

JEWISH VOCATIONAL AND
CAREER COUNSELING SERVICE

JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Jewish Vocational and Career Counseling Service

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
JEWISH VOCATIONAL AND
CAREER COUNSELING SERVICE
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **JEWISH VOCATIONAL AND CAREER COUNSELING SERVICE (JVS)**, which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to JVS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JVS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Vocational and Career Counseling Service as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited JVS's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated December 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 15, 2020

Jewish Vocational and Career Counseling Service

Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 5,709,432	\$ 2,842,165
Accounts and contracts receivable, net	680,648	1,286,838
Contributions receivable, net	2,168,984	3,499,276
Investments	886,724	795,604
Prepaid expenses and other assets	321,686	239,104
Fixed assets, net	169,930	260,432
Total Assets	\$ 9,937,404	\$ 8,923,419
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 211,734	\$ 198,855
Accrued salaries and related expenses	907,638	899,063
Deferred revenue	244,678	-
Deferred rent	150,708	359,308
Notes payable	2,072,843	839,677
Total liabilities	3,587,601	2,296,903
Net Assets:		
Without donor restrictions	1,777,367	1,299,266
With donor restrictions	4,572,436	5,327,250
Total net assets	6,349,803	6,626,516
Total Liabilities and Net Assets	\$ 9,937,404	\$ 8,923,419

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Government contract support	\$ 4,204,146		\$ 4,204,146	\$ 4,494,191
Grants and other contributions	2,252,751	\$ 3,668,020	5,920,771	7,010,749
Special events			-	209,912
In-kind donations	1,696,843		1,696,843	2,597,572
Program service fees and client fees	433,298		433,298	575,688
Investment income, net	241	56,923	57,164	84,099
Net assets released from restrictions	4,479,757	(4,479,757)	-	-
Total revenue and support	13,067,036	(754,814)	12,312,222	14,972,211
Expenses:				
Program services	9,620,491		9,620,491	10,395,758
Supporting services	2,968,444		2,968,444	3,057,410
Total expenses	12,588,935	-	12,588,935	13,453,168
Change in Net Assets	478,101	(754,814)	(276,713)	1,519,043
Net Assets, beginning of year	1,299,266	5,327,250	6,626,516	5,107,473
Net Assets, end of year	\$ 1,777,367	\$ 4,572,436	\$ 6,349,803	\$ 6,626,516

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020								2019 Total
	Program Services				Supporting Services				
	Pathway Programs	Job Search Support	Job Readiness	Subtotal Program Services	Management and General	Fundraising	Subtotal Supporting Services	Total	
Salaries	\$ 2,038,974	\$ 424,639	\$ 1,485,710	\$ 3,949,323	\$ 1,070,778	\$ 657,541	\$ 1,728,319	\$ 5,677,642	\$ 5,866,612
Employee benefits	359,317	50,634	250,715	660,666	175,469	80,989	256,458	917,124	1,246,419
Payroll taxes	169,836	36,320	121,684	327,840	83,471	53,987	137,458	465,298	469,508
Total personnel costs	2,568,127	511,593	1,858,109	4,937,829	1,329,718	792,517	2,122,235	7,060,064	7,582,539
Rent	502,369	98,579	377,573	978,521	116,930	71,091	188,021	1,166,542	1,198,998
Professional and contract services	989,076	66,522	391,034	1,446,632	399,109	73,492	472,601	1,919,233	2,146,540
Office supplies and expenses	246,777	58,807	263,493	569,077	22,227	8,718	30,945	600,022	447,723
Meetings and travel	32,969	5,693	41,734	80,396	14,755	10,177	24,932	105,328	137,239
Marketing and outreach	4,392		2,372	6,764		32,090	32,090	38,854	33,533
Internships and stipends	721,855	584	443,264	1,165,703		1,500	1,500	1,167,203	1,420,007
Client resources	78,045	15,122	93,258	186,425			-	186,425	147,378
Dues and subscriptions	240	43	3,150	3,433	22,319	2,235	24,554	27,987	26,473
Telephone and utilities	16,814	2,816	18,584	38,214	5,538	2,831	8,369	46,583	48,898
Insurance	23,786	4,151	13,457	41,394	5,143	3,160	8,303	49,697	46,023
Maintenance and repairs	3,047	580	1,973	5,600	3,413	459	3,872	9,472	7,451
Staff recruitment and development	18,879	2,747	21,203	42,829	31,498	9,128	40,626	83,455	65,367
Miscellaneous	4,496	1,005	3,750	9,251	125	78	203	9,454	7,404
Depreciation	41,587	8,591	28,756	78,934	5,353	3,287	8,640	87,574	66,136
Bad debt (recovery) expense				-		(4,883)	(4,883)	(4,883)	33,025
Interest	15,827	3,266	10,396	29,489	3,982	2,454	6,436	35,925	38,434
Expenses as shown on the Statement of Activities and Changes in Net Assets	5,268,286	780,099	3,572,106	9,620,491	1,960,110	1,008,334	2,968,444	12,588,935	13,453,168
Other expenses: Fundraising costs								-	258,943
Total expenses	\$ 5,268,286	\$ 780,099	\$ 3,572,106	\$ 9,620,491	\$ 1,960,110	\$ 1,008,334	\$ 2,968,444	\$ 12,588,935	\$ 13,712,111

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Operating Activities:		
Change in net assets	\$ (276,713)	\$ 1,519,043
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	87,574	66,136
Permanently restricted contributions	(10,000)	(10,000)
Net realized and unrealized gains on investments	(40,844)	(70,970)
Allowance for doubtful accounts	28,750	(13,012)
Discount on long-term receivables	40,704	(2,577)
Loss on disposal of fixed assets	20,000	-
Changes in operating assets and liabilities:		
Accounts and contracts receivable	577,439	(198,019)
Contributions receivable	1,289,589	(1,289,175)
Prepaid expenses and other assets	(82,582)	1,169
Accounts payable and accrued expenses	12,879	(162,509)
Accrued salaries and related expenses	8,575	362,720
Deferred revenue	244,678	-
Deferred rent	(208,600)	(182,409)
Net cash provided by operating activities	1,691,449	20,397
Investing Activities:		
Purchases of investments	(50,276)	(57,056)
Purchases of fixed assets	(17,072)	(152,852)
Net cash used by investing activities	(67,348)	(209,908)
Financing Activities:		
Collections of permanently restricted contributions	10,000	10,000
Paycheck protection program loan proceeds	1,293,606	
Payments on note payable	(60,440)	(57,930)
Net cash provided (used) by financing activities	1,243,166	(47,930)
Change in Cash and Cash Equivalents	2,867,267	(237,441)
Cash and Cash Equivalents, beginning of year	2,842,165	3,079,606
Cash and Cash Equivalents, end of year	\$ 5,709,432	\$ 2,842,165
Supplemental Information:		
Interest paid	\$ 35,925	\$ 38,434

See accompanying notes to financial statements.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 1 - Organization and Summary of Significant Accounting Policies:

Jewish Vocational and Career Counseling Service (JVS) transforms lives by helping people build skills and find jobs to achieve self-sufficiency and economic mobility. JVS provides the hard skills, work readiness training, on-the-job training and placement support services to position its clients for career path jobs and brighter economic futures. JVS serves over 2,600 people annually in the San Francisco Bay Area and beyond across three strategies: Career Pathway Training Programs, Job Search Support and Job Readiness. JVS is an essential part of the Bay Area human service delivery network and is widely recognized as a leader in the field of workforce development known for innovation, effective programs, and successful partnerships.

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

Programs:

Career Pathway Training Programs (Pathway Programs)

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

Job Search Support

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

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Job Readiness (High School and Bridge Programs)

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

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

a. Accounting and Basis of Presentation

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

The portion of net assets whose use by JVS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of JVS. Net assets with donor restrictions also include a portion of net assets whose use has been restricted for investment in perpetuity. The income from these assets is available for either general operations or specific programs as specified by the donor.

b. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to JVS. Contributions that are restricted by the donor, and grants and contracts are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions, grants and contracts are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows when a material impact is noted and are discounted at an appropriate discount rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the JVS's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or incurring qualifying expenses. Amounts received are recognized as revenue when JVS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. Amounts due at June 30, 2020 are included in accounts and contracts receivable. Grants are expected to be fully collectible in the upcoming year. JVS was awarded cost reimbursable grants of approximately \$359,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

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

c. Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the Statements of Financial Position and Cash Flows, consist of amounts held with banks, highly liquid money market funds, and other investments with a maturity of three months or less.

d. Contributions, Accounts and Contracts Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. JVS uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

Accounts and contracts receivable of \$724,076 are expected to be collected during fiscal year 2021 and are recorded net of an allowance of \$43,428.

e. Investments

All debt and equity securities with readily determinable market values are carried at estimated fair value based on market prices. Unrealized gains and losses are included in the change in net assets. Gains and losses are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

f. Fair Value Measurements

JVS carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. JVS classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Fixed Assets

Fixed assets are recorded at cost. JVS capitalizes all expenditures for equipment in excess of \$5,000. Donated fixed assets are carried at the approximate fair value at the date of donation. Asset lives range from two to ten years. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter. Depreciation is computed using the straight-line method over the shorter of the useful lives or the lease term.

h. Donated Services and Software

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The amount of \$1,696,843 has been reflected in the financial statements for donated legal, consulting services, intern stipends, rent, outreach, supplies, and software. These donations have been reflected by their natural expense classification in the Statement of Functional Expenses.

In-kind donations are comprised primarily of services of \$799,766, internship stipends of \$572,399, supplies of \$203,370, rent of \$119,459, and outreach of \$1,849.

A number of unpaid volunteers have made significant contributions of their time to JVS. However, the value of these services are not reflected in these statements because the criteria for recognition have not been satisfied.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

i. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Shared and indirect costs have been allocated among the programs based on square footage occupied for shared expenses and based on total personnel costs for program management and administration costs.

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

k. Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include the sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with JVS's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

l. Tax Exempt Status

JVS is recognized by the Internal Revenue Service as an organization exempt from income taxes on related activities under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

JVS follows the guidance on accounting for uncertainty in income taxes according to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740. Management evaluated JVS's tax positions and concluded that JVS had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

m. Recent Accounting Pronouncements

Pronouncement Adopted:

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of July 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

Pronouncements Effective in the Future:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2019. JVS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02 - *Leases (Topic 842)*. Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations. JVS is currently evaluating the impact of this pronouncement on its financial statements.

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

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

n. Subsequent Events

The management of JVS has reviewed the changes in its net assets for the period of time from its fiscal year ended June 30, 2020 through December 15, 2020 the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events have occurred which would require disclosure.

Note 2 - Contributions Receivable:

Contributions receivable, net of discounts, are summarized as follows at June 30, 2020:

Unconditional promises expected to be collected in:

Less than one year	\$ 2,082,439
One to five years	91,000
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	2,173,439
Less: unamortized discount	(4,455)
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Total	\$ 2,168,984

JVS is in the fifth and final year of its growth campaign (the Campaign). The Campaign is a \$37.4 million initiative to raise private funds necessary to support the expansion of its Pathways programs and operating costs over the period covered by the five-year strategic plan.

At June 30, 2020, \$33,287,339 of cash collections or unconditional pledges had been raised from individuals and institutions. Of the amounts unconditionally raised by June 30, 2020, \$3,820,839 was restricted for future years or costs. Excluded from the total amount raised are conditional pledges made as of the year ended June 30, 2020. The total amount of funds raised and conditionally committed at June 30, 2020, is \$34,107,339 which include: 1) matching gifts of \$50,000 of which \$20,000 remains to be earned, 2) contributions of \$150,000, conditional upon the continuance of specific programs or the successful acceptance of interim reports 3) \$650,000 pledged through letters of intent.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 3 - Investments and Fair Value Measurements:

Investments:

Investments at June 30, 2020 consisted of the following:

Cash and cash equivalents	\$	30,973
Mutual funds:		
Fixed income		292,655
U.S. equity funds		563,096
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Total	\$	886,724

Investment income, net as of June 30, 2020 is comprised as follows:

Dividend and interest income	\$	16,079
Unrealized gain on investments		40,844
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Total investment income	\$	57,164

Fair Value Measurement:

Investments are classified as Level 1 in accordance with the fair value hierarchy.

Note 4 - Fixed Assets:

Fixed assets consist of the following at June 30, 2020:

Furniture and equipment	\$	457,115
Leasehold improvements		460,763
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		917,878
Less: accumulated depreciation		747,948
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	\$	169,930

Depreciation and amortization expense for the year ended June 30, 2020 was \$87,574.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 5 - Line of Credit:

JVS has a line of credit from Wells Fargo Bank with a credit limit of \$800,000. The line is secured by receivables and fixed assets. Interest is charged at the bank's prime rate with a floor of 5.00%. There was no amount outstanding at June 30, 2020. The line of credit will expire in April 2021.

Note 6 - Notes Payable:

Jewish Community Federation:

JVS was one of fourteen agencies that jointly contributed to a single defined benefit retirement plan (the Plan), a retirement plan administered by the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties (the JCF). On December 22, 2014, the participating agencies voted to terminate the Plan effective July 1, 2015. During 2016, JVS paid \$520,378 in cash towards its share of the unfunded liability and the remaining amount was converted to a note payable of \$1,055,946 held by the JCF. The note is unsecured and has an interest rate at 4.35% with monthly payments of principal and interest of \$8,030 due until maturity in January 31, 2031. The amount outstanding at June 30, 2020 was \$779,237.

Scheduled principal payments on the note payable are as follows:

Year ending	
June 30:	
2021	\$ 63,258
2022	66,105
2023	69,080
2024	72,123
2025	75,435
Thereafter	433,236
	<hr/>
	\$ 779,237

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Paycheck Protection Program:

JVS received loan proceeds in the amount of \$1,293,606 with a maturity date of April 27, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as JVS uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 %, with a deferral of payments for the first six months. JVS intends to use the proceeds for purposes consistent with the PPP. JVS believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, and it will complete the application process for forgiveness during fiscal year ending June 30, 2021.

Note 7 - Endowment:

JVS's endowments include donor-restricted endowment funds established to support JVS's long-term operations. Net assets associated with this endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of JVS has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JVS classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulated earnings on the endowment are held until those amounts are appropriated for expenditure by JVS in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, JVS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of JVS and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources JVS, (7) the investment policies of JVS.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires JVS to retain as a fund of perpetual duration. In accordance with U.S. GAAP, any deficiencies would be classified as net assets with donor restrictions. There were no such deficiencies as of June 30, 2020.

Return Objectives, Risk Parameters and Spending Policy

JVS has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to exceed the yield of relevant indexes while assuming a moderate level of investment risk. The Board elected not to apply a spending policy on the earnings on the endowed assets and accumulate earnings in order to grow the endowment fund.

Endowment funds by category consist of the following as of June 30, 2020:

	<u>Time and Purpose Restrictions</u>	<u>Perpetuity Restrictions</u>	<u>Total</u>
Donor endowment	\$ 346,531	\$ 608,445	\$ 954,976

Changes in endowment net assets for the fiscal year ended June 30, 2020 are as follows:

	<u>Time and Purpose Restrictions</u>	<u>Perpetuity Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 289,608	\$ 598,445	\$ 888,053
Investment return:			
Dividend and interest income	16,079		16,079
Net appreciation	40,844		40,844
Total investment return	56,923		56,923
Contributions		10,000	10,000
End of year	\$ 346,531	\$ 608,445	\$ 954,976

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

In October 2015, JVS's Board of Directors voted to appropriate \$120,269 from the endowment; and borrow \$272,609 from the endowment's corpus to retire JVS's liability in a previously held defined benefit retirement plan obligation, which was retired in 2015. The loan from the endowment is payable with interest charged at 1.66% compounded quarterly through 2024. During the year ended June 30, 2020, JVS repaid \$34,197 of principal, resulting in an outstanding balance of \$137,357. Quarterly payments and interest is transferred to the related investment account.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020:

Purpose restricted:	
Pathway Programs	\$ 900,021
Job Search Support	66,343
Job Readiness	150,000
Capital projects	53,380
CEO Innovation fund	125,170
	<hr/>
	1,294,914
Endowment earnings	346,531
Endowment corpus	608,445
Time restricted	2,322,546
	<hr/>
Total	\$ 4,572,436

Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2020 as follows:

Purpose restricted:	
Pathway Programs	\$ 928,816
Job Search Support	239,830
Job Readiness	540,626
Other	53,180
Time restricted	2,717,305
	<hr/>
Total	\$ 4,479,757

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 9 - Availability of Financial Assets and Liquidity:

The following table reflects JVS's financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, held by a trust, or assets held for others.

JVS's financial assets available within one year as of June 30, 2020 for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 5,709,432
Accounts and contracts receivable	680,648
Contributions receivable	2,168,984
Investments	886,724
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Total financial assets	9,445,788
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Less amounts not available to be used within one year:	
Net assets with donor restrictions:	
Time or purpose including long-term receivables	(3,617,460)
Endowment earnings and corpus	(954,976)
Add net assets with restrictions to be met in less than a year	3,526,460
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	1,045,976
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Financial assets available to meet general expenditures over the next twelve months	\$ 10,491,764
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JVS strives to maintain financial assets to meet 90 days of operating expenses (approximately \$3,250,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Certain financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the financial statements. JVS also maintains a line of credit to be used for operations as needed, see Note 5.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 10 - Commitments and Contingencies:

a. Operating Leases

JVS leases offices and office equipment under operating leases expiring through August 2022, some of which contain provisions for future rent increases, or periods in which rent payments are reduced. In accordance with U. S. GAAP, JVS recognizes rent expense on a straight-line basis over the lease term. Deferred rent is provided to reflect the differences between rent recorded in the financial statements and actual rent paid according to lease term. At June 30, 2020, deferred rent amounted to \$150,708.

Part of the office space is subleased under an operating lease expiring in February 2023.

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

Year Ended June 30,	Commitment <u>Payments</u>	Sublease <u>Payments</u>	Net <u>Payments</u>
2021	\$ 1,296,000	\$ 155,000	\$ 1,141,000
2022	1,320,000	120,000	1,200,000
2023	220,000	20,000	200,000
Total	\$ 2,836,000	\$ 295,000	\$ 2,541,000

For fiscal year ending June 30, 2020, rent paid under these operating leases was \$1,265,944 and sublease income received was \$157,728.

b. Contingencies

JVS's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. Management believes the ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, JVS has no provision for the possible disallowance of program costs on their financial statements.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 11 - Retirement Plans:

Jewish Vocational Services Transitional 403(b) Plan (the “Transitional Plan”), a defined contribution plan under IRC 403(b), was put into place effective January 1, 2008. The Transitional Plan allows employees hired before January 1, 2003, with the exception of two employees, with at least one hour of service and who are regularly scheduled to work 21 or more hours per week to contribute through payroll deductions. Under the Transitional Plan, JVS provides contributions of 1% to 12% based on age, years of service, and job title at the time the Transitional Plan was implemented. JVS’s contributions to the Transitional Plan totaled \$6,468 for the year ended June 30, 2020.

Jewish Vocational Services 403(b) Plan (the “Plan”), a defined contribution plan under IRC 403(b), was put into place effective January 1, 2008. With the exception of one employee, all employees who are eligible to participate in the Transitional Plan are not eligible to participate in the Plan. The Plan allows all employees who are regularly scheduled to work 21 or more hours per week to contribute through payroll deductions. Under the Plan, JVS provides a 3% contribution for all employees, plus a maximum matching contribution of 3% of the participant’s compensation. JVS’s contributions to the Plan totaled \$105,713 for the year ended June 30, 2020.

JVS provides postretirement health care benefits for a senior executive employee based on an agreement dated May 5, 2019. The executive and spouse are eligible for health care and dental benefits paid for by JVS; the benefits will terminate upon the expiration of the executive. The future health care and dental benefit obligation at June 30, 2020 was \$220,000 and discounted at a rate of 4% using the Internal Revenue Service mortality tables. The liability is recorded as a component of accrued salaries and related costs in the Statement of Financial Position

Note 12 - Concentration of Credit Risk:

JVS has defined its financial instruments which are potentially subject to credit risk. The financial instruments consist principally of cash and receivables. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Periodically, throughout the year, JVS maintained balances in various operation and money market accounts in excess of federally insured limits.

All receivables consist primarily of unsecured amounts due from individuals, corporations, foundations, and government agencies. The credit risk associated with receivables is substantially mitigated by the large number of entities comprising the receivable balance, and 22% of the receivables are due from government agencies.

JVS receives approximately 40% of its revenue (excluding in-kind donations) from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Jewish Vocational and Career Counseling Service

Notes to Financial Statement

Note 13 - Related Party Transactions:

Related party transactions included unconditional promises to give and outstanding pledges made by Board members for approximately \$136,000.

Note 14 - Pandemic and Market Volatility:

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

JVS closed its offices and classrooms beginning March 16, 2020 and transitioned to online training. While JVS was able to transition the vast majority of its training to remote service delivery, due to local restrictions and an abundance of caution, JVS suspended or postponed training programs that require hands on classroom training or in-person internships. A number of those programs that were suspended have since been resumed.

JVS management expects the majority of programs will run remotely through the length of the pandemic with modifications where necessary. JVS also received COVID-19-related emergency funding from several key funding partners as well as the general public. This funding allowed them to increase cash assistance to program participants, pivot public programming to immediate pandemic response efforts, and test new program delivery models geared towards remote-friendly occupations and small business economic development. JVS does not expect a material increase or decrease in expenses as a result of the pandemic in the near or long-term.

While JVS continues the majority of its programs, it is expecting a delay in related outcomes due to recession and persistently high unemployment. JVS does not expect to see a decline in funding through June 30, 2021. However, JVS is assessing potential funding declines in the year ending June 30, 2022 with the exhaustion of PPP funding and an expected reduction in pandemic-emergency fund contributions. The related market volatility and projected decreases in government budgets may result in reduced future funding to JVS, though as of this date, JVS has not been advised of any specific reductions in current commitments or of future funding opportunities. JVS management regularly reviews multi-year revenue forecasts and develops plans to replace or expand funding to offset at-risk revenue streams.