,895</u>	<u>245,702</u>
Property and equipment, net	<u>\$ 1,179,703</u>	<u>\$ 1,338,432</u>

Depreciation expense for the years ended September 30, 2017 and 2016, was \$165,193 and \$164,044, respectively.

6. NOTES RECEIVABLE

Notes receivable consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Lebowich Fund notes	\$ 30,552	\$ 30,802
New Century Club notes	11,565	11,690
Other notes	5,507	7,000
Boston Private Bank notes	3,190	7,303
Zanditon notes	<u>2,533</u>	<u>2,533</u>
	53,347	59,328
Less - current portion	13,221	5,981
Less - allowance for loan losses	<u>5,078</u>	<u>5,078</u>
Notes receivable, net	<u>\$ 35,048</u>	<u>\$ 48,269</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

6. NOTES RECEIVABLE (Continued)

The following is a summary of the general terms of the 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 one year after graduation)
New Century Club notes	College Loans	\$250 - \$1,500	Quarterly, up to 5 years (deferred until one year after graduation)
Boston Private Bank notes	Small Business Start Up	\$1,000 - \$3,500	Monthly, up to 3 years
Other notes	College Loans	\$250 - \$1,500	Quarterly, up to 5 years (deferred until one year after graduation)
Zanditon notes	College Loans	\$300 - \$700	Quarterly, up to 5 years (deferred until one year after graduation)

Future minimum collections under these agreements are as follows:

2018	\$ 13,221
2019	\$ 10,031
2020	\$ 10,031
2021	\$ 10,031
2022	\$ 4,955

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 (4.25% and 3.5% at September 30, 2017 and 2016, respectively). The note is secured by all business assets of JVS. There were no outstanding balances at September 30, 2017 and 2016. 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 years ended September 30, 2017 and 2016.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

8. LEASE AGREEMENTS

JVS has an agreement to lease office space which commenced 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. The lease requires base monthly payments of \$114,114 in the first year with annual increases as outlined 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) 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 ASC *Topic, Leases*. Deferred rent as of September 30, 2017 and 2016, was \$1,497,234 and \$1,392,242, respectively. 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 years ended September 30, 2017 and 2016, under this lease totaled \$1,656,864 and \$1,409,419, respectively, and is included in occupancy in the accompanying statements of functional expenses.

The lease required a prepayment of a security deposit of \$135,000. This amount is shown as deposits in the accompanying statements of financial position as of September 30, 2017 and 2016.

JVS had a tenant-at-will agreement to lease a facility for \$650 per month through October 2015 (see Note 14). Rent expense was approximately \$7,800 for the years ended September 30, 2017 and 2016, which is included in occupancy in the accompanying statements of functional expenses.

JVS leases office equipment under an operating lease expires in July 2020. Monthly payments are approximately \$4,700.

Future minimum lease payments under the leases are as follows:

	<u>Facility</u>	<u>Equipment</u>
2018	\$ 1,836,958	\$ 56,544
2019	1,836,958	56,544
2020	1,877,242	47,120
2021	1,885,299	-
2022	1,933,917	-
Thereafter	<u>4,211,220</u>	<u>-</u>
Total	<u>\$ 13,581,594</u>	<u>\$ 160,208</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

8. LEASE AGREEMENTS (Continued)

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 fulfilled this requirement by entering into a memorandum of understanding with a private corporation (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 for five years commencing in January 2016, with the option to extend another five years. 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 years 2017 and 2016, the Organization made donations to JVS totaling \$50,000. Over the next five years, the Organization is expected to make donations of \$50,000 annually.

9. CAPITAL LEASE OBLIGATION

Capital lease obligation as of September 30, 2017 and 2016 consists of a 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.

Future lease payments under this agreement are as follows:

2018	\$ 274,356
2019	274,356
2020	<u>251,493</u>
Total future minimum payments	800,205
Less - amounts representing interest	<u>38,975</u>
Present value of future minimum lease payments	761,230
Less - current portion	<u>252,646</u>
	<u>\$ 508,584</u>

Interest expense under this agreement totaled \$30,047 and \$30,165 for the years ended September 30, 2017 and 2016, respectively, and is included in occupancy in the accompanying statements of functional expenses.

Office furniture and equipment under this capital lease has a capitalized cost of \$1,261,119. Accumulated depreciation on the office furniture and equipment under capital this lease was \$315,280 and \$189,168 as of September 30, 2017 and 2016, respectively. For the years ended September 30, 2017 and 2016, depreciation expense on property and equipment purchased under this capital lease was \$126,112.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

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 at September 30, 2015	\$ 563,573	\$ 16,534	\$ 580,107
Unrealized gains	25,275	-	25,275
Realized gains	14,311	-	14,311
Interest and dividends	1,580	-	1,580
Investment fees	(2,719)	-	(2,719)
Investment return designated for scholarships	<u>(29,990)</u>	<u>-</u>	<u>(29,990)</u>
Endowment funds at September 30, 2016	572,030	16,534	588,564
Unrealized gains	43,361	-	43,361
Realized gains	13,449	-	13,449
Interest and dividends	4,131	-	4,131
Investment fees	(3,042)	-	(3,042)
Investment return designated for scholarships	<u>(30,093)</u>	<u>-</u>	<u>(30,093)</u>
Endowment funds at September 30, 2017	<u>\$ 599,836</u>	<u>\$ 16,534</u>	<u>\$ 616,370</u>

Included in the temporarily restricted endowment funds as of September 30, 2017 and 2016, are \$584,002 and \$558,397, respectively, 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

Annually, JVS receives from CJP the amount it should allocate for scholarships to be spent in the following fiscal year. During fiscal years 2017 and 2016, JVS appropriated \$30,093 and \$29,990, respectively, to be used for scholarships.

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, 2017 and 2016.

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.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

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. Contributions committed to this plan during the years ended September 30, 2017 and 2016, were \$64,791 and \$38,239, respectively. The amount committed during the year ended September 30, 2017 was included in accrued expenses and other on the accompanying statement of financial position. This contribution was made subsequent to year end. The amount committed during the year ended September 30, 2016 was contributed as of September 30, 2016. Plan assets and liabilities totaled \$422,423 and \$333,715 as of September 30, 2017 and 2016, respectively, and are included in investments - restricted and deferred compensation in the accompanying statements of financial position. The plan assets are invested in domestic equities and are valued using level 1 inputs (see Note 2).

In addition, JVS has a 403(b) plan available to all JVS employees. In fiscal year 2017, the Plan was modified to include a discretionary employer contribution. A 1% employer contribution has been accrued for in fiscal year 2017 and is included in accrued expenses and other in the accompanying statement of financial position for the year ended September 30, 2017.

13. TRANSACTIONS WITH CJP

JVS is a beneficiary agency of CJP. JVS records the amount of the approved allocations from CJP as revenue and a receivable in the accompanying financial statements. As of September 30, 2017 and 2016, CJP owed JVS \$938,100 and \$918,100, respectively, which is reflected as allocations receivable from CJP in the accompanying statements 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 twenty years with no interest. JVS originally reported this loan at \$319,992, its net present value at the date of commencement. As of September 30, 2017 and 2016, the present value of the loan is \$178,532 and \$193,071, respectively, including imputed interest at a rate of 6%. The balance of this loan is reported in the accompanying statements of financial position as follows as of September 30:

	<u>2017</u>	<u>2016</u>
Current portion of due to CJP	\$ 17,520	\$ 16,502
Due to CJP, net of current portion	<u>161,012</u>	<u>176,569</u>
	<u>\$ 178,532</u>	<u>\$ 193,071</u>

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

2018	\$ 17,520
2019	18,600
2020	19,748
2021	20,966
2022	22,259
Thereafter	<u>79,439</u>
Total	<u>\$ 178,532</u>

Interest expense recorded on this loan for the years ended September 30, 2017 and 2016, was \$16,502 and \$15,543, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements
September 30, 2017 and 2016

14. RELATED PARTY TRANSACTIONS

JVS leased an office from a company that employs one of JVS's Board members. JVS occupied the office as a tenant-at-will for \$650 per month (see Note 8). In October 2015, the Board member sold the office, but JVS still rents the office space. Total rent expense while the property was owned by the Board member was \$650 for the year ended September 30, 2016.

During fiscal years 2017 and 2016, JVS also received donated legal services from members of the Board of Directors. The value of the donated services was \$34,074 and \$192,019 for the years ended September 30, 2017 and 2016, respectively.

15. 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 such accounts. JVS's management believes JVS is not exposed to any significant credit risk on cash and cash equivalents.

JVS received approximately 29% of its total funding from two sources for the year ended September 30, 2017. JVS received approximately 12% of its total funding from one source for the year ended September 30, 2016. In addition, approximately 36% of JVS's Federal, state and other program receivables were due from two funding sources as of September 30, 2017. Approximately 61% of JVS's Federal, state and other program receivables were due from three funding sources as of September 30, 2016.

16. RECLASSIFICATIONS

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation.