

JEWISH VOCATIONAL AND  
CAREER COUNSELING SERVICE

JUNE 30, 2018

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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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A Century Strong

## 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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated December 05, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
December 14, 2018

# Jewish Vocational and Career Counseling Service

## Statement of Financial Position

<i>June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 3,079,606	\$ 3,379,468
Accounts and contracts receivable, net	1,075,807	853,860
Contributions receivable, net	2,207,524	3,378,198
Investments	667,577	585,167
Prepaid expenses and other assets	240,273	231,544
Fixed assets, net	173,717	121,260
<b>Total Assets</b>	<b>\$ 7,444,504</b>	<b>\$ 8,549,497</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 361,364	\$ 194,341
Accrued salaries and related expenses	536,343	518,034
Deferred rent	541,717	697,934
Note payable	897,607	953,372
Total liabilities	2,337,031	2,363,681
<b>Net Assets:</b>		
Unrestricted	1,107,156	939,826
Temporarily restricted	3,411,872	4,667,545
Permanently restricted	588,445	578,445
Total net assets	5,107,473	6,185,816
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,444,504</b>	<b>\$ 8,549,497</b>

See accompanying notes to financial statements.

# Jewish Vocational and Career Counseling Service

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2018 (with comparative totals for 2017)*

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenue and Support:</b>					
Government contract support	\$ 4,698,232			\$ 4,698,232	\$ 4,205,364
Grants and other contributions	1,348,810	\$ 2,827,000	\$ 10,000	4,185,810	7,808,584
Special events (net of direct expenses of \$244,792 for 2018)	299,367			299,367	264,434
In-kind donations	2,554,295			2,554,295	1,819,490
Program service fees and client fees	283,370			283,370	430,387
Investment income, net	124	48,267		48,391	55,384
Net assets released from restrictions	4,130,940	(4,130,940)		-	-
<b>Total revenue and support</b>	<b>13,315,138</b>	<b>(1,255,673)</b>	<b>10,000</b>	<b>12,069,465</b>	<b>14,583,643</b>
<b>Expenses:</b>					
Program services	10,349,345			10,349,345	9,018,318
Supporting services	2,796,103			2,796,103	2,395,430
<b>Total expenses</b>	<b>13,145,448</b>	<b>-</b>	<b>-</b>	<b>13,145,448</b>	<b>11,413,748</b>
<b>Change in Net Assets before Other Changes in Net Assets</b>	<b>169,690</b>	<b>(1,255,673)</b>	<b>10,000</b>	<b>(1,075,983)</b>	<b>3,169,895</b>
<b>Other Changes in Net Assets:</b>					
Loss on disposal of assets	(2,360)			(2,360)	-
<b>Total other changes in net assets</b>	<b>(2,360)</b>	<b>-</b>	<b>-</b>	<b>(2,360)</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>167,330</b>	<b>(1,255,673)</b>	<b>10,000</b>	<b>(1,078,343)</b>	<b>3,169,895</b>
<b>Net Assets, beginning of year</b>	<b>939,826</b>	<b>4,667,545</b>	<b>578,445</b>	<b>6,185,816</b>	<b>3,015,921</b>
<b>Net Assets, end of year</b>	<b>\$ 1,107,156</b>	<b>\$ 3,411,872</b>	<b>\$ 588,445</b>	<b>\$ 5,107,473</b>	<b>6,185,816</b>

See accompanying notes to financial statements.

# Jewish Vocational and Career Counseling Service

## Statement of Functional Expenses

Year Ended June 30, 2018 (with comparative totals for 2017)

	Program Services							Supporting Services				2018 Total	2017 Total
	High School Bridge	Client Services	Healthcare	Job Search Accelerator	Technology	Financial Services	Utilities	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Services		
Salaries	\$ 930,314	\$ 158,465	\$ 904,250	\$ 555,062	\$ 917,486	\$ 300,022	\$ 189,749	\$ 3,955,348	\$ 937,785	\$ 576,403	\$ 1,514,188	\$ 5,469,536	\$ 5,129,940
Employee benefits	178,230	26,351	204,058	94,283	166,683	52,933	18,928	741,466	191,703	99,129	290,832	1,032,298	933,270
Payroll taxes	77,214	13,779	73,690	47,105	78,006	26,018	15,290	331,102	68,820	45,726	114,546	445,648	422,313
<b>Total personnel costs</b>	<b>1,185,758</b>	<b>198,595</b>	<b>1,181,998</b>	<b>696,450</b>	<b>1,162,175</b>	<b>378,973</b>	<b>223,967</b>	<b>5,027,916</b>	<b>1,198,308</b>	<b>721,258</b>	<b>1,919,566</b>	<b>6,947,482</b>	<b>6,485,523</b>
Rent, net	240,075	31,692	238,692	113,542	211,453	96,404	41,935	973,793	104,593	56,046	160,639	1,134,432	1,119,350
Professional fees and contract services	311,741	14,538	791,932	46,987	303,663	31,210	350,770	1,850,841	385,775	59,011	444,786	2,295,627	1,291,117
Office supplies and expenses	104,933	16,806	189,229	62,033	132,857	36,449	39,025	581,332	25,673	16,777	42,450	623,782	572,552
Meetings and travel	35,879	7,796	17,257	7,525	11,413	11,945	6,779	98,594	19,591	7,072	26,663	125,257	90,487
Marketing and outreach	39	1,839	1,218	1,700	3,829	2,088	8	10,721		6,654	6,654	17,375	106,878
Internships and stipends	282,177	100,122	1,022,083		73,485			1,477,867				1,477,867	1,233,119
Client resources	16,291	52	64,735	687	8,321	40		90,126				90,126	136,739
Dues and subscriptions	3,359	304	745	1,079	1,954	180	878	8,499	15,965	1,412	17,377	25,876	39,105
Telephone and utilities	12,075	599	6,822	4,117	8,161	3,145	1,191	36,110	6,097	2,113	8,210	44,320	45,667
Insurance	7,737	1,217	10,692	4,748	7,691	2,618	1,813	36,516	4,445	2,381	6,826	43,342	41,235
Maintenance and repairs	6,460	963	6,147	4,216	6,902	2,029	1,408	28,125	958	1,765	2,723	30,848	55,546
Staff recruitment and development	13,184	1,844	9,898	5,604	8,203	2,923	2,617	44,273	112,851	6,097	118,948	163,221	100,358
Miscellaneous	2,297	209	1,345	793	1,336	425	272	6,677	756	33	789	7,466	10,781
Depreciation	10,093	1,619	10,504	5,943	9,648	3,428	2,401	43,636	3,093	1,637	4,730	48,366	18,642
Bad debt										28,906	28,906	28,906	21,913
Interest	7,769	1,221	8,304	4,838	7,799	2,620	1,768	34,319	4,452	2,384	6,836	41,155	44,736
<b>Total Expenses</b>	<b>\$ 2,239,867</b>	<b>\$ 379,416</b>	<b>\$ 3,561,601</b>	<b>\$ 960,262</b>	<b>\$ 1,958,890</b>	<b>\$ 574,477</b>	<b>\$ 674,832</b>	<b>\$ 10,349,345</b>	<b>\$ 1,882,557</b>	<b>\$ 913,546</b>	<b>\$ 2,796,103</b>	<b>\$ 13,145,448</b>	<b>\$ 11,413,748</b>

See accompanying notes to financial statements.

# Jewish Vocational and Career Counseling Service

## Statement of Cash Flows

<i>Year Ended June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
<b>Operating Activities:</b>		
Change in net assets	\$ (1,078,343)	\$ 3,169,895
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	48,366	18,642
Permanently restricted contributions	(10,000)	(10,000)
Net realized and unrealized gain on investments	(39,993)	(47,699)
Allowance for doubtful accounts	3,413	16,773
Discount on long-term receivables	29,537	62,288
Loss on disposal of fixed asset	2,360	
Changes in operating assets and liabilities		
Accounts and contracts receivable	(225,360)	(248,744)
Contribution receivable	1,141,137	(1,842,654)
Prepaid expenses and other assets	(8,729)	(137,800)
Accounts payable and accrued expenses	167,023	37,696
Accrued salaries and related expenses	18,309	(36,345)
Deferred rent	(156,217)	(130,024)
Net cash (used) provided by operating activities	(108,497)	852,028
<b>Investing Activities:</b>		
Purchase of investments	(42,417)	(61,844)
Purchases of fixed assets	(103,183)	(78,007)
Net cash used by investing activities	(145,600)	(139,851)
<b>Financing Activities:</b>		
Collections of permanently restricted contributions	10,000	10,000
Payments on note payable	(55,765)	(81,533)
Net cash used by financing activities	(45,765)	(71,533)
<b>Change in Cash and Cash Equivalents</b>	<b>(299,862)</b>	<b>640,644</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>3,379,468</b>	<b>2,738,824</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,079,606</b>	<b>\$ 3,379,468</b>
<b>Supplemental Information:</b>		
Interest paid	\$ 41,156	\$ 44,736

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 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 2,300 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.

#### **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 and Dental 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.

# **Jewish Vocational and Career Counseling Service**

## **Notes to Financial Statement**

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### **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.

### **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.

### **Utilities**

JVS's newest career pathway, the Utilities Training Program, offers bridge and pre-apprenticeship training opportunities leading to job in the trades. JVS partners with utility sector employers including the water and wastewater industry as well as the automotive and public transportation industry. These programs are the culmination of two years research and development work, in partnership with Baywork, a consortium of 34 water and wastewater agencies, to identify high need occupations, skip gaps, and opportunities to increase access to these high wage / high quality jobs for job seekers from traditionally underrepresented communities.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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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 (U.S. GAAP). 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.

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, 2018 are included in accounts and 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.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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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.

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.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### h. Donated Services and Software

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The amount of \$2,554,295 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 \$1,027,560, software license and facility of \$279,192, professional services of \$1,085,325, and rent of \$162,218.

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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

### k. Comparative Information

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, 2017, from which the summarized information is derived.

### 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.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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JVS follows the guidance of Accounting for Uncertainty in Income Taxes issued by the Financial Accounting Standards Board (FASB). As of June 30, 2018, 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.

### m. Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Updated (ASU) 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this ASU 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 ASU 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. Early application of the amendments in the ASU is permitted and applied retrospectively. JVS is currently evaluating the impact of this pronouncement on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The amendments in the ASU are effective for fiscal years beginning after December 15, 2018. JVS is currently evaluating the impact of this pronouncement on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. JVS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

In February 2016, the FASB issued ASU 2016-02—Leases (Topic 842). Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2019. Early application will be permitted for all organizations. 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, 2018 through December 14, 2018, 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.

**Note 2 - Contributions Receivable:**

Contributions receivable, net of allowance for uncollectible pledges and amortized discounts, are summarized as follows at June 30, 2018:

Unconditional promises expected to be collected in:

Less than one year	\$ 1,433,607
One to five years	816,500

2,250,107

<u>Less: unamortized discount</u>	<u>(42,583)</u>
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<u>Total</u>	<u>\$ 2,207,524</u>
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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, 2018, \$19,181,703 of cash collections or unconditional pledges had been raised from individuals and institutions. Of the amounts unconditionally raised by June 30, 2018, \$2,528,200 was restricted for future years or costs. Excluded from the total amount raised are conditional pledges made as of the year ended June 30, 2018. The total amount of funds raised and conditionally committed at June 30, 2018, is \$20,725,703 which include: 1) matching gifts of which \$40,000 remains to be earned, 2) contributions of \$450,000, conditional upon the continuance of specific programs or the successful acceptance of interim reports 3) \$1,050,000 pledged through letters of intent.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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

#### *Investments*

Investments at June 30, 2018 consisted of the following:

Mutual Fund – U.S. Equity Fund	\$ 470,667
Mutual Fund – Bond Funds	196,910
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Total	\$ 667,577

Investment income, net as of June 30, 2018 is comprised as follows:

Dividend and interest income	\$ 8,498
Unrealized gain on investments	39,993
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Total investment income	\$ 48,391

#### *Fair Value Measurement*

Investments include fixed income and equity mutual funds that had a fair value of \$667,577 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, 2018:

Furniture and equipment	\$ 353,010
Leasehold improvements	414,945
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Less: accumulated depreciation	594,238
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	\$ 173,717

Depreciation and amortization expense for the year ended June 30, 2018 was \$48,366.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### 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 with a floor of 4.25%. There was no amount outstanding at June 30, 2018. The line of credit will expire in April 2019.

### Note 6 - Note Payable:

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). 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 note payable of \$1,055,946 held by the JCF. 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, 2018 was \$897,607.

Scheduled principal payments on the note payable are as follows:

Year ending		
June 30:		
2019	\$	57,089
2020		59,604
2021		62,232
2022		64,976
2023		67,842
Thereafter		585,864
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	\$	897,607

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# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2018:

Purpose restricted	
Healthcare	\$ 375,000
High school and bridge	260,306
Financial services	100,000
Client services	45,000
Technology training	3,327
Scholarships	10,000
Capital projects	34,287
	<hr/>
	827,920
Endowment earnings	205,751
Time restricted	2,378,201
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Total	\$ 3,411,872

Net assets of \$4,130,940 were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by time.

### 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.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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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 accordance with U.S. GAAP, any deficiencies would be classified as unrestricted. There were no such deficiencies as of June 30, 2018.

### *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, 2018:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor endowment	\$ 205,751	\$ 588,445	\$ 794,196

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows:

	Temporary <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 157,484	\$ 578,445	\$ 735,929
Investment return:			
Investment income	8,274		8,274
Net appreciation	39,993		39,993
Total investment return	48,267		48,267
Contributions		10,000	10,000
End of year	\$ 205,751	\$ 588,445	\$ 794,196

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, 2018, JVS repaid \$34,143 of principal, resulting in an outstanding balance of \$198,240. Quarterly payments and interest is transferred to the related investment account.

### 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 U. S. GAAP, 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, 2018, deferred rent amounted to \$541,717.

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

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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>
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
<b>Total</b>	<b>\$ 3,446,000</b>	<b>\$ 447,000</b>	<b>\$ 2,999,000</b>

For fiscal year ending June 30, 2018, rent paid under these operating leases was \$1,250,884 and sublease income received was \$159,057.

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. Management believes 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.

**Note 10 - Retirement Plans:**

Jewish Vocational Services Transitional 403(b) Plan (the "Transitional Plan"), a defined contribution plan under IRC 403(b), was put into place effective January 1, 2008. The Transitional 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 the Transitional Plan, JVS provides contributions of 1% to 12% based on age, years of service, and job title at the time the Transitional Plan was implemented. JVS's contributions to the Transitional Plan totaled \$40,382 for the year ended June 30, 2018.

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 Transitional Plan are not eligible to participate in the Plan. The Plan allows all employees who are regularly scheduled to work 21 or more hours per week to contribute through payroll deductions. Under the 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 \$244,666 for the year ended June 30, 2018.

# Jewish Vocational and Career Counseling Service

## Notes to Financial Statement

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### **Note 11 - 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 29% of the receivables are due from government agencies.

JVS receives approximately 48% of its revenue (excluding in-kind donations) from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

### **Note 12 - Related Party Transactions:**

Related party transactions included unconditional promises to give and outstanding pledges made by Board members for approximately \$458,000.