

JEWISH VOCATIONAL AND
CAREER COUNSELING SERVICE

JUNE 30, 2017

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, 2017, 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'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 JVS'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.

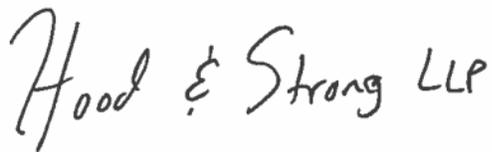
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JVS as of June 30, 2017, 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited JVS's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated December 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
December 5, 2017

Jewish Vocational and Career Counseling Service

Statement of Financial Position

<i>June 30, 2017 (with comparative totals for 2016)</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 3,379,468	\$ 2,738,824
Accounts and contracts receivable	853,860	621,889
Contributions receivable, net	3,378,198	1,597,832
Investments	585,167	475,624
Prepaid expenses and other assets	231,544	93,744
Fixed assets, net	121,260	61,895
Total Assets	\$ 8,549,497	\$ 5,589,808
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 194,341	\$ 156,645
Accrued salaries and related expenses	518,034	554,379
Deferred rent	697,934	827,958
Note payable	953,372	1,034,905
Total liabilities	2,363,681	2,573,887
Net Assets:		
Unrestricted	939,826	68,303
Temporarily restricted	4,667,545	2,379,173
Permanently restricted	578,445	568,445
Total net assets	6,185,816	3,015,921
Total Liabilities and Net Assets	\$ 8,549,497	\$ 5,589,808

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017 (with comparative totals for 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and Support:					
Government contract support	\$ 4,205,364			\$ 4,205,364	\$ 3,636,387
Grants and other contributions	2,384,584	\$ 5,414,000	\$ 10,000	7,808,584	4,570,994
Special events (net of direct expenses of \$256,667 for 2017)	264,434			264,434	303,013
In-kind donations	1,819,490			1,819,490	1,164,284
Program service fees and client fees	430,387			430,387	176,054
Investment income, net	60	55,324		55,384	11,082
Net assets released from restrictions	3,180,952	(3,180,952)		-	-
Total revenue and support	12,285,271	2,288,372	10,000	14,583,643	9,861,814
Expenses:					
Program services	9,018,318			9,018,318	7,194,260
Supporting services	2,395,430			2,395,430	2,075,391
Total expenses	11,413,748	-	-	11,413,748	9,269,651
Change in Net Assets before Other Changes in Net Assets	871,523	2,288,372	10,000	3,169,895	592,163
Other Changes in Net Assets:					
Loss on disposal of assets				-	(29,560)
Change in defined benefit pension plan liability (Note 11)				-	(473,220)
Total other changes in net assets	-	-	-	-	(502,780)
Change in Net Assets	871,523	2,288,372	10,000	3,169,895	89,383
Net Assets, beginning of year	68,303	2,379,173	568,445	3,015,921	2,926,538
Net Assets, end of year	\$ 939,826	\$ 4,667,545	\$ 578,445	\$ 6,185,816	3,015,921

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Functional Expenses

Year Ended June 30, 2017 (with comparative totals for 2016)

	2017											2016 Total
	Program Services						Supporting Services				Total	
	High School Bridge	Client Services	Healthcare	Job Search Accelerator	Technology	Financial Services	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Services	Total	
Salaries	\$ 1,039,969	\$ 300,724	\$ 797,196	\$ 609,788	\$ 751,458	\$ 212,544	\$ 3,711,679	\$ 853,921	\$ 564,340	\$ 1,418,261	\$ 5,129,940	\$ 4,199,421
Employee benefits	189,997	51,613	162,537	115,057	121,002	32,461	672,667	166,699	93,904	260,603	933,270	879,411
Payroll taxes	87,244	25,814	67,620	52,188	64,635	18,111	315,612	60,992	45,709	106,701	422,313	354,719
Total personnel costs	1,317,210	378,151	1,027,353	777,033	937,095	263,116	4,699,958	1,081,612	703,953	1,785,565	6,485,523	5,433,551
Rent	292,142	67,449	219,482	129,892	190,386	52,857	952,208	108,206	58,936	167,142	1,119,350	1,023,207
Professional fees and contract services	459,489	11,073	214,133	21,124	322,671	26,260	1,054,750	140,044	96,323	236,367	1,291,117	446,088
Office supplies and expenses	175,515	28,150	106,348	83,265	99,053	27,089	519,420	34,183	18,949	53,132	572,552	413,691
Meetings and travel	31,491	5,933	15,970	8,032	9,387	6,003	76,816	7,840	5,831	13,671	90,487	84,916
Marketing and outreach	23,752	6,642	17,132	13,244	25,776	7,436	93,982		12,896	12,896	106,878	18,370
Internships and stipends	348,827	90,643	717,408	160	76,081		1,233,119			-	1,233,119	1,397,673
Client resources	18,114	1,301	96,639	2,618	15,646	2,421	136,739			-	136,739	77,049
Dues and subscriptions	3,485	363	451	1,705	2,121	97	8,222	21,146	9,737	30,883	39,105	35,228
Telephone and utilities	13,838	2,017	6,334	5,621	7,575	1,804	37,189	6,856	1,622	8,478	45,667	39,700
Insurance	8,908	2,584	9,542	5,383	6,062	1,824	34,303	4,487	2,445	6,932	41,235	37,081
Maintenance and repairs	16,810	2,957	9,212	6,606	8,620	2,599	46,804	5,720	3,022	8,742	55,546	44,097
Staff recruitment and development	18,798	4,877	15,069	10,142	13,279	3,666	65,831	32,061	2,466	34,527	100,358	64,353
Miscellaneous	1,728	436	1,720	868	1,906	302	6,960	2,694	1,127	3,821	10,781	7,668
Depreciation	4,259	1,178	3,485	2,633	2,923	860	15,338	2,141	1,163	3,304	18,642	13,016
Bad debt							-		21,913	21,913	21,913	107,837
Interest	10,454	2,975	8,058	6,084	7,036	2,072	36,679	5,271	2,786	8,057	44,736	26,126
Total Expenses	\$ 2,744,820	\$ 606,729	\$ 2,468,336	\$ 1,074,410	\$ 1,725,617	\$ 398,406	\$ 9,018,318	\$ 1,452,261	\$ 943,169	\$ 2,395,430	\$ 11,413,748	\$ 9,269,651

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Cash Flows

<i>Year Ended June 30, 2017 (with comparative totals for 2016)</i>	2017	2016
Operating Activities:		
Change in net assets	\$ 3,169,895	\$ 89,383
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,642	13,016
Permanently restricted contributions	(10,000)	(10,000)
Net realized and unrealized loss on investments	(47,699)	5,687
Allowance for doubtful accounts	16,773	45,807
Discount on long-term receivables	62,288	9,832
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	(248,744)	(87,207)
Contribution receivable	(1,842,654)	(369,991)
Prepaid expenses and other assets	(137,800)	(31,707)
Accounts payable and accrued expenses	37,696	539
Accrued salaries and related expenses	(36,345)	174,046
Deferred rent	(130,024)	(103,833)
Net cash provided (used) by operating activities	852,028	(1,348,083)
Investing Activities:		
Purchase of investments	(61,844)	(33,774)
Proceeds from sale of investments		322,315
Purchases of fixed assets	(78,007)	(8,396)
Net cash (used) provided by investing activities	(139,851)	280,145
Financing Activities:		
Collections of permanently restricted contributions	10,000	10,000
Proceeds from note payable		1,055,946
Payment on note payable	(81,533)	(21,041)
Net cash (used) provided by financing activities	(71,533)	1,044,905
Net Increase (Decrease) in Cash and Cash Equivalents	640,644	(23,033)
Cash and Cash Equivalents, beginning of year	2,738,824	2,761,857
Cash and Cash Equivalents, end of year	\$ 3,379,468	\$ 2,738,824
Supplemental Information:		
Interest paid	\$ 44,736	\$ 3,767

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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 equips their clients with the skills and experiences they need to secure high-growth, career path employment, and build long-term career resiliency. JVS programs serve approximately 2,600 people annually in the San Francisco Bay Area.

JVS's primary source of revenue 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, the Department of Children, Youth and their Families, and City College of San Francisco 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. The Youth Transitions Pathways initiative is a long-term approach that emphasizes career awareness and exploration leading to sector-based work experience, work-based learning and career pathway programs. JVS's Youth Transitions Pathways Programs currently provide intensive education and employment services in skilled trades, including Automotive Technology, Building & Construction Trades, and the Early Care and Education field.

Client Services

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 Accelerator (JSA)

JVS's two-week program equips participants with the skills, motivation, and confidence they need to be successful in their job search. Throughout this course, job seekers learn how to identify their strengths and accomplishments to perfect their pitch, tailor their resumes, and practice interviewing and networking in a supportive and engaging environment. Each course includes mock interview opportunities with local businesses.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Healthcare

Healthcare Career Pathways programs prepare job seekers for positions with the highest anticipated growth in middle skill, middle wage jobs, as Nurses, Medical Assistants, and Medical Administrative Assistants. Combining classroom-based training with paid work experiences, as well as connections to employers, Healthcare Career Pathways training programs provide participants with the hard and soft skills needed to be successful on the job.

Technology

JVS's Technology Career Pathways programs are intensive, sector-based training programs designed in response to labor market demand and informed by JVS's employer partners' skill needs. Technology Career Pathways programs prepare job seekers for positions with the highest anticipated growth in middle skill, middle wage jobs in Salesforce Administration, Digital Marketing, and Business Administration. Combining classroom-based training with paid work experiences, as well as connections to employers, Technology Career Pathways training programs provide participants with the hard and soft skills needed to be successful on the job.

Financial Services

JVS's financial services program (BankWork\$) connects job seekers from diverse backgrounds and often underserved communities with employment opportunities in retail banking, such as tellers, relationship bankers, and personal bankers. Following six or eight weeks of training in Banking 101, the ABCs of the corporate workplace, customer service and sales (including active listening and effective communication) and job search essentials, the program concludes with a formal graduation and job fair, where banking partners meet with graduates to source new talent for their branches.

A summary of JVS's 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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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.

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, 2017 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 performs 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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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.

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. Fixed Assets

Fixed Assets are recorded at cost. JVS capitalizes all expenditures for equipment in excess of \$5,000. Donated fixed assets 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 \$1,841,441 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 \$850,379, software license and facility of \$469,277, professional services of \$521,785, and \$21,950 included in special events expenses.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

A number of unpaid volunteers have made significant contributions of their time to JVS. However, the value of these services are 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.

k. Comparative Information and Reclassifications

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with JVS's financial statements for the year ended June 30, 2016, from which the summarized information is derived.

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation. These reclassifications had no impact on net assets on net assets or changes in net assets.

l. 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, 2017, 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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

m. Recent Accounting Pronouncements

Adopted

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40). The ASU requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JVS's ability to continue as a going concern, which is currently performed by the external auditors. The adoption of this standard did not have any effect on the financial statements.

Under Consideration

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.

n. 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, 2017 through December 5, 2017, 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 disclosed in Note 5.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 2 - Contributions Receivable:

Contributions receivable, net of allowance for uncollectible pledges and amortized discounts, are summarized as follows at June 30, 2017:

Unconditional promises expected to be collected in:	
Less than one year	\$ 2,343,060
One to five years	1,107,258
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	3,450,318
Less: unamortized discount	72,120
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Total	\$ 3,378,198

JVS is in the second year of its growth campaign (the Campaign). The Campaign is a \$37.4 million initiative to raise private funds necessary to support the expansion of its pathways programs and operating costs over the period covered by the five-year strategic plan.

At June 30, 2017, \$14,440,000 of cash collections or unconditional pledges had been raised from individuals and institutions. Of the amounts unconditionally raised by June 30, 2017, \$4,667,545 was restricted for future years or costs. Excluded from the total amount raised are conditional pledges made as of the year ended June 30, 2017. The total amount of funds raised and conditionally committed at June 30, 2017, is \$16,420,000 which include: 1) conditional pledges of \$1,010,000 matching of which \$760,000 is conditional upon the continuance of specific programs outcomes and approval by the grantee, 2) \$1,600,000 pledged through letters of intent of which \$1,550,000 is outstanding. The remaining balance of conditional grants and pledges is excluded from the outstanding contributions as of June 30, 2017.

Note 3 - Investments and Fair Value Measurements:

Investments

Investments at June 30, 2017 consisted of the following:

Mutual Fund – U.S. Equity Fund	\$ 412,967
Mutual Fund – Bond Funds	172,200
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Total	\$ 585,167

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Investment income on the above investments is summarized as follows:

Dividend and interest income	\$ 7,685
Unrealized gain on investments	47,699
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Total investment income	\$ 55,384

Fair Value Measurement

Investments include fixed income and equity mutual funds that had a fair value of \$585,167 and are classified as Level 1 in accordance with the hierarchy in FASB ASC 820-10, *Fair Value Measurements*.

Note 4 - Fixed Assets:

Fixed assets consist of the following at June 30, 2017:

Furniture and equipment	\$ 420,099
Leasehold improvements	367,720
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	787,819
Less: accumulated depreciation	666,559
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	\$ 121,260

Depreciation and amortization expense for the year ended June 30, 2017 was \$18,642.

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 matured in October 2017. There was no amount outstanding at June 30, 2017. Subsequent to year end, JVS received an extension on its line of credit, expiring in November 2017.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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, 2017 was \$953,372. Scheduled principal payments on the note payable are as follows:

Year ending	
June 30:	
2018	\$ 54,680
2019	57,089
2020	59,604
2021	62,232
2022	64,976
Thereafter	654,791
	<hr/>
	\$ 953,372

Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2017:

Purpose restricted	
Healthcare	\$ 352,772
High school and bridge	425,546
Financial services	92,121
Client services	40,000
Technology training	30,236
Scholarships	3,800
Capital projects	43,536
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	988,011
Endowment earnings	157,484
Time restricted	3,522,050
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Total	\$ 4,667,545

Net assets of \$3,180,952 were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by time.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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.

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.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Endowment funds by category consist of the following as of June 30, 2017:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<u>Donor endowment</u>	<u>\$ 157,484</u>	<u>\$ 578,445</u>	<u>\$ 735,929</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017 are as follows:

	Temporary <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<u>Endowment net assets, beginning of year</u>	<u>\$ 102,160</u>	<u>\$ 568,445</u>	<u>\$ 670,605</u>
<u>Investment return:</u>			
Investment income	7,625		7,625
Net appreciation	47,699		47,699
<u>Total investment return</u>	<u>55,324</u>		<u>55,324</u>
<u>Contributions</u>		<u>10,000</u>	<u>10,000</u>
<u>End of year</u>	<u>\$ 157,484</u>	<u>\$ 578,445</u>	<u>\$ 735,929</u>

In October 2015, JVS's Board of Directors voted to appropriate \$120,269 from the endowment; and borrow \$272,609 from the endowment's corpus to retire JVS's liability in the defined benefit retirement plan. The loan from the endowment is payable with interest charged at 1.66% compounded quarterly through 2024. As of June 30, 2017, JVS repaid \$44,498 of principal, resulting in an outstanding balance of \$228,111.

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, 2017, deferred rent amounted to \$697,934.

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>
2018	\$ 1,251,000	\$ 159,000	\$ 1,092,000
2019	1,271,000	164,000	1,107,000
2020	1,298,000	168,000	1,130,000
2021	877,000	115,000	762,000
Total	\$ 4,697,000	\$ 606,000	\$ 4,091,000

For fiscal year ending June 30, 2017, rent paid under these operating leases was \$1,246,538 and sublease income received was \$154,413.

b. Contingencies

JVS's 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

Note 10 - Retirement Plans:

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’s contributions the plan totaled \$40,094 for the year ended June 30, 2017.

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’s contributions to the plan totaled \$223,485 for the year ended June 30, 2017.

Note 11 - Defined Benefit Pension Plan Liability:

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). The source of funds for this payment was from cash and the appropriation and loan proceeds from the endowment and operating cash (Note 8). During 2016 JVS recognized a change in defined benefit pension liability of \$473,220 at close-out.

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.

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Notes to Financial Statement

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 22% of the receivables are due from government agencies.

JVS receives approximately 34% of its revenue (excluding in-kind donations) from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Note 13 - Related Party Transactions:

Related party transactions included unconditional promises to give and outstanding pledges made by Board members for approximately \$552,025.