Jewish Vocational Service and Employment Center

Consolidated Financial Report
June 30, 2017

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, 2017 and 2016, 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, the financial statements).

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

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, 2017 and 2016, 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.

Emphasis of Matter
Effective June 30, 2017, the net assets of the Jewish Vocational Services Endowment Foundation were transferred to Jewish Child and Family Services Endowment Foundation. See Note 2 to the financial statements for additional information. Our opinion is not modified with respect to this matter.

RSM US LLP

Chicago, Illinois
January 8, 2018

Jewish Vocational Service and Employment Center

Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	**$ 794,234**	$ 453,694
Accounts receivable, net	**1,305,286**	1,444,758
Loans receivable, net	**145,609**	92,934
Prepaid expenses and deposits	**20,899**	39,986
Investments	**2,077,145**	1,894,826
Property and equipment, net	**99,061**	132,942
Endowment Foundation assets	**-**	4,151,193
Beneficial interest in JCFS Endowment Foundation	**4,269,012**	-
	$ 8,711,246	$ 8,210,333
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 404,397**	$ 457,339
Accrued vacation	**170,063**	190,345
Due to Jewish Federation of Metropolitan Chicago	**25,144**	37,694
Due to Jewish Child and Family Services	**970,347**	613,752
Deferred revenue and other liabilities	**126,000**	122,500
	1,695,951	1,421,630
Net assets:		
Unrestricted:		
Designated for special purposes	**6,715,719**	6,459,286
Property and equipment fund	**99,061**	132,942
	6,814,780	6,592,228
Temporarily restricted	**100,515**	96,475
Permanently restricted	**100,000**	100,000
	7,015,295	6,788,703
	$ 8,711,246	$ 8,210,333

See notes to consolidated financial statements.

Jewish Vocational Service and Employment Center

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted						
	Undesignated	Designated for Special Purposes	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	2017 Total
Revenue:							
Public support:							
Allocated by Jewish Federation of Metropolitan Chicago	$ 2,099,316	$ -	$ -	$ 2,099,316	$ -	$ -	$ 2,099,316
Contributions	399,759	-	-	399,759	427,248	-	827,007
	2,499,075	-	-	2,499,075	427,248	-	2,926,323
Program service revenue:							
Fees and grants from government agencies	4,967,818	-	-	4,967,818	-	-	4,967,818
Program service fees	305,156	-	-	305,156	-	-	305,156
	5,272,974	-	-	5,272,974	-	-	5,272,974
Other revenue:							
Agency investment income, net	-	673	-	673	-	-	673
Gains on Agency investments	181,646	-	-	181,646	-	-	181,646
Endowment Foundation income	343,051	112,330	-	455,381	5,489	-	460,870
Other interest income	4,361	-	-	4,361	-	-	4,361
Net assets released from restrictions	466,914	(38,217)	-	428,697	(428,697)	-	-
	995,972	74,786	-	1,070,758	(423,208)	-	647,550
	8,768,021	74,786	-	8,842,807	4,040	-	8,846,847

Jewish Vocational Service and Employment Center

Consolidated Statement of Activities (Continued)
Year Ended June 30, 2017

	Unrestricted						
	Undesignated	Designated for Special Purposes	Property and Equipment	Total	Temporarily Restricted	Permanently Restricted	2017 Total
Expenses:							
Program services:							
Rehabilitation and skills training services	$ 5,784,286	$ -	$ 14,908	$ 5,799,194	$ -	$ -	$ 5,799,194
Job counseling and placement services	1,618,946	-	14,908	1,633,854	-	-	1,633,854
Total program services	7,403,232	-	29,816	7,433,048	-	-	7,433,048
Supporting services:							
Management and general	959,843	-	3,727	963,570	-	-	963,570
Fundraising	223,299	-	338	223,637	-	-	223,637
Total supporting services	1,183,142	-	4,065	1,187,207	-	-	1,187,207
	8,586,374	-	33,881	8,620,255	-	-	8,620,255
Increase (decrease) in net assets before other changes	181,647	74,786	(33,881)	222,552	4,040	-	226,592
Other changes in net assets:							
Transfers	(181,647)	181,647	-	-	-	-	-
Increase (decrease) in net assets	-	256,433	(33,881)	222,552	4,040	-	226,592
Net assets:							
Beginning of year	-	6,459,286	132,942	6,592,228	96,475	100,000	6,788,703
End of year	$ -	$ 6,715,719	$ 99,061	$ 6,814,780	$ 100,515	$ 100,000	$ 7,015,295

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 skills 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:							
Transfers	(382,604)	306,376	76,228	-	-	-	-
Increase (decrease) 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 Functional Expenses
Year Ended June 30, 2017

	Program Services			Supporting Services		
	Rehabilitation and Skills Training Services	Job Counseling and Placement Services	Total Program Services	Management and General	Fundraising	2017 Total
Staff expense:						
Salaries and vacation	$ 1,485,153	$ 694,092	$ 2,179,245	$ 323,242	$ 95,956	$ 2,598,443
Employee health and retirement benefits and payroll tax	606,131	281,896	888,027	126,914	40,341	1,055,282
	2,091,284	975,988	3,067,272	450,156	136,297	3,653,725
Professional fees and contract service payments	969,294	332,108	1,301,402	298,987	28,463	1,628,852
Supplies	213,397	6,045	219,442	4,288	2,638	226,368
Telecommunications	74,470	19,457	93,927	10,526	772	105,225
Postage and shipping	80	386	466	953	344	1,763
Occupancy	192,705	124,769	317,474	119,768	13,138	450,380
Marketing and advertising	1,688	2,020	3,708	13,503	-	17,211
Local transportation	54,903	9,385	64,288	1,677	18	65,983
Conferences, conventions, meetings and travel	7,547	2,159	9,706	2,988	202	12,896
Specific assistance to individuals	2,099,533	97,863	2,197,396	-	-	2,197,396
Subscriptions and reference publications	15	2,521	2,536	-	-	2,536
Membership dues	507	935	1,442	21,650	-	23,092
Equipment purchases, rentals and repairs	37,423	18,695	56,118	9,226	1,009	66,353
Miscellaneous expense	41,440	26,615	68,055	26,121	40,418	134,594
	5,784,286	1,618,946	7,403,232	959,843	223,299	8,586,374
Depreciation and amortization	14,908	14,908	29,816	3,727	338	33,881
Total expenses	$ 5,799,194	$ 1,633,854	$ 7,433,048	$ 963,570	$ 223,637	$ 8,620,255

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 Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	**$ 226,592**	$ (167,066)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**33,881**	38,134
Allowance for doubtful accounts - accounts receivable	**23,870**	-
Allowance for doubtful accounts - loans receivable	**(50,530)**	-
(Gains) losses on Agency investments	**(181,646)**	67,662
(Gains) losses on Endowment Foundation investments	**(378,006)**	157,419
Changes in:		
Accounts receivable	**115,602**	83,048
Loans receivable	**(2,145)**	88,550
Prepaid expenses and deposits	**19,087**	(32,372)
Endowment Foundation assets	**(5,489)**	9,193
Accounts payable and accrued expenses	**(52,942)**	(120,074)
Accrued vacation	**(20,282)**	(91,447)
Due to Jewish Federation of Metropolitan Chicago and affiliates	**(12,550)**	(5,301)
Due to Jewish Child and Family Services	**356,595**	111,444
Deferred revenue and other liabilities	**3,500**	(71,326)
Refundable grant advances	**-**	(298,982)
Net cash provided by (used in) operating activities	**75,537**	(231,118)
Cash flows from investing activities:		
Purchases of property and equipment	**-**	(76,228)
Purchases of Agency investments	**(673)**	(166)
Purchases of Endowment Foundation investments	**(77,375)**	(1,369)
Proceeds from sales of Endowment Foundation investments	**343,051**	348,321
Net cash provided by investing activities	**265,003**	270,558
Cash flows from financing activities:		
Net repayments on line of credit	**-**	(467,000)
Net cash used in financing activities	**-**	(467,000)
Increase (decrease) in cash and cash equivalents	**340,540**	(427,560)
Cash and cash equivalents:		
Beginning of year	**453,694**	881,254
End of year	**$ 794,234**	$ 453,694
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	**$ 501**	$ 10,893

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. At June 30, 2017, the Endowment Foundation merged with and into an affiliated organization and ceased to exist. The Agency maintains and reports a beneficial interest in the transferred net assets.

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 3.

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 2017 and 2016, although each agency continues to maintain its own separate legal existence.

During 2017, the boards of the Agency and JCFS granted their approval for a formal merger of the two agencies to occur on or before June 30, 2018. In anticipation of a merger, a number of the Agency's government contracts were transferred to JCFS effective July 1, 2017. Until a merger is consummated, the Agency expects to continue to perform the services under the transferred contracts with compensation flowing through from JCFS to the Agency.

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. The Endowment Foundation merged with and into another organization and ceased to exist, effective on June 30, 2017.

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, 2017 and 2016, 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 $38,870 and $15,000 as of June 30, 2017 and 2016, respectively, 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.

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

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.

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's by-laws provide that all of its 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 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.

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

Remainder interests in charitable gift annuities: The Endowment Foundation was named as the designated beneficiary of a remainder interest in numerous charitable gift annuities held and administered by the Federation. The Endowment Foundation valued 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.

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.

Beneficial interest in JCFS Endowment Foundation: The Agency is the beneficiary of certain (transferred) net assets held by the JCFS Endowment Foundation, and, effective on June 30, 2017, reports an asset for the fair market value of its beneficial interests in these net assets. The Agency expects to receive an annual distribution from the JCFS Endowment Foundation, which will be recorded as income on the statement of activities. Changes in the value of the beneficial interest will be recorded as gain or loss on the statement of activities.

Accrued vacation: The Agency records an accrued liability for employees' earned but unused vacation time at year-end.

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. The allocation from the Jewish Federation of Metropolitan Chicago is communicated, received and recognized as public support revenue during and within the same fiscal year.

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 $42,577 and $6,548 for fiscal years 2017 and 2016, respectively. Any such amounts are included within contribution revenue 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.

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

Income taxes: The accounting standard 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. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. For the reporting periods presented in these consolidated financial statements, there were no unrecognized tax benefits identified or recorded as liabilities.

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 2014.

Use of estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, 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 above standards on its consolidated financial statements.

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

Subsequent events: The Agency has evaluated subsequent events for potential recognition and/or disclosures through January 8, 2018, the date the consolidated financial statements were available to be issued.

Note 2. Endowment Foundation

The Endowment Foundation was created pursuant to an agreement between the Jewish Federation and the Agency whereby endowment gifts as well as amounts received in excess of $25,000 from each non-endowment gift, bequest and devise were to be transferred to the Endowment Foundation.

In accordance with the terms of an Agreement and Plan of Merger of Foundations, the Board of Directors of the Endowment Foundation and the Agency approved a transaction whereby the Endowment Foundation's net assets were in effect transferred to the Jewish Child and Family Services (JCFS) Endowment Foundation on June 30, 2017. At that time, the JCFS Endowment Foundation became the surviving corporation and the Endowment Foundation ceased to exist.

The JCFS Endowment Foundation is a nonprofit organization whose original purpose is similar to that of the Endowment Foundation: to receive and hold endowment-type contributions for the benefit of Jewish Child and Family Services, a nonprofit social service agency whose mission is to provide social welfare, cultural, educational, recreational, and health programs and services to residents of the Chicago metropolitan area.

The Agency has maintained an interest in the net assets transferred to the JCFS Endowment Foundation; all endowment funds designated or restricted for the Agency will continue to be accounted for separately and distributions therefrom will be made by the JCFS Endowment Foundation to the Agency. Therefore, and effective on June 30, 2017, the Agency reports its interest in the transferred net assets as a beneficial interest asset on the statement of financial position, totaling $4,269,012. Prior to the merger, the Agency reflected its interest through consolidation of the Endowment Foundation. There was no effect on Agency net assets or changes in net assets as a result of the merger.

The transferred net assets included donor-restricted endowment funds which were established for a variety of purposes. In addition, funds with no donor-imposed restrictions were considered to be part of the endowment because they were held and invested by the Endowment Foundation for the benefit of the Agency. These funds were categorized as board-designated. Net assets associated with endowment funds were classified and reported based on the existence or absence of donor-imposed restrictions. Net assets associated with the Agency's beneficial interest in the JCFS Endowment Foundation are classified in a consistent manner.

The Agency and the Endowment Foundation followed UPMIFA as adopted by the State of Illinois.

Note 2. Endowment Foundation (Continued)

The Endowment Foundation's net asset composition by type of restriction was as follows for the years ended June 30, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated	$ 4,118,471	$ -	$ -	$ 4,118,471
Donor-restricted	-	50,541	100,000	150,541
	4,118,471	50,541	100,000	4,269,012
Transfer upon merger	(4,118,471)	(50,541)	(100,000)	(4,269,012)
	$ -	$ -	$ -	$ -

	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

The changes in endowment net assets for the Endowment Foundation were as follows for the years ended June 30, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,006,141	$ 45,052	$ 100,000	$ 4,151,193
Contributions	75,963	-	-	75,963
Investment return:				
Investment income	1,412	-	-	1,412
Net appreciation (realized and unrealized) of investments	378,006	-	-	378,006
	379,418	-	-	379,418
Other changes:				
Change in remainder interest in a charitable gift annuity	-	5,489	-	5,489
Distributions to Agency	(303,508)	-	-	(303,508)
Administrative and development expenses	(39,543)	-	-	(39,543)
Transfer upon merger	(4,118,471)	(50,541)	(100,000)	(4,269,012)
	(4,461,522)	(45,052)	(100,000)	(4,606,574)
Endowment net assets, end of year	$ -	$ -	$ -	$ -

Note 2. Endowment Foundation (Continued)

	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

Note 3. 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 $2,099,316 and $2,145,882 for the years ended June 30, 2017 and 2016, 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.

The Agency manages the Jewish Federation scholarship program for which the Agency received scholarship funds from the Jewish Federation of $415,248 and $416,211 during fiscal years 2017 and 2016, respectively. The Agency distributed scholarships totaling $416,971 and $413,961 during fiscal years 2017 and 2016, respectively. The Agency reflects scholarship funds as temporarily restricted funds until awarded to the recipient. The temporarily restricted scholarship fund was $2,386 and $4,109 at June 30, 2017 and 2016, 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 $213,972 and $242,711 during fiscal years 2017 and 2016, respectively.

Amounts owed to the Jewish Federation for participation in these employment benefit programs were $17,725 and $25,500 at June 30, 2017 and 2016, respectively.

Note 3. Affiliated Organizations (Continued)

Amount shown as Due to Jewish Federation on the consolidated statements of financial position as of June 30, 2017 and 2016, 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 $970,347 and $613,752 to JCFS as of June 30, 2017 and 2016, respectively.

Note 4. Investments and Fair Value Measurements

The Agency and the Endowment Foundation (prior to merger) investments are invested in the PEP at June 30, 2017 and 2016, as follows:

	2017	2016
Agency	$ 2,077,145	$ 1,894,826
Endowment Foundation	-	4,106,141
	$ 2,077,145	$ 6,000,967

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.

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 availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in those instruments.

Note 4. Investments and Fair Value Measurements (Continued)

The Agency and Endowment Foundation assess the levels of the investments at each measurement date.

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.

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 79.2 and 86.5 percent of the PEP as of June 30, 2017 and 2016, respectively, and the Agency and the Endowment Foundation (prior to merger) had 0.25 and 0.80 percent interest, respectively, in the Jewish Federation's portion of the PEP for the same reporting periods.

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.

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 PEP's investment in 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.

Note 4. Investments and Fair Value Measurements (Continued)

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.

Prior to the merger, $50,541 and $100,000 of the Endowment Foundation's investment in the PEP was temporarily and permanently restricted, respectively. As of June 30, 2016, $45,052 and $100,000 of the Endowment Foundation's investment in the PEP was temporarily and permanently restricted, respectively.

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 2016 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.

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

	Remainder Interest	
	2017	2016
Balance, beginning of year	$ 45,052	$ 53,245
Net change in unrealized loss	5,489	(8,193)
	50,541	45,052
Transfer of assets upon merger	(50,541)	-
Balance, end of year	$ -	$ 45,052

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, 2017 and 2016.

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.

Note 4. Investments and Fair Value Measurements (Continued)

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 4. Investments and Fair Value Measurements (Continued)

As of June 30, 2017 and 2016, the PEP was invested as follows:

	2017		2016	
	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	2 %	Level 1	3 %	Level 1
US small cap equity	8	Level 1 -NAV	8	Level 1 -NAV
Developed markets	16	Level 1 -NAV	9	Level 1 -NAV
Emerging markets	7	Level 1 -NAV	6	Level 1 -NAV
Hedge equity	15	NAV	15	NAV
Private equity	12	NAV	11	NAV
Credit:				
Core credit	5	Level 1 -NAV	5	Level 1 -NAV
Non-core credit	2	NAV	2	Level 1 -NAV
Hedged credit	10	NAV	9	NAV
Private credit	2	NAV	1	NAV
Cash	-	Level 1	6	Level 1
U.S. Treasury Bill and put options	1	Level 1	1	Level 1
Commodities	2	Level 1	3	Level 1
Real assets	5	NAV	5	NAV
Real estate	7	NAV	9	NAV
Opportunistic	6	NAV	7	NAV
	100 %		100 %	

Investments by the PEP measured at fair value using the net asset value per share (NAV) practical expedient are not categorized in the fair value hierarchy.

Note 5. Property and Equipment

Property and equipment is reported net of accumulated depreciation at June 30, 2017 and 2016, as follows:

	2017	2016
Office furniture, equipment and other	$ 444,142	$ 444,142
Less accumulated depreciation	(345,081)	(311,200)
	$ 99,061	$ 132,942

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 (1.21 percent as of June 30, 2017) 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. There were no balances outstanding on the line at June 30, 2017 and 2016. This agreement expires on February 15, 2018. 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. 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:

	2017	2016
Agency:		
Duman Microenterprise Fund	$ 46,224	$ 46,224
Emergency Fund	1,364	1,090
Beneficial interest in JCFS Endowment Foundation	50,541	-
Jewish Federation scholarship program	2,386	4,109
	100,515	51,423
Endowment Foundation:		
Remainder interest in charitable gift annuity	-	45,052
	$ 100,515	$ 96,475

Releases from restrictions of $428,697 and $424,348 during the years ended June 30, 2017 and 2016, 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, 2017 and 2016, totaled $39,466 and $56,475, 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, 2017, 2016 and 2015, is outlined in the table below.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2017	Pension Protection Act Zone Status 2016	FIP/RP Status Pending/ Implemented	Contributions of the Agency 2017	Contributions of the Agency 2016	Contributions of the Agency 2015	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
FERIP	36-2167034	N/A	N/A	N/A	$ 183,380	$ 181,565	$ 179,767	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, 2016 and 2015, indicated the fair value of the plan assets was $80,268,617 and $76,173,371, respectively; total actuarial projected benefit obligation was $130,710,480 and $123,422,836, respectively; and total contributions for all participating employers were $3,566,933 and $3,910,612, respectively. The plan's actuarial valuation for the plan years ended December 31, 2016 and 2015, indicate that the plan was approximately 61 and 62 percent funded, respectively.

At the date these consolidated financial statements were issued, Forms 5500 were not available for the plan years ending in 2017.

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 expired during 2017 and were not renewed. 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, 2017 and 2016, most of which was paid to the JFMC Facilities Corporation, is as follows:

	2017	2016
Administrative offices, Chicago, Illinois	$ 315,306	$ 315,307
Goldie Bachmann Luftig Building, Skokie, Illinois	58,091	55,948
Bernard Weinger JCC, Northbrook, Illinois	2,567	30,396
Buffalo Grove, Illinois	13,343	11,826
Elaine Kersten Children's Center, Arlington Heights, Illinois	40,392	-
Total paid to JFMC Facilities Corporation	429,699	413,477
Other facility leases	4,856	15,829
	$ 434,555	$ 429,306

Note 9. Lease Obligations (Continued)

Office equipment lease expense was $33,935 and $67,186 for fiscal years 2017 and 2016, 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.

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.