

**JAY NOLAN  
COMMUNITY SERVICES, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

**JAY NOLAN COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**CONTENTS**

	<b>Page</b>
Independent Auditor's Report .....	1
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to Financial Statements .....	7

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jay Nolan Community Services, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Jay Nolan Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Jay Nolan Community Services, Inc. as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Jay Nolan Community Services, Inc.'s June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors  
Jay Nolan Community Services, Inc.  
Page 2

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of Jay Nolan Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jay Nolan Community Services, Inc.'s internal control over financial reporting and compliance.

*Green Hasson & Janks LLP*

October 18, 2016  
Los Angeles, California

**JAY NOLAN COMMUNITY SERVICES, INC.**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2016

With Summarized Totals at June 30, 2015

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 974,515	\$ 1,400,938
Investments	3,080,904	3,183,858
Accounts Receivable	2,968,399	1,438,386
Prepaid Expenses and Other Assets	<u>176,661</u>	<u>288,020</u>
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 7,200,479</u></b>	<b><u>\$ 6,311,202</u></b>
 <b>LIABILITIES AND NET ASSETS</b>  		
<b>LIABILITIES:</b>		
Accounts Payable	\$ 33,626	\$ 58,629
Accrued Liabilities	1,312,408	1,513,605
Reserve for Unemployment	<u>250,000</u>	<u>250,000</u>
<b><i>TOTAL LIABILITIES</i></b>	<b>1,596,034</b>	<b>1,822,234</b>
<b>NET ASSETS:</b>		
Unrestricted	<u>5,604,445</u>	<u>4,488,968</u>
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><u>\$ 7,200,479</u></b>	<b><u>\$ 6,311,202</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements

# JAY NOLAN COMMUNITY SERVICES, INC.

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
<b>REVENUE AND SUPPORT:</b>		
Program Service Fees	\$ 15,419,406	\$ 14,562,445
Department of Rehabilitation	245,536	272,786
Contributions and Grants	155,094	351,020
Investment Income	56,339	6,666
Other Income	21,982	30,487
Social Security Administration	-	9,319
Camp	-	10,675
	<hr/>	<hr/>
<b>TOTAL REVENUE AND SUPPORT</b>	15,898,357	15,243,398
<b>EXPENSES:</b>		
Program Services	12,579,155	12,667,445
Support Services:		
Management and General	2,187,139	2,299,776
Fundraising	16,586	14,928
	<hr/>	<hr/>
<b>TOTAL SUPPORT SERVICES</b>	2,203,725	2,314,704
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	14,782,880	14,982,149
	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS</b>	1,115,477	261,249
Net Assets - Beginning of Year	4,488,968	4,227,719
	<hr/>	<hr/>
<b>NET ASSETS - END OF YEAR</b>	\$ 5,604,445	\$ 4,488,968
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The Accompanying Notes are an Integral Part of These Financial Statements

**JAY NOLAN COMMUNITY SERVICES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016					2015 Total
	Program Services	Support Services		Total Support Services	Total	
		Management and General	Fundraising			
Salaries	\$ 9,197,332	\$ 1,003,892	\$ 13,222	\$ 1,017,114	\$ 10,214,446	\$ 10,401,072
Employee Benefits	1,423,267	100,469	513	100,982	1,524,249	1,507,444
Payroll Taxes	697,086	69,462	986	70,448	767,534	773,534
<b>TOTAL PERSONNEL COSTS</b>	<b>11,317,685</b>	<b>1,173,823</b>	<b>14,721</b>	<b>1,188,544</b>	<b>12,506,229</b>	<b>12,682,050</b>
Supported Living Costs	529,765	-	-	-	529,765	521,514
Rent	164,528	230,368	-	230,368	394,896	398,994
Automobile Mileage Expense	365,860	19,491	-	19,491	385,351	443,381
Legal and Accounting	-	164,080	-	164,080	164,080	120,930
Consultants	41,460	121,456	-	121,456	162,916	257,186
Insurance	-	155,577	-	155,577	155,577	107,738
Telephone	83,577	63,275	166	63,441	147,018	118,195
Supplies	5,338	80,875	301	81,176	86,514	74,204
Travel	34,538	20,785	-	20,785	55,323	36,848
Printing and Reproduction	2,731	49,440	525	49,965	52,696	60,397
Miscellaneous Expense	220	38,997	288	39,285	39,505	42,963
Repairs and Maintenance	88	25,807	-	25,807	25,895	50,623
Dues and Subscription	9,334	12,235	130	12,365	21,699	7,810
Staff Development	21,131	-	-	-	21,131	26,107
Postage	1,325	14,082	230	14,312	15,637	14,624
Bank Charges	-	11,559	-	11,559	11,559	234
Advertising	1,575	5,289	225	5,514	7,089	18,351
<b>TOTAL 2016 FUNCTIONAL EXPENSES</b>	<b>\$ 12,579,155</b>	<b>\$ 2,187,139</b>	<b>\$ 16,586</b>	<b>\$ 2,203,725</b>	<b>\$ 14,782,880</b>	
	85%	15%	0%		100%	
<b>TOTAL 2015 FUNCTIONAL EXPENSES</b>	<b>\$ 12,667,445</b>	<b>\$ 2,299,776</b>	<b>\$ 14,928</b>	<b>\$ 2,314,704</b>		<b>\$ 14,982,149</b>
	85%	15%	0%			100%

The Accompanying Notes are an Integral Part of These Financial Statements

**JAY NOLAN COMMUNITY SERVICES, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 1,115,477	\$ 261,249
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Realized and Unrealized Losses on Investments	75,276	26,615
(Increase) Decrease in:		
Accounts Receivable	(1,530,013)	(56,635)
Prepaid Expenses and Other Assets	111,359	(123,041)
Increase (Decrease) in:		
Accounts Payable	(25,003)	(37,749)
Accrued Liabilities	(201,197)	150,144
Deferred Revenue	-	(16,500)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(454,101)</b>	<b>204,083</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	327,114	(3,085,480)
Proceeds from Sale of Investments	(167,821)	272,463
Reinvested Interest and Dividends	(131,615)	(5,271)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>27,678</b>	<b>(2,818,288)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(426,423)</b>	<b>(2,614,205)</b>
Cash and Cash Equivalents - Beginning of Year	1,400,938	4,015,143
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 974,515</b>	<b>\$ 1,400,938</b>

The Accompanying Notes are an Integral Part of These Financial Statements



# **JAY NOLAN COMMUNITY SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

### **NOTE 1 - ORGANIZATION**

The mission of Jay Nolan Community Services, Inc. (JNCS) is to support individuals with Autism Spectrum Disorder and other developmental disabilities to live rich and valued lives as members of the community by providing customized assistance to meet their individual needs.

JNCS, a nonprofit 501(c)(3) organization, was established in 1975 by members of the Autism Society of Los Angeles. Initially named Programs for the Developmentally Handicapped, Inc., JNCS operated a social and recreational program on Saturdays. Throughout the 1970's and 1980's, JNCS expanded to include group homes and day programs.

In the early 1990's, the Board of Directors of JNCS advocated for a change from congregated living to more personalized and individualized support services. The senior management and Board of Directors then began changing the way JNCS provided services. JNCS began closing its group homes, moving individuals into their own homes or apartments and providing support services based on their needs. This led to other changes in the organization, including how people spent their days and how families were supported. Individuals found they could hold real jobs, attend college classes and develop relationships in their community. JNCS developed Supported Employment and Personalized Day Support in order to provide individuals with the support needed to participate fully in their community.

To help individuals achieve their desires and goals, Circles of Support were established. Each Circle is guided by the individual being supported and is made up of friends, family members and staff who are all committed to joining with the individual to live the best life possible. As a result, individuals are able to live fulfilling lives as fully-inclusive members of their community.

To assist families to remain together, Family Support Services also made changes in the way they provided support to children and their parents. Community Facilitators support children in learning to be active members of their family, school and community. Summer Camp combines children with and without disabilities in a setting where they are more alike than different. Alternative Families were found for children who could not remain with their birth families.

Today, JNCS remains virtually one of the only large-scale, metropolitan-based organizations to make a pervasive change from traditional services to individualized and personalized support. JNCS provides support services in Los Angeles and its surrounding counties and in Santa Clara County.

JNCS believes that:

- All people have capacities and gifts.
- All people need a sense of belonging to a community.
- All people contribute to a community.
- Relationships and trust are equally fundamental for inclusion to happen.
- All people can live in their own home with the right support.
- All people should be treated with dignity and respect and have a right to privacy.
- For all persons, self-advocacy and empowerment should be promoted.
- All people have the right to be free from pain, coercion, and cruelty.
- All people have the right to be heard and their ideas acknowledged.

# JAY NOLAN COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 1 - ORGANIZATION (continued)

JNCS's philosophy is based on the belief that with the right kind of support and assistance, individuals with Autism Spectrum Disorder and other developmental disabilities can pursue their hopes and dreams and live to their full potential within the community.

During the past year JNCS was again awarded a grant to provide transition services for youths entering the employment market. JNCS continues to provide opportunities for people with Autism Spectrum Disorder and other developmental disabilities to start their own businesses and with the grants is able to offer micro-enterprise advisory services and to fund a revolving loan program for business startup costs. JNCS also continues its commitment to the employment arena. In addition to a Supported Employment Program, JNCS provides direct placement services for the California Department of Rehabilitation. JNCS firmly believes in transitioning people toward customized employment opportunities so that people with Autism Spectrum Disorder and other developmental disabilities can generate income and improve their quality of life.

JNCS continues to evolve and change itself to meet the unique needs of the people it supports. JNCS does this by listening and personalizing support and assistance to match the unique needs of each consumer and their families. It is JNCS's firm belief that all people, regardless of the challenges that they may have, can and should have a chance to live a valued life in the community.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### (b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of JNCS are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted Net Assets.** JNCS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Restricted contributions whose restrictions are met in the same reporting period are treated as unrestricted contributions. JNCS has no temporarily restricted net assets at June 30, 2016.

# JAY NOLAN COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(b) ACCOUNTING (continued)**

- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit JNCS to expend all of the income (or other economic benefits) derived from the donated assets. JNCS has no permanently restricted net assets at June 30, 2016.

**(c) CASH AND CASH EQUIVALENTS**

JNCS has defined cash and cash equivalents as cash on hand, deposits in banks and money market accounts. The carrying value of cash and cash equivalents at June 30, 2016 approximates its fair value.

**(d) INVESTMENTS**

Investments are held in marketable securities with readily determinable market values and are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

**(e) ACCOUNTS RECEIVABLE**

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2016, JNCS evaluated the collectability of its receivables and determined that no allowance for uncollectible receivables was necessary.

**(f) CONCENTRATION OF CREDIT RISKS**

JNCS places its cash, cash equivalents and investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation's insurance (FDIC) limit. JNCS has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash, cash equivalents and investments.

The primary accounts receivable balance outstanding at June 30, 2016 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of JNCS's receivables consist of earned fees from contract programs granted by governmental agencies.

# **JAY NOLAN COMMUNITY SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(g) CONTRIBUTIONS AND GRANTS**

Unconditional contributions and grants are recorded at estimated fair value and recognized as revenues in the period received. JNCS reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

#### **(h) CONTRIBUTED GOODS AND SERVICES**

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have donated significant amounts of their time to JNCS, primarily in the areas of research, graphic art, data entry and fundraising activities. The services that these individuals rendered, however, do not meet the above recognition criteria and, as such, are not recognized as revenue.

#### **(i) ADVERTISING COSTS**

JNCS expenses the costs of advertising as incurred. Total advertising expense was \$7,089 for the year ended June 30, 2016.

#### **(j) INCOME TAXES**

JNCS is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

#### **(k) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing JNCS's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. JNCS uses facility square footage and salary dollars to allocate indirect costs.

#### **(l) USE OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# JAY NOLAN COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) COMPARATIVE TOTALS

The financial statements include certain prior period summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JNCS's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

#### (n) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For JNCS, the ASU will be effective for the year ending June 30, 2019.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For JNCS, the ASU will be effective for the year ending June 30, 2021.

#### (o) SUBSEQUENT EVENTS

JNCS has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2016, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 18, 2016, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

### NOTE 3 - INVESTMENTS

JNCS has implemented the fair value standard. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

# JAY NOLAN COMMUNITY SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE 3 - INVESTMENTS (continued)

The following table presents information about JNCS's assets that are measured at fair value on a recurring basis at June 30, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 2,895,196	\$ 2,895,196	\$ -	\$ -
Equity Stock	185,708	185,708	-	-
<b><i>TOTAL INVESTMENTS</i></b>	<b><i>\$ 3,080,904</i></b>	<b><i>\$ 3,080,904</i></b>	<b><i>\$ -</i></b>	<b><i>\$ -</i></b>

The fair values of the mutual funds and equity stock within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

Investment income for the year ended June 30, 2016 consists of the following:

Interest and Dividends	\$ 131,615
Realized and Unrealized Losses	(75,276)
<b><i>INVESTMENT INCOME</i></b>	<b><i>\$ 56,339</i></b>

JNCS recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and Level 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and Level 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2016.

### NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consist of the following:

Accrued Salaries	\$ 441,856
Accrued Vacation	376,652
Other Accrued Liabilities	371,900
Accrued Workers' Compensation Insurance	122,000
<b><i>TOTAL ACCRUED LIABILITIES</i></b>	<b><i>\$ 1,312,408</i></b>

**JAY NOLAN COMMUNITY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

**NOTE 5 - RESERVE FOR UNEMPLOYMENT**

JNCS has elected to be self-insured for the purposes of employees' unemployment claims. The reserve for unemployment liability at June 30, 2016 of \$250,000 represents estimated future claims arising from current and past employees. Unemployment expense for the year ended June 30, 2016 was \$75,326.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at July 1, 2015	\$ 250,000	\$ -	\$ 250,000
Self-Insurance Expenses Incurred	75,326	-	75,326
Payments Made to Fund Related Liabilities	(75,326)	-	(75,326)
<b><i>BALANCE AT JUNE 30, 2016</i></b>	<b><i>\$ 250,000</i></b>	<b><i>\$ -</i></b>	<b><i>\$ 250,000</i></b>

**NOTE 6 - LINE OF CREDIT**

JNCS has a revolving line of credit with a bank in the amount of \$600,000 which bears interest at the prime rate. The line of credit is renewable on an annual basis in April and is secured by substantially all the assets of JNCS. JNCS had no outstanding balance on the line of credit at June 30, 2016. The prime rate at June 30, 2016 was 3.50%.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**(a) OPERATING LEASE**

JNCS leases a facility under operating leases with various terms expiring through December 2017. Future minimum payments under these leases are as follows:

**Years Ending June 30**

2017	\$ 356,187
2018	<u>183,007</u>
<b><i>TOTAL</i></b>	<b><i>\$ <u>539,194</u></i></b>

Rent expense under the facility leases and other month-to-month facility and equipment leases was \$394,896 for the year ended June 30, 2016.

**(b) CONTRACTS**

JNCS's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits, cannot be reasonably estimated and, accordingly, JNCS has made no provision for the possible disallowance of program costs on its financial statements.

# **JAY NOLAN COMMUNITY SERVICES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

### **NOTE 7 - COMMITMENTS AND CONTINGENCIES (continued)**

#### **(c) LEGAL PROCEEDINGS**

In the ordinary course of conducting its business, JNCS becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against JNCS which, from time to time, may have an impact on changes in net assets. JNCS does not believe that these proceedings, individually or in the aggregate, would have a material effect on the accompanying financial statements.

### **NOTE 8 - PENSION PLAN**

JNCS has a tax deferred annuity retirement plan under Internal Revenue Code (IRC) Section 403(b). JNCS does not contribute to the plan, which covers all eligible employees of JNCS. Participants are eligible after ninety days of employment and may elect to defer the maximum exclusion determined by the IRC. During the year ended June 30, 2016 the Board of Directors approved the conversion of the existing non-qualified 403(b) plan to an ERISA-qualified 403(b) plan with limited employer match.