Jewish Vocational Service and Employment Center

Consolidated Financial Report
June 30, 2016

Contents

Independent Auditor's Report

To the Board of Directors
Jewish Vocational Service and Employment Center

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Jewish Vocational Service and Employment Center which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, the related consolidated statements of activities, functional expenses and of cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, financial statements).

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Jewish Vocational Service and Employment Center as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
January 31, 2017

Jewish Vocational Service and Employment Center

Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	**$ 453,694**	$ 881,254
Accounts receivable, net	**1,444,758**	1,527,806
Loans receivable, net	**92,934**	181,484
Prepaid expenses and deposits	**39,986**	7,614
Investments	**1,894,826**	1,962,322
Property and equipment, net	**132,942**	94,848
Endowment Foundation assets	**4,151,193**	4,664,757
	$ 8,210,333	$ 9,320,085
Liabilities and Net Assets		
Liabilities:		
Line of credit	**$ -**	$ 467,000
Accounts payable and accrued expenses	**457,339**	577,413
Accrued vacation	**190,345**	281,792
Due to Jewish Federation of Metropolitan Chicago	**37,694**	42,995
Due to Jewish Child and Family Services	**613,752**	502,308
Deferred revenue and other liabilities	**122,500**	193,826
Refundable grant advances	**-**	298,982
	1,421,630	2,364,316
Net assets:		
Unrestricted:		
Designated for special purposes	**6,459,286**	6,658,115
Property and equipment fund	**132,942**	94,848
	6,592,228	6,752,963
Temporarily restricted	**96,475**	102,806
Permanently restricted	**100,000**	100,000
	6,788,703	6,955,769
	$ 8,210,333	$ 9,320,085

See notes to consolidated financial statements.

Jewish Vocational Service and Employment Center

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted						
	Undesignated	Designated for Special Purposes	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	2016 Total
Revenue:							
Public support:							
Allocated by Jewish Federation of Metropolitan Chicago	$ 2,145,882	$ -	$ -	$ 2,145,882	$ -	$ -	$ 2,145,882
Contributions	482,530	-	-	482,530	426,210	-	908,740
	2,628,412	-	-	2,628,412	426,210	-	3,054,622
Program service revenue:							
Fees and grants from government agencies	5,040,667	-	-	5,040,667	-	-	5,040,667
Program service fees	107,943	-	-	107,943	-	-	107,943
	5,148,610	-	-	5,148,610	-	-	5,148,610
Other revenue:							
Agency investment income, net	410	166	-	576	-	-	576
Net losses on Agency investments	(67,662)	-	-	(67,662)	-	-	(67,662)
Endowment Foundation income (loss)	348,321	(505,371)	-	(157,050)	(8,193)	-	(165,243)
Other interest income	5,522	-	-	5,522	-	-	5,522
Miscellaneous income	331,567	-	-	331,567	-	-	331,567
Net assets released from restrictions	424,348	-	-	424,348	(424,348)	-	-
	1,042,506	(505,205)	-	537,301	(432,541)	-	104,760
	8,819,528	(505,205)	-	8,314,323	(6,331)	-	8,307,992

Jewish Vocational Service and Employment Center

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2016

	Unrestricted						
	Undesignated	Designated for Special Purposes	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	2016 Total
Expenses:							
Program services:							
Rehabilitation and skill training services	$ 5,620,739	$ -	$ 16,779	$ 5,637,518	$ -	$ -	$ 5,637,518
Job counseling and placement services	1,856,028	-	16,779	1,872,807	-	-	1,872,807
Total program services	7,476,767	-	33,558	7,510,325	-	-	7,510,325
Supporting services:							
Management and general	749,634	-	4,195	753,829	-	-	753,829
Fundraising	210,523	-	381	210,904	-	-	210,904
Total supporting services	960,157	-	4,576	964,733	-	-	964,733
	8,436,924	-	38,134	8,475,058	-	-	8,475,058
Increase (decrease) in net assets before other changes	382,604	(505,205)	(38,134)	(160,735)	(6,331)	-	(167,066)
Other changes in net assets:							
Other transfers	(382,604)	306,376	76,228	-	-	-	-
(Decrease) increase in net assets	-	(198,829)	38,094	(160,735)	(6,331)	-	(167,066)
Net assets:							
Beginning of year	-	6,658,115	94,848	6,752,963	102,806	100,000	6,955,769
End of year	$ -	$ 6,459,286	$ 132,942	$ 6,592,228	$ 96,475	$ 100,000	$ 6,788,703

See notes to consolidated financial statements.

Jewish Vocational Service and Employment Center

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted						
	Undesignated	Designated for Special Purposes	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	2015 Total
Revenue:							
Public support:							
Allocated by Jewish Federation of Metropolitan Chicago	$ 2,083,171	$ -	$ -	$ 2,083,171	$ -	$ -	$ 2,083,171
Contributions	539,520	5,021	-	544,541	426,933	-	971,474
	2,622,691	5,021	-	2,627,712	426,933	-	3,054,645
Program service revenue:							
Fees and grants from government agencies	7,389,195	-	-	7,389,195	-	-	7,389,195
Program service fees	103,304	-	-	103,304	-	-	103,304
	7,492,499	-	-	7,492,499	-	-	7,492,499
Other revenue:							
Agency investment income, net	508	31,242	-	31,750	-	-	31,750
Net losses on Agency investments	-	(18,099)	-	(18,099)	-	-	(18,099)
Endowment Foundation income (loss)	344,143	(314,745)	-	29,398	(3,615)	-	25,783
Other interest income	7,429	-	-	7,429	-	-	7,429
Miscellaneous income	42,109	-	-	42,109	-	-	42,109
Net assets released from restrictions	425,389	2,500	-	427,889	(427,889)	-	-
	819,578	(299,102)	-	520,476	(431,504)	-	88,972
	10,934,768	(294,081)	-	10,640,687	(4,571)	-	10,636,116

Jewish Vocational Service and Employment Center

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2015

	Unrestricted						
	Undesignated	Designated for Special Purposes	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	2015 Total
Expenses:							
Program services:							
Rehabilitation and skill training services	$ 7,368,282	$ -	$ 14,813	$ 7,383,095	$ -	$ -	$ 7,383,095
Job counseling and placement services	2,802,143	-	14,813	2,816,956	-	-	2,816,956
Total program services	10,170,425	-	29,626	10,200,051	-	-	10,200,051
Supporting services:							
Management and general	680,741	-	3,704	684,445	-	-	684,445
Fundraising	200,768	-	337	201,105	-	-	201,105
Total supporting services	881,509	-	4,041	885,550	-	-	885,550
	11,051,934	-	33,667	11,085,601	-	-	11,085,601
Decrease in net assets before other changes	(117,166)	(294,081)	(33,667)	(444,914)	(4,571)	-	(449,485)
Other changes in net assets:							
Other transfers	117,166	(153,561)	36,395	-	-	-	-
Increase (decrease) in net assets	-	(447,642)	2,728	(444,914)	(4,571)	-	(449,485)
Net assets:							
Beginning of year	-	7,105,757	92,120	7,197,877	107,377	100,000	7,405,254
End of year	$ -	$ 6,658,115	$ 94,848	$ 6,752,963	$ 102,806	$ 100,000	$ 6,955,769

See notes to consolidated financial statements.

Jewish Vocational Service and Employment Center

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services			Supporting Services		
	Rehabilitation and Skills Training Services	Job Counseling and Placement Services	Total Program Services	Management and General	Fundraising	2016 Total
Staff expense:						
Salaries and vacation	$ 1,507,852	$ 815,344	$ 2,323,196	$ 285,655	$ 99,830	$ 2,708,681
Employee health and retirement benefits and payroll tax	580,900	316,276	897,176	116,655	38,023	1,051,854
	2,088,752	1,131,620	3,220,372	402,310	137,853	3,760,535
Professional fees and contract service payments	790,858	323,440	1,114,298	175,547	21,702	1,311,547
Supplies	145,375	20,382	165,757	10,343	3,446	179,546
Telecommunications	87,290	30,426	117,716	10,490	1,194	129,400
Postage and shipping	133	229	362	2,023	67	2,452
Occupancy	243,063	119,612	362,675	48,621	6,037	417,333
Marketing and advertising	2,033	9,961	11,994	8,282	-	20,276
Local transportation	55,486	12,193	67,679	1,406	30	69,115
Conferences, conventions, meetings and travel	4,454	3,841	8,295	10,368	1,231	19,894
Specific assistance to individuals	2,123,272	114,270	2,237,542	-	-	2,237,542
Subscriptions and reference publications	-	2,288	2,288	-	-	2,288
Membership dues	638	1,460	2,098	14,375	-	16,473
Equipment purchases, rentals, and repairs	49,361	28,333	77,694	8,548	1,293	87,535
Miscellaneous expense	30,024	57,973	87,997	57,321	37,670	182,988
	5,620,739	1,856,028	7,476,767	749,634	210,523	8,436,924
Depreciation and amortization	16,779	16,779	33,558	4,195	381	38,134
Total expenses	$ 5,637,518	$ 1,872,807	$ 7,510,325	$ 753,829	$ 210,904	$ 8,475,058

See notes to consolidated financial statements.

Jewish Vocational Service and Employment Center

Consolidated Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services			Supporting Services		
	Rehabilitation and Skills Training Services	Job Counseling and Placement Services	Total Program Services	Management and General	Fundraising	2015 Total
Staff expense:						
Salaries and vacation	$ 2,005,607	$ 1,300,106	$ 3,305,713	$ 317,070	$ 101,796	$ 3,724,579
Employee health and retirement benefits and payroll tax	701,020	456,125	1,157,145	110,759	35,691	1,303,595
	2,706,627	1,756,231	4,462,858	427,829	137,487	5,028,174
Professional fees and contract service payments	1,047,189	394,845	1,442,034	119,065	11,556	1,572,655
Supplies	347,457	24,641	372,098	9,032	7,734	388,864
Telecommunications	89,549	40,930	130,479	8,904	875	140,258
Postage and shipping	136	652	788	4,066	748	5,602
Occupancy	260,425	206,529	466,954	37,786	3,799	508,539
Marketing and advertising	848	1,394	2,242	1,763	-	4,005
Local transportation	69,594	26,498	96,092	4,682	20	100,794
Conferences, conventions, meetings and travel	9,171	8,064	17,235	7,943	99	25,277
Specific assistance to individuals	2,759,011	269,119	3,028,130	-	-	3,028,130
Subscriptions and reference publications	-	2,125	2,125	984	-	3,109
Membership dues	424	598	1,022	13,650	-	14,672
Equipment purchases, rentals, and repairs	46,582	32,795	79,377	4,707	908	84,992
Miscellaneous expense	31,269	37,722	68,991	40,330	37,542	146,863
	7,368,282	2,802,143	10,170,425	680,741	200,768	11,051,934
Depreciation and amortization	14,813	14,813	29,626	3,704	337	33,667
Total expenses	$ 7,383,095	$ 2,816,956	$ 10,200,051	$ 684,445	$ 201,105	$ 11,085,601

See notes to consolidated financial statements.

Jewish Vocational Service and Employment Center

Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

		2016		2015
Cash flows from operating activities:				
Decrease in net assets	**$**	**(167,066)**	$	(449,485)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:				
Depreciation and amortization		**38,134**		33,667
Allowance for doubtful accounts - notes receivable		**-**		15,101
Allowance for doubtful accounts - accounts receivable		**-**		(52,827)
Losses on Agency investments		**67,662**		18,099
Losses on Endowment Foundation investments		**157,419**		33,267
Changes in:				
Accounts receivable		**83,048**		6,226
Loans receivable		**88,550**		62,830
Prepaid expenses and deposits		**(32,372)**		1,436
Endowment Foundation receivables and other assets		**9,193**		7,615
Accounts payable and accrued expenses		**(120,074)**		(44,679)
Accrued vacation		**(91,447)**		(19,074)
Due to Jewish Federation of Metropolitan Chicago and affiliates		**(5,301)**		(10,386)
Due to Jewish Child and Family Services		**111,444**		256,792
Deferred revenue and other liabilities		**(71,326)**		(154,748)
Refundable grant advances		**(298,982)**		-
Net cash used in operating activities		**(231,118)**		(296,166)
Cash flows from investing activities:				
Purchases of property and equipment		**(76,228)**		(36,395)
Purchases of Agency investments		**(166)**		(31,241)
Purchases of Endowment Foundation investments		**(1,369)**		(66,665)
Proceeds from sales of Endowment Foundation investments		**348,321**		344,143
Net cash provided by investing activities		**270,558**		209,842
Cash flows from financing activities:				
Net repayments on line of credit		**(467,000)**		-
Repayments of notes payable		**-**		(10,000)
Net cash used in financing activities		**(467,000)**		(10,000)
Decrease in cash and cash equivalents		**(427,560)**		(96,324)
Cash and cash equivalents:				
Beginning of year		**881,254**		977,578
End of year	**$**	**453,694**	$	881,254
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	**$**	**10,893**	$	14,147

See notes to consolidated financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

The Jewish Vocational Service and Employment Center (the Agency), is a private nonprofit social service agency that provides services to occupationally disadvantaged residents of metropolitan Chicago for the purpose of facilitating and maximizing the acquisition of employment and educational skills and opportunities. The Agency is funded primarily by government grants and fees for services, program service fees and contributions from the general public and an appropriation from the Jewish Federation of Metropolitan Chicago.

The Agency provides the following programs and services:

Through the Rehabilitation and Skills Training Programs, the Agency works with disadvantaged people to develop their job skills and life skills. The programs offered include specific training for pharmacy technicians, life skills with practical experiences, and customized placement with training and follow-up. For many people, the Agency's services and competitive employment becomes the bridge to independence and renewed self-esteem. Contract Services and Adult Services programs help people with disabilities through vocational training, supported employment programs and placement services and counseling.

The Job Counseling and Placement Programs are focused on helping the general population of unemployed and underemployed find employment. Counselors perform outreach activities, provide social networking opportunities, develop niche workshops, and run seminars. Agency counselors also provide individual career counseling and job search assistance by providing the tools and strategies for job seeking essentials such as resume writing, interviewing, and networking. English language training courses are offered to help newly-arrived immigrants. Additionally, the Agency provides small business start-up loans to individuals starting or expanding their own businesses through the Duman Entrepreneurship Center. The Duman Center also provides financial literacy and credit building counseling.

The Jewish Vocational Service Endowment Foundation (Endowment Foundation) is a nonprofit organization whose purpose is to receive and hold endowment-type contributions for the benefit of the Agency. The financial accounts of the Endowment Foundation are consolidated within these financial statements.

The Agency and Endowment Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The Agency is affiliated with the Jewish Federation of Metropolitan Chicago (Jewish Federation), as more fully described in Note 2.

On July 1, 2013, the Agency entered into an Alliance Agreement with Jewish Child and Family Services (JCFS; a nonprofit affiliate of the Jewish Federation of Metropolitan Chicago) whereby the separate organizations agreed to continue and expand their relationship to work together to further their respective purposes and missions. Under this expanded Alliance Agreement, the Agency amended its by-laws to allow JCFS to become the sole corporate member of the Agency effective July 1, 2013. Accordingly, the Agency's financial statements are also included in the JCFS consolidated financial statements for fiscal years 2016 and 2015, although each agency continues to maintain its own separate legal existence.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Significant accounting policies are as follows:

Basis of presentation: The Agency's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). For financial reporting purposes, net assets and related activity for the Agency's funds are classified as unrestricted, temporarily restricted or permanently restricted, based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets are available for support of the Agency's operations and are not subject to donor imposed restrictions. Special purpose funds have been designated by the Agency's Board of Directors for certain programs or uses.

Temporarily restricted net assets represent net assets subject to donor imposed restrictions that will be met either by the Agency's actions or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions are met or have expired. These restrictions are reported in the consolidated statements of activities as net assets released from restrictions.

The Agency's permanently restricted net assets represent funds subject to the restrictions of gift instruments requiring the principal to be maintained intact. Investment income, including realized and unrealized gains and losses are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Consolidation: The Agency determined that it has elements of control and economic interest in the Endowment Foundation, thereby requiring consolidation for financial reporting purposes. The Agency's financial statements have been prepared on a consolidated basis, whereby the financial statements include the accounts of the Agency as well as those of the Endowment Foundation. All significant intercompany accounts and transactions, such as annual Endowment Foundation distributions received by the Agency, are eliminated in consolidation.

Cash and cash equivalents: The Agency considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents are comprised entirely of money market funds. Cash and cash equivalents at times may exceed federally insured limits; however, the Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable: Accounts receivable represents amounts due for reimbursement of program services and related revenue, the majority of which is due from governmental agencies. The amounts are stated net of an allowance for doubtful accounts of $15,000 as of June 30, 2016 and 2015, which management has determined based on historical experience and analysis of specific accounts. Uncollectible accounts are written off in the year they are deemed worthless.

Loans receivable: The Agency has a microloan program whereby loans are made to start-up business and individual entrepreneurs. The loan portfolio consists of first mortgages on real property. Loan maturities are generally up to three years, with interest on loans being accrued over the term of the loan based on the amount of principal outstanding.

The accrual of interest on loans is generally discontinued at the time the loan is 90 days past due unless the loan is well-secured and in the process of collection. Past due status is generally based on contractual terms of the loan. Loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Any interest accrued but not collected for loans that are placed on nonaccrual status or charged off, is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loans renegotiated in troubled debt restructurings are those loans on which concessions in terms have been granted because of a borrower's financial difficulty.

Allowance for loan losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loans are charged against the allowance for loan losses when management believes the uncollectibility of the principal is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are considered to be impaired. For those loans that are considered to be impaired, an allowance is established when the discounted cash flows of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical loss experience. Other adjustments may be made to the allowance for loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss.

Loans are considered impaired when, based on current information and events, it is probable that the Agency will not be able to collect all amounts due according to the contractual terms of the agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The impairment is measured based on the present value of expected future cash flows or, alternatively, the observable market price of the loans. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Investment: The Agency and Foundation's by-laws provide that all of their liquid assets are to be invested in the JFMC Pooled Endowment Portfolio, LLC (PEP) which is maintained by the Jewish Federation. The investment in the PEP is recorded at fair value. The Agency and Foundation record investment transactions on a trade-date basis. Realized gains and losses on investment transactions and change in unrealized gain/(loss) on investments are reported as such on the consolidated statement of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Remainder interests in charitable gift annuities: The Foundation is named as the designated beneficiary of a remainder interest in numerous charitable gift annuities held and administered by the Federation. The Foundation values its remainder interest in a charitable gift annuity at fair value based upon the fair value of the charitable gift annuity assets less the fair value of the liability. The proceeds received from charitable gift annuities are released from restriction upon the death of the annuitant.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Property and equipment: Property and equipment purchases of $1,000 or more are recorded at cost if purchased, or fair value if donated, and depreciated over their estimated useful lives on a straight-line basis, with the exception of leasehold improvements which are amortized over the terms of the respective leases, which are 15 years. The estimated useful lives for determining depreciation are 30 years for building improvements and 5 years for equipment, software, furniture and vehicles.

Major renewals and betterments that extend the useful life of an asset are capitalized while routine maintenance and repairs are expensed as incurred.

Accrued vacation: The Agency records an accrued liability for employees' earned but unused vacation time totaling $190,345 and $281,792 at June 30, 2016 and 2015, respectively.

Revenue recognition: Contributions, including unconditional promises to give, are recorded as revenue in the period the promises are received at their fair value. Bequests from estates are generally recognized after the probate court declares the will valid.

Grants from governmental agencies are recognized as related costs are incurred. Fees from governmental agencies primarily represent performance-based contracts for services that are billed to governmental agencies and recognized as revenue as the work is performed. When the Agency receives funds from grants or other sources prior to the related expenses being incurred the funds are reported as deferred revenue and other liabilities in the consolidated financial statements.

Donated goods, facilities and services: A substantial number of volunteers have donated significant time to the Agency's activities. However, only those services that meet the criteria for recognition are reflected in the consolidated financial statements, which totaled $6,548 and $0 for fiscal years 2016 and 2015, respectively. Any such amounts are included within contributions and special events revenues in the consolidated statements of activities.

A number of unpaid volunteers and members of the Agency's Board of Directors have made significant contributions of their time to the Agency's activities. The value of these services is not reflected in these consolidated financial statements because they do not meet the criteria for recognition.

Functional expenses: Operating expenses directly identified with a functional area are charged to that area, and where those expenses affect more than one area, they are allocated to functional areas in proportion to the benefit each area receives from those costs.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement. For the reporting periods presented in these consolidated financial statements, there were no unrecognized tax benefits identified or recorded as liabilities.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Agency and Endowment Foundation each file a Form 990 in the U.S. federal jurisdiction and the State of Illinois. The Agency and the Endowment Foundation are generally no longer subject to examination by the Internal Revenue Service for years before 2013.

Use of estimates: In preparing consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. Early adoption is permitted. The updated standard will be effective for the Agency's 2020 financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Agency's 2019 financial statements, early adoption is allowed.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Agency's 2021 financial statements.

The Agency is currently evaluating the impact of the adoption of the standard on its consolidated financial statements.

Subsequent events: The Agency has evaluated subsequent events for potential recognition and/or disclosures through January 31, 2017, the date the consolidated financial statements were available to be issued.

Note 2. Affiliated Organizations

The Agency is an affiliate of the Jewish Federation. Pursuant to their affiliation agreement, the Jewish Federation provides an allocation of funds to the Agency's unrestricted funds. The Jewish Federation subsidy was $2,145,882 and $2,083,171 for the years ended June 30, 2016 and 2015, respectively.

In accordance with the affiliation agreement, the Agency may not negotiate any merger or material transfer of assets without approval of the Jewish Federation, and in the event of any liquidation of the Agency, the net proceeds are to be distributed to the Jewish Federation.

Note 2. Affiliated Organizations (Continued)

The Agency manages the Jewish Federation scholarship program for which the Agency received scholarship funds from the Jewish Federation of $416,211 and $411,935 during fiscal years 2016 and 2015, respectively. The Agency distributed scholarships totaling $413,961 and $410,075 during fiscal years 2016 and 2015, respectively. The Agency reflects scholarship funds as temporarily restricted funds until awarded to the recipient. The temporarily restricted scholarship fund was $4,109 and $1,860 at June 30, 2016 and 2015, respectively.

The Agency leases office and facility space from the JFMC Facilities Corporation, an affiliate of the Jewish Federation.

The Agency participates with the Jewish Federation and its other affiliated agencies in self insurance programs for health and dental insurance. All self insurance programs of the Jewish Federation and its affiliated agencies include specific and aggregate stop loss insurance policies. Contributions by the Agency relating to insurance coverage (made to the Jewish Federation, as custodian for these programs) amounted to $242,711 and $272,527 during fiscal years 2016 and 2015, respectively.

Amounts owed to the Jewish Federation for participation in these employment benefit programs were $25,500 and $21,869 at June 30, 2016 and 2015, respectively.

Amount shown as Due to Jewish Federation on the consolidated statements of financial position as of June 30, 2016 and 2015 comprise primarily payments due under the various agreements between the Agency and the Jewish Federation for information technology services, occupancy, and self insurance programs.

Pursuant to a management agreement dated March 5, 2013, JCFS provides executive management, strategic direction and vision to the Agency. The Agency owed $613,752 and $502,308 to JCFS as of June 30, 2016 and 2015, respectively.

Note 3. Investments and Fair Value Measurements

The Agency and the Endowment Foundation investments are invested in the PEP at June 30, 2016 and 2015, as follows:

	2016	2015
Agency	$ 1,894,826	$ 1,962,322
Endowment Foundation	4,106,141	4,610,512
	$ 6,000,967	$ 6,572,834

As described in Note 1, the Agency and the Endowment Foundation record their investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Note 3. Investments and Fair Value Measurements (Continued)

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Agency and Endowment Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by the Agency and Endowment Foundation to measure their financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

The Agency's and Endowment Foundation's investments represent their allocable share in the PEP and are measured at fair value using the net asset value per share (NAV) practical expedient and have not been categorized in the fair value hierarchy.

Investments in non-registered investment companies consisting of certain hedged equity funds, absolute return funds, venture capital funds, buyout funds, distressed, special situation funds, real estate funds, alternative fixed income funds, national resource funds, and public inflation funds are valued at fair value based on the applicable percentage of ownership of the underlying investment entities' net assets as of the measurement date as determined by the Agency and the Endowment Foundation, commonly referred to as the practical expedient. In determining fair value, the Agency and the Endowment Foundation utilize valuations provided by the underlying investment entities. The underlying investment entities value securities and other financial instruments on a fair value based upon market price, when possible, or at fair value determined by the respective entities' investment manager when no market price is determinable. Although the Agency and the Endowment Foundation use their best judgment in estimating fair value of alternative investments, there are inherent limitations in any estimation technique. The estimated fair values of certain of the investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and differences could be material.

The practical expedient allows for investments in non-registered investment companies, to be valued at NAV which represents fair value. The Agency and the Endowment Foundation classify these investments using NAV within the fair value measurement table.

The Federation is the manager and administrator of the PEP and is also the majority owner of the PEP. As the manager, the Jewish Federation owned 86.5 and 85.7 percent of the PEP, as of June 30, 2016 and 2015, respectively, and the Agency and the Endowment Foundation had 0.25 and 0.55 percent interest, respectively, in the Jewish Federation's portion of the PEP for the same reporting periods.

Note 3. Investments and Fair Value Measurements (Continued)

The PEP invests in various types of investments including: mutual funds, equity and debt securities, alternative investments and other investment vehicles. The Agency and the Endowment Foundation do not own or have any interest in the underlying investments held by the PEP. The Agency has the ability to contribute or withdraw funds from its account on the first day of each month. The Endowment Foundation has the ability to contribute funds on the first day of each month; quarterly withdrawals are subject to the Controlled Growth Distribution Policy (Note 4).

The PEP’s investment in money market funds, mutual funds, exchange-traded funds, and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Precious metals are valued based on the closing spot price, derived from the over-the-counter precious metals trading market.

The PEP’s investment in preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are categorized as Level 2 in the fair value hierarchy. Investments in government securities and bonds and corporate notes and debt securities which are traded on a national securities exchange or market are valued at the mean between the current "bid" and "asked” quotations on that day. If a reliable bid and asked quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and asked quotation of a reliable market maker. If the investments are not traded on an exchange, they are stated at cost plus accrued interest, which approximates the fair value.

The PEP’s investments in alternative investments and other investment vehicles are stated at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as determined by the PEP. In determining fair value, the PEP utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of the PEP's alternative investments generally represents the amount expected to be received if the PEP were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

As of June 30, 2016, $100,000 of the Endowment Foundation’s investment in the PEP is permanently restricted.

The Endowment Foundation’s remainder interest in charitable gift annuities are classified as Level 3.

The Endowment Foundation values its remainder interest in a charitable gift annuity at residual value based upon the fair value of the charitable gift annuity assets less the fair value of the liability. The remainder interest is computed and measured at fair value using a present value discount rate of 7.00 percent. In computing the remainder interest, management considers the estimated return on invested assets and the contractual payment obligation during the expected term of the annuity agreement based on the 2015 IRS Life Expectancy Tables. Contribution income and changes in fair value are recorded in temporarily restricted net assets as the Foundation will not receive control of the value of the interest until the death of the annuitant beneficiary.

Note 3. Investments and Fair Value Measurements (Continued)

The following table presents a reconciliation of activity for the Level 3 financial instrument:

	Remainder Interest	
	2016	2015
Balance, beginning of year	$ 53,245	$ 56,860
Net change in unrealized loss	(8,193)	(3,615)
Balance, end of year	$ 45,052	$ 53,245

The Agency and the Endowment Foundation assess the levels of the financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Agency and Endowment Foundation's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the years ended June 30, 2016 and 2015.

The Agency and the Endowment Foundation, through their investment in the PEP, enter into transactions with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the consolidated statements of financial position.

Market risk of investment in the PEP: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the overall exposure to market risk. The Federation attempts to control the PEP's exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. Exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which there is a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges.

Concentration of credit risk: The Agency and the Endowment Foundation currently invest all of their cash assets in the PEP. In the event the PEP does not fulfill its obligations, the Agency and the Endowment Foundation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The PEP attempts to minimize this credit risk by monitoring the creditworthiness of its counterparties.

Investment in funds: The managers of underlying investment funds in which the PEP invests may utilize derivative instruments with off-balance sheet risk. The Agency's and the Endowment Foundation's exposure of risk is limited to their allocable share of the PEP's investment.

Note 3. Investments and Fair Value Measurements (Continued)

As of June 30, 2016 and 2015, the PEP was invested as follows:

	2016		2015	
	Percentage of total PEP	Approximate Hierarchy level within the PEP	Percentage of total PEP	Approximate Hierarchy level within the PEP
Equity:				
US large cap equity	3 %	1-NAV	5 %	1-NAV
US small cap equity	8	1-NAV	8	1-NAV
Developed international equity	9	1-NAV	11	1-NAV
Emerging markets equity	6	1-NAV	5	1-NAV
Hedge equity	15	NAV	15	NAV
Private equity	11	NAV	12	NAV
Credit:				
Core credit	5	1-NAV	4	1-NAV
Non-core credit	2	1-NAV	5	1-NAV
Hedged credit	9	NAV	4	NAV
Private credit	1	NAV	0	NAV
Cash	6	1	5	1
U.S. Treasury Bill	1	1	1	1
Commodities	3	1	3	1
Real assets	5	NAV	5	NAV
Real estate	9	NAV	10	NAV
Opportunistic	7	NAV	7	NAV
	100 %		100 %	

Note 4. Endowment Foundation

The Endowment Foundation was created pursuant to a 1999 agreement between the Jewish Federation and the Agency. In accordance with this agreement and a modification made in 2014, the Agency has agreed to transfer to the Endowment Foundation all endowment gifts and all amounts received in excess of $25,000 from each non-endowment gift, bequest and devise it receives and the Jewish Federation has agreed to transfer to the Endowment Foundation all endowment gifts and all amounts received in excess of $25,000 from each non-endowment gift, bequest and devise it receives that are specified by the donor for the use of the Agency. The first $25,000 received by the Jewish Federation from a gift specified by the donor for the Agency will be included in the Jewish Federation’s annual allocation to the Agency. Prior to fiscal year 2015, the Agency had agreed to transfer all endowment and other gifts, regardless of amount.

The Endowment Foundation paid its allocated share of operating expenses of $36,905 and $36,891 during fiscal years 2016 and 2015, respectively.

The Agency has the right to terminate its obligations and status as a participating agency, as defined. In addition, upon dissolution of the Endowment Foundation (which may only take place upon agreement of both the Agency and the Jewish Federation) or termination of the affiliation agreement between the Agency and the Jewish Federation, the Endowment Foundation's assets will be transferred to the Jewish Federation and used for the purposes for which they were intended.

Note 4. Endowment Foundation (Continued)

The Endowment Foundation's endowment consists of donor-restricted funds established for a variety of purposes. In addition, funds with no donor-imposed restrictions are considered part of the endowment because they are held and invested by the Endowment Foundation for the benefit of the Agency. These funds are categorized as board-designated. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Agency and the Endowment Foundation follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Illinois. The Board of Directors of the Endowment Foundation has interpreted Illinois 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, the Endowment Foundation's policy is to classify 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 Endowment Foundation has no other activities beyond receiving and investing contributions on behalf of the Agency and incurs no other expenditures other than those made on behalf of the Agency. Therefore, all investment income is considered appropriated for expenditure and is classified as unrestricted-board designated net assets available for distribution unless explicitly restricted by the donor, in which case it is classified as temporarily restricted revenue until such restrictions are met.

In accordance with UPMIFA, the Endowment Foundation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purpose of the Endowment Foundation and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Endowment Foundation; and
7) The investment policies of the Endowment Foundation.

The Endowment Foundation's net asset composition by type of restriction is as follows for the years ended June 30, 2016 and 2015:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated	$ 4,006,265	$ -	$ -	$ 4,006,265
Donor-restricted	(124)	45,052	100,000	144,928
	$ 4,006,141	$ 45,052	$ 100,000	$ 4,151,193

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated	$ 4,511,512	$ -	$ -	$ 4,511,512
Donor-restricted	-	53,245	100,000	153,245
	$ 4,511,512	$ 53,245	$ 100,000	$ 4,664,757

Note 4. Endowment Foundation (Continued)

The changes in endowment net assets for the Endowment Foundation were as follows for the years ended June 30, 2016 and 2015:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,511,512	$ 53,245	$ 100,000	$ 4,664,757
Investment return:				
Investment income	369	-	-	369
Net depreciation (realized and unrealized) of investments	(157,419)	-	-	(157,419)
	(157,050)	-	-	(157,050)
Other changes:				
Change in remainder interest in a charitable gift annuity	-	(8,193)	-	(8,193)
Distributions to Agency	(311,416)	-	-	(311,416)
Administrative and development expenses	(36,905)	-	-	(36,905)
	(348,321)	(8,193)	-	(356,514)
Endowment net assets, end of year	$ 4,006,141	$ 45,052	$ 100,000	$ 4,151,193

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,823,757	$ 59,360	$ 100,000	$ 4,983,117
Investment return:				
Investment income	60,212	-	-	60,212
Net depreciation (realized and unrealized) of investments	(33,267)	-	-	(33,267)
	26,945	-	-	26,945
Transfer of net assets released from restrictions	2,500	(2,500)	-	-
Other changes:				
Other income	2,453	-	-	2,453
Change in remainder interest in a				-
charitable gift annuity	-	(3,615)	-	(3,615)
Distributions to Agency	(307,252)	-	-	(307,252)
Administrative and development				-
expenses	(36,891)	-	-	(36,891)
	(341,690)	(3,615)	-	(345,305)
Endowment net assets, end of year	$ 4,511,512	$ 53,245	$ 100,000	$ 4,664,757

Note 4. Endowment Foundation (Continued)

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Endowment Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $124 and $0, respectively, as of June 30, 2016 and 2015.

Return objectives and risk parameters
The Endowment Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner intended to achieve an annualized long-term average nominal return which is approximately equal to the long-term average return of the market as a whole, but with less volatility than the overall market. Actual returns in any given year may vary significantly from the target amount.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Endowment Foundation 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). The Endowment Foundation’s policy is to invest 100 percent of the endowment cash assets in the PEP.

Spending policy and how the investment objectives relate to spending policy
The Endowment Foundation has adopted the Jewish Federation’s Controlled Growth Distribution Policy (CGDP) to calculate distributions. Under this policy, the distribution rate for annual distributions from the Endowment Foundation to the Agency is based on the market performance of the PEP, with certain caps and floors to provide stability during volatile market environments. The CGDP also includes a target growth rate of 2.5 percent per year.

Note 5. Property and Equipment

Property and equipment is reported net of accumulated depreciation at June 30, 2016 and 2015, as follows:

	2016	2015
Office furniture, equipment and other	$ 444,142	$ 374,860
Less accumulated depreciation	(311,200)	(280,012)
	$ 132,942	$ 94,848

Note 6. Line of Credit

The Agency has a $1,500,000 line of credit agreement with MB Financial Bank which bears interest at three month daily LIBOR (0.6516 percent as of June 30, 2016) plus 1.75 percentage points with a minimum annual interest rate of 2.00 percent. The line of credit is guaranteed by the Jewish Federation. The balance outstanding on the line at June 30, 2016 and 2015 was $0 and $467,000, respectively. This agreement expires on February 15, 2017. Management intends to seek renewal of the agreement for another year.

The Agency had an uncollateralized $1,500,000 line of credit with the Jewish Federation which bears interest at 30-day LIBOR plus 120 basis points. There were no outstanding borrowings on this line as of June 30, 2016 and 2015. This line expired on June 27, 2016 and was not renewed.

Note 7. Temporarily Restricted Net Assets

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

	2016	2015
Agency:		
Duman Microenterprise Fund	$ 46,224	$ 46,224
Emergency Fund	1,090	1,477
Other	4,109	1,860
	51,423	49,561
Endowment Foundation:		
Remainder interest in charitable gift annuity	45,052	53,245
	$ 96,475	$ 102,806

Releases from restrictions of $424,348 and $427,889 during the years ended June 30, 2016 and 2015, respectively, consisted of the purpose or time restrictions being met relating to the above net assets.

Note 8. Retirement Plans

The Agency is an employer participant in two employee retirement plans, Jewish Federation Employees' Retirement Savings Trust Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERST) and Jewish Federation Employees' Retirement Income Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERIP). The plans cover substantially all of the Agency's employees.

FERST is a defined contribution pension plan, employer contributions to which are computed on the basis of a percentage of salaries. Annual contributions to FERST for the fiscal years ended June 30, 2016 and 2015 were $56,475 and $71,165, respectively.

FERIP is a self-administered, noncontributory defined benefit pension plan, the funding of which is provided on the basis of normal cost as actuarially determined. FERIP is treated as a multi-employer plan for accounting purposes.

Annual contributions paid or accrued by the Agency are determined as a percentage of payroll and are at the direction of Jewish Federation's Board of Directors based on recommendations from its Administration Committee.

Note 8. Retirement Plans (Continued)

The Agency's participation in FERIP for the fiscal years ended June 30, 2016, 2015 and 2014 is outlined in the table below.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2016	Pension Protection Act Zone Status 2015	FIP/RP Status Pending/ Implemented	Contributions of the Agency 2016	Contributions of the Agency 2015	Contributions of the Agency 2014	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
FERIP	36-2167034	N/A	N/A	N/A	$ 181,565	$ 179,767	$ 177,987	N/A	N/A

Plan information for FERIP is not publicly available. FERIP provides fixed, monthly retirement payments on the basis of the credits earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase and may be used to fund retirement benefits for employees related to other employers who have ceased operations. The Agency could be assessed a withdrawal liability in the event that it decides to cease participating in the plan.

FERIP's actuarial valuation for the years ended December 31, 2015 and 2014 indicated the fair value of the plan assets was $76,173,371 and $80,593,469, respectively; total actuarial projected benefit obligation was $123,422,836 and $122,824,832, respectively; and total contributions for all participating employers were $3,910,612 and $2,920,000, respectively. The plan's actuarial valuation for the plan years ended December 31, 2015 and 2014 indicate that the plan was approximately 62 and 66 percent funded, respectively.

At the date these consolidated financial statements were issued, Forms 5500 were not available for the plan years ending in 2016.

Note 9. Lease Obligations

The Agency occupies various office and facility space under several long-term and month-to-month arrangements. The long-term arrangements have expiration dates between 2016 and 2017. While a number of these arrangements are paid month-to-month, management expects to occupy the sites for a long-term period. Total rental expense included in occupancy in the consolidated statements of functional expenses for the fiscal years ended June 30, 2016 and 2015, most of which was paid to the JFMC Facilities Corporation, is as follows:

	2016	2015
Administrative offices, Chicago, Illinois	$ 315,307	$ 295,649
Goldie Bachmann Luftig Building, Skokie, Illinois	55,948	53,884
Bernard Weinger JCC, Northbrook, Illinois	30,396	59,919
Buffalo Grove, Illinois	11,826	21,582
Total paid to JFMC Facilities Corporation	413,477	431,034
Other facility leases	15,829	39,394
	$ 429,306	$ 470,428

Note 9. Lease Obligations (Continued)

In addition to the premises leased from the JFMC Facilities Corporation and other unrelated parties, the Agency leases office equipment and occupies space at various other locations under leases expiring on various dates through fiscal year 2017, with minimum annual rent totaling $39,001.

Office equipment lease expense was $67,186 and $67,477 for fiscal years 2016 and 2015, respectively, which is included in equipment purchases, rentals and repairs on the consolidated statements of functional expenses.

Note 10. Concentrations and Contingencies

The Agency is substantially supported by revenue from the Illinois Department of Human Services, the Jewish Federation of Metropolitan Chicago and various agencies of the U.S. Government. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Agency's programs and activities.

Amounts received and expended by the Agency under various government programs are subject to review by government agencies, and these reviews are conducted from time to time. Accordingly, the Agency's compliance with applicable program requirements is often established in subsequent periods.

Refundable grant advances represent amounts expected to be refunded to state agencies. At June 30, 2016 and 2015, refundable grant advances of $0 and $298,982, respectively, represent amounts potentially refundable to a government funder. The Agency has attempted to substantiate various expenditures claimed for reimbursement to demonstrate that the amounts were earned in accordance with the guidelines of the respective contract. At June 30, 2016, $298,982 was included in miscellaneous income on the consolidated statement activities for the reduction in refundable grant advances.

In the opinion of management, other adjustments of expenditures that may be disallowed by the governmental agencies, if any, cannot be determined at this time.