



AVODAH: THE JEWISH SERVICE CORPS

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT***

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

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AVODAH: THE JEWISH SERVICE CORPS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013 TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
AVODAH: The Jewish Service Corps
45 West 36th Street, 8th Floor
New York, New York 10018

Report on the Financial Statements

We have audited the accompanying financial statements of AVODAH: The Jewish Service Corps ("AVODAH," a not-for-profit corporation), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' 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 audits 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 auditors' 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 AVODAH'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 AVODAH as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cerini & Associates LLP

February 11, 2015
Bohemia, New York

AVODAH: THE JEWISH SERVICE CORPS

STATEMENTS OF FINANCIAL POSITION
AUGUST 31,

2014

2013

ASSETS (Note 3)

Current Assets:

Cash and cash equivalents (Note 7).....	\$ 254,978	\$ 372,112
Contributions receivable (Note 7).....	879,900	766,077
Placement fees receivable.....	41,250	11,250
Other receivables.....	5,213	7,405
Prepaid expenses.....	39,783	34,730

TOTAL CURRENT ASSETS 1,221,124 1,191,574

Board designated investments (Notes 2, 7 and 8).....	118,374	152,917
Contributions receivable (Note 7).....	-	349,860
Security deposits.....	49,040	48,100
Property and equipment, net of accumulated depreciation.....	487	11,845

TOTAL ASSETS \$ 1,389,025 \$ 1,754,296

LIABILITIES AND NET ASSETS

Current Liabilities:

Line of credit (Note 3).....	\$ -	\$ 50,000
Accounts payable and accrued expenses.....	76,845	93,319
Accrued vacation.....	26,570	38,242
Deferred revenue.....	161,260	115,250

TOTAL LIABILITIES 264,675 296,811

Commitments and contingencies (Notes 2, 3, 4, 5, 6, and 7)

Net Assets:

Unrestricted		
Undesignated.....	200,121	240,620
Board designated (Notes 2 and 8).....	118,374	152,917
Temporarily restricted (Note 4).....	805,855	1,063,948

TOTAL NET ASSETS 1,124,350 1,457,485

TOTAL LIABILITIES AND NET ASSETS \$ 1,389,025 \$ 1,754,296

AVODAH: THE JEWISH SERVICE CORPS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014**

SUPPORT AND REVENUE:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions (Notes 4 and 7).....	\$ 1,225,666	\$ 384,995	\$ 1,610,661
Net assets released from restrictions (Note 4).....	643,088	(643,088)	-
Gross proceeds from special events.....	231,268	-	231,268
Less: direct benefits to donors.....	<u>(24,689)</u>	<u>-</u>	<u>(24,689)</u>
Net proceeds from special events.....	206,579	-	206,579
TOTAL SUPPORT	2,075,333	(258,093)	1,817,240
Placement fees.....	130,500	-	130,500
Housing allowance.....	282,600	-	282,600
Interest income.....	489	-	489
Other income.....	7,417	-	7,417
In-kind contributions.....	<u>14,670</u>	<u>-</u>	<u>14,670</u>
TOTAL REVENUE	<u>435,676</u>	<u>-</u>	<u>435,676</u>
TOTAL SUPPORT AND REVENUE	2,511,009	(258,093)	2,252,916
EXPENSES:			
Program services.....	2,074,900	-	2,074,900
Management and general.....	324,276	-	324,276
Fundraising.....	<u>186,875</u>	<u>-</u>	<u>186,875</u>
TOTAL EXPENSES	<u>2,586,051</u>	<u>-</u>	<u>2,586,051</u>
CHANGE IN NET ASSETS	(75,042)	(258,093)	(333,135)
Net assets, beginning of year.....	<u>393,537</u>	<u>1,063,948</u>	<u>1,457,485</u>
Net assets, end of year.....	<u>\$ 318,495</u>	<u>\$ 805,855</u>	<u>\$ 1,124,350</u>

AVODAH: THE JEWISH SERVICE CORPS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013**

SUPPORT AND REVENUE:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions (Notes 4 and 7).....	\$ 1,551,175	\$ 971,793	\$ 2,522,968
Net assets released from restrictions (Note 4).....	397,084	(397,084)	-
Gross proceeds from special events.....	196,628	-	196,628
Less: direct benefits to donors.....	<u>(55,397)</u>	<u>-</u>	<u>(55,397)</u>
Net proceeds from special events.....	141,231	-	141,231
TOTAL SUPPORT	2,089,490	574,709	2,664,199
Placement fees.....	135,500	-	135,500
Housing allowance.....	296,285	-	296,285
Interest income.....	528	-	528
Other income.....	22,249	-	22,249
In-kind contributions.....	<u>46,364</u>	<u>-</u>	<u>46,364</u>
TOTAL REVENUE	<u>500,926</u>	<u>-</u>	<u>500,926</u>
TOTAL SUPPORT AND REVENUE	2,590,416	574,709	3,165,125
EXPENSES:			
Program services.....	2,009,574	-	2,009,574
Management and general.....	350,026	-	350,026
Fundraising.....	<u>232,847</u>	<u>-</u>	<u>232,847</u>
TOTAL EXPENSES	<u>2,592,447</u>	<u>-</u>	<u>2,592,447</u>
CHANGE IN NET ASSETS	(2,031)	574,709	572,678
Net assets, beginning of year.....	<u>395,568</u>	<u>489,239</u>	<u>884,807</u>
Net assets, end of year.....	<u>\$ 393,537</u>	<u>\$ 1,063,948</u>	<u>\$ 1,457,485</u>

AVODAH: THE JEWISH SERVICE CORPS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries.....	\$ 1,032,498	\$ 148,972	\$ 78,449	\$ 1,259,919
Payroll taxes and fringe benefits (Note 6).....	233,301	36,243	21,956	291,500
Professional fees.....	27,790	89,362	31,462	148,614
Occupancy (Note 5).....	550,146	19,548	17,549	587,243
Office equipment and supplies.....	8,910	3,628	1,585	14,123
Communications.....	12,601	1,387	1,384	15,372
Postage.....	3,565	517	824	4,906
Photocopying.....	2,836	466	419	3,721
Printing and publicity.....	2,625	113	1,886	4,624
Travel and meetings.....	9,638	-	842	10,480
Recruiting.....	911	-	-	911
Participant orientation and retreats.....	46,844	-	-	46,844
Program awards and stipends.....	40,910	-	-	40,910
Weekly and Sunday programs.....	36,089	-	-	36,089
Insurance.....	12,218	2,493	320	15,031
Depreciation.....	2,318	9,041	-	11,359
Website maintenance and development.....	9,365	1,985	1,158	12,508
Alumni programmatic.....	22,609	-	-	22,609
Board expenses.....	-	4,998	-	4,998
Special events.....	-	-	24,132	24,132
Dues, licenses, permits.....	6,812	2,263	4,104	13,179
Miscellaneous (including in-kind).....	12,914	3,260	805	16,979
Totals	<u>\$ 2,074,900</u>	<u>\$ 324,276</u>	<u>\$ 186,875</u>	<u>\$ 2,586,051</u>

AVODAH: THE JEWISH SERVICE CORPS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries.....	\$ 847,267	\$ 108,723	\$ 119,396	\$ 1,075,386
Payroll taxes and fringe benefits (Note 6).....	172,755	22,708	21,292	216,755
Professional fees.....	100,865	177,476	19,550	297,891
Occupancy (Note 5).....	562,816	17,924	17,150	597,890
Office equipment and supplies.....	8,688	1,743	3,975	14,406
Communications.....	13,443	1,903	1,396	16,742
Postage.....	3,733	703	742	5,178
Photocopying.....	2,918	650	489	4,057
Printing and publicity.....	3,475	456	4,360	8,291
Travel and meetings.....	12,468	194	1,633	14,295
Recruiting.....	3,812	-	-	3,812
Participant orientation and retreats.....	33,813	-	-	33,813
Program awards and stipends.....	48,080	-	-	48,080
Weekly and Sunday programs.....	37,167	-	-	37,167
Insurance.....	12,874	535	525	13,934
Depreciation.....	3,714	6,885	-	10,599
Website maintenance and development.....	8,741	2,931	6,351	18,023
Alumni programmatic.....	74,566	-	-	74,566
Board expenses.....	-	4,853	-	4,853
Special events.....	-	-	33,722	33,722
Dues, licenses, permits.....	3,300	1,096	1,988	6,384
Miscellaneous (including in-kind).....	55,079	1,246	278	56,603
Totals	<u>\$ 2,009,574</u>	<u>\$ 350,026</u>	<u>\$ 232,847</u>	<u>\$ 2,592,447</u>

AVODAH: THE JEWISH SERVICE CORPS

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31,**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ (333,135)	\$ 572,678
<u>Adjustment to reconcile change in net assets to net cash (used in)/provided by operating activities:</u>		
Depreciation.....	11,359	10,599
<u>Changes in operating assets and liabilities:</u>		
Contributions receivable.....	236,037	(519,838)
Placement fees receivable.....	(30,000)	14,750
Other receivables.....	2,192	(7,405)
Prepaid expenses.....	(5,053)	3,023
Security deposits.....	(940)	2,035
Accounts payable and accrued expenses.....	(16,474)	5,648
Accrued vacation.....	(11,672)	12,788
Deferred placement fees.....	46,010	(21,250)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(101,676)	73,028
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of board restricted investments.....	(380,000)	(360,000)
Sales of board restricted investments.....	414,542	359,515
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	34,542	(485)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit.....	75,000	125,000
Repayments of line of credit.....	(125,000)	(75,000)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(50,000)	50,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(117,134)	122,543
Cash and cash equivalents, beginning of year.....	372,112	249,569
Cash and cash equivalents, end of year.....	<u>\$ 254,978</u>	<u>\$ 372,112</u>

AVODAH: THE JEWISH SERVICE CORPS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of AVODAH: The Jewish Service Corps (hereinafter "AVODAH") is presented to assist in understanding AVODAH's financial statements. The financial statements and notes are representations of AVODAH's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization: AVODAH's mission is to strengthen the Jewish community's fight against the causes and effects of domestic poverty by engaging participants in service and community building that inspire them to become lifelong leaders for social justice whose work is rooted in and nourished by Jewish values.

Founded in New York City in 1998, AVODAH is training the next generation of Jewish leaders through its Service Corps, which places post-college young adults (ages 21-26) in a year of full-time service at antipoverty organizations. During the year, corps members live together in an intentional community and participate in weekly educational programs designed to give them the skills and networks to prepare them to become leaders.

Over the past sixteen years, AVODAH corps members across four cities (New York, Chicago, New Orleans and Washington, DC) have directly improved the lives of 533,000 individuals and added an estimated \$13 million in staffing capacity to 150 local antipoverty organizations.

"Avodah" in Hebrew means "work" or "service," and the combined meaning can be understood as one's "life's work." AVODAH's Service Corps program has led participants to a sustained commitment to working for justice. A recent survey, facilitated by outside evaluators, about how the program influenced the trajectory of participants' lives found that:

- 75% (3 out of 4) say that their current job involves antipoverty or social justice work;
- 92% say AVODAH set them on their current professional path; and
- 85% say that AVODAH helped them find their place in the Jewish community.

There are close to 700 alumni living across the United States and other parts of the world and they have assumed leadership roles across the Jewish and nonprofit communities - as professionals, lay leaders, clergy, organizers, activists and volunteers. AVODAH alumni receive advanced leadership training, networking opportunities, and support to foster their development as Jewish leaders.

In addition to the program's transformative impact on participants, AVODAH also makes significant contributions to its nonprofit placement agencies and to the low-income communities it serves. As local antipoverty organizations face increased demand for services coupled with declining funding, AVODAH's high-quality, cost-effective staffing model offers agencies a real solution. In their placements, AVODAH corps members build the capacity of AVODAH's partner agencies to directly address many of the issues faced by poor communities, including limited access to healthcare, housing, food security, and educational opportunities. AVODAH's partner

AVODAH: THE JEWISH SERVICE CORPS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

agencies consistently report being able to offer their clients new and expanded services as a direct result of having an AVODAH corps member on staff.

In 2012, approaching its 15th year and 500th Service Corps member, AVODAH began to ask how it could extend its impact and scale even further, and longer term, create organizational and financial efficiencies. To this end, in January 2014 AVODAH launched the AVODAH Fellowship (the "Fellowship"), a new leadership development program for professionals early in their careers working to address the causes and effects of poverty. Based on a curriculum grounded in Jewish thought and learning, the Fellowship provides mentorship, training, community, and networking opportunities to support emerging Jewish professionals engaged in the antipoverty field, while integrating participants into AVODAH's extensive alumni network of social justice leaders throughout the country. To date, the Fellowship has engaged over 35 individuals in 2 cohorts and has exceeded AVODAH's expectations. Evaluations completed by the first cohort include:

- 100% reported a deepened understanding of how social activism and Jewish life intersect.
- 95% reported that the Fellowship strengthened their connection to Jewish values.
- 95% reported that the Fellowship strengthened their connection to Jewish identity.
- 82% reported better understanding the causes and effects of poverty.
- 94% reported sustained/strengthened commitment to do work on economic and social justice.

Income Taxes: AVODAH is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported, as described in section 509(a).

AVODAH evaluated for uncertain tax positions and has determined that there were no uncertain tax positions for 2014 or 2013.

AVODAH files the IRS Form 990 and respective state tax returns. These returns are subject to review and examination by federal and state taxing authorities. Tax returns for the years ended August 31, 2011, 2012, 2013, and 2014 are open for examination by federal and state taxing authorities. AVODAH has determined that it has registered in all states where it is required to be registered.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

Contributions: Donor-restricted contributions are reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. However, contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Those contributions received that do not contain restrictions are recorded in the unrestricted class of net assets.

AVODAH: THE JEWISH SERVICE CORPS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Presentation: AVODAH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are defined as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by action of AVODAH and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by AVODAH. Generally, the donors of these assets would permit AVODAH to use all or part of the income earned on any related investments for general or specific purposes. AVODAH had no permanently restricted net assets at August 31, 2014 and 2013.

Cash and Cash Equivalents: For purposes of the financial statements, AVODAH considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Contributions Receivable: AVODAH records unconditional promises to give as revenue in the period received at net realizable value if expected to be received within one year. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based on market conditions using the income approach. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

As of August 31, 2014 and 2013, management considers all receivables to be fully collectable and as such, no allowance for doubtful accounts has been provided.

Investments: Investments are recorded at fair market value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are reflected in the statements of activities.

Property and Equipment: Property and equipment are stated at original cost, or estimated fair market value, if donated. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which range from three to seven years.

Accrued Vacation: Full-time employees with up to two years of service are allotted fifteen vacation days per fiscal year. Full-time employees with more than two years but less than 4 years of service are allotted eighteen vacation days, and full-time employees with more than four years of service are allotted twenty vacation days. Part time employees working more than twenty hours per

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

hours per week are eligible for a vacation allowance that is pro-rated based on one half of the full time employee allotments. Employees can carry forward up to ten unused vacation days. Upon termination, employees are paid out for any unused vacation time.

Placement Fees: Placement fees received are recorded as liabilities until the period that they apply, at which time they are recognized as revenue. Agencies receiving AVODAH's Corps member for one year of full time service pay a fee to help defray expenses associated with AVODAH's placement process (publicity, recruiting, interviewing, etc.). The fee is assessed on a sliding scale, based on the placement agency's budget for salaries and benefits.

Revenue Recognition: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to AVODAH that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

AVODAH recognizes fee based revenue for placement of AVODAH's Corps members when such services are performed.

In-Kind Contributions: Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value. The value of legal and coaching services provided to AVODAH on a pro-bono basis is included in the financial statements as both contributions and expenses in the statements of activities. In addition, many individuals have donated significant amounts of their time to AVODAH such as board members and other individuals who volunteer their time and perform a variety of tasks that assist AVODAH. No amounts have been reflected in the financial statements for these contributed services in as much as such services do not meet the criteria for recognition in the financial statements under generally accepted accounting principles in the United States of America, nor do they create or enhance non-financial assets.

Functional Expenses: Functional expenses for shared costs have been allocated between program services and support services based on an analysis of personnel time, space utilized, and other equitable bases for the related activities.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AVODAH: THE JEWISH SERVICE CORPS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

Events Occurring After the Report Date: AVODAH has evaluated events and transactions that occurred between September 1, 2014 and February 11, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 2 – BOARD DESIGNATED INVESTMENTS

AVODAH presents board designated investments in the statements of financial position at fair value. A fair value hierarchy has been established based on the observability of inputs to the evaluation of an asset or liability as of the measurement date. The three-level valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value levels (Level 1, 2, and 3).

- Level 1 - Level 1 instruments are valued using observable inputs that reflect quoted prices for identical assets or liabilities in active markets that AVODAH has the ability to access at the measurement date. Level 1 assets include highly-liquid U.S. Treasury securities and exchange-traded equity securities.
- Level 2 - Level 2 instruments are valued using observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most debt securities and some preferred stocks are model-priced by vendors using observable inputs and are classified within Level 2. Also included in the Level 2 category are derivative instruments that are priced using models with observable market inputs, including interest rates, foreign currency, and certain credit swap contracts.
- Level 3 - Level 3 instruments are valued using valuations that are derived from techniques in which one or more of the significant inputs, are unobservable (including assumptions about risk). Level 3 securities include less liquid securities such as highly structured and/or lower quality, asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS"), including ABS backed by sub-prime loans, and private placement debt and equity securities. Because Level 3 fair values, by their nature, contain unobservable market inputs, as there is no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. Level 3 fair values represent the Organization's best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

AVODAH: THE JEWISH SERVICE CORPS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 2 – BOARD DESIGNATED INVESTMENTS (continued)

Board designated investments are presented in the financial statements at fair value. The fair value of AVODAH's board designated investments by major security type are as follows at August 31, 2014 and 2013:

	Investments at Fair Value as of August 31, 2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market.....	\$ 18,303	\$ -	\$ -	\$ 18,303
Certificates of deposit	-	100,071	-	100,071
Total investments at fair value	<u>\$ 18,303</u>	<u>\$ 100,071</u>	<u>\$ -</u>	<u>\$ 118,374</u>

	Investments at Fair Value as of August 31, 2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market.....	\$ 2,789	\$ -	\$ -	\$ 2,789
Certificates of deposit	-	150,128	-	150,128
Total investments at fair value	<u>\$ 2,789</u>	<u>\$ 150,128</u>	<u>\$ -</u>	<u>\$ 152,917</u>

NOTE 3 – BANK LINE OF CREDIT

As of August 31, 2014, AVODAH had a \$100,000 revolving line of credit, collateralized by a general lien on all assets, which is payable on demand. Interest is calculated at 1.75% over the Wall Street Journal Prime rate (5.00% at August 31, 2014). As of August 31, 2014, there was no outstanding balance under the line of credit. As of August 31, 2013, there was \$50,000 outstanding under the line of credit which was subsequently repaid in September 2013.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

AVODAH receives contributions that are restricted for use in specific programs and causes aligned with AVODAH's mission. As outlined in Note 1, it is AVODAH's policy to treat as unrestricted, funds received and expended in the same year. During fiscal 2014 and 2013, AVODAH received and expended \$615,923 and \$1,079,705, respectively, of such funds, which are included in unrestricted contributions. In addition, during fiscal 2014 and 2013, AVODAH received an additional \$384,995 and \$971,793, respectively, of restricted contributions and disbursed \$643,088 and \$397,084, respectively, which is reflected in the statements of activities as assets released from restriction.

AVODAH: THE JEWISH SERVICE CORPS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets from contributions were restricted for the following purposes at August 31.:

	<u>2014</u>	<u>2013</u>
Chicago program.....	\$ 68,860	\$ 120,860
Washington, DC program.....	25,000	15,000
New Orleans program.....	-	55,000
Technology	10,000	53,355
Fellowship program.....	50,000	-
Alumni program.....	1,000	-
Women’s Leadership Initiative	20,500	25,000
Time restricted	630,495	794,733
Totals.....	\$ 805,855	\$ 1,063,948

AVODAH’s Board of Directors budgeted for a decrease in net assets for fiscal year-end 2013 of \$21,723 and had appropriated unrestricted funds as of August 31, 2012 to be utilized to fund such losses. During fiscal year-end 2013, AVODAH experienced a decrease in net assets of \$2,031. As such, this amount as well as the remaining \$19,692 of earmarked funds has been released by the Board from designation and has been reflected as unrestricted net assets as of August 31, 2013.

NOTE 5 - LEASE COMMITMENTS

AVODAH leases space for its offices and Corps members residing in cities located in New York, Washington, DC, Illinois, and Louisiana. These leases expire over various periods through June 2016. AVODAH receives a housing allowance from the Corps member of the various houses. Future minimum lease commitments under these agreements are as follows for the years ending August 31:

	<u>New York</u>	<u>Washington DC</u>	<u>Chicago</u>	<u>New Orleans</u>	<u>Total</u>
2015	\$ 235,888	\$ 160,776	\$ 84,000	\$ 42,243	\$ 522,907
2016	13,848	18,935	-	6,250	39,033
	\$ 249,736	\$ 179,711	\$ 84,000	\$ 48,493	\$ 561,940

Rent expense, net of the housing allowance, for the year ended August 31, 2014 was as follows:

	<u>Offices</u>	<u>Residences</u>	<u>Total</u>
Rent expense	\$ 136,019	\$ 371,932	\$ 507,951
Housing allowance	-	(282,600)	(282,600)
	\$ 136,019	\$ 89,332	\$ 225,351

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 5 - LEASE COMMITMENTS (continued)

Rent expense, net of the housing allowance, for the year ended August 31, 2013 was as follows:

	<u>Offices</u>	<u>Residences</u>	<u>Total</u>
Rent expense	\$ 134,144	\$ 369,271	\$ 503,415
Housing allowance	-	(296,285)	(296,285)
	<u>\$ 134,144</u>	<u>\$ 72,986</u>	<u>\$ 207,130</u>

NOTE 6 - PENSION PLAN

AVODAH sponsors a defined contribution pension plan. Employees that have more than 90 days of service and have worked at least 20 hours per week are eligible to receive a contribution from AVODAH into the plan. Contributions are determined annually, as part of the budget process. Pension plan contributions for the years ended August 31, 2014 and 2013 were \$29,087 and \$24,508, respectively.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject AVODAH to significant concentrations of credit risk consist principally of cash and cash equivalents, board designated investments, and receivables. At times cash balances held at financial institutions may be in excess of federally insured limits.

One donor represented approximately 36% of contributions revenue and 20% of cash receipts during the year ended August 31, 2013. Approximately \$250,000 and \$540,000, due from this donor, is included in contributions receivable at August 31, 2014 and 2013, respectively.

NOTE 8 - BOARD DESIGNATED ENDOWMENT

Effective, September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the provisions of which apply to the endowment funds existing on or established after that date.

AVODAH's endowment was established for the purpose of maintaining a reserve fund for future use. AVODAH is required to act prudently when making decisions to spend or accumulate board-designated endowment assets and in doing so to consider a number of factors including the duration and preservation of its board-designated endowment funds. The endowed balance consists of funds held in an investment account.

Return Objectives and Risk Parameter: AVODAH has adopted an investment strategy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment. In order to have the funds readily available, AVODAH's endowments are invested in certificates of deposit.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 8 - BOARD DESIGNATED ENDOWMENT (continued)

Changes in Board-Designed Endowment Net Assets: The endowment had the following changes for the years ended August 31,:

	<u>2014</u>	<u>2013</u>
Board-designated endowment funds, beginning of year.....\$	152,917	\$ 152,432
Interest income	457	485
Expenditures	(35,000)	-
Board-designated endowment funds, end of year	<u>\$ 118,374</u>	<u>\$ 152,917</u>

Spending Policy: Under AVODAH's spending policy, funds will be held in this account for its stated purpose. The use of these funds will be determined by the board and any interest earned in this account will remain board designated.