

Financial Statements
Jewish Vocational Service, Inc.

September 30, 2011 and 2010



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

JEWISH VOCATIONAL SERVICE, INC.

Financial Statements

Table of Contents

Financial Statements:

Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-22



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

Independent Auditors' Report

Board of Directors
Jewish Vocational Service, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of Jewish Vocational Service, Inc. ("JVS") as of September 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of JVS's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Vocational Service, Inc. as of September 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

January 20, 2012
Boston, Massachusetts

JEWISH VOCATIONAL SERVICE, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2011</i>	<i>2010</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 857,622	\$ 677,511
Cash restricted for donor intent and programs	1,609,356	1,368,170
Allocations receivable from CJP	1,251,250	906,750
Federal, state and other program receivables, net	858,562	939,220
Current portion of pledges receivable	87,500	1,314,500
Prepaid expenses and other current assets	181,145	100,205
Investments	<u>1,239,456</u>	<u>1,164,964</u>
Total current assets	<u>6,084,891</u>	<u>6,471,320</u>
Long-term assets:		
Furniture and equipment, net	19,227	32,331
Pledges receivable, long-term	231,069	142,639
Notes receivable, net	35,476	26,276
Other assets	<u>182,716</u>	<u>175,296</u>
Total long-term assets	<u>468,488</u>	<u>376,542</u>
Total assets	<u>\$ 6,553,379</u>	<u>\$ 6,847,862</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 102,597	\$ 89,741
Accrued expenses	405,178	349,521
Unearned tuition	147,180	99,234
Other liabilities	208,891	238,152
Current portion of due to CJP	<u>10,860</u>	<u>10,229</u>
Total current liabilities	<u>874,706</u>	<u>786,877</u>
Due to CJP, net of current portion	<u>245,177</u>	<u>256,037</u>
Total liabilities	<u>1,119,883</u>	<u>1,042,914</u>
Net assets:		
Unrestricted	1,721,428	1,714,974
Temporarily restricted	3,695,534	4,073,440
Permanently restricted	<u>16,534</u>	<u>16,534</u>
Total net assets	<u>5,433,496</u>	<u>5,804,948</u>
Total liabilities and net assets	<u>\$ 6,553,379</u>	<u>\$ 6,847,862</u>

JEWISH VOCATIONAL SERVICE, INC.

Statements of Activities and Changes in Net Assets

	<i>Year Ended September 30, 2011</i>				<i>2010</i>
	<i>Unrestricted</i>	<i>Temporarily</i>	<i>Permanently</i>	<i>Total</i>	<i>Total</i>
		<i>Restricted</i>	<i>Restricted</i>		
Revenue, gains and other support:					
Allocations from CJP	\$ -	\$ 1,269,150	\$ -	\$ 1,269,150	\$ 1,041,424
Government contracts	4,010,645	-	-	4,010,645	3,837,188
Contributions/grants	826,507	918,024	-	1,744,531	3,042,470
Program revenue	823,900	-	-	823,900	903,997
Net investment income	13,076	1,846	-	14,922	105,523
Other revenue	4,892	-	-	4,892	5,234
Total revenue, gains and other support	5,679,020	2,189,020	-	7,868,040	8,935,836
Net assets released from restrictions:					
Release of restrictions time and purpose	1,617,548	(1,617,548)	-	-	-
Release of time restrictions on CJP allocation	949,378	(949,378)	-	-	-
Total net assets released from restrictions	2,566,926	(2,566,926)	-	-	-
Total revenue, gains, other support, and releases of restriction	8,245,946	(377,906)	-	7,868,040	8,935,836
Expenses:					
Program services	6,611,005	-	-	6,611,005	6,368,451
Administration	1,262,950	-	-	1,262,950	1,179,949
Fundraising	365,537	-	-	365,537	338,923
Total expenses	8,239,492	-	-	8,239,492	7,887,323
Change in net assets	6,454	(377,906)	-	(371,452)	1,048,513
Net assets, beginning	1,714,974	4,073,440	16,534	5,804,948	4,756,435
Net assets, ending	\$ 1,721,428	\$ 3,695,534	\$ 16,534	\$ 5,433,496	\$ 5,804,948

JEWISH VOCATIONAL SERVICE, INC.

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2010

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenue, gains and other support:				
Allocations from CJP	\$ 105,174	\$ 936,250	\$ -	\$ 1,041,424
Government contracts	3,837,188	-	-	3,837,188
Contributions/grants	691,475	2,350,995	-	3,042,470
Program revenue	903,997	-	-	903,997
Net investment income	57,973	47,550	-	105,523
Other revenue	5,234	-	-	5,234
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	5,601,041	3,334,795	-	8,935,836
 Net assets released from restrictions:				
Release of restrictions time and purpose	1,476,138	(1,476,138)	-	-
Release of time restrictions on CJP allocation	842,771	(842,771)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets released from restrictions	2,318,909	(2,318,909)	-	-
 Total revenue, gains, other support, and releases of restriction				
	<hr/>	<hr/>	<hr/>	<hr/>
	7,919,950	1,015,886	-	8,935,836
 Expenses:				
Program services	6,368,451	-	-	6,368,451
Administration	1,179,949	-	-	1,179,949
Fundraising	338,923	-	-	338,923
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	7,887,323	-	-	7,887,323
 Change in net assets	 32,627	 1,015,886	 -	 1,048,513
 Net assets, beginning	 <hr/>	 <hr/>	 <hr/>	 <hr/>
	1,682,347	3,057,554	16,534	4,756,435
 Net assets, ending	 <hr/>	 <hr/>	 <hr/>	 <hr/>
	\$ 1,714,974	\$ 4,073,440	\$ 16,534	\$ 5,804,948

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Functional Expenses

Years Ended September 30,

	2011				2010			
	<i>Program Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>
Expenses:								
Personnel:								
Salaries and wages	\$ 4,207,088	\$ 776,314	\$ 194,339	\$ 5,177,741	\$ 3,929,158	\$ 718,008	\$ 187,029	\$ 4,834,195
Payroll taxes and fringe benefits	977,217	196,026	47,901	1,221,144	898,350	178,223	45,733	1,122,306
Total personnel	5,184,305	972,340	242,240	6,398,885	4,827,508	896,231	232,762	5,956,501
Occupancy	689,631	54,361	10,264	754,256	711,551	51,499	9,669	772,719
Operational:								
Professional fees and subcontractors	221,315	102,516	15,002	338,833	267,555	86,360	32,305	386,220
Equipment	151,274	35,412	6,298	192,984	130,810	44,105	4,647	179,562
Client expenses	98,493	-	-	98,493	145,750	-	-	145,750
Miscellaneous/other	54,303	19,820	17,890	92,013	50,491	25,848	17,190	93,529
Supplies	71,644	3,644	1,234	76,522	83,745	2,601	1,432	87,778
Communication	47,658	11,881	6,227	65,766	48,542	9,585	3,629	61,756
Meetings and staff development	26,463	20,356	5,805	52,624	30,688	20,221	306	51,215
Fundraising	-	-	50,166	50,166	-	-	34,974	34,974
Insurance	-	30,528	-	30,528	-	33,995	-	33,995
Depreciation	15,598	3,897	529	20,024	20,310	3,702	753	24,765
Advertising and publicity	16,763	410	936	18,109	12,288	75	175	12,538
Interest	16,423	-	-	16,423	17,017	-	-	17,017
Scholarship	13,603	-	-	13,603	20,458	-	-	20,458
Bank fees	3,532	7,785	1,445	12,762	1,738	5,727	1,081	8,546
Bad debts	-	-	7,501	7,501	-	-	-	-
Total operational	737,069	236,249	113,033	1,086,351	829,392	232,219	96,492	1,158,103
Total expenses	\$ 6,611,005	\$ 1,262,950	\$ 365,537	\$ 8,239,492	\$ 6,368,451	\$ 1,179,949	\$ 338,923	\$ 7,887,323

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Cash Flows

*Years Ended September 30,
2011 2010*

Cash flows from operating activities:

Change in net assets	\$ (371,452)	\$ 1,048,513
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,024	24,766
Realized gain on sale of investments	(66,512)	(15,719)
Unrealized gain/(loss) on investments	68,068	(82,089)
Change in:		
Cash restricted for donor intent and programs	(241,186)	(132,139)
Allocations receivable from CJP	(344,500)	(131,432)
Pledges receivable	1,144,501	(656,142)
Present value discount on pledges receivable	(5,931)	(3,209)
Federal, state and other program receivables, net	80,658	(112,011)
Prepaid expenses and other current assets	(80,940)	3,849
Notes receivable	(9,200)	(287)
Other assets	(7,420)	(43,349)
Accounts payable	12,856	43,985
Accrued expenses	55,657	(21,281)
Unearned tuition	47,946	29,172
Other liabilities	(29,261)	410
Total adjustments	<u>644,760</u>	<u>(1,095,476)</u>
Net cash provided by (used in) operating activities	<u>273,308</u>	<u>(46,963)</u>
Cash flows from investing activities:		
Purchase of equipment	(6,920)	(10,000)
Net sales of investments	(76,048)	2,586
Net cash used in investing activities	<u>(82,968)</u>	<u>(7,414)</u>
Cash flows from financing activities:		
Loan payments to CJP	(10,229)	(9,635)
Net cash used in financing activities	<u>(10,229)</u>	<u>(9,635)</u>
Net increase (decrease) in cash and cash equivalents	180,111	(64,012)
Cash and cash equivalents, beginning	<u>677,511</u>	<u>741,523</u>
Cash and cash equivalents, ending	\$ <u>857,622</u>	\$ <u>677,511</u>

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies

Jewish Vocational Service, Inc. (“JVS”), a nonprofit organization, is a beneficiary agency of the Combined Jewish Philanthropies of Greater Boston, Inc. (“CJP”). Established in 1938, JVS provides extensive educational, skills training, career counseling and testing, and job placement services. JVS also provides training, technical assistance and loans to microenterprises, and operates a one stop career center, “The Work Place”, in collaboration with the City of Boston, Massachusetts. Services are provided in the greater Boston, Massachusetts area. JVS’s support and revenue is derived principally from contracts with federal, state and local government agencies, contributions from foundations and private donors, and contributions from CJP.

A summary of accounting policies consistently applied in the financial statements follows:

Basis of Accounting

The financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of externally-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - consist of assets that are subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions and/or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed.

Permanently Restricted Net Assets - net assets that are to be maintained in perpetuity that allow JVS to use or expend the economic benefits derived from the donated fund to support operating needs or other donor stated requirements.

Financial Statement Preparation

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and assumptions.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents include cash balances maintained in checking accounts and money market accounts. For purpose of the statements of cash flows, JVS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash Restricted for Donor Intent and Programs

Cash restricted for donor intent consists of funds that JVS must use for donor specified program support and other initiatives. Some funds have also been set aside to fund small business loans to qualifying individuals.

During 2010, JVS entered into an agreement with a bank, under which the bank will make loans to approved clients of the JVS microenterprise program and JVS will establish a loan loss reserve equal to at least 30% of the banks outstanding loans. The balance of the funds in the loan loss reserve as of September 30, 2011 and 2010 was \$20,606 and \$20,516, respectively.

Allowance for Doubtful Accounts

JVS uses the allowance method for recognizing potential uncollectible amounts relating to pledges and federal, state and other program receivables. At September 30, 2011 and 2010, the allowance was \$44,174 and \$37,500, respectively.

Investments

JVS holds their investments through a co-investment with CJP. These investments are held in the Jewish Community Endowment Pool, a limited partnership under the managerial control of CJP. Realized and unrealized gains and losses are reported in the statements of activities and changes in net assets. Investment income (interest and dividends) is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Fair Value Measurements

JVS reports certain assets and liabilities at fair value, in accordance with fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, JVS reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require JVS to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock-up and notice periods associated with the underlying funds.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock-up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock-up periods in excess of 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of JVS's financial instruments, see Note 3 - Fair Value Measurements.

Notes Receivable

JVS makes uncollateralized loans which are funded through private contributions from donors and institutional resources to eligible college students. These notes are interest free. JVS also makes uncollateralized loans to individuals who have completed JVS small business training services, for use in starting small businesses. All notes receivable are carried at their estimated net realizable value.

Management reviews loan payment activity on a quarterly basis to determine the reasonableness of allowances for bad debt. The review is based on the dollar amount outstanding, as well as both long-term and short-term payment history and communications, if any, with the borrower.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Furniture and Equipment

Furniture and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Furniture and equipment greater than \$5,000 are recorded and depreciated. Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Furniture and equipment	7 years
Leasehold improvements	3 years
Computer equipment	3 years
Other equipment	7 years

In-Kind Support

JVS records as revenue, the value of donated services provided by qualified professionals that JVS would have purchased if not donated. Additionally, volunteers have donated a significant amount of time to programs of JVS. The value of these latter services has not been reflected in the accompanying financial statements pursuant to accounting standards.

Revenue Recognition

Program revenue is earned under cost reimbursement contracts and other funding arrangements with various Federal, state and local funding agencies. Revenue is recognized when cost is incurred or when services are rendered depending on the nature of the arrangement.

Contributions and unconditional promises to give are recorded as revenue in the period received or verifiably committed. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported releases from restriction. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions not expected to be collected within one year are recorded at the estimated present value of future cash flows utilizing an appropriate discount rate. All contributions are considered to be available for the general programs of JVS unless restricted by the donor. Contributions of assets other than cash are recorded at their estimated fair value on the date of contribution.

Grant and Contract Revenue

JVS has expended resources in connection with Federal and state contracts and grants that are subject to review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agency if expenditures are disallowed. Management is not aware of any specific disallowances, but has provided a reserve for unreimbursable costs in the amount of \$29,200 and \$30,000 at September 30, 2011 and 2010, respectively. Unbilled accounts receivable were approximately \$596,038 and \$580,862 at September 30, 2011 and 2010, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expense

JVS reports advertising costs as incurred. Advertising expense for the years ended September 30, 2011 and 2010 totaled \$18,108 and \$12,538, respectively.

Income Tax Status

JVS is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

JVS accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. JVS has identified its tax status as a tax-exempt entity as its only significant tax position; however, JVS has determined that such tax position does not result in an uncertainty requiring recognition.

JVS's Federal and state tax returns are generally open for examination for three years following the date filed.

Subsequent Events

JVS has evaluated subsequent events through January 20, 2012, the date the Budget and Finance Committee approved and authorized the financial statements to be issued.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 2 - Investments

JVS's investments at fair value are summarized as follows at September 30:

	<i>2011</i>	<i>2010</i>
Domestic equity	\$ 157,411	\$ 117,661
International equity	130,143	115,331
Emerging markets	68,170	68,734
Private equity/venture capital	45,860	24,464
Absolute return/hedged equity	580,065	556,853
Real assets	88,001	82,712
Fixed income	40,903	37,279
Cash and cash equivalents	<u>128,903</u>	<u>161,930</u>
	<u>\$ 1,239,456</u>	<u>\$ 1,164,964</u>

Net income on investments is comprised of the following at September 30:

	<i>2011</i>	<i>2010</i>
Net realized gains	\$ 66,512	\$ 15,719
Net unrealized gains (losses)	(68,068)	82,089
Investment fees	(5,088)	(4,325)
Interest and dividends	<u>21,566</u>	<u>12,040</u>
Net investment income	<u>\$ 14,922</u>	<u>\$ 105,523</u>

Note 3 - Fair Value Measurements

The valuation of JVS's investments by the fair value hierarchy consisted of the following at September 30, 2011:

	<i>Portion Carried at Fair Value</i>	<i>Quoted Prices in Active Markets Level 1</i>	<i>Significant Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>
Investments	\$ <u>1,239,456</u>	\$ -	\$ -	\$ <u>1,239,456</u>
	<u>\$ 1,239,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,239,456</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 3 - Fair Value Measurements (Continued)

JVS can withdraw, as of December 31 of any calendar year, or on any such date considered appropriate by CJP, all or a percentage of its assets by giving at least 92 days' advance written notice, subject to the right of CJP to accept shorter notice. In certain cases, CJP reserves the right to hold back a small portion of a withdrawal amount until underlying investments can be definitively valued or liquidated. Investments are categorized as Level 2 instruments when JVS has the ability to redeem its investment in the entity at net asset value per share at year end or within 90 days of year end. Investments are categorized as Level 3 instruments when JVS cannot redeem its investment within 90 days of year end.

The valuation of JVS's investments by the fair value hierarchy consisted of the following at September 30, 2010:

	<i>Portion Carried at Fair Value</i>	<i>Quoted Prices in Active Markets Level 1</i>	<i>Significant Observable Inputs Level 2</i>	<i>Significant Unobservable Inputs Level 3</i>
Investments	\$ <u>1,164,964</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,164,964</u>
	\$ <u>1,164,964</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,164,964</u>

The changes in instruments measured at fair value for which JVS has used Level 3 inputs to determine fair value are as follows.

	<i>2011</i>	<i>2010</i>
Balance, beginning of year	\$ 1,164,964	\$ 1,069,742
Interest and dividends	4,445	1,739
Realized gains	66,512	15,719
Unrealized gains (losses)	(68,068)	82,089
Purchases	125,000	-
Withdrawals	(48,309)	-
Expenses	<u>(5,088)</u>	<u>(4,325)</u>
Balance, end of year	\$ <u>1,239,456</u>	\$ <u>1,164,964</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 3 - Fair Value Measurements (Continued)

Domestic, International, Emerging Markets and Private Equity and Venture Capital Investments

Equity investments include direct and indirect investments in domestic, including Canadian stocks, international stocks, including emerging markets, and other equity investments, including private equity and venture capital funds, and fixed income or cash reserves held by equity investment managers. The purpose of the equity allocation is to provide a total return that will provide for both growth in principal and current income. Over the long term, the equity allocation is intended to preserve the real value of assets.

Absolute Return and Hedged Equity Investments

Absolute return and hedged equity investments include direct and indirect investments in marketable or semi-marketable strategies such as arbitrage, long/short hedge funds and event driven strategies and provide an “absolute” return on a reasonably consistent basis that in general provides a return of 400 basis points to 500 basis points over Treasury Bills.

Real Asset Investments

Real asset investments include direct and indirect investments in real estate and natural resources or commodities. The purpose of the real asset allocation is to provide a return over the inflation rate that is less correlated to returns on financial assets and likely to be more closely linked to the inflation rate itself. Investments under this allocation should seek a return of inflation plus 5% over a market cycle appropriate to the investments.

Fixed Income Investments

Fixed income investments include cash, cash equivalents and direct and indirect investments in bonds and other income securities. The purpose of the fixed income allocation is to provide a deflation hedge; to provide diversification to reduce the overall volatility of the portfolio; and to produce current income (to be added to dividend income from the equity allocation) in support of current cash needs.

Fair value of financial instruments for which JVS did not elect the fair value option includes cash and cash equivalents, allocations receivable from CJP, federal, state and other program receivables, net, pledges receivable, net, prepaid expenses and other current assets, notes receivable, net, accounts payable, accrued expenses, unearned tuition and other liabilities and amounts due to CJP. Management believes the fair value of these instruments approximates the carrying value given the short-term nature of the instruments. For longer term items, management concluded that the cost to obtain such information outweighs the potential benefits to be derived from such disclosure.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 4 - Pledges Receivable

Pledges receivable represents unconditional promises to give. Long-term pledges receivable are recorded at the present value of estimated future cash flows. Pledges receivable as of September 30 are expected to be realized as follows:

	<i>2011</i>	<i>2010</i>
Less than one year	\$ 87,500	\$ 1,314,500
One to five years	<u>250,000</u>	<u>160,000</u>
	337,500	1,474,500
Less: present value discount	(3,931)	(9,862)
Less: allowance for doubtful pledges	<u>(15,000)</u>	<u>(7,499)</u>
Pledges receivable, net	<u>\$ 318,569</u>	<u>\$ 1,457,139</u>
Current portion of pledges receivable	\$ 87,500	\$ 1,314,500
Pledges receivable, long-term	<u>231,069</u>	<u>142,639</u>
Pledges receivable, net	<u>\$ 318,569</u>	<u>\$ 1,457,139</u>

Note 5 - Furniture and Equipment

Furniture and equipment consist of the following at September 30:

	<i>2011</i>	<i>2010</i>
Furniture and equipment	\$ 534,812	\$ 726,900
Leasehold improvements	15,600	15,600
Computer equipment	72,745	72,745
Other equipment	<u>220,887</u>	<u>213,968</u>
	844,044	1,029,213
Less: accumulated depreciation	<u>824,817</u>	<u>996,882</u>
Furniture and equipment, net	<u>\$ 19,227</u>	<u>\$ 32,331</u>

Depreciation expense for the years ended September 30, 2011 and 2010 was \$20,024 and \$24,766, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 6 - Notes Receivable

Notes receivable consist of the following at September 30:

	<i>2011</i>	<i>2010</i>
Boston Private Bank notes	\$ 4,118	\$ 2,500
New Century Club notes	6,500	-
Lebowich notes	<u>29,936</u>	<u>28,854</u>
	<u>40,554</u>	<u>31,354</u>
Less allowance for doubtful accounts:		
Beginning of year	5,078	5,078
Increases	-	-
Write-offs	-	-
Recoveries	<u>-</u>	<u>-</u>
End of year	<u>5,078</u>	<u>5,078</u>
Notes receivables, net	<u>\$ 35,476</u>	<u>\$ 26,276</u>

The following is a summary of the general terms of the three loan programs:

<i>Loan Program</i>	<i>Purpose</i>	<i>Range of Loan Amount</i>	<i>Repayment Terms</i>
Boston Private Bank Notes	Small Business Start Up	\$1,000-\$3,500	Monthly, up to 3 years
Lebowich Notes	College Loans	\$200-\$1,600	Quarterly, up to 5 years (deferred until 1 year after graduation)
New Century Club Notes	College Loans	\$250-\$1,500	Quarterly, up to 5 years (deferred until 1 year after graduation)

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 7 - Line of Credit

JVS has a line of credit with a financial institution with a maximum line-of-credit availability of \$750,000. The line is reviewed annually in February. Interest is computed at the institution's prime lending rate on the outstanding balance, which at September 30, 2011 and 2010 was 3.25%. The note is collateralized by all business assets of JVS. There were no outstanding balances at September 30, 2011 and 2010.

Note 8 - Operating Lease Commitments

JVS leases various facilities and office equipment under operating leases which expire at various dates through March 2015. Rent expense, net of income, was approximately \$683,900 and \$681,600 for the years ended September 30, 2011 and 2010, respectively.

Future minimum lease payments under the leases are as follows:

2012	\$ 663,000
2013	663,000
2014	663,000
2015	<u>332,000</u>
	<u><u>\$ 2,321,000</u></u>

During 2007, JVS entered into a three-year agreement to provide some of their leased space to a local retail company to establish education and training systems that prepare youth, dislocated workers and other skilled adults for worthwhile and sustainable employment. In exchange, this local retailer agreed to hire at least 50 JVS trained people each year. The agreement included two three-year renewal options at the mutual agreement of both parties. During 2010, the first renewal option was exercised. JVS estimates the cost of the leased space to be approximately \$62,500 per year. During fiscal years 2011 and 2010, the retailer paid JVS \$35,000 for the use of the space.

Included in other liabilities at September 30, 2011 and 2010 is \$51,012 for both years, which represents a deferred lease liability, associated with straight lining the minimum lease payments, in accordance with U.S. generally accepted accounting principles.

Note 9 - Fundraising Revenue and Expenses

Fundraising revenue (excluding allocations from CJP) for the years ended September 30, 2011 and 2010 was \$1,744,531 and \$3,042,470 of which \$918,024 and \$2,350,996 was included in temporarily restricted as a result of time and purpose restrictions related to these funds, respectively. Corresponding fundraising expenses for the years ended September 30, 2011 and 2010 totaled \$365,537 and \$338,923, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 consist of the following:

	<i>2011</i>	<i>2010</i>
Accumulated unspent gains:		
Scholarships	\$ 8,283	\$ 9,224
Other temporarily restricted net assets:		
Restricted by time	283,569	1,228,640
Restricted by purpose:		
Scholarships	567,804	560,656
CJP allocation	1,226,522	906,750
Specific programs	<u>1,609,356</u>	<u>1,368,170</u>
	<u>\$ 3,695,534</u>	<u>\$ 4,073,440</u>

Note 11 - Net Assets and Endowment Matters

U.S. generally accepted accounting principles require enhanced disclosures for each period for which JVS presents financial statements.

The following represents required disclosure relative to the composition of investments and endowment funds at September 30, 2011:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Investments, beginning of year	\$ 555,158	\$ 16,534	\$ 571,692
Investment activity:			
Withdrawals	(47,309)	-	(47,309)
Interest and dividends	1,968	-	1,968
Realized gains	28,705	-	28,705
Unrealized gains (losses)	(26,983)	-	(26,983)
Expenses	<u>(2,218)</u>	<u>-</u>	<u>(2,218)</u>
Investments, end of year	\$ <u>509,321</u>	\$ <u>16,534</u>	\$ <u>525,855</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 11 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition of investments and endowment funds at September 30, 2010:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Investments, beginning of year	\$ 509,780	\$ 16,534	\$ 526,314
Investment activity:			
Interest and dividends	829	-	829
Realized gains	7,491	-	7,491
Unrealized gains	39,119	-	39,119
Expenses	<u>(2,061)</u>	<u>-</u>	<u>(2,061)</u>
Investments, end of year	<u>\$ 555,158</u>	<u>\$ 16,534</u>	<u>\$ 571,692</u>

Due to delays in the processing of the disbursements from CJP, fiscal 2010 amounts to be disbursed in accordance with the scholarship spending policy of \$21,310 were not received until after September 30, 2010 and are presented net of amounts due from CJP included in other current assets on the statement of financial position. The scholarship spending policy is reviewed on an annual basis based on the budgeting process.

Interpretation of Relevant Law and Spending Policy

The Attorney General of Massachusetts has issued written guidance that all gains on permanently restricted endowment funds that have not been appropriated in accordance with the law should be classified as temporarily restricted net assets unless otherwise restricted by the donor.

State law allows the Board of Directors to appropriate a percentage of net appreciation as is prudent considering JVS's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

As of September 30, 2010, JVS adopted a formal investment and spending policy. JVS invests its investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of investment return that is independent of cash yield and appreciation of investments earned during the year is provided for program support. JVS's spending policy is designed to stabilize annual spending levels and to preserve the real value of the investment portfolio over time. The spending policy for 2011 and 2010 is equal to 4% of the investment market value at September 30, 2010 and 2009, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires JVS to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature must be reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations. There were no deficiencies at September 30, 2011 and 2010.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 11 - Net Assets and Endowment Matters (Continued)

Return Objectives and Risk Parameters

JVS's investment portfolio is managed to provide for long-term needs of the organization and its programs. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow needs. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, JVS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JVS targets an asset allocation strategy wherein assets are diversified among certain asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, JVS seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 12 - Pension Plan

JVS has a nonqualified deferred compensation arrangement with certain senior management employees. This plan provides for discretionary contributions of up to \$7,500 or a percentage of salary each year per participant as defined. Annual contributions vest over a three year period and require annual approval of the executive officers of the Board of Directors. Contributions made to this plan during the years ended September 30, 2011 and 2010 were \$23,509 and \$28,048, respectively.

In addition, JVS has a 403(b) plan available to all eligible employees. There were no employer contributions to the plan for the years ended September 30, 2011 and 2010.

Note 13 - Related Party Transactions

JVS is a beneficiary agency of CJP. JVS records the amount of the approved allocation from CJP as revenue and a receivable in the financial statements. Such allocation amounts were \$1,269,150 and \$1,041,424 for the years ended September 30, 2011 and 2010, respectively. This amount is included in unrestricted and temporarily restricted net assets and represents CJP's commitment to JVS for fiscal 2011 and 2010. Actual amounts received were \$906,750 and \$775,318 for the years ended September 30, 2011 and 2010, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 13 - Related Party Transactions (Continued)

During 2005, CJP agreed to loan JVS the funds needed to fund certain retirement plan obligations of approximately \$580,000. The loan is unsecured and to be repaid in equal installments over 20 years with no interest. JVS has reported this liability at its net present value of \$256,037 and \$266,266 for the years ended September 30, 2011 and 2010, respectively, including an imputed interest at a rate of 6% and such amount is reported on the statement of financial position as Due to CJP as follows:

Current portion of due to CJP	\$	10,860
Due to CJP, net of current portion		<u>245,177</u>
	\$	<u>256,037</u>

Future maturities of Due to CJP for the remainder of the loan term are as follows:

2012	\$	10,860
2013		11,530
2014		12,241
2015		12,996
2016		13,798
Thereafter		<u>194,612</u>
	\$	<u>256,037</u>

Interest recorded on this loan for the years ended September 30, 2011 and 2010 was approximately \$16,400 and \$17,000, respectively.

Included in other current assets at September 30, 2010 is \$63,972 of funds representing the remaining portion of payments due for the year on the CJP allocation receivable that have already been awarded to students for scholarships and loans. As such, these funds are considered an asset until they are collected.

The amount due also includes withdrawals due from the investment pool in accordance with the spending policy for scholarships JVS adopted during 2010 which amounts to \$21,310.

In August 2011, JVS leased an office from Fairlane Chapel, LLC as a tenant at will for \$600 per month. Fairlane Chapel, LLC employs one of JVS's Board Members. Total rent expense as of September 30, 2011 was \$1,200.

In September 2011, JVS entered into an agreement with Business Transformations, a consulting firm that employs one of JVS's Board Members. The firm was engaged to provide consulting and training related to the Facing the Employer Program and improve processes and outreach with employers around placement of JVS clients. The firm is providing these services at a discounted rate. The total contract is \$15,000. Total consultant expense under this agreement was \$5,000 as of September 30, 2011.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 14 - Concentrations of Credit Risk

JVS receives a significant amount of revenue from contracts with the Federal Government and the Commonwealth of Massachusetts.

JVS maintains its cash and cash equivalents at various financial institutions which, at times, may exceed federally insured limits.

Note 15 - Cash Flows Information

Cash paid for interest for the years ended September 30, 2011 and 2010 totaled approximately \$16,400 and \$17,000, respectively.

During 2011, JVS disposed of fully depreciated equipment with original gross costs totaling \$192,087.