

JEWISH VOCATIONAL AND
CAREER COUNSELING SERVICE

JUNE 30, 2019

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, 2019, 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 Jewish Vocational and Career Counseling Service as of June 30, 2019, 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.

Effect of Adopting New Accounting Standard

As described in Note 1(m), JVS adopted the Financial Accounting Standards Board, Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Other Matter

Report on Summarized Comparative Information

We have previously audited JVS's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated December 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 4, 2019

Jewish Vocational and Career Counseling Service

Statement of Financial Position

<i>June 30, 2019 (with comparative totals for 2018)</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 2,842,165	\$ 3,079,606
Accounts and contracts receivable, net	1,286,838	1,075,807
Contributions receivable, net	3,499,276	2,207,524
Investments	795,604	667,577
Prepaid expenses and other assets	239,104	240,273
Fixed assets, net	260,432	173,717
Total Assets	\$ 8,923,419	\$ 7,444,504
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 198,855	\$ 361,364
Accrued salaries and related expenses	899,063	536,343
Deferred rent	359,308	541,717
Note payable	839,677	897,607
Total liabilities	2,296,903	2,337,031
Net Assets:		
Without donor restrictions	1,299,266	1,107,156
With donor restrictions	5,327,250	4,000,317
Total net assets	6,626,516	5,107,473
Total Liabilities and Net Assets	\$ 8,923,419	\$ 7,444,504

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Government contract support	\$ 4,494,191		\$ 4,494,191	\$ 4,698,232
Grants and other contributions	1,585,917	\$ 5,424,832	7,010,749	4,185,810
Special events (net of direct expenses of \$258,943 for 2019)	209,912		209,912	299,367
In-kind donations	2,548,522	49,050	2,597,572	2,554,295
Program service fees and client fees	575,688		575,688	283,370
Investment income, net	242	83,857	84,099	48,391
Net assets released from restrictions	4,230,806	(4,230,806)	-	-
Total revenue and support	13,645,278	1,326,933	14,972,211	12,069,465
Expenses:				
Program services	10,395,758		10,395,758	10,349,345
Supporting services	3,057,410		3,057,410	2,796,103
Total expenses	13,453,168	-	13,453,168	13,145,448
Change in Net Assets				
Before Other Changes in Net Assets	192,110	1,326,933	1,519,043	(1,075,983)
Other Changes in Net Assets:				
Loss on disposal of assets			-	(2,360)
Change in Net Assets	192,110	1,326,933	1,519,043	(1,078,343)
Net Assets, beginning of year	1,107,156	4,000,317	5,107,473	6,185,816
Net Assets, end of year	\$ 1,299,266	\$ 5,327,250	\$ 6,626,516	\$ 5,107,473

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Functional Expenses

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019											2018 Total	
	Program Services							Supporting Services					
	High School Bridge	Client Services	Healthcare	Job Search Accelerator	Technology	Utilities	Financial Services	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Services	Total	
Salaries	\$ 1,279,013	\$ 142,264	\$ 1,080,121	\$ 414,379	\$ 630,689	\$ 324,336	\$ 174,074	\$ 4,044,876	\$ 1,146,279	\$ 675,457	\$ 1,821,736	\$ 5,866,612	\$ 5,469,536
Employee benefits	231,889	14,995	217,523	72,459	100,617	57,019	28,123	722,625	415,960	107,834	523,794	1,246,419	1,032,298
Payroll taxes	103,819	12,364	87,242	34,483	52,777	26,117	14,613	331,415	83,550	54,543	138,093	469,508	445,648
Total personnel costs	1,614,721	169,622	1,384,886	521,322	784,082	407,471	216,810	5,098,916	1,645,789	837,834	2,483,623	7,582,539	6,947,482
Rent	310,785	26,841	333,740	88,823	130,510	73,322	72,099	1,036,120	93,834	69,044	162,878	1,198,998	1,134,432
Professional and contract services	291,015	13,147	834,277	39,208	60,244	658,855	23,886	1,920,632	174,792	51,116	225,908	2,146,540	2,295,627
Office supplies and expenses	120,178	12,085	112,126	41,982	56,755	60,653	6,349	410,128	14,619	22,976	37,595	447,723	623,782
Meetings and travel	42,399	6,653	22,766	4,330	6,837	12,848	11,530	107,363	16,279	13,597	29,876	137,239	125,257
Marketing and outreach	260	2,966	4,127	2,533	1,180	81	4,555	15,702		17,831	17,831	33,533	17,375
Internships and stipends	467,454	101,749	715,489		50,867	84,448		1,420,007			-	1,420,007	1,477,867
Client resources	50,605	15	66,896	1,605	14,734	11,284	2,239	147,378			-	147,378	90,126
Dues and subscriptions	5,831	34	(63)	111	136	85	58	6,192	18,511	1,770	20,281	26,473	25,876
Telephone and utilities	17,035	526	8,241	3,761	4,798	3,708	1,839	39,908	6,689	2,301	8,990	48,898	44,320
Insurance	10,375	1,303	12,749	3,891	5,742	3,229	1,665	38,954	4,191	2,878	7,069	46,023	43,342
Maintenance and repairs	2,108	178	1,562	645	967	529	276	6,265	683	503	1,186	7,451	30,848
Staff recruitment and development	18,368	1,587	9,524	4,828	7,206	5,117	1,403	48,033	10,571	6,763	17,334	65,367	163,221
Miscellaneous	2,812	210	1,673	639	1,017	492	268	7,111	176	117	293	7,404	7,466
Depreciation	18,825	2,121	16,371	6,341	9,613	5,184	2,629	61,084	2,924	2,128	5,052	66,136	48,366
Bad debt										33,025	33,025	33,025	28,906
Interest	9,272	1,001	8,506	3,515	5,163	2,916	1,592	31,965	3,722	2,747	6,469	38,434	41,155
Expenses as shown on the Statement of Activities and Changes in Net Assets	2,982,043	340,038	3,532,870	723,534	1,139,851	1,330,222	347,198	10,395,758	1,992,780	1,064,630	3,057,410	13,453,168	13,145,448
Other expenses:													
Fundraising costs										258,943	258,943	258,943	244,792
Total expenses	\$ 2,982,043	\$ 340,038	\$ 3,532,870	\$ 723,534	\$ 1,139,851	\$ 1,330,222	\$ 347,198	\$ 10,395,758	\$ 1,992,780	\$ 1,323,573	\$ 3,316,353	\$ 13,712,111	\$ 13,390,240

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Cash Flows

<i>Year Ended June 30, 2019 (with comparative totals for 2018)</i>	2019	2018
Operating Activities:		
Change in net assets	\$ 1,519,043	\$ (1,078,343)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	66,136	48,366
Permanently restricted contributions	(10,000)	(10,000)
Net realized and unrealized gain on investments	(70,970)	(39,993)
Allowance for doubtful accounts	(13,012)	3,413
Discount on long-term receivables	(2,577)	29,537
Loss on disposal of fixed asset		2,360
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(198,019)	(225,360)
Contribution receivable	(1,289,175)	1,141,137
Prepaid expenses and other assets	1,169	(8,729)
Accounts payable and accrued expenses	(162,509)	167,023
Accrued salaries and related expenses	362,720	18,309
Deferred rent	(182,409)	(156,217)
Net cash provided (used) by operating activities	20,397	(108,497)
Investing Activities:		
Purchases of investments	(57,056)	(42,417)
Purchases of fixed assets	(152,852)	(103,183)
Net cash used by investing activities	(209,908)	(145,600)
Financing Activities:		
Collections of permanently restricted contributions	10,000	10,000
Payments on note payable	(57,930)	(55,765)
Net cash used by financing activities	(47,930)	(45,765)
Change in Cash and Cash Equivalents	(237,441)	(299,862)
Cash and Cash Equivalents, beginning of year	3,079,606	3,379,468
Cash and Cash Equivalents, end of year	\$ 2,842,165	\$ 3,079,606
Supplemental Information:		
Interest paid	\$ 38,434	\$ 41,155

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 2,612 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 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, Phlebotomists 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

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 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.

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.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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

a. Accounting and Basis of Presentation

JVS uses the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

The portion of net assets that is neither subject to time or donor-imposed restrictions and may be expended for any purpose in performing the objective of JVS. Net assets without donor restrictions may be designated for use by management or the Board of Directors.

Net Assets With Donor Restrictions

The portion of net assets whose use 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. Net assets with donor restrictions also include a 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 net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2019 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

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.

Accounts and contracts receivable of \$1,359,017 are expected to be collected during fiscal year 2020 and are recorded net of an allowance of \$72,179.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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. Asset lives range from two to ten years. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter. Depreciation is computed using the straight-line method over the shorter of the useful lives or the lease term.

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 \$2,597,572 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 \$739,855, software license and facility of \$210,340, goods and services of \$1,426,358, and rent of \$221,019.

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 Functional Expenses. Shared and indirect costs have been allocated among the programs based on square footage occupied for shared expenses and based on total personnel costs for program management and administration costs.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

k. Prior Year Financial Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include the sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with JVS's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications had no impact on net assets or the change 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 on accounting for uncertainty in income taxes according to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740. Management evaluated JVS's tax positions and concluded that JVS had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements.

m. Recent Accounting Pronouncements

Pronouncement Adopted:

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Not-For-Profit Entities: Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The adoption of this standard resulted in additional footnote disclosures related to liquidity, functional expense, and significant changes to the classification of net assets and disclosures to net assets. Additionally, ASU 2016-14 no longer requires investment management and advisory fees to be presented separately from net investment income. JVS adopted this ASU on July 1, 2018. Accordingly, the account change has been retrospectively applied to all periods presented with the exception of the omission of prior year liquidity and availability of resource information as permitted by the ASU.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Net assets have been reclassified for June 30, 2018 due to the adoption of ASU 2016-14 as follows:

Net Asset Classification June 30, 2018	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Net Assets
Unrestricted	\$ 1,107,156		\$ 1,107,156
Temporarily Restricted		\$ 3,411,872	3,411,872
Permanently Restricted		578,445	578,445
Net assets as reported after adoption of ASU 2016 -14	\$ 1,107,156	\$ 4,000,317	\$ 5,107,473

Pronouncements Effective in the Future:

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 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.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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, 2019 through December 4, 2019, 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 - **Availability of Financial Assets and Liquidity:**

The following table reflects JVS's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, held by a trust, or assets held for others.

JVS's financial assets available within one year as of June 30, 2019 for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,842,165
Accounts and contracts receivable	1,286,838
Contributions receivable	3,499,276
Investments	795,604
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Total financial assets	8,423,883
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Less amounts not available to be used within one year:	
Net assets with donor restrictions:	
Time or purpose including long – term receivables	(4,439,197)
Endowment earnings and corpus	(888,053)
Add net assets with purpose restrictions to be met in less than a year	3,079,197
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	(2,248,053)
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Financial assets available to meet general expenditures over the next twelve months	\$ 6,175,830
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Jewish Vocational and Career Counseling Service

Notes to Financial Statement

JVS strives to maintain financial assets to meet 90 days of operating expenses (approximately \$3,250,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Certain financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the financial statements. JVS also maintains a line of credit to be used for operations as needed, see Note 6.

Note 3 - Contributions Receivable:

Contributions receivable, net of discounts, are summarized as follows at June 30, 2019:

Unconditional promises expected to be collected in:

Less than one year	\$ 2,184,435
One to five years	1,360,000
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	3,544,435
Less: unamortized discount	(45,159)
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Total	\$ 3,499,276

JVS is in the fourth 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, 2019, \$23,179,534 of cash collections or unconditional pledges had been raised from individuals and institutions. Of the amounts unconditionally raised by June 30, 2019, \$4,167,833 was restricted for future years or costs. Excluded from the total amount raised are conditional pledges made as of the year ended June 30, 2019. The total amount of funds raised and conditionally committed at June 30, 2019, is \$24,259,534 which include: 1) matching gifts of \$50,000 of which \$30,000 remains to be earned, 2) contributions of \$300,000, conditional upon the continuance of specific programs or the successful acceptance of interim reports 3) \$750,000 pledged through letters of intent.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 4 - Investments and Fair Value Measurements:

Investments

Investments at June 30, 2019 consisted of the following:

Cash and Cash Equivalents	\$	269,157
Mutual Fund – U.S. Equity Fund		526,447
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Total	\$	795,604

Investment income, net as of June 30, 2019 is comprised as follows:

Dividend and interest income	\$	13,129
Unrealized gain on investments		70,970
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Total investment income	\$	84,099

Fair Value Measurement

Investments include money market and equity mutual funds that had a fair value of \$795,604 and are classified as Level 1 in accordance with the fair value hierarchy.

Note 5 - Fixed Assets:

Fixed assets consist of the following at June 30, 2019:

Furniture and equipment	\$	440,043
Leasehold improvements		480,764
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		920,807
Less: accumulated depreciation		660,375
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	\$	260,432

Depreciation and amortization expense for the year ended June 30, 2019 was \$66,136.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 6 - 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 fixed assets. Interest is charged at the bank's prime rate with a floor of 5.00%. There was no amount outstanding at June 30, 2019. The line of credit will expire in April 2020.

Note 7 - 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, 2019 was \$839,677.

Scheduled principal payments on the note payable are as follows:

Year ending	
June 30:	
2020	\$ 60,439
2021	63,258
2022	66,105
2023	69,080
2024	72,123
Thereafter	508,672
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	\$ 839,677

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019:

Purpose restricted:	
High school and bridge	\$ 352,528
Programs for South Bay clients	300,000
Financial services	85,000
Utilities	75,000
Client services	41,698
Capital projects	69,185
Other	33,936
	<hr/>
	957,347
Endowment earnings	289,608
Endowment corpus	598,445
Time restricted	3,481,850
	<hr/>
Total	\$ 5,327,250

Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2019 as follows:

Purpose restricted:	
Healthcare	\$ 637,064
High school and bridge	396,111
Financial services	105,000
Client services	191,677
Technology training	100,000
Scholarships	124,000
Other	42,452
	<hr/>
	1,596,304
Capital	14,152
Time restricted	2,620,350
	<hr/>
Total	\$ 4,230,806

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 9 - 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 net assets with donor restrictions (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 accumulated earnings on the endowment are held until those amounts are appropriated for expenditure by JVS in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, JVS 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 with donor restrictions. There were no such deficiencies as of June 30, 2019.

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.

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 earnings on the endowed assets and accumulate earnings 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, 2019:

	Time and Purpose <u>Restrictions</u>	Perpetuity <u>Restrictions</u>	<u>Total</u>
Donor endowment	\$ 289,608	\$ 598,445	\$ 888,053

Changes in endowment net assets for the fiscal year ended June 30, 2019 are as follows:

	Time and Purpose <u>Restrictions</u>	Perpetuity <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 205,751	\$ 588,445	\$ 794,196
Investment return:			
Investment income	12,887		12,887
Net appreciation	70,970		70,970
Total investment return	83,857		83,857
Contributions		10,000	10,000
End of year	\$ 289,608	\$ 598,445	\$ 888,053

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 a previously held defined benefit retirement plan obligation, which was retired in 2015. The loan from the endowment is payable with interest charged at 1.66% compounded quarterly through 2024. During the year ended June 30, 2019, JVS repaid \$34,171 of principal, resulting in an outstanding balance of \$163,002. Quarterly payments and interest is transferred to the related investment account.

Note 10 - 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, 2019, deferred rent amounted to \$359,308.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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>
2020	\$ 1,298,000	\$ 168,000	\$ 1,130,000
2021	877,000	115,000	762,000
Total	\$ 2,175,000	\$ 283,000	\$ 1,892,000

For fiscal year ending June 30, 2019, rent paid under these operating leases was \$1,135,706 and sublease income received was \$157,728.

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 11 - 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 \$39,843 for the year ended June 30, 2019.

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 \$280,877 for the year ended June 30, 2019.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

JVS provides postretirement health care benefits for a senior executive employee based on an agreement dated May 5, 2019. The executive and spouse are eligible for health care and dental benefits paid for by JVS; the benefits will terminate upon the expiration of the executive. The future health care and dental benefit obligation at June 30, 2019 was \$209,999 and discounted at a rate of 4% using the Internal Revenue Service mortality tables. The liability is recorded as a component of accrued salaries and related costs in the Statement of Financial Position

Note 12 - Concentration of Credit Risk:

JVS has defined its financial instruments which are potentially subject to credit risk. The financial instruments consist principally of cash and receivables. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. 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 28% of the receivables are due from government agencies.

JVS receives approximately 11% 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 \$117,000.