JVS SoCal

Financial Statements

December 31, 2022
(With Comparative Totals for 2021)

armanino

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
JVS SoCal
Los Angeles, California

Opinion

We have audited the accompanying financial statements of JVS SoCal ("JVS"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JVS SoCal and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, JVS has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases* as January 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JVS SoCal's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JVS SoCal's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JVS SoCal's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited JVS SoCal's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
Los Angeles, California

February 19, 2024

JVS SoCal
Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Cash	$ 3,426,131	$ 5,446,220
Investments	13,654,824	13,051,456
Due from government agencies, net	3,255,323	3,712,912
Pledges receivable, net	580,003	959,114
Other assets	623,691	424,884
Right of use assets	8,064,040	-
Property and equipment, net	43,899	53,125
Total assets	$ 29,647,911	$ 23,647,711
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	$ 3,789,137	$ 3,368,693
Deferred revenue	526,305	71,078
Operating lease right of use liabilities	8,007,952	-
Finance lease right of use liabilities	168,555	-
Total liabilities	12,491,949	3,439,771
Net assets		
Without donor restrictions		
General	7,921,940	10,320,112
Board designated	865,837	530,219
Total without donor restrictions	8,787,777	10,850,331
With donor restrictions	8,368,185	9,357,609
Total net assets	17,155,962	20,207,940
Total liabilities and net assets	$ 29,647,911	$ 23,647,711

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

JVS SoCal
Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains and other support				
Government agency contracts	$ 20,656,028	$ -	$ 20,656,028	$ 20,592,550
Contributions	849,364	1,763,788	2,613,152	2,795,436
Contributions - In-kind	172,260	-	172,260	172,260
Private grants and contracts	-	1,654,560	1,654,560	1,792,308
Special events, net	1,331,794	-	1,331,794	910,504
Program fees	-	-	-	9,056
Jewish Federation Council Allocation	417,046	-	417,046	421,003
Net assets released from restriction	3,361,320	(3,361,320)	-	-
Total revenues, gains and other support	26,787,812	57,028	26,844,840	26,693,117
Functional expenses				
Program services				
Career Services	518,058	-	518,058	455,891
Disability and Assessment	148,027	-	148,027	142,809
Workforce Development	12,648,347	-	12,648,347	12,178,019
Welfare to Work	5,229,447	-	5,229,447	4,622,407
Immigrant and Refugee	750,864	-	750,864	682,222
JVS Works	1,155,163	-	1,155,163	1,465,580
Scholarship	1,133,913	-	1,133,913	1,098,642
Total program services	21,583,819	-	21,583,819	20,645,570
Support services				
Management and general	5,175,662	-	5,175,662	5,096,538
Fundraising	1,348,725	-	1,348,725	1,376,453
Total support services	6,524,387	-	6,524,387	6,472,991
Total functional expenses	28,108,206	-	28,108,206	27,118,561
Change in net assets from operations	(1,320,394)	57,028	(1,263,366)	(425,444)
Other changes				
Investment (loss) income, net	(986,453)	(633,444)	(1,619,897)	1,701,477
Provision for loss on uncollectible pledges receivable	-	(168,715)	(168,715)	-
Endowment earnings appropriated for expenditure	244,293	(244,293)	-	-
Forgiveness of note payable (Paycheck Protection Program)	-	-	-	1,950,066
Total other changes	(742,160)	(1,046,452)	(1,788,612)	3,651,543
Change in net assets	(2,062,554)	(989,424)	(3,051,978)	3,226,099
Net assets, beginning of year	10,850,331	9,357,609	20,207,940	16,981,841
Net assets, end of year	$ 8,787,777	$ 8,368,185	$ 17,155,962	$ 20,207,940

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

JVS SoCal
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Program Services								Support Services			
	Career Services	Disability and Assessment	Workforce Development	Welfare to Work	Immigrant and Refugee	JVS Works	Scholarship	Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
Personnel expenses												
Salaries	$ 285,905	$ 74,992	$ 4,490,956	$ 3,881,556	$ 472,794	$ 674,710	$ 192,415	$ 10,073,328	$ 3,038,604	$ 663,365	$ 13,775,297	$ 12,885,076
Taxes and benefits	169,920	22,206	917,520	1,005,554	77,987	140,134	46,332	2,379,653	314,043	144,308	2,838,004	3,143,664
Total personnel expenses	455,825	97,198	5,408,476	4,887,110	550,781	814,844	238,747	12,452,981	3,352,647	807,673	16,613,301	16,028,740
Operating expenses												
Equipment and facility maintenance	2,144	769	463,766	1,843	14,424	8,688	812	492,446	39,249	7,540	539,235	341,143
Fundraising	-	-	-	-	-	-	-	-	600	16,386	16,986	-
Marketing and public relations	-	135	42,388	1,275	176	28,788	-	72,762	16,600	120,847	210,209	90,570
Occupancy	41,391	16,227	1,454,101	20,832	95,366	26,884	17,728	1,672,529	234,296	73,136	1,979,961	1,600,890
Office supplies and postage	1,864	580	105,829	32,980	13,735	2,010	1,342	158,340	35,849	13,165	207,354	128,296
Legal and professional fees	8,034	5,715	158,420	164,836	15,524	100,169	10,844	463,542	889,764	168,006	1,521,312	2,018,556
Program expenses	2,682	3,481	4,517,546	37,393	4,648	146,556	14,079	4,726,385	310,363	132,049	5,168,797	5,496,684
Utilities	5,270	1,325	312,507	38,829	18,135	20,082	1,572	397,720	49,120	8,057	454,897	343,377
Training, parking and conferences	697	1	129,490	32,026	3,740	4,622	114	170,690	232,736	1,483	404,909	231,686
Miscellaneous costs	151	22,596	55,824	12,323	34,335	844	107	126,180	6,956	383	133,519	2,100
Depreciation and amortization	-	-	-	-	-	1,676	68	1,744	7,482	-	9,226	34,719
Scholarship awards	-	-	-	-	-	-	848,500	848,500	-	-	848,500	801,800
Direct benefit costs	-	-	-	-	-	-	-	-	-	196,398	196,398	63,233
Total operating expenses	62,233	50,829	7,239,871	342,337	200,083	340,319	895,166	9,130,838	1,823,015	737,450	11,691,303	11,153,054
Total operating expenses	518,058	148,027	12,648,347	5,229,447	750,864	1,155,163	1,133,913	21,583,819	5,175,662	1,545,123	28,304,604	27,181,794
Less: expenses included with revenues on the statement of activities												
Direct benefit costs	-	-	-	-	-	-	-	-	-	(196,398)	(196,398)	(63,233)
	$ 518,058	$ 148,027	$ 12,648,347	$ 5,229,447	$ 750,864	$ 1,155,163	$ 1,133,913	$ 21,583,819	$ 5,175,662	$ 1,348,725	$ 28,108,206	$ 27,118,561

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

JVS SoCal
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (3,051,978)	$ 3,226,099
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	9,226	34,719
Provision for loss from uncollectible pledges receivable	168,715	-
Discount on pledges receivable	53,156	-
Donated investments	(132,913)	(10,769)
Net realized and unrealized losses (gains) on investments	2,054,060	(1,456,544)
Contributions received with permanent restrictions	(84,687)	(140,618)
Forgiveness of note payable (Paycheck Protection Program)	-	(1,950,066)
Reduction in carrying amount of right of use assets	816,874	-
Changes in operating assets and liabilities		
Due from government agencies	457,589	159,375
Pledges receivable, net	157,240	(374,980)
Other assets	(198,807)	(132,669)
Accounts payable and accrued expenses	420,444	956,873
Deferred revenue	455,227	-
Operating lease liabilities	(661,841)	-
Net cash provided by operating activities	462,305	311,420
Cash flows from investing activities		
Purchases of property and equipment	-	(45,488)
Purchases of investments	(4,429,105)	(403,355)
Proceeds from sales of investments	1,904,590	1,109,364
Net cash provided by (used in) investing activities	(2,524,515)	660,521
Cash flows from financing activities		
Contributions received with permanent restrictions	84,687	140,618
Finance lease liabilities	(42,566)	-
Net cash provided by financing activities	42,121	140,618
Net increase (decrease) in cash and cash equivalents	(2,020,089)	1,112,559
Cash and cash equivalents, beginning of year	5,446,220	4,333,661
Cash and cash equivalents, end of year	$ 3,426,131	$ 5,446,220

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

JVS SoCal
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Supplemental schedule of noncash investing and financing activities		
Acquisition of operating right-of-use asset through operating lease liability	$ 8,669,793	$ -
Acquisition of operating right-of-use asset through finance lease liability	$ 211,121	$ -

1. NATURE OF OPERATIONS

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 the Greater Los Angeles region, 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 America's Job Centers of California (AJCC) , which are part of the American 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 AJCC Centers provide services for all job seekers, including adults and youth with special needs (at-risk, foster and probation youth). JVS also operates JVS Veteran Services that includes the Veterans First program that assists veterans transitioning to the civilian workforce and Veterans Peer Access Network that connects veterans to community resources. 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 programs. The programs offer full-service case management under the supervision of the County. Offices are located in Chatsworth, Palmdale, Santa Clarita, and Glendale.

1. NATURE OF OPERATIONS (continued)

- Immigrant and Refugee programs serve refugees on welfare by offering English as a Second Language workshops, 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.
- JVS Works 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 "JCF"). These financial statements exclude funds held by the JVS 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.

Financial statement presentation

JVS reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations. The Board has designated proceeds from the annual Women's Conference to support the WoMentoring program. There may be other limits arising from contractual arrangements with outside parties.
- *Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource had been fulfilled, or both.

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, 2022.

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.

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 has been extended or renewed multiple times. The most recent contract was adopted November 16, 2021 and extends the contract term through December 31, 2024. The formal subcontractor agreement between Maximus and JVS was adopted on December 29, 2021 and extends the subcontractor agreement term through December 31, 2024. Funding for JVS under the contract is approximately $26 million over a 35-month period.

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 net assets without donor restrictions, 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 donor-restricted for a specified purpose or time, donor-restricted into perpetuity, or without donor-restrictions. 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 into perpetuity (not used, expended, or otherwise exhausted) is classified as donor-restricted endowment funds. Earnings from the donor-restricted endowment funds are classified as earnings on donor-restricted endowments not yet appropriated for spending. JVS endowments are described in Note 6.

Property and equipment

Property and equipment consists of furniture and equipment and leasehold 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. Leasehold improvements are amortized over 10 years.

JVS includes in net assets with donor restrictions property and equipment purchased in accordance with donor stipulations and uses the placed-in-service approach for reporting expirations of these restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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 property and equipment in the year that grant dollars are received.

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, 2022.

Support and revenue recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets are reported as releases between net assets with and without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Accordingly, 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 statement of financial position date for contract cash advances. JVS has received approximately $17,400,000 of cost-reimbursable grants that have not been recognized at December 31, 2022 because qualifying expenses have not yet been incurred. JVS reports conditional contributions that are also restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously.

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and use of facilities (continued)

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, including providing a specific program at this location, and therefore the lease is accounted for as a conditional pledge. During the year ended December 31, 2022, 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. The value of the lease revenue is based upon the a market value determined by the City of Los Angeles at the inception of the lease in 2017. The remaining value of the lease, assuming JVS exercises all renewal options, has been discounted at 4% and totals approximately $2,289,000.

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. Allocated shared costs included certain occupancy expenses, insurance, certain employee compensation costs, and supplies.

Change in accounting principles

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"). ASC 842 is the comprehensive lease standard that supersedes the previous authoritative lease accounting guidance contained in ASC 840. ASC 842 requires a lessee to recognize assets and liabilities related to long-term leases that were classified in its statement of financial position as operating leases under previous guidance. A leased asset, referred to as a right-of-use asset, is to be recognized related to the right to use the underlying asset and a lease related liability is to be recognized related to the lease payment obligations over the term of the lease, and includes options to extend that management reasonably expects to exercise. ASC 842 also requires expanded disclosures surrounding leases.

JVS adopted ASC 842, with an initial application date of January 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases*, *(Topic 842): Targeted Improvements*. JVS did not restate prior periods as presented under ASC 842 and instead, evaluated whether a cumulative adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of ASC 842. Management determined no cumulative effect adjustment to net assets as of January 1, 2022, was necessary.

As part of the allowable transition method, JVS elected to apply the following practical expedients:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principles (continued)

- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess whether any expired or existing contracts are, or contain, leases
- Election to use the risk-free interest rate as the discount rate.
- Election not to reassess initial direct costs on any existing leases.
- Election whereby the lease and nonlease components will not be separated for leases of facilities and equipment.

JVS evaluates whether new contracts are a lease at the contract inception or for a modified contract at the modification date. In calculating the present value of the right-of-use assets and liabilities JVS includes lease renewals and or termination options. If it is reasonably certain that a renewal or termination option will be exercised, the exercise of the options is considered in calculating the term of the lease.

Recent accounting pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The standard requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and increases the disclosure requirements around contributed nonfinancial assets. The standard includes disclosures of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. JVS adopted ASU 2020-07 with a date of initial application of January 1, 2022. The adoption of ASU 2020-07 did not have a significant impact on the financial statements.

Subsequent events

JVS has evaluated events subsequent to December 31, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through February 19, 2024, 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, except as disclosed in Notes 8 and 11.

3. INVESTMENTS

JVS manages its endowment and operating investments as one portfolio and 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).

3. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, JVS's investments at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Fair Value
Equities	$ 1,142,930	$ -	$ -	$ 1,142,930
Mutual funds	8,621,815	-	-	8,621,815
Exchange-traded funds	3,890,079	-	-	3,890,079
	$ 13,654,824	$ -	$ -	$ 13,654,824

Activity in the investments during the year was as follows:

Balance, beginning of year	$ 13,051,456
Purchases of investments	4,429,105
Donated investments	132,913
Proceeds from sales of investments	(1,904,590)
Net realized and unrealized gains on investments	(2,054,060)
Balance, end of year	$ 13,654,824

Investment accounts also include cash balances of $157,084 which have been grouped within cash on the statement of financial position.

4. PLEDGES RECEIVABLE

Pledges receivable by year at December 31, 2022 are as follows:

Amounts due in one year	$ 150,299
Amounts due in two to five years	336,665
Amounts due in more than five years	314,910
	801,874
Discount to net present value	(53,156)
Allowance for uncollectible pledges	(168,715)
	$ 580,003

JVS uses 4% as its present value discount factor.

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 consisted of the following:

Furniture and equipment	$ 1,207,595
Leasehold improvements	146,612
	1,354,207
Accumulated depreciation and amortization	(1,310,308)
	$ 43,899

6. ENDOWMENT

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 donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 as donor-restricted net assets is classified as donor-restricted for a specified purpose until those amounts are appropriated for expenditure by JVS in a manner consistent with the standard of prudence prescribed by UPMIFA.

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. Actual returns in any given year may vary. 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 composition

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.

6. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 5,096,096	$ 5,096,096
Accumulated investment gains	-	1,343,238	1,343,238
	$ -	$ 6,439,334	$ 6,439,334

Changes in endowment net assets for the year ended December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2021	$ -	$ 7,232,384	$ 7,232,384
Contributions	-	84,687	84,687
Investment income, net	-	9,628	9,628
Net realized and unrealized losses on investments	-	(643,072)	(643,072)
Appropriation of endowment assets for expenditure	-	(244,293)	(244,293)
Balance, December 31, 2022	$ -	$ 6,439,334	$ 6,439,334

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Subject to expenditure for specified purpose	
Scholarship program - contributions	$ 431,037
JVS Works programs	569,381
Veterans programs	365,088
	1,365,506
Time-restricted	563,345
Endowment funds restricted in perpetuity	
Scholarship	3,189,361
General	1,906,735
	5,096,096
Endowment earnings not yet appropriated	
Scholarship	1,024,312
General	318,926
	1,343,238
	$ 8,368,185

In addition to the $563,345 shown above, there are an additional $69,714 of time-restricted net assets that are also purpose restricted. The total of these amounts, net of a present value discount, $580,003, is shown as pledges receivable in the accompanying statement of financial position.

8. MULTI-EMPLOYER 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 multi-employer 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 multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer 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 multi-employer 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.

8. MULTI-EMPLOYER PLAN (continued)

JVS is required to make minimum contributions according to actuarial requirements pursuant to a collective bargaining agreement which was renewed during 2023 and expires June 30, 2027.

For the plan year beginning January 1, 2022, 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. During 2022, JVS contributed $249,389 to the Basic Plan which exceeded 5% of the total plan contributions.

The Basic Plan's audited financial statements and Form 5500 for 2022 are available to the public on the Department of Labor website.

9. RETIREMENT BENEFITS

Retirement benefits are provided for eligible employees hired beginning January 1, 2006, through the JFC, a multi-employer defined contribution plan which provides employer contributions at a set percentage of pay. JVS exited this plan in January 2018.

Effective January 1, 2018, JVS established the JVS SoCal Defined Contribution Plan (the "DC Plan") for all eligible employees. The DC Plan is a profit sharing plan to which JVS will annually contribute 5% of eligible compensation paid to the DC Plan participants. During 2022, JVS contributed $189,521 to the DC Plan.

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 $52,281 to this plan during the year.

10. LEASES

In July 2022, JVS adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and lease liabilities on the accompanying consolidated statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing leases (formerly "capital leases").

The Organization has operating leases for building space in the Los Angeles area under non-cancelable operating leases and financing leases for equipment. These lease agreements were previously recognized under the prior standard, ASC 840, as operating leases at December 31, 2021. Upon adoption of ASC 842, the qualifying leases have been recognized as right-of-use assets on the accompanying statement of financial position at June 30, 2023. The leases carry separate terms and expire at various dates through July 2029.

The adoption of ASC 842 resulted in the recognition of right-of-use asset and liability totaling $8,880,914.

10. LEASES (continued)

Right-of-use lease assets are as follows:

Right-of-use lease assets - operating	$ 7,896,599
Right-of-use lease assets - financing	167,441
	$ 8,064,040

Lease liability is detailed as follows:

Operating lease liability	$ 8,007,952
Financing lease liability	168,555
	$ 8,176,507

The weighted-average remaining lease terms and discount rates are as follows:

Weighted-average remaining lease term - operating lease	6.37 years
Weighted-average discount rate - operating lease	1.80%
Weighted-average remaining lease term - financing lease	3.75 years
Weighted-average discount rate - financing lease	1.34%

JVS has commitments under noncancelable operating leases related to office space expiring at various dates through July 2029

Year ending December 31,	Operating	Financing	Total
2024	$ 1,417,616	$ 45,084	$ 1,462,700
2025	1,390,489	45,084	1,435,573
2026	1,153,806	45,084	1,198,890
2027	1,185,865	37,570	1,223,435
2028	1,216,473	-	1,216,473
Thereafter	2,091,264	-	2,091,264
	8,455,513	172,822	8,628,335
Less: present value discount	(447,561)	(4,267)	(451,828)
	$ 8,007,952	$ 168,555	$ 8,176,507

10. LEASES (continued)

Lease costs for the year consisted of the following:

Operating lease costs		
Monthly scheduled rent	$	1,418,943
Variable lease costs		309,289
		1,728,232
Finance lease costs		
Monthly scheduled rent		43,680
		43,680
	$	1,771,912

Sublease income

JVS leases a portion of a program facility to a third party for approximately $22,000 per month through July 2029.

Future expected collections of sublease income are as follows:

Year ending December 31,		
2023	$	262,925
2024		262,925
2025		262,925
2026		262,925
2027		262,925
Thereafter		416,298
	$	1,730,923

11. LITIGATION

JVS is involved in litigation in the normal course of business. Management does not believe any of the current litigation through December 31, 2022 will result in a materially adverse financial outcome.

During 2021, JVS became the defendant in a suit alleging wage and hours violations. In 2022, this suit was settled for $500,000 and payment of the settlement by JVS is scheduled to be made in 2023. At December 31, 2021, JVS accrued the $500,000 settlement amount within accounts payable and accrued expenses, and the full settlement was paid in 2023.

12. LIQUIDITY AND AVAILABILITY

JVS is significantly supported by contributions with donor restrictions. JVS maintains sufficient resources to meet its responsibilities to its donors. JVS's liquidity management policy is designed to provide that its remaining financial assets are available for operations as its general expenditures, liabilities, and other obligations come due.

The following reflects JVS's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Liquidity of financial assets as of December 31, 2022 is as follows:

Cash	$ 3,426,131
Investments	13,654,824
Due from government agencies, net	3,255,323
Pledges receivable, net	580,003
	20,916,281
Pledges receivable due past one year, net of present value discount and allowance for uncollectible pledges (see Note 4)	(429,704)
Net assets subject to expenditure for specified purpose (see Note 7)	(1,365,506)
Donor-restricted endowment funds (see Notes 6 and 7)	(6,439,334)
Board designated net assets	(865,837)
	$ 11,815,900

Board designated net assets represents funds raised by JVS's auxiliary the Women's Leadership Network (the "WLN") for programmatic support. These funds do not meet the criteria to be classified as with donor restriction, therefore the Board designates a similar amount each year to reflect the efforts of the WLN.