

**JAY NOLAN
COMMUNITY SERVICES, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

JAY NOLAN COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

CONTENTS

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



WE ARE AN INDEPENDENT MEMBER OF
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., which comprise the statement of financial position as of June 30, 2023, 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 present fairly, in all material respects, the financial position of Jay Nolan Community Services, Inc. as of June 30, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

January 30, 2024
Los Angeles, California

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

With Summarized Totals at June 30, 2022

ASSETS	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 5,885,627	\$ 4,599,056
Investments	12,434,196	8,133,645
Accounts Receivable (Net)	3,554,890	2,632,521
Prepaid Expenses and Other Assets	507,551	380,520
Right of Use Asset - Operating	1,523,343	-
Property and Equipment (Net)	<u>297,178</u>	<u>305,110</u>
TOTAL ASSETS	<u>\$ 24,202,785</u>	<u>\$ 16,050,852</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 102,204	\$ 56,830
Accrued Liabilities	3,327,275	1,904,865
Deferred Rent Liability	-	460,402
Reserve for Unemployment	30,000	100,000
Operating Lease Liability	<u>1,939,374</u>	<u>-</u>
TOTAL LIABILITIES	5,398,853	2,522,097
NET ASSETS:		
Without Donor Restrictions	<u>18,803,932</u>	<u>13,528,755</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,202,785</u>	<u>\$ 16,050,852</u>

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

With Summarized Totals for the Year Ended June 30, 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT:		
Program Service Fees	\$ 32,278,922	\$ 23,306,470
Contributions	411,119	235,645
Investment Return	752,357	(1,271,505)
Other Income	<u>197,327</u>	<u>39,951</u>
TOTAL REVENUE AND SUPPORT	33,639,725	22,310,561
EXPENSES:		
Program Services	24,107,993	19,247,734
Support Services:		
Management and General	4,197,120	2,521,610
Fundraising	<u>59,435</u>	<u>51,777</u>
TOTAL SUPPORT SERVICES	<u>4,256,555</u>	<u>2,573,387</u>
TOTAL EXPENSES	<u>28,364,548</u>	<u>21,821,121</u>
CHANGE IN NET ASSETS	5,275,177	489,440
Net Assets - Beginning of Year	<u>13,528,755</u>	<u>13,039,315</u>
NET ASSETS - END OF YEAR	<u>\$ 18,803,932</u>	<u>\$ 13,528,755</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, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023								2022 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	\$ 9,569,080	\$ 6,915,158	\$ 3,008,611	\$ 19,492,849	\$ 1,947,642	\$ 53,179	\$ 2,000,821	\$ 21,493,670	\$ 16,658,164
Employee Benefits	956,300	453,576	269,408	1,679,284	317,707	85	317,792	1,997,076	1,693,096
Payroll Taxes	695,842	523,800	222,983	1,442,625	130,337	3,923	134,260	1,576,885	1,215,630
TOTAL PERSONNEL COSTS	11,221,222	7,892,534	3,501,002	22,614,758	2,395,686	57,187	2,452,873	25,067,631	19,566,890
Advertising	33,377	24,120	10,368	67,865	54,055	185	54,240	122,105	79,658
Automobile Mileage	137,136	179,111	54,222	370,469	10,160	-	10,160	380,629	288,749
Consultants	1,580	1,909	288	3,777	65,882	-	65,882	69,659	98,109
Copier Lease	16,723	12,085	5,195	34,003	3,404	93	3,497	37,500	55,401
Depreciation	39,683	28,677	12,327	80,687	8,076	221	8,297	88,984	71,687
Dues and Subscriptions	315	-	1,158	1,473	73,674	-	73,674	75,147	45,450
Facilities	56,935	75,217	68,687	200,839	210,853	-	210,853	411,692	365,581
Insurance	75,737	54,732	23,527	153,996	15,415	421	15,836	169,832	239,338
Legal Reserve Expense	-	-	-	-	1,000,000	-	1,000,000	1,000,000	110,000
Miscellaneous Expense	170	1,094	3,300	4,564	53,207	-	53,207	57,771	108,277
Payroll Fees	114,182	82,514	35,470	232,166	23,240	635	23,875	256,041	230,308
Professional Fees	85,078	61,482	26,429	172,989	111,171	473	111,644	284,633	290,794
Supplies	-	1,900	7,916	9,816	64,697	-	64,697	74,513	38,318
Supported Living Costs	43,706	-	296	44,002	(150)	-	(150)	43,852	49,491
Telephone	36,088	37,014	24,477	97,579	41,621	220	41,841	139,420	158,172
Travel	10	4,727	14,273	19,010	66,129	-	66,129	85,139	24,898
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 11,861,942	\$ 8,457,116	\$ 3,788,935	\$ 24,107,993	\$ 4,197,120	\$ 59,435	\$ 4,256,555	\$ 28,364,548	
				85%	15%	0%		100%	
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%

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

With Summarized Totals for the Year Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 5,275,177	\$ 489,449
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Losses (Gains) on Investments	(433,186)	1,506,596
Bad Debt Expense (Recovery)	(8,042)	2,931
Depreciation	88,984	71,687
(Increase) Decrease in:		
Accounts Receivable	(914,327)	(274,474)
Prepaid Expenses and Other Assets	(127,031)	(52,896)
Right of Use Asset - Operating	273,196	-
Increase (Decrease) in:		
Accounts Payable	45,374	34,972
Accrued Liabilities	1,422,410	251,742
Deferred Rent Liability	-	(41,692)
Operating Lease Liability	(317,566)	-
Reserve for Unemployment	(70,000)	-
	5,234,989	1,988,315
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	5,234,989	1,988,315
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(81,053)	(47,582)
Purchase of Investments	(3,601,280)	(1,740,508)
Reinvested Interest and Dividends	(266,085)	(235,091)
	(3,948,418)	(2,023,181)
NET CASH USED IN INVESTING ACTIVITIES		
	(3,948,418)	(2,023,181)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	1,286,571	(34,866)
Cash and Cash Equivalents - Beginning of Year	4,599,056	4,633,922
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,885,627	\$ 4,599,056
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Non-Cash Impact of Implementation of Accounting Standards Codification (ASC) 842, Leases		
Increase in Right-of-Use Assets	\$ 1,796,538	\$ -
(Increase) in Lease Liabilities	(2,256,940)	-
Decrease in Deferred Rent	460,402	-

The Accompanying Notes are an Integral Part of These Financial Statements

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS **June 30, 2023**

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, 2023

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.

Subsequent to year-end in October 2023, JNCS filed for the incorporation of Jay Nolan Recreational Services, a separate nonprofit public benefit corporation. The new corporation was created to implement programs and to provide services, including but not limited to summer camps, for disadvantaged youth.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.
- **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, 2023.

(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, 2023 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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2023, JNCS evaluated the collectability of its receivables and an allowance for uncollectible receivables in the amount of \$13,794 was established.

(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, 2023 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

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2023.

(i) 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, 2023.

(j) 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.

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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

- 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.

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.

(l) ADVERTISING COSTS

JNCS expenses the costs of advertising as incurred. Total advertising expense was \$74,842 for the year ended June 30, 2023.

(m) 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, 2023, 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.

(n) 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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) LEASES

JNCS recognizes and measures its leases in accordance with the FASB ASC 842, *Leases*. JNCS is a lessee in operating leases for regional centers facilities. JNCS determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. JNCS recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise JNCS uses the risk-free rate. The implicit rates of JNCS's leases are not readily determinable and accordingly, JNCS used the risk-free rate based on the information available at the commencement date for all leases.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

JNCS has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that JNCS is reasonably certain to exercise. JNCS recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

(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, 2022 from which the summarized information was derived.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (ASU) 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. JNCS adopted this ASU with a date of initial application of July 1, 2022 using the optional transition method which allows entities to continue to apply expedients on a consistent basis permitting entities not to reassess historical accounting guidance in the comparative periods presented in the year of adoption.

JNCS elected to apply the following package of practical expedients: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance.

The impact of adopting the amended guidance primarily relates to the recognition of ROU assets and lease liabilities on the statement of financial position for all leases previously classified as operating leases. JNCS recognized \$1,796,538 (including \$460,402 of deferred rent adjustment) of ROU assets and \$2,256,940 of lease liabilities as of July 1, 2022 and during the year for contracts that are classified as operating leases. Leases with an initial term of 12 months or less have not been recorded on the statement of financial position. There was no other material impact on JNCS's financial statements. Refer to Note 2(o) and Note 5 for disclosures related to JNCS's accounting for leases.

In June 2016, FASB issued ASU No. 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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) SUBSEQUENT EVENTS

JNCS has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2023, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 30, 2024, the date these financial statements were available to be issued. Except as noted in Note 1, no such material events or transactions were noted to have occurred other than those disclosed on the financial statements.

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, 2023 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2023	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	\$ 5,909,354	\$ 5,909,354	\$ -	\$ -
Fixed Income / Bond Fund	3,080,034	3,080,034	-	-
Money Market Funds	3,041,134	3,041,134		
Hedge Funds	403,674	403,674	-	-
TOTAL INVESTMENTS	\$ 12,434,196	\$ 12,434,196	\$ -	\$ -

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.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consist of the following:

Equipment and Machinery	\$ 349,547
Furniture and Fixtures	60,635
Leasehold Improvements	<u>483,748</u>
TOTAL	893,930
Less: Accumulated Depreciation	<u>(596,752)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 297,178</u>

Depreciation expense for the year ended June 30, 2023 was \$88,984.

NOTE 5 - LEASES

JNCS leases various facilities from third parties which are accounted for as operating leases, with various terms expiring through July 2028. Some of the leases have renewal options of up to 5 years. The exercise of lease renewal options is at JNCS's discretion. JNCS has chosen to include the renewal term in the calculation of the ROU assets and related lease liabilities when such renewals are reasonably certain of being exercised. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, are not recorded on the statement of financial position and are recognized as lease expense on a straight-line basis over the lease term. As of June 30, 2023, JNCS recognized \$1,523,343 of ROU assets and \$1,939,374 of related lease liabilities for contracts that are classified as operating leases. Lease cost for the year ended June 30, 2023 was \$331,988.

As of June 30, 2023, the weighted-average remaining lease terms of operating leases are approximately 4.82 years. The weighted-average discount rate used to determine the lease liabilities as of June 30, 2023 was approximately 3.00%.

Maturities of lease liabilities as of June 30, 2023 are as follows:

Years Ending June 30	
2024	\$ 424,696
2025	441,710
2026	413,816
2027	387,096
2028	383,590
Thereafter	<u>30,700</u>
Total Lease Payments	2,081,608
Less: Imputed Interest	<u>(142,234)</u>
TOTAL	<u>\$ 1,939,374</u>

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023 consist of the following:

Legal Reserve	\$ 1,250,000
Accrued Salaries	953,444
Accrued Vacation	863,576
Other Accrued Liabilities	260,255
	260,255
TOTAL ACCRUED LIABILITIES	\$ 3,327,275

NOTE 7 - 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, 2023 of \$30,000 represents estimated future claims arising from current and past employees. Unemployment expense for the year ended June 30, 2023 was \$43,621.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at July 1, 2022	\$ 100,000	\$ -	\$ 100,000
Self-Insurance Expenses Incurred	43,621	-	43,621
Reduction of Liability	(70,000)		(70,000)
Payments Made to Fund Related Liabilities	(43,621)	-	(43,621)
	(43,621)	-	(43,621)
BALANCE AT JUNE 30, 2023	\$ 30,000	\$ -	\$ 30,000

NOTE 8 - 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 Daily Simple SOFR plus 2.7%. The line of credit matures in June 2024 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, 2023 and \$1,000,000 is available at June 30, 2023. The Daily Simple SOFR was 5.09% at June 30, 2023.

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 9 - COMMITMENTS AND CONTINGENCIES

(a) 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.

(b) 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 has established a reserve of \$1,250,000 at June 30, 2023, to provide for negotiated settlements and potential adverse proceedings of known/anticipated legal proceedings. The reserve is included in accrued liabilities. Subsequent to year end, JNCS made settlement payments of \$852,000 relating to the reserve.

NOTE 10 - 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 \$215,980 for the year ended June 30, 2023.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by JNCS at June 30, 2023 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, 2023:	
Cash and Cash Equivalents	\$ 5,885,627
Investments	12,434,196
Accounts Receivable (Net)	<u>3,554,890</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 21,874,713</u>

JAY NOLAN COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

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.