JAY NOLAN
COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

JAY NOLAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Green
Hasson
Janks

10990 Wilshire Boulevard
16th Floor
Los Angeles, CA 90024

310.873.1600 T
310.873.6600 F
www.greenhassonjanks.com

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, 2018, 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. 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, 2018 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 16, 2018
Los Angeles, California

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2018
With Summarized Totals at June 30, 2017

ASSETS	2018	2017
Cash and Cash Equivalents	$ 3,237,903	$ 1,584,120
Investments	3,569,436	4,246,374
Accounts Receivable (Net)	1,618,506	1,885,416
Prepaid Expenses and Other Assets	134,489	279,715
Property and Equipment (Net)	436,719	45,378
TOTAL ASSETS	$ 8,997,053	$ 8,041,003

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts Payable	$ 13,420	$ 4,576
Accrued Liabilities	1,229,355	1,180,093
Deferred Rent Liability	471,260	-
Reserve for Unemployment	150,000	200,000
TOTAL LIABILITIES	1,864,035	1,384,669
NET ASSETS:		
Unrestricted	7,133,018	6,656,334
TOTAL LIABILITIES AND NET ASSETS	$ 8,997,053	$ 8,041,003

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
With Summarized Totals for the Year Ended June 30, 2017

	2018	2017
REVENUE AND SUPPORT:		
Program Service Fees	$ 17,168,285	$ 15,901,006
Department of Rehabilitation	121,192	230,934
Contributions	358,067	128,509
Investment Income	159,903	244,558
Other Income	4,888	6,806
TOTAL REVENUE AND SUPPORT	17,812,335	16,511,813
EXPENSES:		
Program Services	14,444,903	12,863,671
Support Services:		
Management and General	2,853,245	2,582,617
Fundraising	37,503	13,636
TOTAL SUPPORT SERVICES	2,890,748	2,596,253
TOTAL EXPENSES	17,335,651	15,459,924
CHANGE IN NET ASSETS	476,684	1,051,889
Net Assets - Beginning of Year	6,656,334	5,604,445
NET ASSETS - END OF YEAR	$ 7,133,018	$ 6,656,334

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
With Summarized Totals for the Year Ended June 30, 2017

	2018					
		Support Services		Total		
	Program Services	Management and General	Fundraising	Support Services	Total	2017 Total
Salaries	$ 11,014,668	$ 1,180,675	$ 10,000	$ 1,190,675	$ 12,205,343	$ 10,913,788
Employee Benefits	1,642,434	235,579	-	235,579	1,878,013	1,620,368
Payroll Taxes	804,350	78,990	765	79,755	884,105	794,851
TOTAL PERSONNEL COSTS	13,461,452	1,495,244	10,765	1,506,009	14,967,461	13,329,007
Automobile Mileage Expense	439,600	890	-	890	440,490	304,612
Rent	195,999	231,439	-	231,439	427,438	421,542
Consultants	33,225	220,070	24,750	244,820	278,045	150,913
Insurance	-	159,216	-	159,216	159,216	112,386
Telephone	100,629	55,283	-	55,283	155,912	173,893
Payroll Fees	-	155,505	-	155,505	155,505	166,368
Supported Living Costs	135,846	-	-	-	135,846	333,943
Miscellaneous Expense	17,759	109,170	-	109,170	126,929	41,101
Repairs and Maintenance	850	93,249	-	93,249	94,099	75,360
Duplicating	-	73,165	-	73,165	73,165	67,449
Professional Fees	-	69,753	-	69,753	69,753	35,359
Dues and Subscription	2,166	55,538	-	55,538	57,704	47,924
Supplies	7,181	33,456	-	33,456	40,637	73,932
Depreciation Expense	5,513	29,403	1,838	31,241	36,754	11,311
Travel	24,283	9,197	-	9,197	33,480	35,223
Advertising	600	28,446	150	28,596	29,196	14,971
Staff Development	17,084	3,594	-	3,594	20,678	32,083
Postage	2,716	14,986	-	14,986	17,702	22,076
Bank Charges	-	15,641	-	15,641	15,641	10,471
TOTAL 2018 FUNCTIONAL EXPENSES	$ 14,444,903	$ 2,853,245	$ 37,503	$ 2,890,748	$ 17,335,651	
	83%	17%	0%		100%	
TOTAL 2017 FUNCTIONAL EXPENSES	$ 12,863,671	$ 2,582,617	$ 13,636	$ 2,596,253		$ 15,459,924
	83%	17%	0%			100%

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2018
With Summarized Totals for the Year Ended June 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 476,684	$ 1,051,889
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Realized and Unrealized Gains on Investments	(38,678)	(120,302)
Bad Debt Expense	11,904	27,692
Depreciation	36,754	11,311
(Increase) Decrease in:		
Accounts Receivable	255,006	1,055,291
Prepaid Expenses and Other Assets	145,226	(159,743)
Increase (Decrease) in:		
Accounts Payable	8,844	(29,050)
Accrued Liabilities	49,262	(132,315)
Deferred Rent Liability	43,165	-
Reserve for Unemployment	(50,000)	(50,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	938,167	1,654,773
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(348,065)	(1,000,000)
Proceeds from Sale of Investments	1,184,906	79,088
Reinvested Interest and Dividends	(121,225)	(124,256)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	715,616	(1,045,168)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,653,783	609,605
Cash and Cash Equivalents - Beginning of Year	1,584,120	974,515
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,237,903	$ 1,584,120

	2018	2017
SUPPLEMENTAL SCHEDULE ON NON-CASH OPERATING AND FINANCING ACTIVITY:		
Property and Equipment Purchases Funded by Deferred Rent Liability	$ 428,095	$ -

The Accompanying Notes are an Integral Part of These Financial Statements

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.

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.

NOTE 1 - ORGANIZATION (continued)

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, 2018.

- **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, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS

For financial statement purposes, JNCS considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2018 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 services are rendered 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 collectability 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, 2018, JNCS evaluated the collectability of its receivables and no reserve was deemed necessary.

(f) LEGACIES AND BEQUESTS

JNCS has been named beneficiary in bequests during the year ending June 30, 2018. Certain amounts of these gifts have not been recorded in the accompanying financial statements because the donors' will has not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable. JNCS will record and report all gifts when declared valid and the amount is determinable.

(g) 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 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, 2018 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

Depreciation of property and equipment has been determined principally by the use of the straight-line method over the estimated useful lives of the related assets as follows:

Equipment and Machinery	3-5 Years
Furniture and Fixtures	10 Years
Leasehold Improvements	Remaining Life of Lease

(i) LONG-LIVED ASSETS

JNCS evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated value. No such impairment losses have been recognized during the year ended June 30, 2018.

(j) DEFERRED RENT LIABILITY

JNCS recognized rent holidays, escalating rent provisions and tenant allowances on a straight-line basis over the term of the lease. JNCS had a deferred rent liability of $471,260 as of June 30, 2018.

(k) 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.

(l) 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) ADVERTISING COSTS

JNCS expenses the costs of advertising as incurred. Total advertising expense was $29,196 for the year ended June 30, 2018.

(n) INCOME TAXES

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

(o) 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.

(p) 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.

(q) 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, 2017 from which the summarized information was derived.

(r) 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions and various other narrow aspects, as identified and addressed in such updates. For JNCS, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

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.

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For the JNCS, the ASU will be effective for the year ending June 30, 2019.

(s) RECLASSIFICATIONS

For comparability, certain June 30, 2017 amounts have been reclassified, where appropriate, to conform with the financial statement presentation at June 30, 2018.

(t) SUBSEQUENT EVENTS

JNCS has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2018, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 16, 2018, 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).

The following table presents information about JNCS's assets that are measured at fair value on a recurring basis at June 30, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Year Ended June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	$ 3,364,806	$ 3,364,806	$ -	$ -
Equity Stock	204,630	204,630	-	-
TOTAL INVESTMENTS	$ 3,569,436	$ 3,569,436	$ -	$ -

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, 2018 consists of the following:

Interest and Dividends	$ 121,225
Realized and Unrealized Gains	38,678
INVESTMENT INCOME	$ 159,903

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, 2018.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 consist of the following:

Equipment and Machinery	$	200,679
Furniture and Fixtures		28,968
Leasehold Improvements		473,118
TOTAL		702,765
Less: Accumulated Depreciation		(266,046)
PROPERTY AND EQUIPMENT (NET)	$	436,719

Depreciation expense for the year ended June 30, 2018 was $36,754.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consist of the following:

Accrued Salaries	$	506,710
Accrued Vacation		468,363
Other Accrued Liabilities		254,282
TOTAL ACCRUED LIABILITIES	$	1,229,355

NOTE 6 - 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, 2018 of $150,000 represents estimated future claims arising from current and past employees. Unemployment expense for the year ended June 30, 2018 was $3,439.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at July 1, 2017	$ 200,000	$ -	$ 200,000
Self-Insurance Expenses Incurred	3,439	-	3,439
Payments Made to Fund Related Liabilities	(53,439)	-	(53,439)
BALANCE AT JUNE 30, 2018	$ 150,000	$ -	$ 150,000

NOTE 7 - 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 plus 3% or LIBOR plus 3%. 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, 2018. The prime rate and LIBOR rate at June 30, 2018 were 5.00% and 2.09%, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASE

JNCS leases facilities under operating leases expiring through July 2028. Future minimum payments under this lease are as follows:

Years Ending June 30		
2019	$	201,819
2020		314,814
2021		324,258
2022		333,986
2023		328,356
Thereafter		1,712,494
TOTAL	$	3,215,727

Rent expense under the facility leases and other month-to-month facility and equipment leases was $427,438 for the year ended June 30, 2018.

(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.

(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 9 - PENSION PLAN

JNCS has an ERISA-qualified 403(b) plan with limited employer match. The employer's monthly matching contribution is discretionary. Participants vest at a rate of 33% per year with full vesting at three years of service for matching contributions. Employer matching contribution expense totaled $80,093 during the year ending June 30, 2018.