

JEWISH VOCATIONAL AND  
CAREER COUNSELING SERVICE

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# **Jewish Vocational and Career Counseling Service**

## **Independent Auditors' Report and Financial Statements**

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## **Independent Auditors' Report**

THE BOARD OF DIRECTORS  
JEWISH VOCATIONAL AND  
CAREER COUNSELING SERVICE  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **JEWISH VOCATIONAL AND CAREER COUNSELING SERVICE (JVS)**, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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.

### **Auditors' 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 JVS' 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 JVS' 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 JVS as of June 30, 2016, 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.

*Hood & Strong LLP*

San Francisco, California  
December 22, 2016

# Jewish Vocational and Career Counseling Service

## Statement of Financial Position

June 30, 2016

### Assets

Cash and cash equivalents	\$	2,738,824
Accounts and contracts receivable		667,695
Contributions receivable, net		1,552,026
Investments		475,624
Prepaid expenses and other assets		93,744
Property and equipment, net		61,895

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<b>Total Assets</b>	<b>\$</b>	<b>5,589,808</b>
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### Liabilities and Net Assets

#### Liabilities:

Accounts payable and accrued expenses	\$	156,645
Accrued salaries and related expenses		554,379
Deferred rent		827,958
Note payable		1,034,905

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Total liabilities		2,573,887
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#### Net Assets:

Unrestricted		68,303
Temporarily restricted		2,379,173
Permanently restricted		568,445

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Total net assets		3,015,921
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<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>5,589,808</b>
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See accompanying notes to financial statements.

# Jewish Vocational and Career Counseling Service

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support:</b>				
Government contract support	\$ 3,636,387			\$ 3,636,387
Grants and other contributions	1,591,620	\$ 2,969,374	\$ 10,000	4,570,994
Special events (net of direct expenses of \$240,996 for 2016)	303,013			303,013
In-kind donations	1,164,284			1,164,284
Program service fees and client fees	176,054			176,054
Investment income, net	60	11,022		11,082
Net assets released from restrictions	2,339,728	(2,339,728)		-
	9,211,146	640,668	10,000	9,861,814
<b>Expenses:</b>				
Program services	7,194,260			7,194,260
Supporting services	2,075,391			2,075,391
Total expenses	9,269,651	-	-	9,269,651
<b>Change in Net Assets from Operations</b>	(58,505)	640,668	10,000	592,163
<b>Other Changes in Net Assets:</b>				
Loss on disposal of assets	(29,560)			(29,560)
Change in defined benefit pension plan liability (Note 11)	(473,220)			(473,220)
Total other changes in net assets	(502,780)	-	-	(502,780)
<b>Change in Net Assets</b>	(561,285)	640,668	10,000	89,383
<b>Net Assets, beginning of year</b>	840,995	1,527,098	558,445	2,926,538
Restatement of net assets (Note 7)	(211,407)	211,407		-
<b>Net Assets, beginning of year as restated</b>	629,588	1,738,505	558,445	2,926,538
<b>Net Assets, end of year</b>	\$ 68,303	\$ 2,379,173	\$ 568,445	\$ 3,015,921

See accompanying notes to financial statements.

# Jewish Vocational and Career Counseling Service

## Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services							Supporting Services			Total
	High School and Bridge	Client Services	Job Search	Healthcare	Technology	Financial Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 834,339	\$ 433,382	\$ 468,579	\$ 634,123	\$ 540,511	\$ 125,933	\$ 3,036,867	\$ 699,708	\$ 462,846	\$ 1,162,554	\$ 4,199,421
Employee benefits	189,857	78,877	105,111	145,019	95,226	22,802	636,892	158,405	84,114	242,519	879,411
Payroll taxes	70,698	45,300	39,606	53,382	45,937	10,518	265,441	50,181	39,097	89,278	354,719
<b>Total personnel costs</b>	<b>1,094,894</b>	<b>557,559</b>	<b>613,296</b>	<b>832,524</b>	<b>681,674</b>	<b>159,253</b>	<b>3,939,200</b>	<b>908,294</b>	<b>586,057</b>	<b>1,494,351</b>	<b>5,433,551</b>
Rent	238,548	149,265	121,787	188,918	125,829	30,792	855,139	106,862	61,206	168,068	1,023,207
Professional fees and contract services	99,561	21,044	15,196	39,854	119,139	4,539	299,333	77,936	68,819	146,755	446,088
Office supplies and expenses	98,854	39,174	55,603	66,632	96,257	17,216	373,736	21,106	18,849	39,955	413,691
Meetings and travel	31,092	5,338	4,208	15,087	8,223	3,322	67,270	12,018	5,628	17,646	84,916
Marketing and outreach	3,042	430	2,329	1,153	3,465	4,089	14,508	355	3,507	3,862	18,370
Internships and stipends	366,345	54,375		879,007	44,351		1,344,078			-	1,344,078
Client resources	1,038	12	2,250	40,121	33,100	528	77,049			-	77,049
Scholarships		16,195		30,900	5,000	1,500	53,595			-	53,595
Dues and subscriptions	2,851	976	806	1,078	1,152	251	7,114	16,594	11,520	28,114	35,228
Telephone and utilities	11,405	3,259	3,578	5,294	5,158	1,164	29,858	8,077	1,765	9,842	39,700
Insurance	8,302	5,328	4,064	8,087	4,389	1,071	31,241	3,713	2,127	5,840	37,081
Maintenance and repairs	13,257	4,401	5,186	6,816	5,748	1,301	36,709	4,697	2,691	7,388	44,097
Staff recruitment and development	10,263	2,314	2,177	2,766	9,234	1,314	28,068	10,269	26,016	36,285	64,353
Miscellaneous	1,442	877	941	1,197	1,260	232	5,949	1,780	(61)	1,719	7,668
Depreciation	2,849	4,378	1,326	1,951	462	428	11,394	1,031	591	1,622	13,016
Bad debt							-		107,837	107,837	107,837
Interest	6,163	2,243	3,236	4,015	3,678	684	20,019	4,463	1,644	6,107	26,126
<b>Total Expenses</b>	<b>\$ 1,989,906</b>	<b>\$ 867,168</b>	<b>\$ 835,983</b>	<b>\$ 2,125,400</b>	<b>\$ 1,148,119</b>	<b>\$ 227,684</b>	<b>\$ 7,194,260</b>	<b>\$ 1,177,195</b>	<b>\$ 898,196</b>	<b>\$ 2,075,391</b>	<b>\$ 9,269,651</b>

See accompanying notes to financial statements.

# Jewish Vocational and Career Counseling Service

## Statement of Cash Flows

*Year Ended June 30, 2016*

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**Operating Activities:**

Change in net assets	\$ 89,383
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,016
Permanently restricted contributions	(10,000)
Net realized and unrealized loss on investments	5,687
Loss on disposal of asset	29,560
Defined benefit pension plan liability	(1,113,215)
Changes in operating assets and liabilities	
Accounts and contracts receivable	(41,400)
Contribution receivable	(360,159)
Prepaid expenses and other assets	(31,707)
Accounts payable and accrued expenses	539
Accrued salaries and related expenses	174,046
Deferred rent	(103,833)

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Net cash used by operating activities	(1,348,083)
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**Investing Activities:**

Purchase of investments	(33,774)
Proceeds from sale of investments	322,315
Purchases of property and equipment	(8,396)

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Net cash provided by investing activities	280,145
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**Financing Activities:**

Collections of permanently restricted contributions	10,000
Proceeds from note payable	1,055,946
Payment on note payable	(21,041)

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Net cash provided by financing activities	1,044,905
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<b>Net Decrease in Cash and Cash Equivalents</b>	(23,033)
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<b>Cash and Cash Equivalents, beginning of year</b>	2,761,857
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<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,738,824</b>
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See accompanying notes to financial statements.



# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### Note 1 - Organization and Summary of Significant Accounting Policies:

Jewish Vocational and Career Counseling Service (JVS) transforms lives by helping people build skills and find jobs to achieve self-sufficiency. JVS believes the best solution to poverty is a good job; JVS's goal is to equip its clients with the skills they need to access high-growth career path employment and build long-term career resiliency. JVS programs serve approximately 3,000 people annually in the San Francisco Bay Area through career exploration, skills training, worksite learning, job search support, and job placement and retention services.

JVS' primary source of revenues is from government contracts, grants and contributions from the general public.

*Programs:*

#### **High School and Bridge**

JVS assists youth to move towards self-sufficiency through programs that give them work experience and help them find career pathways. JVS works with the San Francisco Unified School District and the Department of Children, Youth and their Families to provide vocational, employment, and educational services to help youth facing special barriers to gain work skills and experience, complete high school, and enter post-secondary education.

#### **Client Service**

Client Services provides job search workshops to help clients gain skills in areas such as networking, interviewing, job search planning and strategy, lifelong learning resources, and resume design.

#### **Job Search (JSA)**

JSA works by engaging participants in an intensive group structure to maximize networking and experiential learning, to boost job search effectiveness and momentum, and to accelerate participants' job search by providing direct connections to employers and jobs.

#### **Healthcare**

JVS partners with health care employers to provide customized training programs to help people secure high-demand jobs in allied health field such as medical administrative assistants, medical assistants, and nurses. JVS also partners with Bay Area academic institutions, to provide job search and placement services for students enrolled in Certified Nurse Assistant, Medical Assistant, Health Information Technology, and Medical Evaluation Assistant certification courses.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### Technology

JVS's Technology programs help adults who have been out of work for 6 months or longer to build new skills and transition to their next position; while helping Bay Area businesses acquire great talent. JVS also provides a Salesforce Administrator course to assist participants with developing the technical skills needed to pass the certification exam and build essential job search skills to secure one of the most in-demand positions in technology.

### Financial Services

JVS's BankWork\$ program provides training to job seekers to build the skills they need to be exceptional candidates for entry-level sales and service roles such as teller, customer service representative and personal banker at national and local banking institutions with many opportunities for growth and advancement.

A summary of JVS' significant accounting policies applied in the preparation of the accompanying financial statements follows:

a. Accounting and Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements have been presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets predicated upon the existence of donor-imposed restriction.

*Unrestricted Net Assets* - the portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

*Temporarily Restricted Net Assets* - the portion of net assets the use of which by JVS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of JVS.

*Permanently Restricted Net Assets* - the portion of net assets whose use has been restricted for investment in perpetuity. The income from these assets is available for either general operations or specific programs as specified by the donor.

b. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to JVS. Contributions that are restricted by the donor, and grants and contracts are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions, grants and contracts are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows when a material impact is noted and are discounted at an appropriate discount rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Government grants and contracts are recognized when JVS incurs expenditures related to the required services. Amounts billed or received in advance are recorded as deferred revenue until the related services are performed. Amounts due at June 30, 2016 are included in government contracts receivable. Grants are expected to be fully collectible in the upcoming year.

Program service and client fees are recognized when JVS incurs expenditures related to the required services.

c. Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the statements of financial position and cash flows, consist of amounts held with banks, highly liquid money market funds, and other investments with a maturity of three months or less.

d. Contributions, Accounts and Contracts Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. JVS uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

e. Investments

All debt and equity securities with readily determinable market values are carried at estimated fair value based on market prices. Unrealized gains and losses are included in the change in net assets. Gains and losses are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

f. Fair Value Measurements

JVS carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. JVS classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Property, Equipment and Improvements

Property, equipment and improvements are recorded at cost. JVS capitalizes all expenditures for property and equipment in excess of \$5,000. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the shorter of the useful lives or the lease term.

h. Donated Services and Software

The amount of \$1,164,284 has been reflected in the financial statements for donated legal, consulting services, intern stipends, rent, outreach, supplies, and software. These donations have been reflected by their natural expense classification in the Statement of Functional Expenses.

In-kind donations are comprised primarily of internship stipends of \$961,135, software license and facility of \$169,400 and professional services of \$33,379.

A number of unpaid volunteers have made significant contributions of their time to JVS. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

i. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### k. Tax Exempt Status

JVS is recognized by the Internal Revenue Service as an organization exempt from income taxes on related activities under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

JVS follows the guidance of Accounting for Uncertainty in Income Taxes issued by the Financial Accounting Standards Board. As of June 30, 2016, management evaluated JVS's tax positions and concluded that JVS had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

### l. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2019 with early application permitted. JVS is currently evaluating the impact this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in the Accounting Standards Update make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in the Update is permitted and applied retrospectively. JVS is currently evaluating the impact of this pronouncement on its financial statements.

### m. Subsequent Events

The management of JVS has reviewed the changes in its net assets for the period of time from its fiscal year ended June 30, 2015 through December 22, 2016, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events have occurred which would require disclosure, except as discussed in Note 5 and 9.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### Note 2 - Contributions Receivable:

Contributions receivable, net of allowance for uncollectible pledges and amortized discounts, are summarized as follows at June 30, 2016:

Unconditional promises expected to be collected in:	
Less than one year	\$ 1,425,315
One to five years	182,350
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	1,607,665
Less: allowance for uncollectible pledges and unamortized discount	(55,639)
	<hr/>
Total	\$ 1,552,026

JVS is the recipient of two conditional grants up to \$260,000 for a capital project. The grants are conditioned on JVS raising matching contributions through fiscal year ending June 30, 2017. As of June 30, 2016, JVS raised \$20,000 in qualifying matching contributions.

### Note 3 - Investments and Fair Value Measurements:

#### *Investments*

Investments at June 30, 2016 consisted of the following:

Mutual Fund – U.S. Equity Fund	\$ 303,927
Mutual Fund – Bond Funds	171,697
	<hr/>
Total	\$ 475,624

Investment income on the above investments is summarized as follows:

Dividend and interest income	\$ 16,769
Unrealized loss on investments	(5,687)
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Total investment income	\$ 11,082

#### *Fair Value Measurement*

Investments include fixed income and equity mutual funds that had a fair value of \$475,624 and are classified as Level 1 in accordance with the hierarchy in FASB ASC 820-10, *Fair Value Measurements*.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### Note 4 - Property and Equipment:

Property and equipment consists of the following at June 30, 2016:

Furniture and equipment	\$	348,077
Leasehold improvements		353,343
Construction in process		8,396
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		709,816
Less: accumulated depreciation		(647,921)
		<hr/>
	\$	61,895

Depreciation and amortization expense for the year ended June 30, 2016 was \$13,016.

### Note 5 - Line of Credit:

JVS has a line of credit from Wells Fargo Bank with a credit limit of \$800,000. The line is secured by receivables and property. Interest is charged at the bank's prime rate minus 0.25%, with a floor of 3%. The line of credit matures in September 2016. There was no amount outstanding at June 30, 2016. Subsequent to year end, JVS renewed its line of credit which extended the maturity date to October 2017 and changed the interest rate floor to 3.25%.

### Note 6 - Note Payable:

In December 15, 2015, JVS entered into a note payable (the note) of \$1,055,946 with the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties. The note is unsecured and has an interest rate at 4.35% with monthly payments of \$8,030 due until maturity in January 31, 2031. The amount outstanding at June 30, 2016 was \$1,034,905.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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Scheduled principal payments on the note payable are as follows:

Year ending		
June 30:		
2017	\$	52,497
2018		54,680
2019		57,089
2020		59,604
2021		62,232
Thereafter		748,803
		<hr/>
	\$	1,034,905

### Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2016:

Purpose restricted		
Healthcare	\$	639,528
High school and Bridge		531,806
Financial services		395,634
Business Basics		250,000
Capital projects		20,000
		<hr/>
		1,836,968
Endowment earnings		102,160
Time restricted		440,044
		<hr/>
Total	\$	2,379,173

Net assets of \$2,339,728 were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by time. During 2016, JVS restated its opening net assets by \$211,407 to reclassify net assets from unrestricted net assets for amounts related to the accumulated endowment earnings.



# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### Note 8 - Endowment:

JVS's endowments include donor-restricted endowment funds established to support JVS's long-term operations. Net assets associated with this endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Board of Directors of JVS has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JVS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, (7) the investment policies of the organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires JVS to retain as a fund of perpetual duration.

In December 2015, JVS's Board of Directors voted to appropriate a portion of the corpus and accumulated earnings of the endowment for use towards payment of the defined benefit retirement closeout (Note 11). Therefore, at June 30, 2016 JVS's endowed asset balances are underwater by \$92,821. JVS will replenish the corpus and a portion of the accumulated earnings with scheduled payments of principal and interest through 2024.

#### *Return Objectives, Risk Parameters and Spending Policy*

JVS has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to exceed the yield of relevant indexes while assuming a moderate level of investment risk. The Board elected not to apply a spending policy on the earning on the permanently restricted net assets and accumulate in order to grow the endowment fund.

Endowment funds by category consist of the following as of June 30, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor endowment	\$ 102,160	\$ 568,445	\$ 670,605

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 211,407		\$ 558,445	\$ 769,852
Restatement of endowment earnings (Note 7)	(211,407)	\$ 211,407		
Endowment net assets, beginning of year as restated		211,407	558,445	769,852
Investment return				
Investment income		16,709		16,709
Net depreciation		(5,687)		(5,687)
Total investment return		11,022		11,022
Contributions			10,000	10,000
Appropriation		(120,269)		(120,269)
End of year	\$ -	\$ 102,160	\$ 568,445	\$ 670,605

In October 2015, JVS' Board of Directors voted to appropriate \$120,269 from the endowment; and borrow \$272,609 from the endowment's corpus to retire JVS' liability in the defined benefit retirement plan (Note 11). The loan from the endowment is payable with interest charged at 1.66% compounded quarterly through 2024.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

### Note 9 - Commitments and Contingencies:

#### a. Operating Leases

JVS leases offices and office equipment under operating leases expiring through February 2021, some of which contain provisions for future rent increases, or periods in which rent payments are reduced. In accordance with generally accepted accounting principles, JVS recognizes rent expense on a straight-line basis over the lease term. Deferred rent is provided to reflect the differences between rent recorded in the financial statements and actual rent paid according to lease term. At June 30, 2016 deferred rent amounted to \$827,958.

Part of the office space is subleased under an operating lease expiring in February 2021.

Estimated minimum future rental payments under noncancelable operating leases are as follows:

Year Ended June 30,	Commitment <u>Payments</u>	Sublease <u>Payments</u>	Net <u>Payments</u>
2017	\$ 1,246,000	\$ 154,000	\$ 1,092,000
2018	1,261,000	159,000	1,102,000
2019	1,277,000	164,000	1,113,000
2020	1,298,000	168,000	1,130,000
2021	877,000	115,000	762,000
<b>Total</b>	<b>\$ 5,959,000</b>	<b>\$ 760,000</b>	<b>\$ 5,199,000</b>

For fiscal year ending June 30, 2016, rent paid under these operating leases was \$1,185,542 and sublease income received was \$147,834

#### b. Contingencies

JVS' grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, JVS has no provision for the possible disallowance of program costs on their financial statements.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### **Note 10 - Retirement and Pension Plans:**

#### *Defined benefit plan:*

JVS was one of fourteen agencies that jointly contributed to a single defined benefit retirement plan (the Plan), a retirement plan administered by the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties (the JCF). The participating agencies elected to freeze the plan as of December 31, 2007.

On December 22, 2014, the participating agencies voted to terminate the Plan effective July 1, 2015. During 2016, JVS paid \$520,378 in cash towards its share of the unfunded liability and the remaining amount was converted to a loan held by the JCF (Note 6). JVS recognized a change in defined benefit pension liability of \$473,220 at close-out. The source of funds for this payment was from an appropriation and loan proceeds from the endowment (Note 8).

#### *Defined contribution plan:*

Jewish Vocational Services Transitional 403(b) Plan (the “Plan”), a defined contribution plan under IRC 403(b), was put into place effective January 1, 2008. This plan allows employees hired before January 1, 2003, with the exception of two employees, with at least one hour of service and who are regularly scheduled to work 21 or more hours per week to contribute through payroll deductions. Under this plan, JVS provides contributions of 1% to 12% based on age, years of service, and job title at the time the plan was implemented. JVS’ contributions the plan totaled \$36,956 for the year ended June 30, 2016.

Jewish Vocational Services 403(b) Plan (the “Plan”), a defined contribution plan under IRC 403(b), was put into place effective January 1, 2008. With the exception of one employee, all employees who are eligible to participate in the Jewish Vocational Services 403(b) Transitional Plan are not eligible to participate in this plan. This plan allows all employees who are regularly scheduled to work 21 or more hours per week to contribute through payroll deductions. Under this plan, JVS provides a 3% contribution for all employees, plus a maximum matching contribution of 3% of the participant’s compensation. JVS’ contributions to the plan totaled \$180,065 for the year ended June 30, 2016.

### **Note 11 - Operational Deficit:**

In 2015 JVS terminated its defined benefit retirement plan (Note 11) and recognized an adjustment to unrestricted net assets of 473,220. In addition, JVS recognized other accounting adjustments which contributed to a total decrease in unrestricted net assets of \$714,187 for the year, leaving the organization with \$68,303 in unrestricted net assets. In 2015 JVS completed a new 5-year strategic plan (the Plan) which lays out plans to serve an increasing number of clients through pathways programs providing industry-specific skills training, work-based learning, and connections to employment. JVS also launched a comprehensive campaign to raise the funds necessary to accomplish the goals of the Plan. Incorporated into the Plan and campaign are goals to replenish the unrestricted net assets over the next four years through modest surpluses.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### **Note 12 - Concentration of Credit Risk:**

JVS has defined its financial instruments which are potentially subject to credit risk. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The financial instruments consist principally of cash and receivables.

Periodically, throughout the year, JVS maintained balances in various operation and money market accounts in excess of federally insured limits.

All receivables consist primarily of unsecured amounts due from individuals, corporations, foundations, and government agencies. The credit risk associated with receivables is substantially mitigated by the large number of entities comprising the receivable balance, and 33% of the receivables are due from government agencies.

JVS receives approximately 43% of its revenue (excluding in-kind donations) from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.