

Financial Statements
Jewish Vocational Service, Inc.
September 30, 2014 and 2013



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

JEWISH VOCATIONAL SERVICE, INC.

Financial Statements

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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 financial statements of Jewish Vocational Service, Inc. ("JVS"), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 auditors' 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 the entity'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 the entity'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 Service, Inc. as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffmann McCann P.C.

January 29, 2015
Boston, Massachusetts

JEWISH VOCATIONAL SERVICE, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2014</i>	<i>2013</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 622,794	\$ 676,951
Cash restricted for donor intent and programs	846,611	712,727
Allocations receivable from CJP	823,735	772,500
Federal, state and other program receivables, net	805,331	809,585
Current portion of pledges receivable, net	1,162,556	1,325,012
Prepaid expenses and other current assets	158,231	124,243
Investments	<u>1,547,320</u>	<u>1,500,972</u>
Total current assets	<u>5,966,578</u>	<u>5,921,990</u>
Long-term assets:		
Furniture and equipment, net	141,800	22,538
Pledges receivable, long-term, net	840,838	222,215
Notes receivable, net	46,701	46,852
Other assets	<u>395,534</u>	<u>316,417</u>
Total long-term assets	<u>1,424,873</u>	<u>608,022</u>
Total assets	<u>\$ 7,391,451</u>	<u>\$ 6,530,012</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 211,035	\$ 65,002
Accrued expenses	426,813	414,482
Unearned tuition	37,663	92,108
Other liabilities	302,639	387,757
Current portion of due to CJP	<u>12,898</u>	<u>12,241</u>
Total current liabilities	<u>991,048</u>	<u>971,590</u>
Due to CJP, net of current portion	<u>208,507</u>	<u>221,405</u>
Total liabilities	<u>1,199,555</u>	<u>1,192,995</u>
Net assets:		
Unrestricted	1,956,534	1,854,481
Temporarily restricted	4,218,828	3,466,002
Permanently restricted	<u>16,534</u>	<u>16,534</u>
Total net assets	<u>6,191,896</u>	<u>5,337,017</u>
Total liabilities and net assets	<u>\$ 7,391,451</u>	<u>\$ 6,530,012</u>

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Activities and Changes in Net Assets

Years Ended September 30,

	2014			2013	
	<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	\$ 427,406	\$ 771,500	\$ -	\$ 1,198,906	\$ 1,163,851
Federal and state contracts	3,940,981	-	-	3,940,981	3,195,084
Contributions/grants	1,175,974	3,000,526	-	4,176,500	3,447,939
Program revenue	1,194,886	-	-	1,194,886	979,363
In-kind revenue	52,674	-	-	52,674	-
Net investment income	59,206	40,334	-	99,540	170,881
Other revenue	5,160	105	-	5,265	4,738
	6,856,287	3,812,465	-	10,668,752	8,961,856
Total revenue, gains and other support					
Net assets released from restrictions:					
Release of restrictions time and purpose	2,287,139	(2,287,139)	-	-	-
Release of time restrictions on CJP allocation	772,500	(772,500)	-	-	-
	3,059,639	(3,059,639)	-	-	-
Total net assets released from restrictions					
	9,915,926	752,826	-	10,668,752	8,961,856
Total revenue, gains, other support, and releases of restriction					
Expenses:					
Program services	7,473,248	-	-	7,473,248	6,726,959
Administration	1,608,482	-	-	1,608,482	1,405,077
Fundraising	732,143	-	-	732,143	643,773
	9,813,873	-	-	9,813,873	8,775,809
Total expenses					
Change in net assets	102,053	752,826	-	854,879	186,047
Net assets, beginning	1,854,481	3,466,002	16,534	5,337,017	5,150,970
Net assets, ending	\$ 1,956,534	\$ 4,218,828	\$ 16,534	\$ 6,191,896	\$ 5,337,017

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2013

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenue, gains and other support:				
Allocations from CJP	\$ 356,351	\$ 807,500	\$ -	\$ 1,163,851
Federal and state contracts	3,195,084	-	-	3,195,084
Contributions/grants	1,274,858	2,173,081	-	3,447,939
Program revenue	979,363	-	-	979,363
Net investment income	100,512	70,369	-	170,881
Other revenue	4,587	151	-	4,738
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	5,910,755	3,051,101	-	8,961,856
Net assets released from restrictions:				
Release of restrictions time and purpose	2,140,174	(2,140,174)	-	-
Release of time restrictions on CJP allocation	832,239	(832,239)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets released from restrictions	2,972,413	(2,972,413)	-	-
Total revenue, gains, other support, and releases of restriction	8,883,168	78,688	-	8,961,856
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Program services	6,726,959	-	-	6,726,959
Administration	1,405,077	-	-	1,405,077
Fundraising	643,773	-	-	643,773
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	8,775,809	-	-	8,775,809
Change in net assets	107,359	78,688	-	186,047
Net assets, beginning	1,747,122	3,387,314	16,534	5,150,970
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, ending	\$ 1,854,481	\$ 3,466,002	\$ 16,534	\$ 5,337,017
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See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Functional Expenses

	Years Ended September 30,							
	2014				2013			
	<i>Program</i>				<i>Program</i>			
Expenses:	<i>Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>	<i>Services</i>	<i>Administration</i>	<i>Fundraising</i>	<i>Total</i>
Personnel:								
Salaries and wages	\$ 4,746,944	\$ 860,287	\$ 321,741	\$ 5,928,972	\$ 4,348,439	\$ 863,273	\$ 264,111	\$ 5,475,823
Payroll taxes and fringe benefits	1,060,912	304,496	60,278	1,425,686	998,052	226,949	63,382	1,288,383
Total personnel	<u>5,807,856</u>	<u>1,164,783</u>	<u>382,019</u>	<u>7,354,658</u>	<u>5,346,491</u>	<u>1,090,222</u>	<u>327,493</u>	<u>6,764,206</u>
Occupancy	<u>652,276</u>	<u>60,344</u>	<u>17,625</u>	<u>730,245</u>	<u>594,544</u>	<u>61,009</u>	<u>18,988</u>	<u>674,541</u>
Operational:								
Professional fees and subcontractors	400,512	172,814	84,052	657,378	254,066	116,766	21,854	392,686
Equipment	158,820	92,960	18,619	270,399	162,825	38,392	21,040	222,257
Miscellaneous/other	52,160	20,654	33,272	106,086	48,543	14,850	94,189	157,582
Client expenses	103,083	-	-	103,083	96,417	-	-	96,417
Supplies	91,298	4,968	2,896	99,162	88,366	2,628	3,835	94,829
Scholarship	89,595	-	-	89,595	21,346	-	-	21,346
Fundraising	-	-	87,234	87,234	-	-	115,676	115,676
Meetings and staff development	37,743	23,905	6,231	67,879	32,772	23,200	10,774	66,746
Communication	41,804	13,100	6,651	61,555	48,193	13,791	6,419	68,403
In-kind expense	-	-	52,674	52,674	-	-	-	-
Insurance	-	32,412	502	32,914	-	34,596	-	34,596
Bank fees	1,133	19,250	2,901	23,284	1,719	6,490	3,033	11,242
Bad debts	-	-	36,717	36,717	-	-	20,000	20,000
Advertising and publicity	14,766	1,982	705	17,453	11,616	295	420	12,331
Interest	14,411	-	-	14,411	15,122	-	-	15,122
Depreciation	7,791	1,310	45	9,146	4,939	2,838	52	7,829
Total operational	<u>1,013,116</u>	<u>383,355</u>	<u>332,499</u>	<u>1,728,970</u>	<u>785,924</u>	<u>253,846</u>	<u>297,292</u>	<u>1,337,062</u>
Total expenses	<u>\$ 7,473,248</u>	<u>\$ 1,608,482</u>	<u>\$ 732,143</u>	<u>\$ 9,813,873</u>	<u>\$ 6,726,959</u>	<u>\$ 1,405,077</u>	<u>\$ 643,773</u>	<u>\$ 8,775,809</u>

See accompanying notes to the financial statements.

JEWISH VOCATIONAL SERVICE, INC.

Statements of Cash Flows

Years Ended September 30,
2014 **2013**

Cash flows from operating activities:

Change in net assets	\$ <u>854,879</u>	\$ <u>186,047</u>
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Adjustments to reconcile change in net assets to
net cash provided by (used in) operating activities:

Depreciation	9,146	7,829
Bad debt expense	36,717	20,000
Realized gain on sale of investments	(67,188)	(44,081)
Unrealized gain on investments	(27,900)	(121,988)
Change in:		
Cash restricted for donor intent and programs	(133,884)	593,339
Allocations receivable from CJP	(51,235)	125,171
Pledges receivable	(483,803)	(948,712)
Present value discount on pledges receivable	27,636	8,913
Federal, state and other program receivables, net	(32,463)	167,430
Prepaid expenses and other current assets	(33,988)	(4,789)
Notes receivable	151	(7,384)
Other assets	(79,117)	(75,998)
Accounts payable	146,033	(19,996)
Accrued expenses	12,331	41,559
Unearned tuition	(54,445)	(53,172)
Other liabilities	<u>(85,118)</u>	<u>121,069</u>

Total adjustments	<u>(817,127)</u>	<u>(190,810)</u>
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Net cash provided by (used in) operating activities	<u>37,752</u>	<u>(4,763)</u>
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Cash flows from investing activities:

Purchase of equipment	(128,408)	(21,670)
Proceeds from withdrawal of investments	49,988	25,670
(Purchase) sale of investments	<u>(1,248)</u>	<u>1,923</u>

Net cash provided by (used in) investing activities	<u>(79,668)</u>	<u>5,923</u>
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Cash flows from financing activities:

Loan payments to CJP	<u>(12,241)</u>	<u>(11,531)</u>
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Net decrease in cash and cash equivalents	(54,157)	(10,371)
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Cash and cash equivalents, beginning	<u>676,951</u>	<u>687,322</u>
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Cash and cash equivalents, ending	\$ <u><u>622,794</u></u>	\$ <u><u>676,951</u></u>
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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”. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant management estimates included in the financial statements relate to allowance for doubtful accounts on program, pledges and notes receivables, present value discount on long-term pledges receivable, fair value of certain investments, useful lives of depreciable assets, accrued expenses related to health reimbursement costs, allocation of costs charged to federal and state programs and the present value of amounts due to CJP.

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.

JVS has 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 bank's outstanding loans. The balance of the funds in the loan loss reserve as of September 30, 2014 and 2013 was \$35,763 and \$35,727, respectively, and was included in notes receivable, net on the statement of financial position..

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, 2014 and 2013, the allowance was approximately \$29,200 for both years.

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 on a recurring or non-recurring basis depending on the underlying policy for the particular item, 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. Recurring fair value measurements include JVS's investments. Non-recurring measurements include pledges receivable. 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 greater than 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 Values of Financial Instruments.

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. Fair value of any donated land, buildings and equipment would effectively be recorded using a Level 3 market approach. Furniture and equipment greater than \$5,000 are capitalized 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. No salvage values are assumed in the computation of depreciation. A summary of depreciable lives follows:

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

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.

Unconditional promises to give are recorded at fair value when initially pledged and are considered a Level 2 fair value approach. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. While the risk adjusted rate is theoretically specific to each balance, management has determined that an overall average discount rate of 3.5% as of September 30, 2014 and 2013 reasonably accounts for this inherent risk. Amortization of the discount is included in contributions revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plans on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

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

Grant and Contract Revenue and Receivables

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 at both September 30, 2014 and 2013. Unbilled accounts receivable were \$9,239 and \$567,246 at September 30, 2014 and 2013, 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 expenses advertising costs as incurred. Advertising expense for the years ended September 30, 2014 and 2013 totaled \$17,453 and \$12,331, 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 and state 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 29, 2015, 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>2014</i>	<i>2013</i>
Domestic equity	\$ 119,144	\$ 165,107
International equity	258,402	238,655
Emerging markets	112,954	103,567
Private equity/venture capital	35,588	37,524
Absolute return/hedged equity	608,097	580,876
Real assets	72,724	72,047
Fixed income	38,683	48,031
Cash and cash equivalents	<u>301,728</u>	<u>255,165</u>
	<u>\$ 1,547,320</u>	<u>\$ 1,500,972</u>

Net income on investments is comprised of the following for the year ended September 30:

	<i>2014</i>	<i>2013</i>
Net realized gains	\$ 67,188	\$ 44,081
Net unrealized gains	27,900	121,988
Investment fees	(7,183)	(7,113)
Interest and dividends	<u>8,374</u>	<u>5,190</u>
Net investment income	<u>\$ 96,279</u>	<u>\$ 164,146</u>

JVS also recorded \$3,261 and \$6,735 in interest income related to cash and cash equivalents as of September 30, 2014 and 2013, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

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, 2014:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Domestic equity	\$ 119,144	\$ -	\$ -	\$ 119,144
International equity	258,402	-	-	258,402
Emerging markets	112,954	-	-	112,954
Private equity/venture capital	35,588	-	-	35,588
Absolute return/hedge equity	608,097	-	-	608,097
Real assets	72,724	-	-	72,724
Fixed income	38,683	-	-	38,683
Cash and cash equivalents	<u>301,728</u>	<u>-</u>	<u>-</u>	<u>301,728</u>
	<u>\$ 1,547,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,547,320</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.

The valuation of JVS's investments by the fair value hierarchy consisted of the following at September 30, 2013:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Domestic equity	\$ 165,107	\$ -	\$ -	\$ 165,107
International equity	238,655	-	-	238,655
Emerging markets	103,567	-	-	103,567
Private equity/venture capital	37,524	-	-	37,524
Absolute return/hedge equity	580,876	-	-	580,876
Real assets	72,047	-	-	72,047
Fixed income	48,031	-	-	48,031
Cash and cash equivalents	<u>255,165</u>	<u>-</u>	<u>-</u>	<u>255,165</u>
	<u>\$ 1,500,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,972</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 at September 30:

	<i>2014</i>	<i>2013</i>
Balance, beginning of year	\$ 1,500,972	\$ 1,361,484
Interest and dividends	8,374	5,190
Realized gains	67,188	44,081
Unrealized gains	27,900	121,988
Withdrawals	(49,931)	(24,658)
Expenses	(7,183)	(7,113)
	<u> </u>	<u> </u>
Balance, end of year	\$ <u>1,547,320</u>	\$ <u>1,500,972</u>

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>2014</i>	<i>2013</i>
Less than one year	\$ 1,182,556	\$ 1,325,012
One to five years	886,259	240,000
	<u> </u>	<u> </u>
	2,068,815	1,565,012
Less: present value discount	(45,421)	(17,785)
Less: allowance for doubtful pledges	(20,000)	-
	<u> </u>	<u> </u>
Pledges receivable, net	\$ <u>2,003,394</u>	\$ <u>1,547,227</u>
Current portion of pledges receivable	\$ 1,162,556	\$ 1,325,012
Pledges receivable, long-term	840,838	222,215
	<u> </u>	<u> </u>
Pledges receivable, net	\$ <u>2,003,394</u>	\$ <u>1,547,227</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 5 - Furniture and Equipment

Furniture and equipment consist of the following at September 30:

	<i>2014</i>	<i>2013</i>
Furniture and equipment	\$ 777,374	\$ 777,374
Leasehold improvements	144,008	15,600
Computer equipment	72,745	72,745
	994,127	865,719
Less: accumulated depreciation	852,327	843,181
Furniture and equipment, net	\$ 141,800	\$ 22,538

Depreciation expense for the years ended September 30, 2014 and 2013 was \$9,146 and \$7,829, respectively.

Note 6 - Notes Receivable

Notes receivable consist of the following at September 30:

	<i>2014</i>	<i>2013</i>
Boston Private Bank notes	\$ 1,927	\$ 4,140
Lebowich Fund notes	34,387	33,537
Zanditon notes	2,565	1,253
New Century Club notes	12,900	13,000
	51,779	51,930
Less: allowance for doubtful accounts	(5,078)	(5,078)
Notes receivables, net	\$ 46,701	\$ 46,852

The following is a summary of the general terms of the four 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 Fund notes	College Loans	\$200-\$1,600	Quarterly, up to 5 years (deferred until 1 year after graduation)
Zanditon notes	College Loans	\$300-\$700	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 credit availability of \$750,000. The line is renewed annually in January. Interest is computed at the institution's prime lending rate on the outstanding balance, which at September 30, 2014 and 2013 was 3.25%. The note is collateralized by all business assets of JVS. There were no outstanding balances at September 30, 2014 and 2013.

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 \$667,000 and \$617,700 for the years ended September 30, 2014 and 2013, respectively.

Future minimum lease payments under the leases are as follows:

2015	\$	331,560
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In July 2014, JVS executed an agreement to lease new office space beginning in 2015. The lease term is for ten years and contains an option to extend the lease for two additional five year terms. The lease requires approximate annual rental payments as follows which commence upon JVS occupying the space which is targeted for April 2015:

Year one	\$	1,678,000
Year two		1,425,000
Years three through five		1,660,000
Years six through seven		1,704,000
Years eight through ten		1,748,000

The lease includes a tenant improvement allowance to be paid by the landlord totaling \$2,839,785 and also contains a contingency that JVS will reimburse the landlord for any construction cost exceeding that amount over the course of the lease above and beyond their base rent noted above. The lease also contains a provision for JVS to sublet up to twenty-five percent of the space to the retail company noted above. During 2014, no tenant improvement allowance was paid.

The lease also required a prepayment of a security deposit of \$135,000 which is included in other assets as well as a prepayment of rent totaling \$100,000 which is included in prepaid expenses and other current assets on the statement of financial position as of September 30, 2014.

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 work with JVS to provide training and employment opportunities for JVS clients. The agreement included two three-year renewal options at the mutual agreement of both parties. During 2012, the second renewal option was exercised. JVS estimates the cost of the leased space to be approximately \$52,130 per year. During fiscal years 2014 and 2013, the retailer paid JVS \$35,000 for the use of the space.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 9 - Fundraising Revenue and Expenses

Fundraising revenue (excluding allocations from CJP) for the years ended September 30, 2014 and 2013 was \$4,176,500 and \$3,447,939 of which \$3,000,526 and \$2,173,081 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, 2014 and 2013 totaled \$715,426 and \$643,773, respectively.

Note 10 - Temporarily Restricted Net Assets

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

	<i>2014</i>	<i>2013</i>
Accumulated unspent gains:		
Scholarships	\$ 14,030	\$ 13,244
Other temporarily restricted net assets:		
Restricted by time	1,933,353	1,353,672
Restricted by purpose:		
Scholarships	653,334	613,859
CJP allocation	771,500	772,500
Specific programs	846,611	712,727
	<u>\$ 4,218,828</u>	<u>\$ 3,466,002</u>

Net assets were released from donor restrictions as JVS incurred expenses satisfying the restricted purposes or by the passage of time as follows for the years ended September 30:

	<i>2014</i>	<i>2013</i>
Payments on pledges and donations	\$ 2,284,851	\$ 2,118,828
Scholarships	2,288	21,346
CJP allocation	772,500	832,239
	<u>\$ 3,059,639</u>	<u>\$ 2,972,413</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 11 - Net Assets and Endowment Matters

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended September 30, 2014:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment and funds functioning as endowment, beginning of year	\$ 602,723	\$ 16,534	\$ 619,257
Investment activity:			
Interest and dividends	3,294	-	3,294
Realized gains	26,398	-	26,398
Unrealized gains	11,527	-	11,527
Withdrawals	(48,662)	-	(48,662)
Expenses	<u>(2,801)</u>	<u>-</u>	<u>(2,801)</u>
Endowment and funds functioning as endowment, end of year	\$ <u>592,479</u>	\$ <u>16,534</u>	\$ <u>609,013</u>

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended September 30, 2013:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment and funds functioning as endowment, beginning of year	\$ 559,523	\$ 16,534	\$ 576,057
Investment activity:			
Interest and dividends	2,130	-	2,130
Realized gains	18,097	-	18,097
Unrealized gains	49,840	-	49,840
Withdrawals	(24,031)	-	(24,031)
Expenses	<u>(2,836)</u>	<u>-</u>	<u>(2,836)</u>
Endowment and funds functioning as endowment, end of year	\$ <u>602,723</u>	\$ <u>16,534</u>	\$ <u>619,257</u>

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 11 - Net Assets and Endowment Matters (Continued)

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.

JVS has 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 2014 and 2013 is equal to 4% and 4.5%, respectively, based on a 16 quarter rolling average of the investment market value.

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 accounting principles generally accepted in the United States of America, 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, 2014 and 2013.

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.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 12 - Pension Plans

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, 2014 and 2013 were \$82,883 and \$25,877, respectively. Plan assets and liabilities totaled \$260,534 and \$276,324 during the years ended September 30, 2014 and 2013 and were included in other assets and other liabilities on the statement of financial position.

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, 2014 and 2013.

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 \$1,198,906 and \$1,163,851 for the years ended September 30, 2014 and 2013, respectively. This amount is included in unrestricted and temporarily restricted net assets and represents CJP's commitment to JVS for fiscal 2014 and 2013. Actual amounts received were \$772,500 and \$897,671 for the years ended September 30, 2014 and 2013, 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 \$221,405 and \$233,646 for the years ended September 30, 2014 and 2013, 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	\$	12,898
Due to CJP, net of current portion		<u>208,507</u>
	\$	<u>221,405</u>

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

2015	\$	12,898
2016		13,694
2017		14,539
2018		15,435
2019		16,387
Thereafter		148,452

Interest recorded on this loan for the years ended September 30, 2014 and 2013 was approximately \$14,400 and \$15,100, respectively.

JEWISH VOCATIONAL SERVICE, INC.

Notes to Financial Statements

Note 13 - Related Party Transactions (Continued)

The amount due also includes withdrawals due from the investment pool in accordance with the spending policy for scholarships which amounts to \$49,931 and \$24,658 for September 30, 2014 and 2013, respectively.

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. As of August 2012, JVS rented an additional cubicle at a cost of \$400 per month for ReServe program staff. Total rent expense was \$12,000 for both years ended September 30, 2014 and 2013. Fairlane Chapel, LLC also served as JVS's broker related to the negotiation of the lease for JVS's new office space (see Note 8). The commission paid to Fairlane Chapel was paid by the landlord of the building.

During 2014, JVS also received donated legal services from related party board members as it relates to the review of the new office lease as disclosed in Note 8. The value of the donated services was \$52,674 as of September 30, 2014.

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. JVS monitors its exposure and has not experienced any losses in such accounts.

Note 15 - Cash Flows Information

Cash paid for interest for the years ended September 30, 2014 and 2013 totaled approximately \$14,400 and \$15,100, respectively.