

**JVS SoCal**

Financial Statements  
and Other Audit Report

December 31, 2017



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
JVS SoCal  
Los Angeles, California

We have audited the accompanying financial statements of JVS SoCal (a nonprofit organization) ("JVS"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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 (the "U.S."); 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.

### **Auditor's 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 U.S. and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S. 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JVS SoCal as of December 31, 2017, 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 U.S.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, on our consideration of JVS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JVS's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armanino LLP".

Armanino<sup>LLP</sup>  
Los Angeles, California

June 19, 2018

JVS SoCal  
Statement of Financial Position  
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 2,443,531
Investments	9,352,988
Due from government agencies, net	2,831,540
Pledges receivable, net	699,192
Other assets	260,031
Property and equipment, net	<u>117,196</u>
 Total assets	 <u>\$ 15,704,478</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ <u>2,479,921</u>
Total liabilities	<u>2,479,921</u>
 Commitments and contingencies (Notes 9 and 10)	
 Net assets	
Unrestricted	
General	5,824,431
Board designated	<u>240,770</u>
Total unrestricted	<u>6,065,201</u>
Temporarily restricted	2,579,912
Permanently restricted	<u>4,579,444</u>
Total net assets	<u>13,224,557</u>
 Total liabilities and net assets	 <u>\$ 15,704,478</u>

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

JVS SoCal  
Statement of Activities  
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues, gains and other support				
Jewish Federation Council Allocation	\$ 463,399	\$ -	\$ -	\$ 463,399
Contributions	1,629,262	223,685	112,027	1,964,974
Private grants and contracts	784,144	683,206	-	1,467,350
Government agency contracts	17,285,360	-	-	17,285,360
Special events, net of direct benefit costs of \$222,687	471,689	-	-	471,689
Program fees	98,636	-	-	98,636
Net assets released from restriction	<u>645,384</u>	<u>(645,384)</u>	<u>-</u>	<u>-</u>
	<u>21,377,874</u>	<u>261,507</u>	<u>112,027</u>	<u>21,751,408</u>
Functional expenses				
Program services				
Career services	355,674	-	-	355,674
Disability and assessment	299,258	-	-	299,258
Workforce development services	5,926,950	-	-	5,926,950
Welfare to work	7,383,345	-	-	7,383,345
Immigrant and refugee	524,173	-	-	524,173
Training services	1,027,369	-	-	1,027,369
Scholarship	<u>873,950</u>	<u>-</u>	<u>-</u>	<u>873,950</u>
Total program services	<u>16,390,719</u>	<u>-</u>	<u>-</u>	<u>16,390,719</u>
Support services				
Management and general	2,956,332	-	-	2,956,332
Fundraising	<u>1,035,994</u>	<u>-</u>	<u>-</u>	<u>1,035,994</u>
Total support services	<u>3,992,326</u>	<u>-</u>	<u>-</u>	<u>3,992,326</u>
Total functional expenses	<u>20,383,045</u>	<u>-</u>	<u>-</u>	<u>20,383,045</u>
Change in net assets from operations	<u>994,829</u>	<u>261,507</u>	<u>112,027</u>	<u>1,368,363</u>
Other changes				
Investment income, net of fees	84,754	88,134	-	172,888
Net realized and unrealized gains on investments	460,898	503,054	-	963,952
Endowment earnings appropriated for expenditure	<u>222,274</u>	<u>(222,274)</u>	<u>-</u>	<u>-</u>
Total other changes	<u>767,926</u>	<u>368,914</u>	<u>-</u>	<u>1,136,840</u>
Change in net assets	1,762,755	630,421	112,027	2,505,203
Net assets, beginning of year	<u>4,302,446</u>	<u>1,949,491</u>	<u>4,467,417</u>	<u>10,719,354</u>
Net assets, end of year	<u>\$ 6,065,201</u>	<u>\$ 2,579,912</u>	<u>\$ 4,579,444</u>	<u>\$ 13,224,557</u>

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

JVS SoCal  
Statement of Functional Expenses  
For the Year Ended December 31, 2017

	<u>Career services</u>	<u>Disability and assessment</u>	<u>Workforce development services</u>	<u>Welfare to work</u>	<u>Immigrant and refugee</u>	<u>Training services</u>	<u>Scholarship</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses											
Salaries	\$ 226,209	\$ 181,522	\$ 2,281,594	\$ 5,359,767	\$ 296,493	\$ 391,779	\$ 118,304	\$ 8,855,668	\$ 1,815,307	\$ 631,186	\$ 11,302,161
Employee benefits	87,683	45,238	568,132	1,498,474	126,832	121,705	24,783	2,472,847	526,442	235,970	3,235,259
Total personnel expenses	313,892	226,760	2,849,726	6,858,241	423,325	513,484	143,087	11,328,515	2,341,749	867,156	14,537,420
Equipment and facility maintenance	1,786	4,102	312,849	11,617	3,686	9,751	859	344,650	16,717	3,311	364,678
Marketing and public relations	400	-	2,475	-	-	3,646	3,533	10,054	35,150	15,810	61,014
Occupancy	21,642	24,878	469,977	187,438	59,186	201,892	18,520	983,533	146,036	59,948	1,189,517
Office supplies and postage	1,590	3,776	53,884	34,818	5,005	13,747	2,185	115,005	21,182	9,190	145,377
Legal and professional fees	3,916	5,549	98,205	171,095	25,423	67,782	2,562	374,532	244,861	29,299	648,692
Program expenses	5,266	30,785	1,990,710	11,069	1,259	176,155	7,699	2,222,943	14,540	39,645	2,277,128
Utilities	3,189	2,100	100,089	45,209	4,399	27,578	1,312	183,876	18,989	6,297	209,162
Training, parking and conferences	3,832	664	43,794	49,425	725	4,141	858	103,439	100,318	2,238	205,995
Miscellaneous costs	-	-	6	-	-	-	-	6	4,302	829	5,137
Depreciation and amortization	161	644	5,235	14,433	1,165	9,193	1,355	32,186	11,488	2,271	45,945
Scholarship awards	-	-	-	-	-	-	691,980	691,980	1,000	-	692,980
	<u>\$ 355,674</u>	<u>\$ 299,258</u>	<u>\$ 5,926,950</u>	<u>\$ 7,383,345</u>	<u>\$ 524,173</u>	<u>\$ 1,027,369</u>	<u>\$ 873,950</u>	<u>\$ 16,390,719</u>	<u>\$ 2,956,332</u>	<u>\$ 1,035,994</u>	<u>\$ 20,383,045</u>

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

JVS SoCal  
Statement of Cash Flows  
For the Year Ended December 31, 2017

Cash flows from operating activities	
Change in net assets	\$ 2,505,203
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	45,945
Discount on pledges receivable	5,335
Investment income	(172,888)
Donated investments	(72,588)
Net realized and unrealized gains on investments	(963,952)
Contributions restricted for permanent endowment funds	(112,027)
Changes in operating assets and liabilities	
Due from government agencies	(84,972)
Pledges receivable	(145,579)
Other assets	(129,312)
Accounts payable and accrued expenses	<u>477,177</u>
Net cash provided by operating activities	<u>1,352,342</u>
Cash flows from investing activities	
Purchases of investments	(857,851)
Proceeds from sales of investments	832,013
Liquidation of money market funds	<u>41,617</u>
Net cash provided by investing activities	<u>15,779</u>
Cash flows from financing activities	
Contributions received with permanent restrictions	<u>112,027</u>
Net cash provided by financing activities	<u>112,027</u>
Net increase in cash and cash equivalents	1,480,148
Cash and cash equivalents, beginning of year	<u>963,383</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,443,531</u></u>

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

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

1. ORGANIZATION

JVS SoCal ("JVS"), a California nonprofit nonsectarian corporation formally known as Jewish Vocational Service, provides vocational assessment, counseling and training; career mentoring and management; industry-specific job training programs; disability and assessment services and programs for individuals transitioning from welfare to work as well as donor-directed scholarship awards program. In addition to job training, JVS offers job preparation and placement support. These programs serve individuals throughout Los Angeles County, representing nearly 30,000 client visits annually.

- Career Services offers assistance to clients in developing their job search skills, career counseling, coaching, outplacement services to individuals and corporations and career-related informational and educational services to specific segments of the Los Angeles community.
- The Disability and Assessment programs serve clients with barriers to employment, including physical, emotional and developmental disabilities. JVS offers state of the art assistive technology for job seekers with vision or hearing impairment with the most comprehensive resources in the Southern California area. These programs, which operate out of several sites, assist with assessment and identification of employment and education opportunities. The JVS Assessment Center provides vocational evaluation and assessment services for the California Department of Rehabilitation, for Los Angeles County consumers in the GAIN (Greater Avenues for Independence) and GROW (General Relief Opportunities for Work) programs, and for the Department of Veterans Affairs.
- WorkForce Development Centers operates federally-funded WorkSource Centers, which are part of the America's Job Centers Network, serving both job seekers and local employers, offering job fairs, candidate recruitment and screening. Programs for job seekers include: job readiness workshops and counseling in the areas of comprehensive job search and employment services to assist individuals with appropriate job training for career paths and employment. JVS WorkSource Centers provide services for all job seekers, including adults and youth with special needs (at-risk, foster and probation youth). JVS also operates a program for recently returned veterans to assist them to transition to the civilian workforce. JVS contracts with the City of West Hollywood, City of Santa Monica, County of Los Angeles, City of Los Angeles, Antelope Valley, the State of California EDD and City of Hawthorne and collaborates with the State Department of Rehabilitation and the Employment Development Department Offices to provide Workforce Development services.
- Welfare to Work programs provide assistance to thousands of clients transitioning from welfare to work through the Los Angeles County GAIN and GROW programs. The programs offer full-service case management under the supervision of the County. Offices are located in Chatsworth, Palmdale, Santa Clarita, Sun Valley, Glendale and Lancaster.

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

1. ORGANIZATION (continued)

- Immigrant and Refugee programs serve refugees on welfare by offering English as a Second Language classes, job search skills, job placement and workshop training in Los Angeles, Glendale and San Fernando Valley. The goal is to foster acculturation and move clients quickly into education, training and employment.
- Training Services include employment skills programs that foster growth and job readiness in individuals who are seeking new skills or new career opportunities. Programs prepare clients with customized job training, job placement assistance and ongoing coaching for careers in the health care and financial services sectors. JVS also operates a career mentoring program designed specifically for women facing a career transition or working to advance their career.
- The JVS Scholarship Fund grants scholarships to low-income Jewish students who require financial assistance to pursue post-secondary education. Scholarship awards are funded by contributions received by JVS, as well as income earned on endowments held by both JVS and the Jewish Community Foundation (the "Foundation"). These financial statements exclude funds held by the Foundation for which JVS has no rights to the principal.

JVS is affiliated with the Jewish Federation Council ("JFC"). The accompanying financial statements exclude the accounts of JFC and any other organization affiliated with JFC, as the organizations operate independently. JFC provides certain services to JVS, including administration of the pension and obtaining insurance. JVS reimburses JFC for the cost of these services

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Income tax status

JVS is a qualified entity exempt from federal income under the provision of Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under the corresponding sections of the California Revenue and Taxation Code.

JVS' federal information returns for tax years 2014 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2013 and subsequent.

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation

JVS reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors, or otherwise limited by contractual arrangements with outside parties.
- *Temporarily restricted net assets* - Net assets that are subject to donor-imposed stipulations which can be fulfilled either by actions of JVS pursuant to those stipulations and/or expire with the passage of time.
- *Permanently restricted net assets* - Net assets that are subject to donor-imposed stipulations to be permanently maintained by JVS. Investment income and gains or losses derived from the donated assets are reported as increases or decreases in temporarily restricted net assets until appropriated for expenditure, at which time they are reclassified as unrestricted, unless use of the net assets is further restricted by the donor.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from these estimates

Cash and cash equivalents

JVS considers cash on deposit, temporary investments and all highly-liquid financial instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2017.

JVS invests excess cash in highly-liquid money market funds with a national financial institution.

Concentrations

JVS's bank balances occasionally exceed the FDIC-insured limits. JVS has not experienced and does not anticipate any losses relating to cash held in these accounts.

JVS receives a majority of its funding through various government contracts as a subcontractor for local governments. The funding sources for these contracts include both Federal and state funds. Ongoing funding at historical levels is dependent upon both current government priorities and funding capacity.

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations (continued)

JVS's largest single revenue source is its subcontract for the GAIN program. The Los Angeles County Department of Public Social Services ("DPSS") originally awarded this contract to Maximus, with whom JVS subcontracts, in December 2005. This contract was extended multiple times for short-term periods since the November 2007 expiration date. JVS entered into amendments to the August 2012 contract in August 2014, September 2015 and November 2016 the latest of which extends the contract term through January 31, 2020.

Investments

Investments are carried at fair value (see Note 3). Interest and dividend income, and gains and losses on investments are reported in the statement of activities as either increases or decreases in unrestricted net assets, unless the use is restricted by donor stipulations or law.

Endowments

An endowment is an established fund of cash, securities, or other assets to provide income for the maintenance of a nonprofit organization. The use of the assets of the fund may be permanently restricted, temporarily restricted or unrestricted. Endowment funds generally are established by donor-restricted gifts and bequests to provide a permanent source of income, or a term endowment to provide income for a specified period. The portion of an endowment required by the donor to be maintained permanently (not used, expended, or otherwise exhausted) is classified as permanently restricted net assets. Earnings from the permanent endowment are classified as temporarily restricted net assets until they are appropriated for expenditure. JVS endowments are described in Note 6.

Property and equipment

Property and equipment consists of furniture and equipment and tenant improvements, and is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives (3 - 10 years) of the depreciable assets or asset groups. Tenant improvements are amortized over 10 years.

JVS includes in temporarily restricted net assets fixed assets purchased in accordance with donor stipulations. JVS' policy provides for the release of these temporarily restricted fixed assets over their estimated useful lives.

Normal repairs and maintenance are expensed to operations when incurred, whereas significant charges that materially increase the value or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets. Upon sale or disposal of equipment, the cost and accumulated depreciation and amortization are removed from the respective accounts, and any gain or loss is included in operations. Government-funded programs may purchase and expense fixed assets in the year that grant dollars are received.

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provisions were recorded by JVS during the year ended December 31, 2017.

Support and revenue recognition

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as releases between the applicable classes of net assets.

JVS recognizes government grant funds as support and revenue when eligible costs are incurred or when eligible services have been rendered. A receivable is recognized to the extent contract support earned exceeds cash advances. Conversely, a liability (deferred revenue) is recorded when contract cash advances exceed support earned. No liabilities exist as of the balance sheet date for contract cash advances.

Contributions, which may include unconditional promises-to-give, are recognized as revenue in the period received or pledged. Conditional promises-to-give are recognized in the period in which the condition is substantially met.

Functional expenses

JVS presents expenses by functional classification. The basis for the allocation of all shared costs is the number of full-time equivalent employees working in each program, since the benefit received by the program is most closely related to the time spent by the employees.

Donated services and use of facilities

A substantial number of volunteers have donated significant amounts of time and services to JVS; however, no amounts have been reflected in the accompanying financial statements for donated services since the services contributed do not meet the criteria for recognition under generally accepted accounting principles.

JVS entered into a lease agreement with the City of Los Angeles in May 2017 for office space that requires monthly rental payments of \$0. The term of this lease is 10-years and includes three 5-year renewal options. The lease contains language which requires JVS to meet certain performance requirements and therefore the lease will be accounted for as a conditional pledge. During the year ended December 31, 2017, JVS recognized \$172,260 in donated use of facilities for this office space, which has been included within contribution revenue and occupancy expenses in the accompanying statement of activities and statement of functional expenses, respectively.

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

JVS has evaluated events subsequent to December 31, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 19, 2018, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. INVESTMENTS

JVS reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The following table sets forth by level, within the fair value hierarchy, JVS' assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	\$ 1,091,814	\$ -	\$ -	\$ 1,091,814
Equities	6,057,571	-	-	6,057,571
Fixed income securities	-	2,153,603	-	2,153,603
Israel bonds	-	<u>50,000</u>	-	<u>50,000</u>
	<u>\$ 7,149,385</u>	<u>\$ 2,203,603</u>	<u>\$ -</u>	<u>\$ 9,352,988</u>

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 8,159,339
Purchases of investments	857,851
Investment income	172,888
Donated investments	72,588
Proceeds from sales of investments	(832,013)
Net realized and unrealized gains on investments	963,952
Liquidation of money market funds	<u>(41,617)</u>
Balance, end of year	<u>\$ 9,352,988</u>

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

4. PLEDGES RECEIVABLE

Pledges receivable by year are as follows:

Amounts due in one year	\$ 416,728
Amounts due in two to five years	<u>316,000</u>
	732,728
Discount to net present value	<u>(33,536)</u>
	<u><u>\$ 699,192</u></u>

JVS uses 4% as its present value discount factor.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and equipment	\$ 1,011,933
Tenant improvements	<u>146,612</u>
	1,158,545
Accumulated depreciation and amortization	<u>(1,041,349)</u>
	<u><u>\$ 117,196</u></u>

6. ENDOWMENTS AND RESTRICTED NET ASSETS

JVS has interpreted California's Uniform Prudent Management of Institutional Funds Act of 2008 ("UPMIFA") 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 permanently restricted net assets (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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

6. ENDOWMENTS AND RESTRICTED NET ASSETS (continued)

JVS has adopted an investment policy, approved by its Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to have a balanced portfolio with returns, net of investment fees, in each asset classification benchmarked against appropriate benchmarks. Bond fund returns are matched against BARCAP US Aggregate, equity funds matched against the appropriate Russell index and the combined portfolio against the S&P 500. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, JVS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JVS targets a diversified asset allocation that places an emphasis on fixed income securities, including U.S. Treasury securities, and equity-based investments to achieve its long-term rate-of-return objectives within prudent risk parameters.

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment funds - scholarship	\$ -	\$ 1,079,064	\$ 2,797,709	\$ 3,876,773
Endowment funds - general	-	348,867	1,781,735	2,130,602
	<u>\$ -</u>	<u>\$ 1,427,931</u>	<u>\$ 4,579,444</u>	<u>\$ 6,007,375</u>

The Board has adopted a formal spending policy where JVS is permitted to spend up to 5% of the average balance over a three-year period of the Endowment Fund.

Changes in endowment net assets for the fiscal year ended December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, beginning of year	<u>\$ -</u>	<u>\$ 1,059,017</u>	<u>\$ 4,467,417</u>	<u>\$ 5,526,434</u>
Contributions	-	-	112,027	112,027
Investment income, net of fees	-	88,134	-	88,134
Net realized and unrealized gains on investments	-	503,054	-	503,054
Appropriation of endowment assets for expenditure	-	(222,274)	-	(222,274)
	<u>-</u>	<u>368,914</u>	<u>112,027</u>	<u>480,941</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 1,427,931</u>	<u>\$ 4,579,444</u>	<u>\$ 6,007,375</u>

JVS SoCal  
Notes to Financial Statements  
December 31, 2017

6. ENDOWMENTS AND RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets are as follows:

	Balance, December 31, <u>2017</u>
Scholarship program - contributions	\$ 223,684
Scholarship program - cumulative endowment earnings	1,079,064
General endowment fund	348,867
Training programs	279,950
Veterans programs	131,000
Disability and assessment	100,000
Financial literacy	25,000
WoMentoring & WLN programs	2,000
Time restricted	<u>390,347</u>
	<u><u>\$ 2,579,912</u></u>

Time restrictions

In addition to the \$390,347 shown above, there are an additional \$308,845 of time-restricted net assets that are also purpose restricted. The total of these amounts, \$699,192, are shown as pledges receivable in the accompanying statement of financial position.

7. MULTIEMPLOYER PLAN

JVS participates in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles (the "Basic Plan"), identified as Plan 001 and Employer Identification Number 95-1643388. The Basic Plan is a multiemployer pension plan for certain employees of the Jewish Federation Council of Greater Los Angeles and participating affiliate agencies. Substantially all employees hired prior to 2006 are participants in the Basic Plan. The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If JVS chooses to stop participating in some of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

JVS is required to make minimum contributions according to actuarial requirements pursuant to a collective bargaining agreement which expires on June 30, 2019.

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7. MULTIEMPLOYER PLAN (continued)

For the plan year beginning January 1, 2017, the Basic Plan was certified to be in neither endangered nor critical status ("Green Zone") because the Basic Plan's funded percentage was greater than 80%. The Basic Plan has been Green Zone certified since January 1, 2014. The JFC has not made the Basic Plan's financial information available at December 31, 2017, so the total plan assets and accumulated benefit obligations are being omitted from disclosure. During 2017, JVS contributed \$426,958 to the Basic Plan which exceeded 5% of the total plan contributions.

The Basic Plan's audited financial statements and Form 5500 for 2016 are available to the public on the Department of Labor website.

8. RETIREMENT BENEFITS

Retirement benefits are provided for eligible employees hired beginning January 1, 2006, through the JFC, a multiemployer defined contribution plan which provides employer contributions at a set percentage of pay. JVS contributed \$99,155 to this plan during the year.

Retirement benefits for other eligible employees are provided by a 401(k) plan, under which JVS matches 50% of employee contributions up to 6% of eligible wages. JVS contributed \$29,619 to this plan during the year.

9. COMMITMENTS

JVS has commitments under noncancelable operating leases related to office space expiring at various dates through July 2023.

Year ending December 31,

2018	\$ 1,114,220
2019	831,140
2020	670,818
2021	690,942
2022	711,670
Thereafter	<u>427,595</u>
	<u>\$ 4,446,385</u>

Total rent expense under these noncancelable operating leases was \$933,362 during 2017, net of sublease income of \$134,013.

Sublease income

JVS leases a portion of one of its office facilities to a third party on a month-to-month basis for \$20,185 per month.

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10. LITIGATION

JVS is involved in litigation in the normal course of business. Management does not believe any of the current litigation will result in a materially adverse financial outcome.

OTHER AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
JVS SoCal  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America (the "U.S.") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of JVS SoCal (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered JVS SoCal's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JVS SoCal's internal control. Accordingly, we do not express an opinion on the effectiveness of JVS SoCal's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JVS SoCal's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of JVS SoCal's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JVS SoCal's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
Los Angeles, California

June 19, 2018