

**JAY NOLAN
COMMUNITY SERVICES, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

JAY NOLAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 19, 2019
Los Angeles, California

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With Summarized Totals at June 30, 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 2,432,762	\$ 3,237,903
Investments	4,852,620	3,569,436
Accounts Receivable (Net)	1,947,545	1,618,506
Prepaid Expenses and Other Assets	162,709	134,489
Property and Equipment (Net)	<u>385,392</u>	<u>436,719</u>
<i>TOTAL ASSETS</i>	<u>\$ 9,781,028</u>	<u>\$ 8,997,053</u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES:		
Accounts Payable	\$ 24,197	\$ 13,420
Accrued Liabilities	1,434,108	1,229,355
Deferred Rent Liability	559,194	471,260
Reserve for Unemployment	<u>100,000</u>	<u>150,000</u>
<i>TOTAL LIABILITIES</i>	2,117,499	1,864,035
NET ASSETS:		
Without Donor Restrictions	<u>7,663,529</u>	<u>7,133,018</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 9,781,028</u>	<u>\$ 8,997,053</u>

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT:		
Program Service Fees	\$ 18,686,683	\$ 17,168,285
Department of Rehabilitation	80,261	121,192
Contributions	135,782	358,067
Investment Income	283,679	121,527
Other Income	-	4,888
	<hr/>	<hr/>
<i>TOTAL REVENUE AND SUPPORT</i>	19,186,405	17,773,959
EXPENSES:		
Program Services	\$ 16,343,190	14,444,903
Support Services:		
Management and General	2,290,384	2,814,869
Fundraising	22,320	37,503
	<hr/>	<hr/>
<i>TOTAL SUPPORT SERVICES</i>	2,312,704	2,852,372
	<hr/>	<hr/>
<i>TOTAL EXPENSES</i>	18,655,894	17,297,275
	<hr/>	<hr/>
<i>CHANGE IN NET ASSETS</i>	530,511	476,684
Net Assets - Beginning of Year	7,133,018	6,656,334
	<hr/>	<hr/>
<i>NET ASSETS - END OF YEAR</i>	<u>\$ 7,663,529</u>	<u>\$ 7,133,018</u>

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019								2018 Total
	Program Services			Total Program Services	Support Services		Total Support Services	Total	
	So. Cal Supp Living	Family Support	Other Programs		Management and General	Fundraising			
Salaries	\$ 6,801,793	\$ 3,450,692	\$ 2,123,922	\$ 12,376,407	\$ 930,353	\$ 20,294	\$ 950,647	\$ 13,327,054	\$ 12,205,343
Employee Benefits	1,136,512	500,528	277,544	1,914,584	218,222	124	218,346	2,132,930	1,878,013
Payroll Taxes	491,405	259,915	158,744	910,064	58,249	1,552	59,801	969,865	884,105
TOTAL PERSONNEL COSTS	8,429,710	4,211,135	2,560,210	15,201,055	1,206,824	21,970	1,228,794	16,429,849	14,967,461
Automobile Mileage Expense	242,917	152,830	77,788	473,535	6,998	-	6,998	480,533	440,490
Facilities	58,564	63,598	88,465	210,627	140,529	350	140,879	351,506	427,438
Consultants	13,545	8,798	5,703	28,046	87,851	-	87,851	115,897	246,536
Insurance	58,711	29,931	18,419	107,061	8,058	-	8,058	115,119	159,216
Telephone	46,167	32,298	24,471	102,936	48,428	-	48,428	151,364	155,912
Payroll Fees	-	-	-	-	191,013	-	191,013	191,013	155,505
Supported Living Costs	84,472	-	1,255	85,727	-	-	-	85,727	135,846
Miscellaneous Expense	2,938	2,835	9,385	15,158	171,219	-	171,219	186,377	221,028
Duplicating	871	1,907	1,968	4,746	53,124	-	53,124	57,870	73,165
Professional Fees	570	-	-	570	175,215	-	175,215	175,785	69,753
Dues and Subscription	-	-	955	955	36,025	-	36,025	36,980	57,704
Supplies	265	1,167	5,902	7,334	84,248	-	84,248	91,582	40,637
Depreciation Expense	31,037	15,823	9,737	56,597	4,260	-	4,260	60,857	36,754
Travel	3,011	10,226	15,382	28,619	6,848	-	6,848	35,467	33,480
Advertising	-	-	300	300	35,807	-	35,807	36,107	29,196
Staff Development	1,076	1,419	14,242	16,737	7,719	-	7,719	24,456	20,678
Postage	-	-	3,187	3,187	18,829	-	18,829	22,016	17,702
Bank Charges	-	-	-	-	7,389	-	7,389	7,389	8,774
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 8,973,854	\$ 4,531,967	\$ 2,837,369	\$ 16,343,190	\$ 2,290,384	\$ 22,320	\$ 2,312,704	\$ 18,655,894	
				88%	12%	0%		100%	
TOTAL 2018 FUNCTIONAL EXPENSES				\$ 14,444,903	\$ 2,814,869	\$ 37,503	\$ 2,852,372		\$ 17,297,275
				84%	16%	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, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 530,511	\$ 476,684
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gains on Investments	(140,027)	(302)
Bad Debt Expense	24,200	11,904
Depreciation	60,857	36,754
(Increase) Decrease in:		
Accounts Receivable	(353,239)	255,006
Prepaid Expenses and Other Assets	(28,220)	145,226
Increase (Decrease) in:		
Accounts Payable	10,777	8,844
Accrued Liabilities	204,753	49,262
Deferred Rent Liability	87,934	43,165
Reserve for Unemployment	(50,000)	(50,000)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 347,546	 976,543
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of PP&E	(9,530)	(348,065)
Purchase of Investments	(999,505)	-
Proceeds from Sale of Investments	-	1,146,530
Reinvested Interest and Dividends	(143,652)	(121,225)
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 (1,152,687)	 677,240
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (805,141)	 1,653,783
Cash and Cash Equivalents - Beginning of Year	3,237,903	1,584,120
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 2,432,762</u>	 <u>\$ 3,237,903</u>
 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

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - ORGANIZATION

The mission of Jay Nolan Community Services, Inc. (JNCS) is to enable individuals with Autism Spectrum Disorder and other developmental disabilities to live fulfilling lives as members of the community by providing support services customized to 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. 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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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:

- **Net Assets Without Donor Restrictions.** These generally result from revenues generated by receiving contributions not subject to donor restrictions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Net Assets With Donor Restrictions.** JNCS reports gifts of cash and other assets as net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets with donor restrictions contributions. JNCS has no net assets with donor restrictions as of June 30, 2019.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019 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 net assets without donor restrictions unless their use is 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, 2019, JNCS evaluated the collectability of its receivables and an allowance for uncollectible receivables in the amount of \$23,804 was established.

(f) LEGACIES AND BEQUESTS

JNCS was 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. JNCS has not been named beneficiary in bequests during the year ending June 30, 2019.

(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, 2019 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, 2019

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, 2019.

(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 \$559,194 as of June 30, 2019.

(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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) ADVERTISING COSTS

JNCS expenses the costs of advertising as incurred. Total advertising expense was \$36,107 or the year ended June 30, 2019.

(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. JNCS has implemented this ASU during the year ended June 30, 2019.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS (continued)

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 JNCS, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

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, 2022.

(s) SUBSEQUENT EVENTS

JNCS has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2019, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 19, 2019, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as noted in Note 7.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2019	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	\$ 4,580,318	\$ 4,580,318	\$ -	\$ -
Equity Stock	272,302	272,302	-	-
TOTAL INVESTMENTS	\$ 4,852,620	\$ 4,852,620	\$ -	\$ -

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.

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, 2019.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consist of the following:

Equipment and Machinery	\$ 200,679
Furniture and Fixtures	28,968
Leasehold Improvements	482,648
TOTAL	712,295
Less: Accumulated Depreciation	(326,903)
PROPERTY AND EQUIPMENT (NET)	\$ 385,392

Depreciation expense for the year ended June 30, 2019 was \$60,857.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consist of the following:

Accrued Salaries	\$ 560,213
Accrued Vacation	533,328
Other Accrued Liabilities	<u>340,567</u>
TOTAL ACCRUED LIABILITIES	<u>\$ 1,434,108</u>

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, 2019 of \$100,000 represents estimated future claims arising from current and past employees. Unemployment expense for the year ended June 30, 2019 was \$10,501.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at July 1, 2018	\$ 150,000	\$ -	\$ 150,000
Self-Insurance Expenses Incurred	10,501	-	10,501
Payments Made to Fund Related Liabilities	<u>(60,501)</u>	-	<u>(60,501)</u>
BALANCE AT JUNE 30, 2019	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

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, 2019. The prime rate and LIBOR rate at June 30, 2019 were 5.50% and 2.40%, respectively. In November 2019, the amount available on the line of credit was increased to \$1,000,000 and the applicable interest rate was amended to prime rate or LIBOR plus 2.5%.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

2020	\$	314,814
2021		324,258
2022		333,986
2023		328,356
2024		322,556
Thereafter		<u>1,389,938</u>
TOTAL	\$	<u>3,013,908</u>

Rent expense under the facility leases and other month-to-month facility and equipment leases was \$344,338 or the year ended June 30, 2019.

(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 \$95,017 during the year ending June 30, 2019.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by JNCS at June 30, 2019 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2019	
Cash and Cash Equivalents	\$ 2,432,762
Investments	4,852,620
Accounts Receivable (Net)	<u>1,947,545</u>
<i>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</i>	<i>\$ 9,232,927</i>

JNCS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the JNCS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, JNCS has a line of credit that could be drawn from for current operations, if necessary.