

Financial Statements
Jewish Vocational Service, Inc.

September 30, 2010 and 2009



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

JEWISH VOCATIONAL SERVICE, INC.

Financial Statements

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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, 2010 and 2009, 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, 2010 and 2009 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 11, 2011
Cambridge, Massachusetts

JEWISH VOCATIONAL SERVICE, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2010</i>	<i>2009</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 677,511	\$ 741,523
Cash restricted for donor intent and programs	1,368,170	1,236,031
Allocations receivable from CJP	906,750	775,318
Federal, state and other program receivables, net	939,220	827,209
Current portion of pledges receivable	1,314,500	623,358
Prepaid expenses and other current assets	100,205	104,054
Investments	<u>1,164,964</u>	<u>1,069,742</u>
Total current assets	<u>6,471,320</u>	<u>5,377,235</u>
Long-term assets:		
Furniture and equipment, net	32,331	47,097
Pledges receivable, long-term	142,639	174,430
Notes receivable, net	26,276	25,989
Other assets	<u>175,296</u>	<u>131,947</u>
Total long-term assets	<u>376,542</u>	<u>379,463</u>
Total assets	<u>\$ 6,847,862</u>	<u>\$ 5,756,698</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 89,741	\$ 45,756
Accrued expenses	349,521	370,802
Unearned tuition	99,234	70,062
Other liabilities	238,152	237,742
Current portion of due to CJP	<u>10,229</u>	<u>9,635</u>
Total current liabilities	<u>786,877</u>	<u>733,997</u>
Due to CJP, net of current portion	<u>256,037</u>	<u>266,266</u>
Total liabilities	<u>1,042,914</u>	<u>1,000,263</u>
Net assets:		
Unrestricted	1,714,974	1,682,347
Temporarily restricted	4,073,440	3,057,554
Permanently restricted	<u>16,534</u>	<u>16,534</u>
Total net assets	<u>5,804,948</u>	<u>4,756,435</u>
Total liabilities and net assets	<u>\$ 6,847,862</u>	<u>\$ 5,756,698</u>

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Activities and Changes in Net Assets

	<i>Year Ended September 30, 2010</i>				<i>2009</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
Revenue, gains and other support:					
Allocations from CJP	\$ 105,174	\$ 936,250	\$ -	\$ 1,041,424	\$ 889,438
Government contracts	3,837,188	-	-	3,837,188	3,901,202
Contributions/grants	691,475	2,350,995	-	3,042,470	2,717,653
Program revenue	903,997	-	-	903,997	841,955
Net investment income	57,973	47,550	-	105,523	81,900
Other revenue	5,234	-	-	5,234	16,978
Total revenue, gains and other support	5,601,041	3,334,795	-	8,935,836	8,449,126
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)	-	-	-
Total net assets released from restrictions	2,318,909	(2,318,909)	-	-	-
Total revenue, gains, other support, and releases of restriction	7,919,950	1,015,886	-	8,935,836	8,449,126
Expenses:					
Program services	6,368,451	-	-	6,368,451	6,004,218
Administration	1,179,949	-	-	1,179,949	1,175,134
Fundraising	338,923	-	-	338,923	322,416
Total expenses	7,887,323	-	-	7,887,323	7,501,768
Change in net assets	32,627	1,015,886	-	1,048,513	947,358
Net assets, beginning	1,682,347	3,057,554	16,534	4,756,435	3,809,077
Net assets, ending	\$ 1,714,974	\$ 4,073,440	\$ 16,534	\$ 5,804,948	\$ 4,756,435

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2009

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenue, gains and other support:				
Allocations from CJP	\$ -	\$ 889,438	\$ -	\$ 889,438
Government contracts	3,901,202	-	-	3,901,202
Contributions/grants	854,324	1,863,329	-	2,717,653
Program revenue	841,955	-	-	841,955
Net investment income	49,951	31,949	-	81,900
Other revenue	16,978	-	-	16,978
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	5,664,410	2,784,716	-	8,449,126
 Net assets released from restrictions:				
Release of restrictions time and purpose	1,233,827	(1,233,827)	-	-
Release of time restrictions on CJP allocation	972,817	(972,817)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets released from restrictions	2,206,644	(2,206,644)	-	-
 Total revenue, gains, other support, and releases of restriction				
	<hr/>	<hr/>	<hr/>	<hr/>
	7,871,054	578,072	-	8,449,126
 Expenses:				
Program services	6,004,218	-	-	6,004,218
Administration	1,175,134	-	-	1,175,134
Fundraising	322,416	-	-	322,416
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	7,501,768	-	-	7,501,768
 Change in net assets	 369,286	 578,072	 -	 947,358
 Net assets, beginning	 <hr/>	 <hr/>	 <hr/>	 <hr/>
	1,313,061	2,479,482	16,534	3,809,077
 Net assets, ending	 <hr/>	 <hr/>	 <hr/>	 <hr/>
	\$ 1,682,347	\$ 3,057,554	\$ 16,534	\$ 4,756,435

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Functional Expenses

Years Ended September 30,

	2010				2009			
	<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	\$ 3,929,158	\$ 718,008	\$ 187,029	\$ 4,834,195	\$ 3,753,774	\$ 718,181	\$ 177,147	\$ 4,649,102
Payroll taxes and fringe benefits	898,350	178,223	45,733	1,122,306	823,591	157,987	41,970	1,023,548
Total personnel	4,827,508	896,231	232,762	5,956,501	4,577,365	876,168	219,117	5,672,650
Occupancy	711,551	51,499	9,669	772,719	745,609	52,763	9,060	807,432
Operational:								
Professional fees and subcontractors	267,555	86,360	32,305	386,220	232,667	105,399	13,453	351,519
Equipment	130,810	44,105	4,647	179,562	117,190	33,176	7,124	157,490
Client expenses	145,750	-	-	145,750	56,701	-	-	56,701
Miscellaneous/other	50,491	25,848	17,190	93,529	39,224	28,337	15,860	83,421
Supplies	83,745	2,601	1,432	87,778	81,279	4,009	2,327	87,615
Communication	48,542	9,585	3,629	61,756	55,645	11,008	4,633	71,286
Meetings and staff development	30,688	20,221	306	51,215	18,895	19,751	100	38,746
Fundraising	-	-	34,974	34,974	-	-	48,336	48,336
Insurance	-	33,995	-	33,995	-	33,723	-	33,723
Depreciation	20,310	3,702	753	24,765	24,769	4,651	979	30,399
Scholarship	20,458	-	-	20,458	19,525	-	-	19,525
Interest	17,017	-	-	17,017	17,589	17	-	17,606
Advertising and publicity	12,288	75	175	12,538	14,433	199	309	14,941
Bank fees	1,738	5,727	1,081	8,546	3,327	5,971	1,118	10,416
Bad debts	-	-	-	-	-	(38)	-	(38)
Total operational	829,392	232,219	96,492	1,158,103	681,244	246,203	94,239	1,021,686
Total expenses	\$ 6,368,451	\$ 1,179,949	\$ 338,923	\$ 7,887,323	\$ 6,004,218	\$ 1,175,134	\$ 322,416	\$ 7,501,768

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Cash Flows

*Years Ended September 30,
2010 2009*

Cash flows from operating activities:

Change in net assets	\$ 1,048,513	\$ 947,358
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,766	30,399
Realized gain on sale of investments	(15,719)	(14,867)
Unrealized gain on investments	(82,089)	(45,009)
Change in:		
Cash restricted for donor intent and programs	(132,139)	(614,470)
Allocations receivable from CJP	(131,432)	152,882
Pledges receivable	(656,142)	(373,599)
Present value discount on pledges receivable	(3,209)	(464)
Federal, state and other program receivables, net	(112,011)	279,403
Prepaid expenses and other current assets	3,849	(79,525)
Notes receivable	(287)	(1,077)
Other assets	(43,349)	(29,331)
Accounts payable	43,985	(8,535)
Accrued expenses	(21,281)	(33,042)
Unearned tuition	29,172	(46,494)
Other liabilities	410	23,292
Total adjustments	<u>(1,095,476)</u>	<u>(760,437)</u>
Net cash provided by (used in) operating activities	<u>(46,963)</u>	<u>186,921</u>
Cash flows from investing activities:		
Purchase of equipment	(10,000)	(27,177)
Net sales of investments	2,586	21,912
Net cash used in investing activities	<u>(7,414)</u>	<u>(5,265)</u>
Cash flows from financing activities:		
Loan payments to CJP	(9,635)	(9,075)
Net cash used in financing activities	<u>(9,635)</u>	<u>(9,075)</u>
Net increase (decrease) in cash and cash equivalents	(64,012)	172,581
Cash and cash equivalents, beginning	741,523	568,942
Cash and cash equivalents, ending	\$ <u>677,511</u>	\$ <u>741,523</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, 2010 was \$20,516.

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, 2010 and 2009, the allowance was \$37,500.

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 required types of financial instruments in accordance with the 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 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.

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 change 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 Values of Financial Instruments.

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

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

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

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 \$30,000 at September 30, 2010 and 2009. Unbilled accounts receivable were approximately \$580,862 and \$684,695 at September 30, 2010 and 2009, respectively.

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, 2010 and 2009 totaled \$12,538 and \$14,941, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

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

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 a 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 11, 2011, the date the Budget and Finance Committee approved and authorized the financial statements to be issued.

Note 2 - Investments

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

	<i>2010</i>	<i>2009</i>
Domestic equity	\$ 117,661	\$ 163,672
International equity	115,331	83,439
Emerging markets	68,734	59,906
Private equity/venture capital	24,464	105,904
Absolute return/hedged equity	556,853	422,548
Real assets	82,712	35,301
Fixed income	37,279	74,882
Cash and cash equivalents	161,930	124,090
	<u>\$ 1,164,964</u>	<u>\$ 1,069,742</u>

Subsequent to September 30, 2010, JVS invested an additional \$125,000 into its co-investment with CJP.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 2 - Investments (Continued)

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

	<i>2010</i>	<i>2009</i>
Net realized gains	\$ 15,719	\$ 14,867
Net unrealized gains	82,089	45,009
Interest and dividends	<u>7,715</u>	<u>22,024</u>
Net investment income	<u>\$ 105,523</u>	<u>\$ 81,900</u>

Note 3 - Fair Values of Financial Instruments

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>

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, 2009:

	<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>1,069,742</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,069,742</u>
	<u>\$ 1,069,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,069,742</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 3 - Fair Values of Financial Instruments (Continued)

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

	<i>2010</i>	<i>2009</i>
Balance, beginning of year	\$ 1,069,742	\$ 1,031,778
Interest and dividends	1,739	3,084
Realized gains	15,719	14,867
Unrealized gains	82,089	45,009
Withdrawals	-	(21,319)
Expenses	(4,325)	(3,677)
Balance, end of year	\$ <u>1,164,964</u>	\$ <u>1,069,742</u>

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.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 3 - Fair Values of Financial Instruments (Continued)

The following methods and assumptions were used by JVS in estimating the fair value of its financial instruments:

Allocations receivable from CJP	Carrying amount approximates fair value
Accounts receivable, net	Carrying amount approximates fair value
Pledges receivable	Carrying amount approximates fair value
Notes receivable, net	Carrying amount approximates fair value
Accounts payable	Carrying amount approximates fair value
Amounts due to CJP	Carrying amount approximates fair value

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>2010</i>	<i>2009</i>
Less than one year	\$ 1,314,500	\$ 623,358
One to five years	160,000	195,000
	1,474,500	818,358
Less: present value discount	(9,862)	(13,071)
Less: allowance for doubtful pledges	(7,499)	(7,499)
Pledges receivable, net	\$ 1,457,139	\$ 797,788
Current portion of pledges receivable	\$ 1,314,500	\$ 623,358
Pledges receivable, long-term	142,639	174,430
Pledges receivable, net	\$ 1,457,139	\$ 797,788

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 5 - Furniture and Equipment

Furniture and equipment consist of the following at September 30:

	<i>2010</i>	<i>2009</i>
Furniture and equipment	\$ 726,900	\$ 726,900
Leasehold improvements	15,600	5,600
Computer equipment	72,745	72,745
Other equipment	213,968	213,968
	<u>1,029,213</u>	<u>1,019,213</u>
Less: accumulated depreciation	996,882	972,116
Furniture and equipment, net	<u>\$ 32,331</u>	<u>\$ 47,097</u>

Depreciation expense for the years ended September 30, 2010 and 2009 was \$24,766 and \$30,399, respectively.

Note 6 - Notes Receivable

During 2007, JVS became the custodian of certain loan funds from CJP. These loans are interest free and are deferred until students graduate. The value of the loans are included in notes receivable, net of a reserve of \$5,078 at September 30, 2010 and 2009.

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, 2010 and 2009 was 3.25%. The note is collateralized by all business assets of JVS. There were no outstanding balances at September 30, 2010 and 2009.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

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 \$701,000 and \$731,000 for the years ended September 30, 2010 and 2009, respectively.

Future minimum lease payments under the leases are as follows:

2011	\$	663,000
2012		663,000
2013		663,000
2014		663,000
2015		<u>332,000</u>
	\$	<u><u>2,984,000</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 year 2010, the retailer paid JVS \$35,000 for the use of the space.

Included in other liabilities at September 30, 2010 and 2009 is \$51,012 and \$34,008, respectively, 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, 2010 and 2009 was \$3,042,470 and \$2,717,653 of which \$2,350,995 and \$1,863,329 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, 2010 and 2009 totaled \$338,923 and \$322,416, 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>2010</i>	<i>2009</i>
Accumulated unspent gains:		
Scholarships	\$ 9,224	\$ 7,119
Other temporarily restricted net assets:		
Restricted by time	1,228,640	503,350
Restricted by purpose:		
Scholarships	560,656	535,736
CJP allocation	906,750	775,318
Specific programs	1,368,170	1,236,031
	\$ 4,073,440	\$ 3,057,554

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, 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	(2,061)	-	(2,061)
Investments, end of year	\$ 555,158	\$ 16,534	\$ 571,692

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.

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, 2009:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Investments, beginning of year	\$ 501,833	\$ 16,534	\$ 518,367
Investment activity:			
Withdrawals	(20,819)	-	(20,819)
Interest and dividends	1,499	-	1,499
Realized gains	7,219	-	7,219
Unrealized gains	21,836	-	21,836
Expenses	(1,788)	-	(1,788)
Investments, end of year	\$ <u>509,780</u>	\$ <u>16,534</u>	\$ <u>526,314</u>

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 2010 is equal to 4% of the investment market value at September 30, 2009.

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, 2010 and 2009.

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. Cash contributions made to this plan during the years ended September 30, 2010 and 2009 were \$28,048 each year.

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, 2010 and 2009.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

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 \$1,041,424 and \$889,438 for the years ended September 30, 2010 and 2009, respectively. This amount is included in unrestricted and temporarily restricted net assets and represents CJP's commitment to JVS for fiscal 2010 and 2009. Actual amounts received were \$775,318 and \$928,000 for the years ended September 30, 2010 and 2009, respectively.

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 \$266,266 and \$275,901 for the years ended September 30, 2010 and 2009, 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	\$	10,229
Due to CJP, net of current portion		<u>256,037</u>
	\$	<u><u>266,266</u></u>

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

2011	\$	10,229
2012		10,860
2013		11,530
2014		12,241
2015		12,996
Thereafter		<u>208,410</u>
	\$	<u><u>266,266</u></u>

Interest recorded on this loan for the years ended September 30, 2010 and 2009 was approximately \$17,000 and \$17,600, 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 JVS adopted during 2010 which amounts to \$21,310.

Included in other liabilities at September 30, 2009 was \$55,262 due to CJP. These funds represented the remaining portion of payments received during the year on the CJP allocation receivable that had not yet been awarded to students for scholarships and loans. As such, these funds were considered a liability until they were awarded and disbursed.

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, 2010 and 2009 totaled approximately \$17,000 and \$17,600, respectively.