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**JEWISH VOCATIONAL SERVICE, INC.
AND AFFILIATE**

**COMBINING FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Contents
September 30, 2020

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Independent Auditor's Report

To the Board of Directors of
Jewish Vocational Service, Inc. and Affiliate:

Report on the Combining Financial Statements

We have audited the accompanying combining financial statements of Jewish Vocational Service, Inc. and Boston Center for Adult Education, Inc. (Affiliate) (Massachusetts corporations, not for profit) which comprise the combining statement of financial position as of September 30, 2020, and the related combining statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Combining Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the combining financial position of Jewish Vocational Service, Inc. and Affiliate as of September 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Boston, Massachusetts
April 16, 2021

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Combining Statement of Financial Position
September 30, 2020

| Assets | Jewish Vocational Service, Inc. | | | Boston Center for Adult Education, Inc. | | | Eliminations | Combined Total |
|--|---------------------------------|-------------------------|---------------|---|-------------------------|--------------|--------------|----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | |
| Current Assets: | | | | | | | | |
| Cash and cash equivalents | \$ 2,976,811 | \$ 4,101,920 | \$ 7,078,731 | \$ 103,118 | \$ - | \$ 103,118 | \$ - | \$ 7,181,849 |
| Cash - restricted | 58,317 | - | 58,317 | - | - | - | - | 58,317 |
| Allocations receivable from CJP | - | 1,144,527 | 1,144,527 | - | - | - | - | 1,144,527 |
| Federal and state contract receivables | 1,999,112 | - | 1,999,112 | - | - | - | - | 1,999,112 |
| Contracted services and program revenue receivables, net | 426,655 | - | 426,655 | 12,500 | - | 12,500 | (12,500) | 426,655 |
| Pledges receivable | - | 715,805 | 715,805 | - | - | - | - | 715,805 |
| Current portion of notes receivable | 10,224 | 8,423 | 18,647 | - | - | - | - | 18,647 |
| Prepaid expenses and other current assets | 136,582 | - | 136,582 | 16,845 | - | 16,845 | - | 153,427 |
| Total current assets | 5,607,701 | 5,970,675 | 11,578,376 | 132,463 | - | 132,463 | (12,500) | 11,698,339 |
| Investments | 1,160,643 | 619,435 | 1,780,078 | 2,923,871 | 176,792 | 3,100,663 | - | 4,880,741 |
| Notes Receivable, net | 27,733 | 33,694 | 61,427 | - | - | - | - | 61,427 |
| Investments - Restricted | 448,960 | - | 448,960 | - | - | - | - | 448,960 |
| Deposits | 135,000 | - | 135,000 | 1,900 | - | 1,900 | - | 136,900 |
| Property and Equipment, net | 1,431,063 | - | 1,431,063 | 6,068,373 | - | 6,068,373 | - | 7,499,436 |
| Total assets | \$ 8,811,100 | \$ 6,623,804 | \$ 15,434,904 | \$ 9,126,607 | \$ 176,792 | \$ 9,303,399 | \$ (12,500) | \$ 24,725,803 |
| Liabilities and Net Assets | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Accounts payable | \$ 143,081 | \$ - | \$ 143,081 | \$ 11,587 | \$ - | \$ 11,587 | \$ (12,500) | \$ 142,168 |
| Accrued expenses and other | 662,199 | - | 662,199 | 36,500 | - | 36,500 | - | 698,699 |
| Current portion of due to CJP | 20,966 | - | 20,966 | - | - | - | - | 20,966 |
| Current portion of deferred revenue | 419,141 | - | 419,141 | 340,252 | - | 340,252 | - | 759,393 |
| Current portion of deferred rent | 206,799 | - | 206,799 | - | - | - | - | 206,799 |
| Other liabilities | 40,275 | - | 40,275 | - | - | - | - | 40,275 |
| Total current liabilities | 1,492,461 | - | 1,492,461 | 388,339 | - | 388,339 | (12,500) | 1,868,300 |
| Long-term Liabilities: | | | | | | | | |
| Note payable | 1,956,909 | - | 1,956,909 | - | - | - | - | 1,956,909 |
| Due to CJP, net of current portion | 108,346 | - | 108,346 | - | - | - | - | 108,346 |
| Deferred revenue, net of current portion | 89,788 | - | 89,788 | - | - | - | - | 89,788 |
| Deferred rent, net of current portion | 810,630 | - | 810,630 | - | - | - | - | 810,630 |
| Deferred compensation | 448,960 | - | 448,960 | - | - | - | - | 448,960 |
| Total liabilities | 4,907,094 | - | 4,907,094 | 388,339 | - | 388,339 | (12,500) | 5,282,933 |
| Net Assets: | | | | | | | | |
| Without donor restrictions: | | | | | | | | |
| Operating | 2,472,943 | - | 2,472,943 | (109,769) | - | (109,769) | - | 2,363,174 |
| Board Designated | - | - | - | 2,779,664 | - | 2,779,664 | - | 2,779,664 |
| Property and equipment | 1,431,063 | - | 1,431,063 | 6,068,373 | - | 6,068,373 | - | 7,499,436 |
| Total without donor restrictions | 3,904,006 | - | 3,904,006 | 8,738,268 | - | 8,738,268 | - | 12,642,274 |
| With donor restrictions: | | | | | | | | |
| Total net assets | - | 6,623,804 | 6,623,804 | - | 176,792 | 176,792 | - | 6,800,596 |
| Total net assets | 3,904,006 | 6,623,804 | 10,527,810 | 8,738,268 | 176,792 | 8,915,060 | - | 19,442,870 |
| Total liabilities and net assets | \$ 8,811,100 | \$ 6,623,804 | \$ 15,434,904 | \$ 9,126,607 | \$ 176,792 | \$ 9,303,399 | \$ (12,500) | \$ 24,725,803 |

The accompanying notes are an integral part of these combining statements.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

 Combining Statement of Activities
 For the Year Ended September 30, 2020

| | Jewish Vocational Service, Inc. | | | Boston Center for Adult Education, Inc. | | | Combined Total |
|---|----------------------------------|-------------------------------|-------------------|---|-------------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | |
| Operating Revenue and Support: | | | | | | | |
| Federal and state contracts | \$ 7,551,891 | \$ - | \$ 7,551,891 | \$ - | \$ - | \$ - | \$ 7,551,891 |
| Grants and contributions | 1,620,795 | 2,425,217 | 4,046,012 | - | - | - | 4,046,012 |
| Contracted services and program revenue | 3,167,224 | - | 3,167,224 | - | - | - | 3,167,224 |
| Allocations from CJP | - | 1,037,100 | 1,037,100 | - | - | - | 1,037,100 |
| In-kind contributions | 141,027 | - | 141,027 | - | - | - | 141,027 |
| Other revenue | 67,590 | - | 67,590 | 5,751 | - | 5,751 | 73,341 |
| Net assets released from time restrictions | 1,801,425 | (1,801,425) | - | - | - | - | - |
| Net assets released from purpose restrictions | 2,102,297 | (2,102,297) | - | - | - | - | - |
| Total operating revenue and support | 16,452,249 | (441,405) | 16,010,844 | 5,751 | - | 5,751 | 16,016,595 |
| Operating Expenses: | | | | | | | |
| Program services | 12,546,541 | - | 12,546,541 | - | - | - | 12,546,541 |
| Administration | 2,823,606 | - | 2,823,606 | 100,225 | - | 100,225 | 2,923,831 |
| Development | 995,713 | - | 995,713 | - | - | - | 995,713 |
| Total operating expenses | 16,365,860 | - | 16,365,860 | 100,225 | - | 100,225 | 16,466,085 |
| Changes in net assets from operations | 86,389 | (441,405) | (355,016) | (94,474) | - | (94,474) | (449,490) |
| Non-Operating Revenues: | | | | | | | |
| Contribution income - acquisition | - | - | - | 8,688,535 | 176,792 | 8,865,327 | 8,865,327 |
| Capital grant | 650,000 | 375,000 | 1,025,000 | - | - | - | 1,025,000 |
| Investment return, net | 37,436 | 19,980 | 57,416 | 144,207 | - | 144,207 | 201,623 |
| Total non-operating revenues | 687,436 | 394,980 | 1,082,416 | 8,832,742 | 176,792 | 9,009,534 | 10,091,950 |
| Changes in net assets | \$ 773,825 | \$ (46,425) | \$ 727,400 | \$ 8,738,268 | \$ 176,792 | \$ 8,915,060 | \$ 9,642,460 |

The accompanying notes are an integral part of these combining statements.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Combining Statement of Changes in Net Assets
For the Year Ended September 30, 2020

| | Jewish Vocational Service, Inc. | | | Boston Center for Adult Education, Inc. | | | Combined Total |
|--|----------------------------------|-------------------------------|----------------------|---|-------------------------------|---------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | |
| Net Assets , September 30, 2019 | \$ 3,130,181 | \$ 6,670,229 | \$ 9,800,410 | \$ - | \$ - | \$ - | \$ 9,800,410 |
| Changes in net assets | 773,825 | (46,425) | 727,400 | 8,738,268 | 176,792 | 8,915,060 | 9,642,460 |
| Net Assets , September 30, 2020 | <u>\$ 3,904,006</u> | <u>\$ 6,623,804</u> | <u>\$ 10,527,810</u> | <u>\$ 8,738,268</u> | <u>\$ 176,792</u> | <u>\$ 8,915,060</u> | <u>\$ 19,442,870</u> |

The accompanying notes are an integral part of these combining statements.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

 Combining Statement of Cash Flows
 For the Year Ended September 30, 2020

| | Jewish Vocational Service, Inc. | Boston Center for Adult Education, Inc. | Eliminations | Combined Total |
|--|---------------------------------------|---|--------------|---------------------|
| Cash Flows from Operating Activities: | | | | |
| Changes in net assets | \$ 727,400 | \$ 8,915,060 | \$ - | \$ 9,642,460 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | | | |
| Depreciation | 306,681 | 46,191 | - | 352,872 |
| Bad debt | 7,600 | - | - | 7,600 |
| Contribution income - acquisition | - | (8,865,327) | - | (8,865,327) |
| Capital grant | (1,025,000) | - | - | (1,025,000) |
| Investment return, net | (57,416) | (144,207) | - | (201,623) |
| Changes in operating assets and liabilities: | | | | |
| Allocations receivable from CJP | 9,520 | - | - | 9,520 |
| Federal and state contract receivables | (536,419) | - | - | (536,419) |
| Contracted services and program revenue receivables, net | (6,164) | 3,732 | 12,500 | 10,068 |
| Pledges receivable | 39,000 | - | - | 39,000 |
| Prepaid expenses and other current assets | (24,937) | (12,718) | - | (37,655) |
| Accounts payable | (367,069) | (8,044) | (12,500) | (387,613) |
| Accrued expenses and other | 120,570 | (5,843) | - | 114,727 |
| Deferred revenue | (56,226) | (6,087) | - | (62,313) |
| Deferred rent | (162,879) | - | - | (162,879) |
| Other liabilities | (5,225) | - | - | (5,225) |
| Net cash used in operating activities | <u>(1,030,564)</u> | <u>(77,243)</u> | <u>-</u> | <u>(1,107,807)</u> |
| Cash Flows from Investing Activities: | | | | |
| Cash received via acquisition | - | 180,361 | - | 180,361 |
| Decrease in deposits | 600 | - | - | 600 |
| Acquisition of property and equipment | (814,602) | - | - | (814,602) |
| Decrease in notes receivable | 14,416 | - | - | 14,416 |
| Net cash provided by (used in) investing activities | <u>(799,586)</u> | <u>180,361</u> | <u>-</u> | <u>(619,225)</u> |
| Cash Flows from Financing Activities: | | | | |
| Proceeds from note payable | 1,956,909 | - | - | 1,956,909 |
| Capital grant | 1,025,000 | - | - | 1,025,000 |
| Due to CJP | (17,398) | - | - | (17,398) |
| Payments on capital lease obligation | (247,318) | - | - | (247,318) |
| Net cash provided by financing activities | <u>2,717,193</u> | <u>-</u> | <u>-</u> | <u>2,717,193</u> |
| Net Change in Cash, Cash Equivalents and Restricted Cash | 887,043 | 103,118 | - | 990,161 |
| Cash, Cash Equivalents and Restricted Cash: | | | | |
| Beginning of year | <u>6,250,005</u> | <u>-</u> | <u>-</u> | <u>6,250,005</u> |
| End of year | <u>\$ 7,137,048</u> | <u>\$ 103,118</u> | <u>\$ -</u> | <u>\$ 7,240,166</u> |
| Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combining Statement of Financial Position: | | | | |
| Cash and cash equivalents | \$ 7,078,731 | \$ 103,118 | \$ - | \$ 7,181,849 |
| Cash - restricted | 58,317 | - | - | 58,317 |
| Total cash, cash equivalents and restricted cash | <u>\$ 7,137,048</u> | <u>\$ 103,118</u> | <u>\$ -</u> | <u>\$ 7,240,166</u> |
| Supplemental Disclosure of Cash Transactions: | | | | |
| Cash paid for interest | <u>\$ 13,578</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,578</u> |

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Combining Statement of Functional Expenses
For the Year Ended September 30, 2020

| Jewish Vocational Service, Inc. | | | | | | | | | | | | | | | |
|-----------------------------------|-------------------|----------------------------|----------------------|--------------|-----------------------|-----------------------|------------------------|------------------------|------------------------------|---------------------|--------------|------------|---|-------------------|---------------|
| Program Services | | | | | | | | | | | | | Boston Center for Adult Education, Inc. | Combined Total | |
| Career Center Services | Career Pathway | English for Advancement | Business Services | Education | Refugee Employment | Bridges to College | Disability Services | Special Initiatives | Total Program Services | Adminis- tration | Development | Total | | | |
| Personnel: | | | | | | | | | | | | | | | |
| Salaries and wages | \$ 1,384,609 | \$ 1,122,922 | \$ 965,353 | \$ 896,123 | \$ 692,302 | \$ 1,179,337 | \$ 555,724 | \$ 569,049 | \$ 21,910 | \$ 7,387,329 | \$ 976,477 | \$ 626,110 | \$ 8,989,916 | \$ 111 | \$ 8,990,027 |
| Payroll taxes and fringe benefits | 341,431 | 277,503 | 235,597 | 223,072 | 162,327 | 288,874 | 124,554 | 138,826 | 5,462 | 1,797,646 | 282,872 | 162,594 | 2,243,112 | 3,769 | 2,246,881 |
| Total personnel | 1,726,040 | 1,400,425 | 1,200,950 | 1,119,195 | 854,629 | 1,468,211 | 680,278 | 707,875 | 27,372 | 9,184,975 | 1,259,349 | 788,704 | 11,233,028 | 3,880 | 11,236,908 |
| Occupancy | 482,000 | 333,140 | 104,061 | 47,290 | 322,467 | 207,343 | 220,874 | 55,923 | - | 1,773,098 | 174,603 | 51,845 | 1,999,546 | 14,645 | 2,014,191 |
| Operational: | | | | | | | | | | | | | | | |
| Professional fees | 10,310 | 148,728 | 99,572 | 65,149 | 9,865 | 24,856 | 31,262 | 1,051 | - | 390,793 | 1,066,126 | 53,314 | 1,510,233 | 13,796 | 1,524,029 |
| Scholarships | - | - | - | - | - | - | - | - | 353,566 | 353,566 | - | - | 353,566 | - | 353,566 |
| Depreciation | 44,929 | 44,560 | 49,161 | 31,158 | 22,173 | 41,985 | 19,352 | 18,861 | - | 272,179 | 17,573 | 16,929 | 306,681 | 46,191 | 352,872 |
| Client costs | 140,792 | 27,706 | 135 | - | 83 | 62,004 | 6,585 | 2,596 | - | 239,901 | 8,755 | - | 248,656 | - | 248,656 |
| Equipment | 30,041 | 19,387 | 12,512 | 26,430 | 13,316 | 17,969 | 13,174 | 4,377 | 150 | 137,356 | 79,974 | 21,538 | 238,868 | 8,398 | 247,266 |
| Meetings and staff development | 3,749 | 805 | 613 | 7,366 | 282 | 837 | 152 | 1,783 | 476 | 16,063 | 82,265 | 1,611 | 99,939 | - | 99,939 |
| Miscellaneous | 3,072 | 930 | 2,461 | 3,713 | 1,272 | 456 | 2,603 | 803 | - | 15,310 | 50,205 | 12,725 | 78,240 | 321 | 78,561 |
| Supplies | 11,098 | 2,862 | 2,529 | 11,383 | 11,283 | 2,487 | 6,507 | 693 | 21 | 48,863 | 23,257 | 5,316 | 77,436 | - | 77,436 |
| Communication | 7,314 | 7,814 | 8,675 | 12,069 | 5,672 | 6,077 | 2,750 | 2,680 | - | 53,051 | 8,209 | 2,408 | 63,668 | 2,523 | 66,191 |
| Insurance | 4,449 | 4,412 | 4,868 | 3,085 | 2,195 | 4,158 | 1,916 | 1,867 | - | 26,950 | 22,213 | 1,676 | 50,839 | 10,471 | 61,310 |
| Events | - | - | - | - | - | - | - | - | - | - | - | 33,550 | 33,550 | - | 33,550 |
| Advertising and publicity | 845 | 745 | 8,534 | 6,844 | 2,642 | 1,659 | 57 | 672 | - | 21,998 | 7,019 | 4,385 | 33,402 | - | 33,402 |
| Bank fees | 1,009 | 3,758 | - | 71 | - | - | - | - | - | 4,838 | 10,480 | 1,712 | 17,030 | - | 17,030 |
| Interest | - | - | - | - | - | - | - | - | - | - | 13,578 | - | 13,578 | - | 13,578 |
| Bad debts | - | - | - | 7,600 | - | - | - | - | - | 7,600 | - | - | 7,600 | - | 7,600 |
| Total operational | 257,608 | 261,707 | 189,060 | 174,868 | 68,783 | 162,488 | 84,358 | 35,383 | 354,213 | 1,588,468 | 1,389,654 | 155,164 | 3,133,286 | 81,700 | 3,214,986 |
| Total expenses | \$ 2,465,648 | \$ 1,995,272 | \$ 1,494,071 | \$ 1,341,353 | \$ 1,245,879 | \$ 1,838,042 | \$ 985,510 | \$ 799,181 | \$ 381,585 | \$ 12,546,541 | \$ 2,823,606 | \$ 995,713 | \$ 16,365,860 | \$ 100,225 | \$ 16,466,085 |

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

1. OPERATIONS AND NONPROFIT STATUS

Jewish Vocational Service, Inc. (JVS) is a Massachusetts nonprofit organization and a beneficiary agency of the Combined Jewish Philanthropies of Greater Boston, Inc. (CJP). Established in 1938, JVS provides extensive educational, skills training, financial coaching, career counseling, and job placement services to refugees and immigrants, individuals with disabilities, entry-level workers, low-income individuals, and professional job seekers. JVS also operates a one-stop career center, "JVS CareerSolution," which was rebranded as "MassHire Downtown Boston Career Center" in September 2019. These services are provided throughout the greater Boston 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.

JVS has a "Pay for Success" program. The Massachusetts Adult Basic Education Initiative, a project of JVS in partnership with Social Finance (a not-for-profit organization), is designed to serve nearly 2,500 adult learners from Greater Boston, where large concentrations of immigrants and long waitlists for English language instruction are significant barriers to employment. The program combines vocational training, contextualized English for Speakers of Other Languages instruction, college readiness, and employment assistance. Potential measurable outcomes include increased earnings, improved employment and post-secondary enrollment. During fiscal year 2020, JVS partnered with Department of Elementary and Secondary Education and launched a "Pay for Performance" program as a successor to the existing program "Pay for Success."

JVS operates the following programs:

Career Center Services - Career Center Services provides high quality, customized employment and career services to job seekers, career changers, and employers. Services include workshops and seminars, 1:1 job search and career coaching, and screening for education and training programs. Additionally, JVS provides credentialed career counseling services that are expert, affordable and linked with a major workforce development organization. Career Center Services partners with area businesses to provide a convenient one-stop source for skilled workers and training options for incumbent workers.

Career Pathway Programs - Career Pathway programs help participants develop and pursue career plans including skills training, education, and employment while navigating public benefit systems such as housing and Supplemental Nutrition Assistance Program. Programs provide individuals training to become a Certified Nursing Assistant, Nationally Certified Pharmacy Technician and other various vocational training programs in short-term, high-intensity programs. Designed with employer feedback, these programs focus on getting participants certified and into a career ladder job.

English for Advancement - English for Advancement classes provide contextualized English language instruction in Boston neighborhoods and gateway cities such as Lynn, Lawrence and Lowell. The program prepares students to enter employment or obtain a better job. Students work with a JVS Career Coach.

Business Services - Business Services offers career development services to help retain and promote current employees. Services include workplace English classes, customer service training, effective communication, and supervisory training, as well as pipeline training programs. These services are customizable and are delivered at the employer site.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Education - The Adult Diploma Program (ADP) provides adult students education advancement opportunities. ADP students work to receive a Boston Public School diploma. The English for Speakers of Other Languages (ESOL) program teaches English to non-native speakers and is located in the Hyde Park neighborhood of Boston. The programs include skills training, such as career planning and navigating financial aid.

Refugee Employment - The Refugee Employment Department provides comprehensive employment services for job seekers that have recently arrived in the United States. The approach combines English classes and individualized job search, and preparation with a JVS Career Coach.

Bridges to College - Bridges to College provides adult students education advancement opportunities. Bridges to College students prepare for entrance to college. The program includes skills training, such as career planning and navigating financial aid.

Disability Services - Transitions to Work, an employer-based program for young adults, prepares participants to work through hands-on training and classroom instruction. The Connections Program works 1:1 with Jewish adults to pursue vocational and educational goals, connecting participants to employment, education, volunteer and/or placement supports. Clients are also referred for job placement services through the Massachusetts Rehabilitation Commission.

On July 1, 2020, Boston Center for Adult Education, Inc. (BCAE), a Massachusetts not-for-profit corporation, combined with JVS and, as a result, JVS assumed assets totaling \$9,273,640 and liabilities totaling \$408,313. The difference of \$8,865,327 is included in contribution income - acquisition in the accompanying combining statement of activities in accordance with Accounting Standards Codification (ASC) Topic, *Accounting and Reporting for Combinations of Not-for-Profit Organizations*. The accompanying combining financial statements include the operating activities of BCAE from July 1, 2020 through September 30, 2020.

JVS and BCAE (collectively, the Agency) are exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency as allowed under the IRC and Treasury regulations promulgated thereunder.

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its combining financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these notes are to the FASB ASC.

Principles of Combination

The combining financial statements include the accounts of JVS and BCAE. JVS and BCAE have common Board of Director membership and JVS is the sole corporate member of BCAE. All significant transactions between classes of net assets and intercompany balances and transactions have been eliminated in the accompanying combining financial statements.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Revenue Recognition - Revenue from Contracts with Customers

On October 1, 2019, the Agency adopted FASB's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This standard also includes expanded disclosure requirements that result in an entity providing users of the combining financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Agency adopted Topic 606 using the modified retrospective method. Results for reporting periods beginning after October 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Agency's historic accounting under Topic 605. As a result, there was no cumulative effect adjustment to opening net asset as of October 1, 2019.

Revenue Recognition - Contributions

On October 1, 2019, the Agency adopted FASB's ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Agency adopted Topic 958 using a modified retrospective method effective October 1, 2019. Under the modified retrospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of October 1, 2019. As a result, there was no cumulative-effect adjustment to opening net assets as of October 1, 2019.

Restricted Cash

On October 1, 2019, the Agency adopted FASB's ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the combining statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the combining statement of cash flows. This ASU has been applied retrospectively and did not have a material impact on the accompanying combining financial statements.

Cash and Cash Equivalents

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

Cash - Restricted

Cash - restricted consists of funds that have been set aside to fund small business loans to qualifying individuals. The balance of these funds as of September 30, 2020, was \$58,317.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal and State Contract Receivables

Federal and state contract receivables include grant and contract receivables that are recorded at unpaid balances.

Contracted Services and Program Revenue Receivables and Allowance for Uncollectible Accounts

Contracted services and program revenue receivables, net include program revenues that are recorded at unpaid balances, less allowances for doubtful accounts of approximately \$17,000 as of September 30, 2020. The allowance is based upon collection experience and other circumstances which may affect the Agency's ability to collect.

The Agency uses the allowance method for recognizing potential uncollectible amounts relating to pledges and Federal, state and other program receivables. The Agency writes off uncollectible grant and contract receivables upon determining they will not be collected.

Pledges Receivable

Pledges receivable at September 30, 2020, consist of contributions committed to certain programs (see Note 4). Pledges are recorded at their net present value when unconditionally committed.

Notes Receivable and Allowance for Loan Losses

The Agency makes uncollateralized loans which are funded through private contributions from donors and institutional resources to eligible college students. These notes are interest free. The Agency also makes uncollateralized loans to individuals who have completed the Agency's 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 loan losses. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, and financial strength and cash flows of the borrower.

Investments

Investments include the Agency's share of CJP's investments in the Jewish Community Endowment Pool (JCEP), a limited partnership under the managerial control of CJP. The overall financial objective is to meet short-term and long-term obligations and needs of the Agency by earning an adequate return on assets with moderate volatility in year-to-year contribution levels. The value of these investments is \$1,780,078 as of September 30, 2020. Investment return consists of interest, dividends, and realized and unrealized gains and losses on investments, net of investment management fees (see Note 3). Interest and dividend income is recorded as earned. Realized gains and losses on investment transactions are recognized as changes in net assets in the period in which they occur.

Investments also include investments managed by investment managers, which have a value of \$3,100,663 as of September 30, 2020. Investment income includes interest, dividends, and net realized and unrealized gains and losses on investments (see Note 3). Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains and losses on investment transactions are recorded using the first-in, first-out (FIFO) method.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The cost of property, equipment and improvements with a value of greater than \$5,000 is capitalized. Donated assets are recorded at fair value on the date of donation. Costs for maintenance and repairs are expensed as they are incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

| | |
|---------------------------|---------------|
| Furniture and equipment | 7 - 10 years |
| Leasehold improvements | Life of lease |
| Computers and equipment | 3 - 5 years |
| Building and improvements | 30 years |

Land is not depreciated.

Net Asset Classifications

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

- **Operating net assets** represent funds available to carry on the operations of the Agency.
- **Board designated net assets** are those net resources that bear no external restrictions and are generally available for use by the Agency with the Board's approval.
- **Property and equipment net assets** represent funds used in activities relating to the Agency's property and equipment, net of related debt, if any.

Net Assets With Donor Restrictions

The Agency receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes.

Net assets with donor restrictions consist of the following at September 30, 2020:

| | |
|--|---------------------|
| Purpose restricted: | |
| Various programs | \$ 4,426,212 |
| Scholarships | 101,527 |
| Time restricted | 1,144,527 |
| Scholarship funds (see Note 10) | 585,233 |
| Capital | 375,000 |
| Net assets held in perpetuity | 128,707 |
| Appreciation and unspent earnings on endowment | <u>39,390</u> |
| | <u>\$ 6,800,596</u> |

The Agency has assets which are maintained in perpetuity that allow the Agency to use or expend the economic benefits derived from the donated funds in order to support operating needs or other donor stated requirements.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Revenues received in advance of services provided are recorded as deferred revenue in the accompanying combining statement of financial position. Deferred revenue that will be earned in the next fiscal year is classified as short-term. All other deferred revenue is classified as long-term.

In-Kind Contributions

The Agency receives donated services from various individuals or organizations. These services are reflected in the accompanying combining financial statements at fair value as determined by the donor. These services were comprised of legal services for the year ended September 30, 2020.

Advertising Costs

The Agency expenses advertising costs as they are incurred. Advertising expense was \$33,402 for the year ended September 30, 2020, and is shown as advertising and publicity in the accompanying combining statement of functional expenses.

Expense Allocation

Expenses related directly to a program are distributed to that function, while other expenses are distributed based on management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel, which is allocated on the basis of estimates of time and effort; occupancy, which is allocated on a square footage basis; and supplies, meetings and staff development, insurance, equipment, communication, client costs, and professional fees, which are allocated based on usage studies conducted annually.

Revenue Recognition

Contributions and Grants and Federal and State Contracts

In accordance with ASC Subtopic 958-605, *Revenue Recognition - Contributions*, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions and Grants and Federal and State Contracts (Continued)

Grants and contributions without donor restrictions are recorded when unconditionally pledged or received. The Agency reports gifts of cash and other assets as grants and contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combining statement of activities as net assets released from restrictions.

Federal and state contracts are recorded in accordance with Topic 958 when services are provided and costs are incurred. Grants and contributions without donor restrictions and allocations from CJP are also recorded under Topic 958 as revenue when received or unconditionally committed.

Contracted Services and Program Revenue

The Agency generally measures revenue for qualifying exchange transactions based on the amount of consideration the Agency expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Agency satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Agency evaluates its contract service revenue based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Contracted services and program revenue are recognized by the Agency under Topic 606 for services provided for consulting services. This service is considered a single performance obligation as this service is distinct. The performance obligations under this agreement are satisfied evenly over the year as the third party receives the benefits provided as the Agency performs these services. Compensation is generally fixed under the relevant agreement. The services are only recognized as revenue when collection is assured. All other revenue is recognized when earned.

Combining Statement of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of education, skill training, career coaching, and placement services are reported as operating revenue and support and operating expenses in the accompanying combining statement of activities. Peripheral or incidental transactions are reported as non-operating revenues. Non-operating revenues consist of contribution income from an acquisition, capital grants and investment activity.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combining financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combining financial statements at September 30, 2020. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of combining financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the combining financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. The Agency's interests in the investments with CJP are reported at the net asset value (NAV) reported by the fund, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of September 30, 2020, the Agency had no plans to sell investments at amounts different from NAV. A summary of inputs used in valuing the Agency's investments as of September 30, 2020, is included in Note 3.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and is considered Level 1 in the fair value hierarchy.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through April 16, 2021, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for disclosure in the accompanying combining financial statements.

3. INVESTMENTS

Fair value measurement (see Note 2) was determined using the following inputs at September 30, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------|---------------------|----------------|----------------|---------------------|
| Equity | \$ 1,672,642 | \$ - | \$ - | \$ 1,672,642 |
| Fixed income | 1,246,284 | - | - | 1,246,284 |
| Money market funds | <u>181,737</u> | <u>-</u> | <u>-</u> | <u>181,737</u> |
| | <u>\$ 3,100,663</u> | <u>\$ -</u> | <u>\$ -</u> | <u>3,100,663</u> |
| Investments with CJP* | | | | <u>1,780,078</u> |
| | | | | <u>\$ 4,880,741</u> |

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying combining statement of financial position (see Note 2).

The investment with CJP consists of the following categories of investments as of September 30, 2020:

| | |
|--------------------------------|---------------|
| Fixed income | 9.3% |
| Money market funds | 3.4 |
| Domestic equity | 2.8 |
| Absolute return | <u>0.3</u> |
| | <u>15.8</u> |
| Alternative investments: | |
| Absolute return | 35.0 |
| International equity | 21.9 |
| Domestic equity | 9.7 |
| Credit related | 7.4 |
| Private equity/venture capital | 6.6 |
| Real assets | <u>3.6</u> |
| Total alternative investments | <u>84.2</u> |
| Total | <u>100.0%</u> |

The Agency can withdraw, as of December 31 of any calendar year, or 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 definitely valued or liquidated. Investments are not insured and are subject to ongoing market fluctuations.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

3. INVESTMENTS (Continued)

Investment Return

The following schedule summarizes the investment return for the year ended September 30, 2020:

| | |
|------------------------|-------------------|
| Net unrealized gains | \$ 180,313 |
| Interest and dividends | 25,307 |
| Net realized gains | 9,012 |
| Investment fees | <u>(13,009)</u> |
| Investment return, net | <u>\$ 201,623</u> |

4. PLEDGES RECEIVABLE

Pledges receivable include unconditional promises to give which are expected to be collected during fiscal year 2021.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2020:

| | |
|---------------------------------|---------------------|
| Land | \$ 4,080,890 |
| Building and improvements | 1,994,110 |
| Leasehold improvements | 333,807 |
| Furniture and equipment | 1,453,914 |
| Computers and equipment | <u>1,304,823</u> |
| | 9,167,544 |
| Less - accumulated depreciation | <u>1,668,108</u> |
| Property and equipment, net | <u>\$ 7,499,436</u> |

Depreciation expense for the year ended September 30, 2020, was \$352,872.

6. NOTES RECEIVABLE

Notes receivable consist of the following at September 30, 2020:

| | |
|----------------------------------|------------------|
| Student notes | \$ 83,131 |
| Boston Private Bank notes | <u>2,021</u> |
| | 85,152 |
| Less - current portion | 18,647 |
| Less - allowance for loan losses | <u>5,078</u> |
| Long-term notes receivable | <u>\$ 61,427</u> |

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

6. NOTES RECEIVABLE (Continued)

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

| <u>Loan Program</u> | <u>Purpose</u> | <u>Range of Loan Amount</u> | <u>Repayment Terms</u> |
|---------------------------|----------------------------|-----------------------------|--|
| Student notes | College Loans | \$200 - \$1,600 | Quarterly, up to 5 years (deferred until one year after graduation) |
| Boston Private Bank notes | Small Business Start Up | \$1,000 - \$3,500 | Monthly, up to 3 years |

Future minimum collections under these agreements are as follows:

| | |
|------|-----------|
| 2021 | \$ 18,647 |
| 2022 | \$ 16,626 |
| 2023 | \$ 16,626 |
| 2024 | \$ 16,626 |
| 2025 | \$ 16,627 |

7. NOTES PAYABLE TO A BANK

The Agency has a line of credit agreement with a bank which allows for maximum borrowings of up to \$1,250,000. Interest is payable monthly on the outstanding balance at the bank's prime lending rate (3.25% at September 30, 2020). The note is secured by all business assets of the Agency. There were no outstanding balances at September 30, 2020. This agreement is renewable annually in January. The line of credit agreement contains various covenants with which the Agency must comply. The Agency was in compliance with the covenants as of and for the year ended September 30, 2020.

The Agency applied for and was awarded a forgivable loan of \$1,956,909 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until the Small Business Administration notifies the lender of the amount of the loan that will be forgiven, provided that the Agency submits the application for forgiveness within ten months after the completion of the covered period. The balance of the note which is not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral as of September 30, 2020.

There was no accrued interest on the note payable as of September 30, 2020, as it would be immaterial to the overall combining financial statements.

As of April 16, 2021, the Agency has not submitted the application for forgiveness. However, the Agency anticipates the note payable will be forgiven in full and, therefore, the balance has been classified as long-term in the accompanying combining statement of financial position as of September 30, 2020.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

8. LEASE AGREEMENTS

The Agency has an agreement to lease office space which commenced in April 2015. The lease term is for ten years and four months and contains an option to extend the lease for two additional five-year terms, neither of which have been exercised. The lease requires base monthly payments of \$114,114 in the first year with annual increases as outlined in the lease agreement. The lease includes a tenant improvement allowance to be paid by the landlord totaling \$3,118,905. The lease specifies that the Agency will apply the unspent portion of the allowance to offset payments of the base rent until the balance is fully absorbed. Total improvement allowance in excess of actual costs incurred totaled \$636,164 (including reimbursements of \$239,435 from an unrelated workforce development organization) which will be applied as pre-payment of rent.

The Agency is recognizing rent expense for this lease on a straight-line basis over the term of the lease in accordance with ASC Topic, *Leases*. Deferred rent as of September 30, 2020, was \$1,017,429. The Agency is also required to maintain certain insurance coverage and pay for its proportionate share of the increase of real estate taxes and operating expenses over the base year as outlined in the agreement. Rent expense under this lease for the year ended September 30, 2020, totaled \$1,677,686, and is included in occupancy in the accompanying combining statement of functional expenses.

The lease required a prepayment of a security deposit of \$135,000. This amount is included in deposits in the accompanying combining statement of financial position as of September 30, 2020.

In April 2018, the Agency entered into a two-year lease agreement which expired in March 2020 and was not renewed. This lease required monthly payments of \$600. Rent expense was approximately \$7,200 for the year ended September 30, 2020, which is included in occupancy in the accompanying combining statement of functional expenses.

The Agency leases office equipment under an operating lease which expired in July 2020. Monthly payments were approximately \$4,700. During fiscal year 2020, the Agency entered into a new operating lease which expires in October 2026. Monthly payments are approximately \$6,600.

Future minimum lease payments under the leases are as follows:

| | <u>Facility</u> | <u>Equipment</u> |
|------------|---------------------|-------------------|
| 2021 | \$ 1,885,299 | \$ 79,017 |
| 2022 | 1,933,917 | 79,017 |
| 2023 | 1,943,640 | 79,017 |
| 2024 | 1,943,640 | 79,017 |
| 2025 | 323,940 | 79,017 |
| Thereafter | <u>-</u> | <u>6,585</u> |
| Total | <u>\$ 8,030,436</u> | <u>\$ 401,670</u> |

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

8. LEASE AGREEMENTS (Continued)

Use of Space Agreement

The aforementioned facility lease that commenced during fiscal year 2015 contains a provision for the Agency to sublet up to twenty-five percent of the space to an unrelated workforce development organization.

The Agency fulfilled this requirement by entering into a memorandum of understanding with a private corporation (the Corporation) which specifies a portion of the leased space will be available to establish education and training systems that prepare youth, dislocated workers and other skilled adults for worthwhile and sustainable employment for five years commencing in January 2016, with the option to extend an additional five years. In exchange, the Corporation agreed to work with the Agency to provide training and employment opportunities for the Agency's clients. The Corporation will share in the operating costs of the facilities. The Corporation made a donation to the Agency totaling \$50,000 during fiscal year 2020. Over the next five years, the Corporation is expected to make donations of \$50,000 annually.

9. CAPITAL LEASE OBLIGATION

Capital lease obligation consisted of a capital lease for office furniture and equipment, due in monthly principal and interest installments of \$22,863, with interest at 3.36%, through August 2020. During fiscal year 2020, the Agency paid off the lease and the furniture was purchased from the leasing company.

Interest expense under this agreement totaled \$4,174 for the year ended September 30, 2020, and is included in interest in the accompanying combining statement of functional expenses.

Office furniture and equipment under this capital lease have a capitalized cost of \$1,261,119. Accumulated depreciation on the office furniture and equipment under this capital lease was \$693,616 as of September 30, 2020. For the year ended September 30, 2020, depreciation expense on property and equipment purchased under this capital lease was \$126,112.

10. ENDOWMENT

Changes in endowment funds by net asset class are as follows:

| | |
|---------------------------------------|-------------------|
| Endowment funds at September 30, 2019 | \$ 599,455 |
| Contributions | 133,895 |
| Unrealized gains | 14,505 |
| Interest and dividends | 4,837 |
| Realized gains | 4,143 |
| Investment fees | <u>(3,505)</u> |
| Endowment funds at September 30, 2020 | <u>\$ 753,330</u> |

Included in the endowment funds as of September 30, 2020, are \$585,233 of scholarship funds received by three donors (see Note 2). These funds were established without any permanent restriction on the use of original principal, but with limitations as to the amount of annual expenditure. The donor allows appropriations in accordance with the Agency's spending policy appropriation.

On July 1, 2020, as a part of the BCAE combination (see Note 1), \$112,173 of perpetual endowment funds were contributed to the JVS endowment as well as \$21,722 of endowment appreciation.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

10. ENDOWMENT (Continued)

Spending Policy

Annually, the Agency receives from CJP the amount it should allocate for scholarships to be spent in the following fiscal year. During fiscal year 2020, the Agency has not appropriated the amount to be used for scholarships.

11. CONTINGENCIES

Government

The Agency receives significant assistance from numerous government agencies in the form of contracts and grants. Expenditures of these funds require compliance with the agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of September 30, 2020.

Lawsuits

The Agency, from time-to-time, is the defendant in lawsuits. It is management's experience that the Agency will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying combining financial statements for any potential liability resulting from these lawsuits.

Coronavirus

During fiscal year 2020, COVID-19 was recognized as a global pandemic. The impact of COVID-19 on the Agency's future operations and the demand for its products/services will depend upon, among other things, the duration, spread and intensity of the pandemic, related government responses such as required physical distancing, restrictions on business operations and travel, the pace of recovery of economic activity and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to the Agency, if any, cannot be reasonably estimated at this time.

12. PENSION PLANS

The Agency has a nonqualified deferred compensation arrangement with certain senior management employees. This plan provides for discretionary contributions of up to \$7,500 per year or a percentage of salary each year per participant as defined. Annual contributions vest over a three-year period. The amounts committed for the year ended September 30, 2020, totaled \$31,405. These contributions were funded subsequent to the applicable fiscal year end. The amounts committed during the year ended September 30, 2020, are included in accrued expenses and other in the accompanying combining statement of financial position. Plan assets and liabilities totaled \$448,960 as of September 30, 2020, and are shown as investments - restricted and deferred compensation in the accompanying combining statement of financial position. The plan assets are invested in domestic equities and are valued using Level 1 inputs (see Note 2).

In addition, the Agency has a 403(b) plan available to all the Agency's employees, which includes a discretionary employer contribution. A 1% employer contribution has been accrued for in fiscal year 2020 totaling \$87,768, and is included in accrued expenses and other in the accompanying combining statement of financial position as of September 30, 2020. These contributions were made in the subsequent fiscal year.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

13. TRANSACTIONS WITH CJP

The Agency is a beneficiary agency of CJP. The Agency records the amount of the approved allocations from CJP as revenue and a receivable in the accompanying combining financial statements. As of September 30, 2020, CJP owed the Agency \$1,144,527, which is reflected as allocations receivable from CJP in the accompanying combining statement of financial position.

During 2005, CJP agreed to loan JVS the funds needed to fund certain retirement plan obligations totaling approximately \$580,000. The loan is unsecured and is to be repaid in equal installments over twenty years (December 31, 2026 maturity date) with no interest. JVS originally reported this loan at \$319,992, its net present value at the date of commencement.

As of September 30, 2020, the loan has a face value of \$159,812, and an imputed interest rate of 6% (discounted by \$30,600). The balance of this loan is reported in the accompanying combining statement of financial position as follows as of September 30, 2020:

| | |
|------------------------------------|-------------------|
| Current portion of due to CJP | \$ 20,966 |
| Due to CJP, net of current portion | <u>108,346</u> |
| | <u>\$ 129,312</u> |

Future maturities over the remainder of the term of the loan are as follows:

| | |
|-------|-------------------|
| 2021 | \$ 20,966 |
| 2022 | 22,259 |
| 2023 | 23,632 |
| 2024 | 25,089 |
| 2025 | <u>37,366</u> |
| Total | <u>\$ 129,312</u> |

Interest expense recorded on this loan for the year ended September 30, 2020, was \$9,404 and is included in interest in the accompanying combining statement of functional expenses.

14. RELATED PARTY TRANSACTIONS

During fiscal year 2020, the Agency received donated legal services from members of the Board of Directors. The total value of these donated services was \$141,027 for the year ended September 30, 2020, and is included in professional fees in the accompanying combining statement of functional expenses.

During fiscal year 2020, JVS owed \$12,500 to BCAE for a portion of a grant that will be passed through to BCAE to cover combination costs. These amounts are eliminated in the combined totals in the accompanying combining statement of financial position.

15. CONCENTRATION OF CREDIT RISK

The Agency maintains its cash and cash equivalents balances in Massachusetts banks, which are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash and cash equivalents balances in the accounts at one financial institution exceeded the insured amount. The Agency has not experienced any losses in such accounts. The Agency's management believes the Agency is not exposed to any significant credit risk on cash and cash equivalents.

JEWISH VOCATIONAL SERVICE, INC. AND AFFILIATE

Notes to Combining Financial Statements
September 30, 2020

15. CONCENTRATION OF CREDIT RISK (Continued)

The Agency received approximately 26% of its total funding from two sources for the year ended September 30, 2020. In addition, approximately 47% of the Agency's Federal, state and other program receivables were due from two funding sources as of September 30, 2020. Approximately 100% of the Agency's pledges receivable are from three donors as of September 30, 2020.

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency's financial assets available within one year from the combining statement of financial position date for general operating expenses are as follows at September 30, 2020:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 7,181,849 |
| Allocations receivable from CJP | 1,144,527 |
| Federal, state and other program receivables, net | 2,425,767 |
| Current portion of pledges receivable | 715,805 |
| Current portion of notes receivable | <u>18,647</u> |
| Total financial assets | 11,486,595 |
| Less - purpose and time restricted net assets not available for operations over the next 12 months | <u>(5,970,675)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 5,515,920</u> |

The Agency receives a significant portion of its operating revenue and support from grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. In the event of an unanticipated liquidity need, the Agency also could draw upon \$1,250,000 of its line of credit (see Note 7). The Agency also has approximately \$4,261,000 of additional long-term investments that could be utilized to meet immediate liquidity needs.

17. CONDITIONAL GRANTS AND COMMITMENTS

As of September 30, 2020, the Agency has received multiple commitments with various government and local agencies through fiscal year 2022. These commitments are considered conditional under ASC Topic 958, as the Agency must incur qualified costs to meet performance requirements prior to recognizing revenue. Total contracts committed but not recognized as of and for the year ended September 30, 2020, summarized by agency, are as follows:

| | |
|--|---------------------|
| Department of Education | \$ 4,529,234 |
| Economic Development Industrial Corporations | 1,532,518 |
| Office of Refugees and Immigrants | 784,122 |
| Other Grants | 564,662 |
| Department of Transitional Assistance | 325,733 |
| Massachusetts Rehabilitation Commission | 134,293 |
| Department of Developmental Services | <u>21,783</u> |
| Total | <u>\$ 7,892,345</u> |