

JEWISH VOCATIONAL AND
CAREER COUNSELING SERVICE

JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Jewish Vocational and Career Counseling Service

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1 - 2
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Financial Statements

Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 21



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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, 2021, 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.

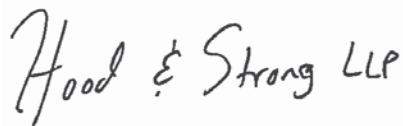
Opinion

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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated December 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 1, 2021

Jewish Vocational and Career Counseling Service

Statement of Financial Position

<i>June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 6,628,298	\$ 5,709,432
Accounts and contracts receivable, net	977,815	680,648
Contributions receivable, net	3,031,733	2,168,984
Investments	1,215,855	886,724
Prepaid expenses and other assets	98,645	321,686
Fixed assets, net	112,580	169,930
Total Assets	\$ 12,064,926	\$ 9,937,404
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 322,091	\$ 211,734
Accrued salaries and related expenses	1,016,122	907,638
Deferred revenue	5,000	244,678
Deferred rent		150,708
Paycheck Protection Program loan	1,365,049	1,293,606
Notes payable	715,979	779,237
Total liabilities	3,424,241	3,587,601
Net Assets:		
Without donor restrictions	2,168,814	1,777,367
With donor restrictions	6,471,871	4,572,436
Total net assets	8,640,685	6,349,803
Total Liabilities and Net Assets	\$ 12,064,926	\$ 9,937,404

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Government contract support	\$ 3,798,549		\$ 3,798,549	\$ 4,204,146
Grants and other contributions	2,507,483	\$ 6,072,447	8,579,930	5,920,771
Special events (net of direct expenses of \$255,503 for 2021)	340,343		340,343	-
In-kind donations	981,486		981,486	1,696,843
Forgiveness of Paycheck Protection Program loan	1,293,606		1,293,606	-
Program service fees and client fees	453,568		453,568	433,298
Investment income, net	95	238,274	238,369	57,164
Net assets released from restrictions	4,411,286	(4,411,286)	-	-
Total revenue and support	13,786,416	1,899,435	15,685,851	12,312,222
Expenses:				
Program services	10,072,002		10,072,002	9,620,491
Supporting services	3,322,967		3,322,967	2,968,444
Total expenses	13,394,969	-	13,394,969	12,588,935
Change in Net Assets	391,447	1,899,435	2,290,882	(276,713)
Net Assets, beginning of year	1,777,367	4,572,436	6,349,803	6,626,516
Net Assets, end of year	\$ 2,168,814	\$ 6,471,871	\$ 8,640,685	\$ 6,349,803

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021								2020 Total
	Program Services				Supporting Services				
	Pathway Programs	Job Search Support	Job Readiness	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Services	2021 Total	
Salaries	\$ 2,449,424	\$ 533,977	\$ 1,549,554	\$ 4,532,955	\$ 1,232,711	\$ 870,244	\$ 2,102,955	\$ 6,635,910	\$ 5,677,642
Employee benefits	444,820	66,955	264,918	776,693	200,830	125,048	325,878	1,102,571	917,124
Payroll taxes	192,840	44,642	124,772	362,254	94,146	71,203	165,349	527,603	465,298
Rent	475,115	108,283	290,285	873,683	121,387	68,307	189,694	1,063,377	1,166,542
Professional and contract services	905,130	35,491	219,198	1,159,819	148,595	163,588	312,183	1,472,002	1,633,486
Office supplies and expenses	240,772	88,954	58,906	388,632	34,652	20,201	54,853	443,485	329,270
Meetings and travel	7,210	919	7,066	15,195	6,939	3,502	10,441	25,636	105,328
Marketing and outreach	4,603	106	2,252	6,961	1,460	25,174	26,634	33,595	38,854
Internships and stipends	606,016	1,539	144,915	752,470			-	752,470	1,167,203
Client resources	570,532	11,010	326,800	908,342	476	1,497	1,973	910,315	457,177
Dues and subscriptions	4,164	160	6,101	10,425	19,330	336	19,666	30,091	27,987
Telephone and utilities	31,331	6,477	19,949	57,757	8,359	4,601	12,960	70,717	46,583
Insurance	37,372	5,699	15,833	58,904	6,696	3,768	10,464	69,368	49,697
Maintenance and repairs	772	192	493	1,457	300	115	415	1,872	9,472
Staff recruitment and development	22,514	3,374	19,009	44,897	36,607	2,164	38,771	83,668	83,455
Miscellaneous	14,249	2,610	8,210	25,069	1,061	1,528	2,589	27,658	9,454
Depreciation	37,014	8,722	23,585	69,321	6,337	3,566	9,903	79,224	87,574
Bad debt expense (recovery)				-		32,299	32,299	32,299	(4,883)
Interest	14,762	3,358	9,048	27,168	3,801	2,139	5,940	33,108	35,925
Expenses as shown on the Statement of Activities and Changes in Net Assets	6,058,640	922,468	3,090,894	10,072,002	1,923,687	1,399,280	3,322,967	13,394,969	12,303,188
Other expenses:									
Fundraising costs						255,503		255,503	-
Total expenses	\$ 6,058,640	\$ 922,468	\$ 3,090,894	\$ 10,072,002	\$ 1,923,687	\$ 1,654,783	\$ 3,322,967	\$ 13,650,472	\$ 12,303,188

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Cash Flows

<i>Year Ended June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Operating Activities:		
Change in net assets	\$ 2,290,882	\$ (276,713)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(1,293,606)	
Depreciation and amortization	79,225	87,574
Permanently restricted contributions	(10,000)	(10,000)
Net realized and unrealized gains on investments	(221,579)	(40,844)
Provision for doubtful accounts	15,135	28,750
Discount on long-term receivables	38,299	40,704
Loss on disposal of fixed assets		20,000
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(312,302)	577,439
Contributions receivable	(901,048)	1,289,589
Prepaid expenses and other assets	223,041	(82,582)
Accounts payable and accrued expenses	110,357	12,879
Accrued salaries and related expenses	108,484	8,575
Deferred revenue	(239,678)	244,678
Deferred rent	(150,708)	(208,600)
Net cash (used) provided by operating activities	(263,498)	1,691,449
Investing Activities:		
Purchases of investments	(107,552)	(50,276)
Purchases of fixed assets	(21,875)	(17,072)
Net cash used by investing activities	(129,427)	(67,348)
Financing Activities:		
Collections of permanently restricted contributions	10,000	10,000
Paycheck protection program loan proceeds	1,365,049	1,293,606
Payments on note payable	(63,258)	(60,440)
Net cash provided by financing activities	1,311,791	1,243,166
Change in Cash and Cash Equivalents	918,866	2,867,267
Cash and Cash Equivalents, beginning of year	5,709,432	2,842,165
Cash and Cash Equivalents, end of year	\$ 6,628,298	\$ 5,709,432
Supplemental Information:		
Interest paid	\$ 33,108	\$ 35,925

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 and economic mobility. JVS provides the hard skills, work readiness training, on-the-job training and placement support services to position its clients for career path jobs and brighter economic futures. JVS serves over 2,500 people annually in the San Francisco Bay Area and beyond across three strategies: Career Pathway Training Programs, Job Search Support and Job Readiness. JVS is an essential part of the Bay Area human service delivery network and is widely recognized as a leader in the field of workforce development known for innovation, effective programs, and successful partnerships.

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

Programs:

Career Pathway Training Programs (Pathway Programs)

JVS's Career Pathways Training Programs provide effective solutions to the Bay Area inequality crisis by connecting low-income job seekers with the skills, work experience, and connections necessary to secure career path jobs. Through this approach, JVS bridges the gap between employer hiring needs and job seeker skill needs, resulting in improved economic mobility and a larger hiring pool of highly qualified and motivated employees for employers. JVS focuses its training program to align with the fastest growing industries in the area with the most significant numbers of middle-skill jobs: healthcare, technology, and utilities.

Job Search Support

JVS's Job Search Support is an intensive and personalized program that equips participants with the skills and job search strategies they need to be successful in their job search. In this course, job seekers learn how to identify their strengths and accomplishments to improve their pitch, tailor their resumes, and practice interviewing and networking with a supportive and engaging cohort. Each course includes virtual mock interviews with local employers. JVS also provides standalone job skill-building and stabilization workshops to meet the urgent needs of job seekers.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Job Readiness (High School and Bridge Programs)

JVS's High School and Bridge (HSB) Program supports San Francisco youth aged 14 to 24 through comprehensive employment services along targeted career pathways. JVS provides high school students with career exploration, job shadowing opportunities, work-based learning, and educational support to support youth in gaining job skills and experience, completing high school, and entering post-secondary education. JVS's work with youth includes the Work Resource Program (WRP), School Partner Program (SPP) and Youth Transition Pathways (YTP). Each of these programs engages students differently and establishes a continuum across schools and needs. WRP and SPP take place in high schools, while YTP bridges post-high school transitions into employment and/or post-secondary education.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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 - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the JVS's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or incurring qualifying expenses. Amounts received are recognized as revenue when JVS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. Amounts due at June 30, 2021 are included in accounts and contracts receivable. Grants are expected to be fully collectible in the upcoming year. JVS has been awarded cost reimbursable grants of approximately \$1,865,000 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred.

Program service and client fees are recognized when JVS performs the required services or performance obligation.

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 \$1,036,378 are expected to be collected during June 30, 2022 and are recorded net of an allowance of \$58,563.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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 - Unadjusted quoted market prices 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. 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 \$1,005,277 has been reflected in the financial statements for donated legal, consulting services, intern stipends, rent, client 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 services of \$686,199, internship stipends of \$32,898, supplies of \$256,800, rent of \$6,000, and outreach of \$23,380.

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.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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.

k. Prior Year Financial Information

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, 2019 from which the summarized information was 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.

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:

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* in May 2014. This authoritative guidance requires that revenue be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. JVS adopted the guidance as of July 1, 2020. Application of the various provisions of this standard resulted in no significant changes in the way JVS recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Pronouncements Effective in the Future:

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, 2021. Early application will be permitted for all organizations. JVS is currently evaluating the impact of this pronouncement on its financial statements.

In September 2020, the FASB issued ASU 2020-07 *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. JVS is currently evaluating the impact of this pronouncement on its financial statements.

n. Subsequent Events

JVS evaluated subsequent events with respect to the financial statements for the year ended June 30, 2021 through December 1, 2021, the date these 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 occurred that would require adjustments to the amounts reported or disclosure in the accompanying financial statements except as disclosed in Note 3.

Note 2 - Contributions Receivable:

Contributions receivable, net of discounts, are summarized as follows at June 30, 2021:

Unconditional promises expected to be collected in:	
Less than one year	\$ 1,759,115
One to five years	1,315,372
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	3,074,487
Less unamortized discount	42,754
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Total	\$ 3,031,733

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 3 - Investments and Fair Value Measurements:

Investments:

Investments consisted of the following at June 30, 2021:

Cash and cash equivalents	\$	58,088
Mutual funds:		
Fixed income		291,419
U.S. equity funds		802,598
Private stock		63,750
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Total	\$	1,215,855

Investment income, net was comprised as follows for the year ended June 30, 2021:

Dividend and interest income	\$	16,790
Unrealized gain on investments		221,579
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Total investment income	\$	238,369

Subsequent to year end, the private stock held went public in August 2021 and JVS sold its stock position for a net gain of approximately \$582,000.

Fair Value Measurement:

Investments except for the private stock which is held at cost are classified as Level 1 in accordance with the fair value hierarchy.

Note 4 - Fixed Assets:

Fixed assets consisted of the following at June 30, 2021:

Furniture and equipment	\$	478,990
Leasehold improvements		460,764
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		939,754
Less accumulated depreciation		827,174
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	\$	112,580

Depreciation and amortization expense for the year ended June 30, 2021 was \$79,224.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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 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, 2021. The line of credit will expire in April 2022.

Note 6 - Notes Payable:

Jewish Community Federation:

JVS was one of fourteen agencies that jointly contribute to a single defined benefit retirement plan (the Plan) administered by the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties (the JCF). On December 22, 2014, JVS terminated its defined benefit retirement plan effective July 1, 2015. During 2016, JVS paid 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 principal and interest of \$8,030 due until maturity in January 31, 2031. The amount outstanding at June 30, 2021 was \$715,979.

Scheduled principal payments on the note payable are as follows:

Year ending	
June 30:	
2022	\$ 66,105
2023	69,080
2024	72,123
2025	75,435
2026	78,831
Thereafter	354,405
	<hr/>
	\$ 715,979

Paycheck Protection Program:

During the year ended June 30, 2020, JVS received loan proceeds in the amount of \$1,293,606 with a maturity date of April 27, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest could be forgiven as long as JVS uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

JVS completed the application process for forgiveness during the year and received forgiveness of the full amount of the loan and accrued interest on June 25, 2021. JVS recognized income for the full value of the loan in the Statement of Activities and Changes in Net Assets as of June 30, 2021.

During the year ended June 30, 2021 JVS received loan proceeds in the amount of \$1,365,049 with a maturity date of March 13, 2026 under the Paycheck Protection Program 2 (PPP2) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required during the deferral period. JVS intends to use the proceeds for purposes consistent with the PPP2 requirements. JVS believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan and it will complete the application process during fiscal year ending June 30, 2022.

Note 7 - 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 JVS 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 JVS, (7) the investment policies of JVS.

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 net assets with donor restrictions. There were no such deficiencies as of June 30, 2021.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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 to accumulate earnings in order to grow the endowment fund.

Endowment funds by category consisted of the following as of June 30, 2021:

	<u>Time and Purpose Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
Donor endowment	\$ 584,805	\$ 618,445	\$ 1,203,250

Changes in endowment net assets were as follows for the fiscal year ended June 30, 2021:

	<u>Time and Purpose Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 346,531	\$ 608,445	\$ 954,976
Investment return:			
Dividend and interest income	16,695		16,695
Net appreciation	221,579		221,579
Total investment return	238,274		238,274
Contributions		10,000	10,000
Endowment net assets, end of year	\$ 584,805	\$ 618,445	\$ 1,203,250

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 reduce JVS's liability in a 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, 2021, JVS repaid \$34,221 of principal, resulting in a remaining outstanding balance of \$107,630 at year end. Quarterly payments and interest are transferred to the related investment account.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions were restricted for the following purposes as of June 30, 2021:

Purpose restricted:	
Pathway Programs	\$ 297,312
Job Readiness	187,568
Capital projects	46,392
CEO Innovation fund	182,932
	<hr/>
	714,204
Endowment earnings	584,805
Endowment corpus	618,445
Time restricted	4,554,417
	<hr/>
Total	\$ 6,471,871

Net assets with donor restrictions were released from donor restrictions as follows during the year ended June 30, 2021:

Purpose restricted:	
Pathway Programs	\$ 773,787
Job Search Support	312,192
Job Readiness	214,857
Other	6,988
Time restricted	3,103,462
	<hr/>
Total	\$ 4,411,286

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 9 - Availability of Financial Assets and Liquidity:

The following table reflects JVS's financial assets as of June 30, 2021, 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, 2021 for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 6,628,298
Accounts and contracts receivable	977,815
Contributions receivable	3,031,733
Investments	1,215,855
<hr/>	
Total financial assets	11,853,701
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Less amounts not available to be used within one year:	
Net assets with donor restrictions:	
Time or purpose	(5,268,621)
Endowment earnings and corpus	(1,203,250)
Add net assets with restrictions to be met in less than a year	3,919,916
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	(2,551,955)
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Financial assets available to meet general expenditures over the next twelve months	\$ 9,301,746
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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, described in Note 5.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 10 - Commitments and Contingencies:

a. Operating Leases

JVS leases offices and office equipment under operating leases expiring through August 2023. Part of the office space is subleased under an operating lease expiring in February 2023.

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

Year Ending June 30,	Commitment <u>Payments</u>	Sublease <u>Payments</u>	Net <u>Payments</u>
2022	\$ 1,320,000	\$ 120,000	\$ 1,200,000
2023	220,000	20,000	200,000
Total	\$ 1,540,000	\$ 140,000	\$ 1,400,000

For the fiscal year ended June 30, 2021, rent paid under these operating leases was \$1,203,329 and sublease income received was \$145,952.

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 \$2,241 for the year ended June 30, 2021.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

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 up to 3% of the participant’s compensation. JVS’s contributions to the Plan totaled \$167,814 for the year ended June 30, 2021.

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, 2021 was \$178,477 using a discount rate of 4% according to 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 identified 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 because 24% of the receivables were due from government agencies.

JVS received approximately 37% of its revenue (excluding in-kind donations) from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Note 13 - Global Pandemic:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency were declared in many federal, state and local jurisdictions and shelter in place orders were instituted in many cities and states, including San Francisco and California, which impacts general business operations in most industries and sectors.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

JVS closed its offices and classrooms beginning March 16, 2020 and transitioned to online training. After a period of suspending all in person activities, JVS resumed in person training for specific components of healthcare and trades training programs that require hands on training and experience, following all local safety and public health guidelines. JVS management expects the majority of programs will run remotely through the length of the pandemic with modifications where necessary.

JVS also received COVID-19-related emergency funding from several key funding partners as well as the general public. This funding allowed them to increase cash assistance to program participants, pivot public programming to immediate pandemic response efforts, and test new program delivery models geared towards remote-friendly occupations and small business economic development. JVS received two PPP loans the first of which was forgiven during the fiscal ended June 30, 2021. The loans allowed JVS to maintain the same level of staffing throughout June 30, 2021.

While JVS continues the majority of its programs, it is expecting a delay in related outcomes due to recession and persistently high unemployment. JVS does not expect to see a decline in funding through June 30, 2022. However, JVS is assessing potential funding declines in the year ending June 30, 2023 with the exhaustion of PPP funding. Federal workforce appropriations plans are well aligned with JVS's strategic priorities and JVS expects to see some revenue increases from federal sources in the year ending June 30, 2023. JVS management regularly reviews multi-year revenue forecasts and develops plans to replace or expand funding to offset at-risk revenue streams.