

**JAY NOLAN
COMMUNITY SERVICES, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

JAY NOLAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Jay Nolan Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Jay Nolan Community Services, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jay Nolan Community Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jay Nolan Community Services, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jay Nolan Community Services Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jay Nolan Community Services Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Jay Nolan Community Services, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

January 24, 2023
Los Angeles, California

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

With Summarized Totals at June 30, 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 4,599,056	\$ 4,633,922
Investments	8,133,645	7,664,642
Accounts Receivable (Net)	2,632,521	2,360,978
Prepaid Expenses and Other Assets	380,529	327,633
Property and Equipment (Net)	<u>305,110</u>	<u>329,215</u>
TOTAL ASSETS	<u><u>\$ 16,050,861</u></u>	<u><u>\$ 15,316,390</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 56,830	\$ 21,858
Accrued Liabilities	1,904,865	1,653,123
Deferred Rent Liability	460,402	502,094
Reserve for Unemployment	<u>100,000</u>	<u>100,000</u>
TOTAL LIABILITIES	2,522,097	2,277,075
NET ASSETS:		
Without Donor Restrictions	<u>13,528,755</u>	<u>13,039,315</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,050,861</u></u>	<u><u>\$ 15,316,390</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT:		
Program Service Fees	\$ 23,306,470	\$ 22,313,373
Contributions	235,645	599,400
Investment Return	(1,271,505)	1,053,437
Other Income	39,951	52,130
	<u>22,310,561</u>	<u>24,018,340</u>
TOTAL REVENUE AND SUPPORT	22,310,561	24,018,340
EXPENSES:		
Program Services	19,247,734	18,457,729
Support Services:		
Management and General	2,521,610	1,979,822
Fundraising	51,777	41,947
	<u>2,573,387</u>	<u>2,021,769</u>
TOTAL SUPPORT SERVICES	2,573,387	2,021,769
TOTAL EXPENSES	21,821,121	20,479,498
CHANGE IN NET ASSETS	489,440	3,538,842
Net Assets - Beginning of Year	<u>13,039,315</u>	<u>9,500,473</u>
NET ASSETS - END OF YEAR	<u>\$ 13,528,755</u>	<u>\$ 13,039,315</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, 2022
With Summarized Totals for the Year Ended June 30, 2021

	2022							2021 Total	
	Program Services			Total Program Services	Support Services		Total Support Services		
	So. Cal Supp Living	Family Support	Other Programs		Management and General	Fundraising	Total		
Salaries	\$ 7,715,279	\$ 5,305,041	\$ 2,108,639	\$ 15,128,959	\$ 1,484,085	\$ 45,120	\$ 1,529,205	\$ 16,658,164	\$ 15,790,508
Employee Benefits	823,321	359,651	197,468	1,380,440	312,649	7	312,656	1,693,096	1,537,787
Payroll Taxes	558,236	400,970	157,513	1,116,719	95,601	3,310	98,911	1,215,630	1,156,384
TOTAL PERSONNEL COSTS	9,096,836	6,065,662	2,463,620	17,626,118	1,892,335	48,437	1,940,772	19,566,890	18,484,679
Advertising	36,894	25,368	10,083	72,345	7,097	216	7,313	79,658	38,887
Automobile Mileage	110,917	137,992	39,840	288,749	-	-	-	288,749	229,716
Consultants	6,688	2,848	-	9,536	88,573	-	88,573	98,109	28,230
Copier Lease	25,659	17,643	7,013	50,315	4,936	150	5,086	55,401	50,351
Depreciation	33,202	22,830	9,074	65,106	6,387	194	6,581	71,687	57,763
Dues and Subscriptions	172	-	397	569	44,881	-	44,881	45,450	38,711
Facilities	54,880	71,900	61,661	188,441	177,140	-	177,140	365,581	368,029
Insurance	110,850	76,221	30,296	217,367	21,323	648	21,971	239,338	300,917
Miscellaneous Expense	-	-	9,124	9,124	98,951	202	99,153	108,277	52,805
Payroll Fees	106,668	73,345	29,153	209,166	20,518	624	21,142	230,308	194,679
Professional Fees	185,628	127,639	50,734	364,001	35,707	1,086	36,793	400,794	360,962
Supplies	-	960	2,144	3,104	35,214	-	35,214	38,318	25,213
Supported Living Costs	47,949	-	1,542	49,491	-	-	-	49,491	75,206
Telephone	37,568	31,072	21,040	89,680	68,272	220	68,492	158,172	161,492
Travel	-	-	4,622	4,622	20,276	-	20,276	24,898	11,858
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 9,853,911	\$ 6,653,480	\$ 2,740,343	\$ 19,247,734	\$ 2,521,610	\$ 51,777	\$ 2,573,387	\$ 21,821,121	
				88%	12%	0%		100%	
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 10,027,670	\$ 5,944,186	\$ 2,485,873	\$ 18,457,729	\$ 1,978,822	\$ 41,947	\$ 2,021,769		\$ 20,479,498
				90%	10%	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, 2022

With Summarized Totals for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 489,440	\$ 3,538,842
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Losses (Gains) on Investments	1,506,596	(969,534)
Bad Debt Expense	2,931	28,814
Depreciation	71,687	57,763
Increase in:		
Accounts Receivable	(274,474)	(264,931)
Prepaid Expenses and Other Assets	(52,896)	(119,010)
Increase (Decrease) in:		
Accounts Payable	34,972	2,659
Accrued Liabilities	251,742	106,921
Deferred Rent Liability	(41,692)	(32,835)
	<u>1,988,306</u>	<u>2,348,689</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,988,306	2,348,689
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(47,582)	(43,409)
Purchase of Investments	(1,740,508)	(1,357,780)
Reinvested Interest and Dividends	(235,091)	(83,903)
	<u>(2,023,181)</u>	<u>(1,485,092)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,875)	863,597
Cash and Cash Equivalents - Beginning of Year	<u>4,633,922</u>	<u>3,770,325</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,599,047</u>	<u>\$ 4,633,922</u>

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - ORGANIZATION (continued)

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.

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) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) NET ASSETS (continued)

- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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 donor restrictions. JNCS has no net assets with donor restrictions at June 30, 2022.

(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, 2022 approximates its fair value.

(d) INVESTMENTS

Investments are held in marketable securities with readily determinable market values and are reported at fair value. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

(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, 2022, JNCS evaluated the collectability of its receivables and an allowance for uncollectible receivables in the amount of \$21,836 was established.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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, 2022 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.

(g) 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

(h) 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, 2022.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) DEFERRED RENT LIABILITY

JNCS recognizes rent holidays, escalating rent provisions and tenant allowances on a straight-line basis over the term of the lease. JNCS has a deferred rent liability of \$460,402 as of June 30, 2022.

(j) CONTRIBUTIONS AND GRANTS

JNCS recognizes grants and contributions when cash, securities, other assets or an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no unconditional contributions at June 30, 2022.

(k) 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.

(l) REVENUE FROM CONTRACTS WITH CUSTOMERS

JNCS's revenues from contracts with customers are generated from program service fees and supported employment. JNCS recognizes revenue from these revenue streams when the respective performance obligations are satisfied.

- Program service fee revenues are earned from contracts with Regional Centers and the Department of Rehabilitation. The performance obligation for such contracts consists of coordinating and delivering services to individuals with developmental disabilities. Site contracts exist with Regional Centers for a flat or hourly fee for services provided to qualifying consumers. Payment agreements are determined on a client-by-client basis. JNCS recognizes revenue from these contracts over time as the related services are provided.
- Supported employment revenue relates to programs which are geared toward assisting people to work in a community-integrated work setting by providing coaching, assistance, mentoring, financial planning and benefits management. These revenues are recognized when the performance obligation of service delivery has been met.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Fees for revenues with contracts with customers, which are billed and collected are deferred and recognized as income in the period in which the related services are rendered.

(m) ADVERTISING COSTS

JNCS expenses the costs of advertising as incurred. Total advertising expense was \$79,658 for the year ended June 30, 2022.

(n) INCOME TAXES

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

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, JNCS recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2022, JNCS performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2021 from which the summarized information was derived.

(r) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update No. 2016-02, *Leases*, 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 provide additional information about the amounts recorded in the financial statements. For JNCS, the ASU will be effective for the year ending June 30, 2023.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13 (ASU 2016-13), *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For JNCS, the ASU and the subsequent amendments will be effective for the year ending June 30, 2024 and is expected to be adopted using the modified-retrospective approach.

(s) SUBSEQUENT EVENTS

JNCS has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 24, 2023, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2022	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)
Equities / Mutual Funds	\$ 4,968,339	\$ 4,968,339	\$ -	\$ -
Fixed Income / Bond Fund	2,795,250	2,795,250	-	-
Hedge Funds	370,056	370,056	-	-
TOTAL INVESTMENTS	\$ 8,133,645	\$ 8,133,645	\$ -	\$ -

The fair values of the investments within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 consist of the following:

Equipment and Machinery	\$ 299,439
Furniture and Fixtures	28,968
Leasehold Improvements	<u>483,748</u>
TOTAL	812,155
Less: Accumulated Depreciation	<u>(507,045)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 305,110</u>

Depreciation expense for the year ended June 30, 2022 was \$71,687.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consist of the following:

Accrued Salaries	\$	717,092
Accrued Vacation		739,686
Other Accrued Liabilities		448,087
		448,087
TOTAL ACCRUED LIABILITIES	\$	1,904,865

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, 2022 of \$100,000 represents estimated future claims arising from current and past employees. Unemployment expense for the year ended June 30, 2022 was \$80,391.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at July 1, 2021	\$ 100,000	\$ -	\$ 100,000
Self-Insurance Expenses Incurred	80,391	-	80,391
Payments Made to Fund Related Liabilities	(80,391)	-	(80,391)
	(80,391)	-	(80,391)
BALANCE AT JUNE 30, 2022	\$ 100,000	\$ -	\$ 100,000

NOTE 7 - LINE OF CREDIT

JNCS has a revolving line of credit with a bank in the amount of \$1,000,000 which bears interest at the prime rate or daily simple SOFR plus 2.5%. The line of credit matures in June 2023 and is renewable on an annual basis in June. The line of credit is secured by substantially all the assets of JNCS. JNCS had no outstanding balance on the line of credit at June 30, 2022 and \$1,000,000 is available at June 30, 2022. The prime rate was 4.38% and the SOFR was 1.50% at June 30, 2022.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

2023	\$	328,356
2024		322,556
2025		332,233
2026		342,200
2027		352,466
Thereafter		<u>393,740</u>
TOTAL	\$	<u>2,071,551</u>

Rent expense under the facility leases and other month-to-month facility and equipment leases was \$344,146 for the year ended June 30, 2022 and is included in facilities expense in the statement of functional expenses.

(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 legal proceedings. 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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 \$161,337 for the year ended June 30, 2022.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by JNCS at June 30, 2022 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, 2022:	
Cash and Cash Equivalents	\$ 4,599,056
Investments	8,133,645
Accounts Receivable (Net)	<u>2,632,521</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 15,365,222</u>

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 facility of \$1,000,000 that could be drawn from for current operations, if necessary.