# JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS
## AND SUPPLEMENTARY INFORMATION

## YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**JEWISH FAMILY AND CHILDREN'S SERVICE, INC.**
**AND SUBSIDIARIES**
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**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

CliftonLarsonAllen LLP
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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewish Family and Children's Service, Inc.
and Subsidiaries
Phoenix, Arizona

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jewish Family and Children's Service, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family and Children's Service, Inc., as of September 30, 2018 and 2017, and their changes in net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter Regarding Restatement***

As discussed in Note 20 to the consolidated financial statements, the entity restated net assets of its consolidated financial statements for the year ended September 30, 2017, to correct misstatements in its previously issued consolidated financial statements. Our opinion is not modified with respect to this matter.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Phoenix, Arizona
June 12, 2019

# JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## SEPTEMBER 30, 2018 AND 2017

| | 2018 | 2017 (Restated) |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 7,323,959 | $ 7,985,811 |
| Certificates of Deposit | 3,493,823 | - |
| Receivables, Net | 2,427,884 | 1,592,968 |
| Related Party Receivables, Net | 612,803 | 971,057 |
| Prepaid Expenses | 384,867 | 479,918 |
| Deposits | 174,018 | 160,258 |
| Investments Held in Community Foundation | 1,133,093 | 812,568 |
| Investment in Joint Ventures | 833,949 | 1,839,342 |
| Other Assets | 51,390 | 46,001 |
| Property and Equipment, Net | 14,024,886 | 14,190,885 |
| Pledges Receivable, Net | 408,344 | 644,650 |
| Total Assets | $ 30,869,016 | $ 28,723,458 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts Payable | $ 533,575 | $ 381,590 |
| Accrued Expenses and Other Liabilities | 1,982,044 | 2,256,582 |
| Accrued Compensated Absences | 999,459 | 953,320 |
| Recoupment Payable | 1,500,000 | - |
| Deferred Revenue | 3,374,169 | 1,709,503 |
| Notes Payable | 5,371,394 | 5,614,443 |
| Total Liabilities | 13,760,641 | 10,915,438 |
| **NET ASSETS**, As Restated | | |
| Board-Designated | 659,257 | 812,568 |
| Unrestricted | 14,526,786 | 15,062,586 |
| Total Unrestricted | 15,186,043 | 15,875,154 |
| Permanently Restricted | 273,107 | - |
| Temporarily Restricted | 1,649,225 | 1,932,866 |
| Total Net Assets | 17,108,375 | 17,808,020 |
| Total Liabilities and Net Assets | $ 30,869,016 | $ 28,723,458 |

*See accompanying Notes to Consolidated Financial Statements.*

# JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
# CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
# YEAR ENDED SEPTEMBER 30, 2018
### (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals | 2017 Totals |
| **SUPPORT, REVENUES, AND OTHER GAINS** | | | | | |
| Support: | | | | | |
| Government and Contracts | $ 42,802,622 | $ - | $ - | $ 42,802,622 | $ 42,058,651 |
| Contributions and Grants | 4,235,221 | 774,784 | 273,107 | 5,283,112 | 2,460,046 |
| Special Events, Net of Direct Benefit to Donors | 366,760 | - | - | 366,760 | 305,881 |
| Total Support | 47,404,603 | 774,784 | 273,107 | 48,452,494 | 44,824,578 |
| Revenues and Other Gains: | | | | | |
| Client Program Fees | 120,521 | - | - | 120,521 | 139,129 |
| Third Party Fees | 901,465 | - | - | 901,465 | 581,485 |
| Management Services | 9,975 | - | - | 9,975 | 246,824 |
| Investment Income | 1,591,162 | 6,233 | - | 1,597,395 | 114,872 |
| Equity in Gain/(Loss) of Joint Ventures | (487,084) | - | - | (487,084) | 473,461 |
| Gain on Sale of Capital Assets | 101,170 | - | - | 101,170 | - |
| Miscellaneous Income | 506,826 | - | - | 506,826 | 131,615 |
| Excess of Assets Acquired Over liabilities Assumed of Sojourner Center | - | - | - | - | 6,843,770 |
| Total Revenues and Other Gains | 2,744,035 | 6,233 | - | 2,750,268 | 8,531,156 |
| Net Assets Released from Restrictions: | | | | | |
| Satisfaction of Program Restrictions | 1,064,658 | (1,064,658) | - | - | - |
| Total Support, Revenues, and Other Gains | 51,213,296 | (283,641) | 273,107 | 51,202,762 | 53,355,734 |

(Continued)

*See accompanying Notes to Consolidated Financial Statements.*

# JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
## YEAR ENDED SEPTEMBER 30, 2018
### (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals | 2017 Totals |
| **FUNCTIONAL EXPENSES** | | | | | |
| Program Services: | | | | | |
| Integrated Health Services | $ 31,159,366 | $ - | $ - | $ 31,159,366 | $ 29,787,467 |
| Shelter Without Walls | 466,531 | - | - | 466,531 | 396,585 |
| Real World Job Development | 609,557 | - | - | 609,557 | 568,402 |
| Homebased Services | 4,192,841 | - | - | 4,192,841 | 4,863,756 |
| Older Adults | 842,709 | - | - | 842,709 | 894,265 |
| Jewish Community Services | 359,291 | - | - | 359,291 | 348,051 |
| Prevention Services | 144,382 | - | - | 144,382 | 265,233 |
| Sojourner Center | 4,025,486 | - | - | 4,025,486 | 557,046 |
| Total Program Services | 41,800,163 | - | - | 41,800,163 | 37,680,805 |
| Supporting Services: | | | | | |
| Management and General | 7,410,855 | - | - | 7,410,855 | 5,992,839 |
| Management Services | 47,012 | - | - | 47,012 | 304,038 |
| Fundraising | 1,326,752 | - | - | 1,326,752 | 836,079 |
| Twenty Thirty Three | 834,857 | - | - | 834,857 | 878,824 |
| Other | 482,768 | - | - | 482,768 | 588,381 |
| Total Supporting Services | 10,102,244 | - | - | 10,102,244 | 8,600,161 |
| Total Functional Expenses | 51,902,407 | - | - | 51,902,407 | 46,280,966 |
| **CHANGES IN NET ASSETS** | (689,111) | (283,641) | 273,107 | (699,645) | 7,074,768 |
| Net Assets - Beginning of Year, As Restated (Note 20) | 15,875,154 | 1,932,866 | - | 17,808,020 | 10,733,252 |
| **NET ASSETS - END OF YEAR** | $ 15,186,043 | $ 1,649,225 | $ 273,107 | $ 17,108,375 | $ 17,808,020 |

*See accompanying Notes to Consolidated Financial Statements.*

**JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
**YEAR ENDED SEPTEMBER 30, 2017**

| | 2017 | | |
|---|---|---|---|
| | | (Restated) Temporarily | |
| | Unrestricted | Restricted | Totals |
| **SUPPORT, REVENUES, AND OTHER GAINS** | | | |
| Support | | | |
| Government and Contracts | $ 42,058,651 | $ - | $ 42,058,651 |
| Contributions and Grants | 1,962,534 | 497,512 | 2,460,046 |
| Special Events, Net of Direct Benefit to Donors | 305,881 | - | 305,881 |
| Total Support | 44,327,066 | 497,512 | 44,824,578 |
| Revenues and Other Gains | | | |
| Client Program Fees | 139,129 | - | 139,129 |
| Third Party Fees | 581,485 | - | 581,485 |
| Management Services | 246,824 | - | 246,824 |
| Investment Income | 98,607 | 16,265 | 114,872 |
| Equity in Gain (Loss) of Joint Ventures | 473,461 | - | 473,461 |
| Miscellaneous Income | 131,615 | - | 131,615 |
| Excess of Assets Acquired Over liabilities | | | |
| Assumed of Sojourner Center | 6,245,280 | 598,490 | 6,843,770 |
| Total Revenues and Other Gains | 7,916,401 | 614,755 | 8,531,156 |
| Net Assets Released from Restrictions: | | | |
| Satisfaction of Program Restrictions | 817,384 | (817,384) | - |
| Total Support, Revenues, and Other Gains | 53,060,851 | 294,883 | 53,355,734 |

(Continued)

*See accompanying Notes to Consolidated Financial Statements.*

**JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**
**YEAR ENDED SEPTEMBER 30, 2017**

| | 2017 | | |
|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Totals |
| **FUNCTIONAL EXPENSES** | | | |
| Program Services: | | | |
| Integrated Health Services | $ 29,787,467 | $ - | $ 29,787,467 |
| Shelter Without Walls | 396,585 | - | 396,585 |
| Real World Job Development | 568,402 | - | 568,402 |
| Homebased Services | 4,863,756 | - | 4,863,756 |
| Older Adults | 894,265 | - | 894,265 |
| Jewish Community Services | 348,051 | - | 348,051 |
| Prevention Services | 265,233 | - | 265,233 |
| Sojourner Center | 557,046 | - | 557,046 |
| Total Program Services | 37,680,805 | - | 37,680,805 |
| Supporting Services: | | | |
| Management and General | 5,992,839 | - | 5,992,839 |
| Management Services | 304,038 | - | 304,038 |
| Fundraising | 836,079 | - | 836,079 |
| Twenty Thirty Three | 878,824 | - | 878,824 |
| Other | 588,381 | - | 588,381 |
| Total Supporting Services | 8,600,161 | - | 8,600,161 |
| Total Functional Expenses | 46,280,966 | - | 46,280,966 |
| **CHANGES IN NET ASSETS** | 6,779,885 | 294,883 | 7,074,768 |
| Net Assets - Beginning of Year | 9,095,269 | 1,637,983 | 10,733,252 |
| **NET ASSETS - END OF YEAR**, As Restated (Note 20) | $ 15,875,154 | $ 1,932,866 | $ 17,808,020 |

*See accompanying Notes to Consolidated Financial Statements.*

# JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
# CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED SEPTEMBER 30, 2018

| | Program Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Integrated Health Services | Shelter Without Walls | Real World Job Development | Homebased Services | Older Adults | Jewish Community Services | Prevention Services | Sojourner Center | Total Program Services |
| **EXPENSES** | | | | | | | | | |
| Salaries | $ 19,819,252 | $ 321,816 | $ 354,445 | $ 2,706,720 | $ 564,365 | $ 219,156 | $ 105,899 | $ 1,659,908 | $ 25,751,561 |
| Payroll Taxes and Fringe Benefits | 4,113,334 | 72,113 | 63,214 | 625,990 | 95,353 | 30,712 | 25,397 | 325,320 | 5,351,433 |
| Total Payroll Expenses | 23,932,586 | 393,929 | 417,659 | 3,332,710 | 659,718 | 249,868 | 131,296 | 1,985,228 | 31,102,994 |
| Professional Fees and Contract Services | 3,880,466 | 9,011 | 8,621 | 111,353 | 42,628 | 51,393 | 2,034 | 57,893 | 4,163,399 |
| Supplies | 165,489 | 2,267 | 6,485 | 21,336 | 25,587 | 1,537 | 455 | 144,140 | 367,296 |
| Telephone | 407,196 | 8,956 | 17,509 | 75,525 | 15,430 | 3,263 | 1,840 | 18,952 | 548,671 |
| Postage, Shipping, and Delivery | 36,804 | 297 | 2,382 | 2,705 | 3,680 | 267 | 143 | 182 | 46,460 |
| Occupancy | 1,341,896 | 2,521 | 79,602 | 17,780 | 37,858 | 1,040 | 6,020 | 246,977 | 1,733,694 |
| Equipment | 300,024 | 2,808 | 8,677 | 24,132 | 9,509 | 2,740 | 1,126 | 30,238 | 379,254 |
| Printing and Publications | 15,879 | 601 | 106 | 644 | 3,030 | 9,842 | 30 | 2,799 | 32,931 |
| Travel | 631,848 | 6,617 | 3,576 | 526,980 | 38,901 | 5,879 | 343 | 14,728 | 1,228,872 |
| Meeting and Conferences | 49,500 | 157 | 21,383 | 4,288 | 264 | 672 | 163 | - | 76,427 |
| Events | 1,928 | - | 60 | - | - | 7,268 | - | 338 | 9,594 |
| Specific Assistance to Clients | 90,417 | 35,546 | 37,990 | 49,179 | - | 22,736 | - | - | 235,868 |
| Membership Dues and Subscriptions | 40,263 | 1,514 | 785 | 5,573 | 1,102 | 473 | 193 | - | 49,903 |
| Insurance | 125,244 | 1,815 | 2,304 | 16,226 | 3,241 | 1,402 | 574 | 33,726 | 184,532 |
| In-Kind Expenses | - | - | - | - | - | - | - | 1,174,839 | 1,174,839 |
| Depreciation and Amortization | 124,531 | 482 | 1,674 | 4,209 | 804 | 348 | 164 | 303,195 | 435,407 |
| Miscellaneous | 15,295 | 10 | 744 | 201 | 957 | 563 | 1 | 12,251 | 30,022 |
| Loss on Sale of Capital Assets | - | - | - | - | - | - | - | - | - |
| Provision for Doubtful Accounts | - | - | - | - | - | - | - | - | - |
| Total Nonpayroll Expenses | 7,226,780 | 72,602 | 191,898 | 860,131 | 182,991 | 109,423 | 13,086 | 2,040,258 | 10,697,169 |
| Total Functional Expenses | 31,159,366 | 466,531 | 609,557 | 4,192,841 | 842,709 | 359,291 | 144,382 | 4,025,486 | 41,800,163 |
| Less: Expenses Netted Against Revenues on the Statement of Activities: | | | | | | | | | |
| Special Events Expenses | - | - | - | - | - | - | - | - | - |
| Total Expenses Included in the Expense Section of the Statement of Activities | $ 31,159,366 | $ 466,531 | $ 609,557 | $ 4,192,841 | $ 842,709 | $ 359,291 | $ 144,382 | $ 4,025,486 | $ 41,800,163 |

(Continued)

*See accompanying Notes to Consolidated Financial Statements.*

**JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**
**YEAR ENDED SEPTEMBER 30, 2018**
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)**

| | Supporting Services | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Management Services | Management and General | Fundraising | Twenty Thirty Three | Other | Total Supporting Services | Total Functional Expenses | 2017 Totals |
| **EXPENSES** | | | | | | | | |
| Salaries | $ 645 | $ 4,344,472 | $ 552,599 | $ - | $ - | $ 4,897,716 | $ 30,649,277 | $ 28,246,896 |
| Payroll Taxes and Fringe Benefits | - | 878,947 | 98,266 | - | 3,281 | 980,494 | 6,331,927 | 6,031,306 |
| Total Payroll Expenses | 645 | 5,223,419 | 650,865 | - | 3,281 | 5,878,210 | 36,981,204 | 34,278,202 |
| Professional Fees and Contract Services | (3,096) | 1,294,168 | 122,732 | 7,029 | 15,979 | 1,436,812 | 5,600,211 | 4,667,253 |
| Supplies | - | 36,000 | 1,720 | - | - | 37,720 | 405,016 | 232,322 |
| Telephone | - | 62,591 | 5,865 | - | - | 68,456 | 617,127 | 595,991 |
| Postage, Shipping, and Delivery | 3 | 18,549 | 6,167 | - | - | 24,719 | 71,179 | 73,954 |
| Occupancy | 48,808 | 376,034 | 22,122 | 55,371 | - | 502,335 | 2,236,029 | 2,217,621 |
| Equipment | 599 | 200,855 | 6,010 | 43,499 | - | 250,963 | 630,217 | 586,417 |
| Printing and Publications | - | 18,138 | 15,183 | - | - | 33,321 | 66,252 | 57,333 |
| Travel | - | 20,811 | 2,419 | - | 549 | 23,779 | 1,252,651 | 1,223,046 |
| Meeting and Conferences | - | 32,565 | 19,022 | - | - | 51,587 | 128,014 | 93,337 |
| Events | - | 134 | 142,322 | - | - | 142,456 | 152,050 | 223,698 |
| Specific Assistance to Clients | - | - | - | - | 100 | 100 | 235,968 | 325,877 |
| Membership Dues and Subscriptions | - | 12,276 | 1,943 | - | (1,007) | 13,212 | 63,115 | 64,201 |
| Insurance | - | 36,890 | 8,606 | 52,824 | - | 98,320 | 282,852 | 220,835 |
| In-Kind Expenses | - | - | 349,214 | - | - | 349,214 | 1,524,053 | - |
| Depreciation and Amortization | - | 50,124 | 2,853 | 576,866 | - | 629,843 | 1,065,250 | 697,942 |
| Miscellaneous | 53 | 28,301 | 27,224 | 99,268 | 3,663 | 158,509 | 188,531 | 184,596 |
| Loss on Sale of Capital Assets | - | - | - | - | - | - | - | 30,624 |
| Provision for Doubtful Accounts | - | - | - | - | 460,203 | 460,203 | 460,203 | 569,554 |
| Total Nonpayroll Expenses | 46,367 | 2,187,436 | 733,402 | 834,857 | 479,487 | 4,281,549 | 14,978,718 | 12,064,601 |
| Total Functional Expenses | 47,012 | 7,410,855 | 1,384,267 | 834,857 | 482,768 | 10,159,759 | 51,959,922 | 46,342,803 |
| Less: Expenses Netted Against Revenues on the Statement of Activities: | | | | | | | | |
| Special Events Expenses | - | - | 57,515 | - | - | 57,515 | 57,515 | 61,837 |
| Total Expenses Included in the Expense Section of the Statement of Activities | $ 47,012 | $ 7,410,855 | $ 1,326,752 | $ 834,857 | $ 482,768 | $ 10,102,244 | $ 51,902,407 | $ 46,280,966 |

*See accompanying Notes to Consolidated Financial Statements.*

## JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED SEPTEMBER 30, 2017

| | Program Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Integrated Health Services | Shelter Without Walls | Real World Job Development | Homebased Services | Older Adults | Jewish Community Services | Prevention Services | Sojourner Center | Total Program Services |
| **EXPENSES** | | | | | | | | | |
| Salaries | $ 19,030,233 | $ 281,167 | $ 304,143 | $ 3,127,163 | $ 600,676 | $ 230,269 | $ 191,282 | $ 330,547 | $ 24,095,480 |
| Payroll Taxes and Fringe Benefits | 3,989,527 | 50,569 | 62,002 | 791,290 | 92,804 | 31,594 | 54,869 | 77,727 | 5,150,382 |
| Total Payroll Expenses | 23,019,760 | 331,736 | 366,145 | 3,918,453 | 693,480 | 261,863 | 246,151 | 408,274 | 29,245,862 |
| Professional Fees and Contract Services | 3,468,966 | 12,687 | 11,471 | 115,196 | 49,963 | 31,643 | 2,877 | 12,131 | 3,704,934 |
| Supplies | 99,628 | 1,288 | 5,819 | 19,612 | 29,808 | 3,400 | 214 | 26,967 | 186,736 |
| Telephone | 385,284 | 7,779 | 17,101 | 85,071 | 15,286 | 3,577 | 3,029 | 4,975 | 522,102 |
| Postage, Shipping, and Delivery | 47,445 | 258 | 2,429 | 2,653 | 3,619 | 349 | 192 | 1,107 | 58,052 |
| Occupancy | 1,417,552 | 3,652 | 83,530 | 20,083 | 37,568 | 452 | 7,232 | 56,754 | 1,626,823 |
| Equipment | 306,001 | 1,360 | 13,069 | 31,170 | 10,819 | 2,293 | 1,834 | 20,545 | 387,091 |
| Printing and Publications | 14,074 | 74 | 486 | 1,037 | 2,267 | 5,379 | 57 | 5,922 | 29,296 |
| Travel | 577,138 | 5,895 | 4,600 | 560,603 | 44,876 | 6,609 | 1,607 | 2,007 | 1,203,335 |
| Meeting and Conferences | 36,190 | 404 | 7,211 | 2,243 | 877 | 296 | 308 | - | 47,529 |
| Events | 605 | - | 1,620 | - | 250 | 9,568 | - | 13,732 | 25,775 |
| Specific Assistance to Clients | 166,407 | 28,222 | 36,714 | 74,418 | - | 20,116 | - | - | 325,877 |
| Membership Dues and Subscriptions | 40,751 | 1,467 | 846 | 6,631 | 1,142 | 442 | 386 | 25 | 51,690 |
| Insurance | 115,329 | 1,408 | 1,996 | 18,385 | 3,279 | 1,217 | 1,050 | 705 | 143,369 |
| Depreciation and Amortization | 58,415 | 278 | 908 | 7,285 | 547 | 219 | 206 | 1,049 | 68,907 |
| Miscellaneous | 31,463 | 27 | 14,407 | 680 | 484 | 628 | 40 | 2,853 | 50,582 |
| Loss on Sale of Capital Assets | 2,459 | 50 | 50 | 236 | - | - | 50 | - | 2,845 |
| Provision for Doubtful Accounts | - | - | - | - | - | - | - | - | - |
| Total Nonpayroll Expenses | 6,767,707 | 64,849 | 202,257 | 945,303 | 200,785 | 86,188 | 19,082 | 148,772 | 8,434,943 |
| Total Functional Expenses | 29,787,467 | 396,585 | 568,402 | 4,863,756 | 894,265 | 348,051 | 265,233 | 557,046 | 37,680,805 |
| Less: Expenses Netted Against Revenues on the Statement of Activities: Special Events Expenses | - | - | - | - | - | - | - | - | - |
| Total Expenses Included in the Expense Section of the Statement of Activities | $ 29,787,467 | $ 396,585 | $ 568,402 | $ 4,863,756 | $ 894,265 | $ 348,051 | $ 265,233 | $ 557,046 | $ 37,680,805 |

(Continued)

*See accompanying Notes to Consolidated Financial Statements.*

# JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
# CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
# YEAR ENDED SEPTEMBER 30, 2017

| | Supporting Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | Management Services | Management and General | Fundraising | Twenty Thirty Three | Other | Total Supporting Services | Total Functional Expenses |
| **EXPENSES** | | | | | | | |
| Salaries | $ 36,936 | $ 3,741,520 | $ 372,960 | $ - | $ - | $ 4,151,416 | $ 28,246,896 |
| Payroll Taxes and Fringe Benefits | (877) | 802,807 | 64,407 | - | 14,587 | 880,924 | 6,031,306 |
| Total Payroll Expenses | 36,059 | 4,544,327 | 437,367 | - | 14,587 | 5,032,340 | 34,278,202 |
| Professional Fees and Contract Services | 195,599 | 619,979 | 130,633 | 4,803 | 11,305 | 962,319 | 4,667,253 |
| Supplies | 4,232 | 39,024 | 2,489 | - | (159) | 45,586 | 232,322 |
| Telephone | 8,077 | 59,509 | 6,261 | - | 42 | 73,889 | 595,991 |
| Postage, Shipping, and Delivery | 470 | 10,790 | 4,568 | - | 74 | 15,902 | 73,954 |
| Occupancy | 35,768 | 452,903 | 56,468 | 45,635 | 24 | 590,798 | 2,217,621 |
| Equipment | 3,913 | 143,202 | 13,997 | 38,146 | 68 | 199,326 | 586,417 |
| Printing and Publications | 463 | 19,416 | 8,061 | 91 | 6 | 28,037 | 57,333 |
| Travel | 152 | 18,729 | 830 | - | - | 19,711 | 1,223,046 |
| Meeting and Conferences | 239 | 26,479 | 19,089 | - | 1 | 45,808 | 93,337 |
| Events | - | 736 | 197,187 | - | - | 197,923 | 223,698 |
| Specific Assistance to Clients | - | - | - | - | - | - | 325,877 |
| Membership Dues and Subscriptions | 47 | 9,276 | 2,146 | - | 1,042 | 12,511 | 64,201 |
| Insurance | 2,641 | 21,894 | 3,258 | 49,619 | 54 | 77,466 | 220,835 |
| Depreciation and Amortization | 6,883 | 7,103 | 3,079 | 611,939 | 31 | 629,035 | 697,942 |
| Miscellaneous | 658 | 10,897 | 11,401 | 110,549 | 509 | 134,014 | 184,596 |
| Loss on Sale of Capital Assets | 80 | 8,575 | 1,082 | 18,042 | - | 27,779 | 30,624 |
| Provision for Doubtful Accounts | 8,757 | - | - | - | 560,797 | 569,554 | 569,554 |
| Total Nonpayroll Expenses | 267,979 | 1,448,512 | 460,549 | 878,824 | 573,794 | 3,629,658 | 12,064,601 |
| Total Functional Expenses | 304,038 | 5,992,839 | 897,916 | 878,824 | 588,381 | 8,661,998 | 46,342,803 |
| Less: Expenses Netted Against Revenues on the Statement of Activities: | | | | | | | |
| Special Events Expenses | - | - | 61,837 | - | - | 61,837 | 61,837 |
| Total Expenses Included in the Expense Section of the Statement of Activities | $ 304,038 | $ 5,992,839 | $ 836,079 | $ 878,824 | $ 588,381 | $ 8,600,161 | $ 46,280,966 |

*See accompanying Notes to Consolidated Financial Statements.*

## JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## YEARS ENDED SEPTEMBER 30, 2018 AND 2017

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Changes in Net Assets | $ (699,645) | $ 7,074,768 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation and Amortization | 1,065,250 | 697,942 |
| Provision for Doubtful Accounts | 460,203 | 569,554 |
| (Gain)/Loss on Sale of Property and Equipment | (101,170) | 30,624 |
| Equity in (Gain)/Loss of Joint Ventures | 487,084 | (473,461) |
| Net Realized and Unrealized Gains on Investments | (1,597,395) | (114,872) |
| Change in Discount on Pledges Receivable | (22,120) | - |
| Forgiveness of Note Payable | (10,000) | - |
| Excess of Assets Acquired Over Liabilities Assumed of Sojourner Center | - | (6,843,770) |
| Changes in Cash Resulting from Changes in: | | |
| Receivables | (1,271,797) | (296,541) |
| Related Party Receivables | 415,227 | 97,952 |
| Prepaid Expenses and Other Assets | 89,662 | (145,240) |
| Deposits | (13,760) | (5,817) |
| Accounts Payable | 151,985 | (182,352) |
| Accrued Expenses and Other Liabilities | (274,538) | 299,753 |
| Accrued Compensated Absences | 46,139 | 9,752 |
| Recoupment Payable | 1,500,000 | - |
| Deferred Revenue | 1,664,666 | (2,136,972) |
| Net Cash Provided (Used) by Operating Activities | 1,889,791 | (1,418,680) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Investments Held in Community Foundation | (273,044) | (5,991) |
| Proceeds from Sale of Investments | 2,000,000 | - |
| Purchase of Certificates of Deposit | (3,482,573) | - |
| Cash balance from the Acquisition of Sojourner Center | - | 709,715 |
| Proceeds from Sale of Property and Equipment | 155,000 | - |
| Purchases of Property and Equipment | (953,081) | (754,270) |
| Net Cash Used by Investing Activities | (2,553,698) | (50,546) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from Capital Campaign Pledges Receivable | 235,104 | 711,618 |
| Increase in Capital Campaign Pledges Receivable | - | (17,167) |
| Repayments of Note Payable | (233,049) | (217,171) |
| Net Cash Provided by Financing Activities | 2,055 | 477,280 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (661,852) | (991,946) |
| Cash and Cash Equivalents - Beginning of Year | 7,985,811 | 8,977,757 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 7,323,959 | $ 7,985,811 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Interest Paid | $ 76,397 | $ 78,564 |

*See accompanying Notes to Consolidated Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of Jewish Family and Children's Service, Inc., Twenty Thirty Three, Inc., Child and Family Solutions, LLC, Sojourner Center and JFCS Behavioral Health, LLC's (collectively the Organization) significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

### Organization

Jewish Family and Children's Service, Inc. (JFCS) was founded in 1936, obtained nonprofit 501(c)(3) status in 1955, and became nonsectarian in 1964. JFCS serves the diverse human service needs of families and individuals of all ages, races and faiths throughout Maricopa County. The JFCS Agency mission is to strengthen the community by offering high quality behavioral health and social services to children, families and adults of all ages throughout Maricopa County, in accordance with a Jewish value system that cares about all humanity.

JFCS objectives include meeting and exceeding community expectations through a commitment to treat people with dignity and respect and to deliver services in accordance with a value system that cares about all humanity.

Child and Family Solutions, LLC (CFS) is a single member LLC and was founded in 2006.

JFCS Behavioral Health, LLC (BH) is a single member LLC and was founded in 2006.

Twenty Thirty Three, Inc., (TTT) is a nonprofit, nonsectarian organization which acquires land, buildings and equipment and subsequently leases those assets to JFCS under various operating leases.

TTT leases all of its buildings and equipment to JFCS. Various members of the board of directors of TTT are also members of the board of directors of JFCS.

Sojourner Center (SC) is an Arizona nonprofit corporation with a mission to overcome the impact of domestic violence one life at a time. SC was formed in 1977 and has provided safety, shelter and an array of supportive services to victims of domestic violence for over 35 years. SC not only provides emergency shelter, but also offers extensive and comprehensive programs to help victims of domestic violence rebuild and redirect their lives. These programs provide a continuum of services including prevention and intervention, community education and victim advocacy. SC provides food, clothing, and other basic needs for victims and families; licensed childcare; a 24-hour crisis hotline; support to address career, education, and job advancement; legal advocacy; transitional housing; support groups; and domestic violence dynamics education classes for women and children whose lives have been affected by domestic violence.

The activities of TTT, CFS, SC, and BH have been consolidated with those of JFCS as JFCS exercises control over these entities.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**New Accounting Standards**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Organization for the fiscal year ending September 30, 2019.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's consolidated financial statements.

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ending September 30, 2020; however, early application is permitted.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of JFCS and its subsidiaries. Inter-organization transactions and balances have been eliminated in the consolidation.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Presentation

The consolidated financial statements have been prepared in accordance with the FASB Accounting Standards Codification (ASC 958). Under the Codification, JFCS is required to provide consolidated financial statements which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

JFCS maintains its accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

#### Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the board for use in JFCS's operations, in accordance with its bylaws. Temporarily restricted net assets received and expended in the same year are classified as unrestricted.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by JFCS and/or the passage of time.

#### Permanently Restricted Net Assets

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements.

### Cash and Cash Equivalents

JFCS considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash held in checking, savings, and money market accounts.

### Certificates of Deposit

Certificates of deposit are brokered deposits and those with readily determinable fair values are measured at fair value on the balance sheet. Declines in the fair value of certificates of deposit below their cost that are deemed to be other than temporary are reflected as realized losses. Certificates of deposit income or loss (including unrealized and realized gains and losses) on certificates of deposit, and interest are included in unrestricted net assets, unless the associated income or loss is restricted.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Receivables

Receivables consist primarily of amounts due from various governmental agencies. Receivables are carried at the original invoice amount less an estimated reserve for doubtful receivables based on a review of all outstanding accounts. Management determines the reserve by identifying troubled accounts as well as evaluating receivables and considering a customer’s financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded as an increase to the allowance when received.

### Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as deferred revenue. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management that are applicable to the years in which the promises are made. Amortization of the discount is included in contribution support. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of receivables.

### Investments

The investments in equity securities with readily determinable fair value are measured at fair value in the consolidated statements of financial position as determined by available market prices. JFCS also has assets held by the Jewish Community Foundation of Greater Phoenix which are recorded at fair value based upon quoted market prices of the underlying assets. Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included in unrestricted net assets unless the associated income or loss is restricted.

### Board Designated Net Assets

As of September 30, 2018 and 2017, included in unrestricted net assets is a $659,257 and $812,568, respectively, board-designated investment in an investment fund held at the Jewish Community Foundation of Greater Phoenix, an unrelated entity.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property and Equipment

Buildings, leasehold improvements, vehicles, equipment, and furniture are initially recorded at cost, if purchased or at fair value at date of donation if contributed. The Organization's policy is to capitalize assets costing $1,000 or more and with a useful life of greater than one year. Property and equipment are depreciated using the straight-line method over the following estimated useful lives.

| | |
|---|---|
| Buildings and Improvements | 5 to 35 Years |
| Furniture, Equipment, and Vehicles | 3 to 5 Years |
| Software | 7 Years |

Improvements to leased property are amortized over the lesser of the life of the lease or life of the improvements. Amortization expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Gain or loss on sale of assets is calculated by netting the book value of the investment in the capital asset against the consideration received on the asset sold.

### Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

### Equity Investments

JFCS's investments in entities owned 20% or more, but not more than 50%, are accounted for using the equity method of accounting. Investments in entities owned less than 20% are carried at cost.

### Contributions

JFCS records contributions and grants from governmental agencies as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, JFCS reports the support as unrestricted.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Support and Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

### Deferred Revenue

The Organization recognizes amounts received from contracts and grants as earned when services are rendered under unit of service contracts or as allowable costs are incurred under cost reimbursement contracts. A receivable is recorded to the extent the amount earned exceeds cash advances, less an estimate made for amounts that may be uncollectible, which is determined based on management’s judgment and historical experience with the contracting agency. Conversely, a liability (deferred revenue) is recorded when cash advances exceed amounts earned.

### Income Taxes

Jewish Family and Children’s Service, Inc. and Sojourner Center are exempt from federal income taxes under Section 501(c)(3) and Twenty Thirty Three, Inc., is exempt under 501(c)(2) of the Internal Revenue Code (IRC) of 1954 as amended and from state income taxes under ARS 43-1201. In addition, JFCS, SC and TTT have been determined by the Internal Revenue Service (IRS) not to be private foundations within the meaning of Section 509(a). Income determined to be unrelated business taxable income (UBTI) would be taxable. Management believes that JFCS, SC and TTT have no uncertain tax positions as of September 30, 2018 and 2017.

### Economic Dependency and Concentration of Credit Risk

The Organization received approximately 63% and 60% of its revenue through the Regional Behavioral Health Authority in Maricopa, an agent for the state of Arizona during the years ended September 30, 2018 and 2017, respectively. The loss of this revenue source would have a materially adverse effect on the Organization.

### Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs are allocated based on salary, professional fees, and square footage percentages.

## NOTE 2 CASH AND CASH EQUIVALENTS

Cash as of September 30, 2018 and 2017 consisted of a carrying amount of $7,323,959 and $7,985,811, with $10,267,814 and $6,588,934 being unrestricted and $549,968 and $630,597 being temporarily restricted, respectively.

## NOTE 3 CERTIFICATES OF DEPOSIT

Certificates of deposit at September 30, 2018, consist of the following:

| Maturity Date in Fiscal Year | Cost | Stated Rate |
|---|---|---|
| 2019 | $ 1,997,758 | 1.90 % to 2.20 % |
| 2020 | 1,496,065 | 2.30 % to 2.65 % |
| Total | $ 3,493,823 | |

Certificates of deposit are stated at fair value and are brokered to ensure that deposits are not maintained with one financial institution in excess of the FDIC coverage. The Organization plans to hold all certificates of deposit to maturity.

There were no certificates of deposit held at September 30, 2017.

## NOTE 4 RECEIVABLES

Receivables consist of the following:

| | 2018 | 2017 |
|---|---|---|
| Department of Child Safety | $ 784,071 | $ 582,754 |
| Maricopa RBHA | 414,946 | 56,979 |
| City of Phoenix | 57,961 | 55,268 |
| Area Agency of Aging | 12,270 | 11,021 |
| Jewish Community Foundation | 70,108 | 65,680 |
| Insurance/Other Health Plans | 1,057,658 | 276,345 |
| CRS/Other Insurance | 132,250 | 408,930 |
| Department of Public Safety | 501,539 | - |
| Other Receivables | 17,321 | 731,901 |
| Subtotal | 3,048,124 | 2,188,878 |
| Less: Allowance for Doubtful Accounts | (620,240) | (595,910) |
| Total Receivables, Net | $ 2,427,884 | $ 1,592,968 |

Interest is not charged on receivables. The allowance for doubtful accounts is based on management's assessment of the account's ability to pay, the presence of a contractual agreement, and other factors. Receivables are considered past due based on contractual terms. Receivables are considered to be past due if any portion of the receivable balance is outstanding for more than 120 days. As of September 30, 2018 and 2017, the amount outstanding over 120 days was $723,606 and $663,156, respectively.

## NOTE 5 RELATED PARTY RECEIVABLES

Related party receivables consist of the following:

| | 2018 | 2017 |
|---|---|---|
| Topaz, LLC | $ 609,509 | $ 762,219 |
| Quality Care Network of Arizona | 3,294 | 208,838 |
| Subtotal | 612,803 | 971,057 |
| Less: Allowance for Doubtful Accounts | - | - |
| Total Related Party Receivables, Net | $ 612,803 | $ 971,057 |

The allowance for doubtful accounts is based on management's assessment of the account's ability to pay, the presence of a contractual agreement, and other factors, see Notes 7 and 9.

## NOTE 6 PLEDGES RECEIVABLE

Pledges receivable consist of the following:

| | 2018 | 2017 |
|---|---|---|
| Pledges Receivable | $ 432,507 | $ 693,933 |
| Less: Unamortized Discount | (3,399) | (25,519) |
| Total | 429,108 | 668,414 |
| Less: Allowance for Uncollectibles | (20,764) | (23,764) |
| Pledges Receivable, Net | $ 408,344 | $ 644,650 |
| Amounts Due in: | | |
| Less than One Year | $ 297,257 | $ 441,772 |
| One to Five Years | 135,250 | 252,161 |
| Total | $ 432,507 | $ 693,933 |

The discount rate used to determine the present value of the pledges receivable balance is a rate considered appropriate for the expected repayment term. The discount rate approximates 1.6%.

## NOTE 7 INVESTMENTS

**Investments in Joint Ventures**

***Topaz, LLC***

JFCS is a 50% owner and managing administrative member in Topaz, LLC (Topaz), a partnership with another nonprofit entity providing information technology services to nonprofit entities. JFCS recognized its share of the equity in the earnings (loss) of Topaz of $(487,084) and $(44,848) for the years ended September 30, 2018 and 2017, respectively.

## NOTE 7 INVESTMENTS (CONTINUED)

**Investments in Joint Ventures (Continued)**

***Topaz, LLC* (Continued)**

JFCS provided approximately $-0- and $11,887 in management and administrative services to Topaz during the years ended September 30, 2018 and 2017, respectively. A new administrative service agreement was signed on July 9, 2015, adding additional capital into Topaz by both members. This infusion of capital allowed Topaz to provide its own administration commencing in 2016, with JFCS providing less administrative services to Topaz. The Topaz investment consisted of an equity balance of $833,949 and $1,321,033 at September 30, 2018 and 2017, respectively.

Summary financial information for Topaz, LLC, as of and for the years ended December 31, 2017 and 2016, is as follows:

| | 2017 Audited | 2016 Audited |
|---|---|---|
| Assets | | |
| Cash and Equivalents | $ 1,233,398 | $ 1,366,419 |
| Accounts Receivable | 740,736 | 1,319,064 |
| Prepaid and Deposits | 57,808 | 44,155 |
| Inventory | 394,083 | 322,026 |
| Total Current Assets | 2,426,025 | 3,051,664 |
| Equipment, Net of Accumulated Depreciation | 3,093,910 | 2,651,935 |
| Total Assets | $ 5,519,935 | $ 5,703,599 |
| Liabilities | $ 3,502,595 | $ 3,123,893 |
| Partners' Capital | 2,017,340 | 2,579,706 |
| Total Liabilities and Partners' Capital | $ 5,519,935 | $ 5,703,599 |
| Total Revenue | $ 7,149,406 | $ 7,964,078 |
| Total Expenses | 7,444,131 | 8,300,946 |
| Net Earnings | $ (294,725) | $ (336,868) |

***Partners in Recovery, LLC***

JFCS is a 33% owner in Partners in Recovery (PIR) a partnership with two other nonprofit entities to provide unique services to the seriously mentally ill. JFCS recognized its share of the equity in the earnings (loss) of PIR of $518,309 for the year ended September 30, 2017. This equity investment was sold during the year, for $2,000,000 and recognized a gain of $1,481,691 during the year ended September 30, 2018.

## NOTE 7 INVESTMENTS (CONTINUED)

***Jewish Community Foundation of Greater Phoenix***

JFCS also has funds on deposit at the Jewish Community Foundation of Greater Phoenix. The investments totaled $1,133,093 and $812,568 as of September 30, 2018 and 2017, respectively. JFCS recognized unrealized gains on the investment of $31,418 and $89,602 for the years ended September 30, 2018 and 2017, respectively, and $16,063 and $3,382 in interest income included in investment income for the years ended September 30, 2018 and 2017, respectively.

***Other Assets***

JFCS has three other investments carried at cost which totaled $51,390 and $46,001 at September 30, 2018 and 2017, respectively.

## NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB Accounting Standards Codification (ASC) 820*, Fair Value Measurement and Disclosures*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on assumptions that market participants would use in pricing an asset or liability.

## NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

**Certificates of Deposit**

Certificates of deposit are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type. Certificates of Deposit are generally classified within Level 2 of the valuation hierarchy. Certificates of deposit are held to maturity, with various maturity dates through September 30, 2020 and earn various stated rates ranging from 1.90% to 2.65%.

**Investments Held by Jewish Community Foundation of Greater Phoenix**

The Organization's investments held by Jewish Community Foundation of Greater Phoenix primarily consist of State of Israel bonds, corporate and governmental debt securities, and equity securities, which are held primarily at stock brokerage firms. The fair value on these investments, held by Jewish Community Foundation of Greater Phoenix, is determined as follows. Mutual funds are valued at publicly quoted net asset value. Equity and debt securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the markets are still considered active at the last transaction price before year-end. The State of Israel bonds are valued at face value, which approximates fair value. The amount recorded on the consolidated statements of financial position reflects the Organization's contributions plus (minus) the Organization's allocated share of the investment return on the entire pool of investments. This investment is classified within Level 3 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in valuation methodologies used at September 30, 2018 and 2017.

## NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

**Investments Held by Jewish Community Foundation of Greater Phoenix (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value as of September 30, 2018 and 2017:

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment Held by Jewish Community Foundation of Greater Phoenix | $ - | $ - | $ 1,133,093 | $ 1,133,093 |
| Certificates of Deposit | - | 3,493,823 | - | 3,493,823 |
| Total Assets Held at Fair Value | $ - | $ 3,493,823 | $ 1,133,093 | $ 4,626,916 |

| 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment Held by Jewish Community Foundation of Greater Phoenix | $ - | $ - | $ 812,568 | $ 812,568 |

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a reoccurring basis using significant unobservable (Level 3) inputs during the years ended September 30, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Balance - Beginning of Year | $ 812,568 | $ 716,976 |
| Additions | 289,107 | 5,991 |
| Total Unrealized Gain, Included in the Changes in Net Assets | 31,418 | 89,601 |
| Balance - End of Year | $ 1,133,093 | $ 812,568 |

The following table describes the valuation techniques used to calculate fair market value for assets in Level 3:

Quantitative Information about Level 3 Fair Value Measurements

| | Fair Value at September 30, 2018 | Fair Value at June 30, 2017 | Valuation Techniques | Unobservable Inputs |
|---|---|---|---|---|
| Jewish Community Foundation of Greater Phoenix | $ 1,133,093 | $ 812,568 | Percentage ownership of investment pool | The percentage ownership investment pool as applied to investment statements |

JFCS evaluates Level 2 and Level 3 investments for events and changes in circumstances that indicate a transfer into or transfer out of Level 3. JFCS recognizes the transfers into and out of Level 3 as of the date of the event or change in circumstance. During the years ended September 30, 2018 and 2017, there were no transfers into or out of the Level 3 category. JFCS has no funding commitments to the Jewish Community Foundation of Greater Phoenix.

## NOTE 9 RELATED PARTY TRANSACTIONS

Quality Care Network of Arizona (QCN) is a Provider Network Organization (PNO) that began operations on July 13, 2007, and is responsible for providing behavioral health services to children that need to be intensively case managed. QCN will also be responsible for managing approximately 45% of all children's behavioral health dollars in Maricopa County. JFCS assisted in the creation of QCN and is one of five founding board members. Mercy Maricopa Integrated Care announced that on January 1, 2015, contracts with Children's Provider Network Organizations (PNO) would be transferred directly to the Regional Behavioral Health Authority (RBHA). Additionally, effective July 1, 2015, services for children's high needs case management would no longer be provided by Children's Provider Network Organizations and would be moved under direct provider contracts. Effective October 1, 2016, JFCS began providing new administrative services to QCN related to the close out of the business. The company is expected to be dissolved pending final closure with the Regional Behavioral Health Authority.

Beginning in the year ended September 30, 2016, JFCS provided services amounting to $302,556 for services to close QCN. JFCS earned $232,581 from QCN during the year ended September 30, 2017, and had receivables outstanding of $3,294 and $208,838 at September 30, 2018 and 2017, respectively.

## NOTE 10 PROPERTY AND EQUIPMENT

Property and equipment owned by the Organization consist of the following:

| | 2018 | 2017 |
|---|---|---|
| Land | $ 1,306,154 | $ 1,365,984 |
| Building and Improvements | 15,823,732 | 15,593,353 |
| Furniture and Equipment | 3,981,302 | 3,767,284 |
| Computer Software | 894,123 | 586,599 |
| Leasehold Improvements | 1,285,174 | 713,794 |
| Construction in Process | 95,148 | 458,905 |
| Total | 23,385,633 | 22,485,919 |
| Less: Accumulated Depreciation and Amortization | (9,360,747) | (8,295,034) |
| Property and Equipment, Net | $ 14,024,886 | $ 14,190,885 |

Depreciation and amortization expense charged to operations was $1,065,250 and $697,942 for the years ended September 30, 2018 and 2017, respectively. There was no interest capitalized in either 2018 or 2017 due to its immateriality.

## NOTE 11 LINE OF CREDIT

The Organization has a revolving line of credit for $1,000,000 from a bank with no balance outstanding as of September 30, 2018 or 2017. On October 24, 2018, JFCS extended the line of credit which matures on October 24, 2019. The renewed line of credit is unsecured and has interest that is payable monthly at one month LIBOR plus 3% (5.27% and 4.01%) as of September 30, 2018 and 2017, respectively.

The line of credit has covenants requiring the Organization to maintain certain financial ratios and liquidity. At September 30, 2018 and 2017, management believes the Organization was in compliance with these covenants.

## NOTE 12 DEFERRED REVENUE

For the years ended September 30, 2018 and 2017, the total block payments the Organization received from Mercy Maricopa Integrated Care for adult and children behavioral health services, and QCN for children behavioral services, exceeded the amount earned in the amount of $4,195,551 and $1,655,203, respectively. The amount of recoupment due Mercy Maricopa Integrated Care was $1,500,000 and $-0- as of September 30, 2018 and 2017, respectively (see Note 23).

## NOTE 13 NOTES PAYABLE

Notes payable consists of the following:

| Description | 2018 | 2017 |
|---|---|---|
| Note payable, secured by inventory, equipment and accounts receivable of the Organization, payable in equal monthly installments of $13,091, bearing interest at a fixed rate of 3.15%, until final payment at maturity of $1,356,246 on August 31, 2025. | $ 2,058,390 | $ 2,148,171 |
| Note payable, secured by equipment of the Organization, payable in equal monthly installments of $6,500, bearing interest at a fixed rate of 2.5%, until final payment at maturity on December 31, 2021. | 242,766 | 313,769 |
| Unsecured note payable, payable in equal monthly installments of $6,145, bearing interest at a fixed rate of 2.40%, maturing August 28, 2019. | 21,154 | 93,419 |

## NOTE 13 NOTES PAYABLE (CONTINUED)

Notes payable consists of the following:

| Description | 2018 | 2017 |
|---|---|---|
| The Organization obtained a Community Development Block Grant (CDBG) construction loan in April 2004, from the City of Phoenix to expand the Sojourner facility. The loan, in the amount of $1,000,000, is secured by a deed of trust and is noninterest bearing. The entire unpaid balance is due on the later of the expiration of the period of affordability or 35 years. If the Organization is not in default under the loan agreement, the Organization shall receive an annual credit against the principal amount due that commenced in July 2018 in an amount equal to four percent of the original principal loan amount. | $ 990,000 | $ 1,000,000 |
| In December 2008, the Organization obtained another CDBG construction loan from the City of Phoenix to further expand its facility. The loan, in the amount of $1,500,000, is secured by a deed of trust and is noninterest bearing. If the Organization is not in default under the loan agreement, the Organization shall receive a credit against the principal amount due on the 40th anniversary of the Certificate of Completion of the facility expansion. | 1,500,000 | 1,500,000 |
| In July 2005, the Organization obtained a $489,394 note payable with the Arizona Department of Housing. The note is secured by a deed of trust, bears a zero percent interest rate, and is forgivable at the end of a 20 year period. The loan is to be used for transitional housing. | 489,394 | 489,394 |
| In October 2012, the Organization obtained another CDBG construction loan from the City of Phoenix. The loan, in the amount of $69,690, is secured by a deed of trust and is noninterest bearing. If the Organization is not in default under the loan agreement, the Organization shall receive an annual credit against the principal amount due commencing in May 2019 in an amount equal to twenty percent of the original principal loan amount. | 69,690 | 69,690 |
| Total | $ 5,371,394 | $ 5,614,443 |

Interest expense on the notes payable was $76,397 and $78,564 for the years ended September 30, 2018 and 2017, respectively, and is included in management and general in the accompanying consolidated statements of activities and changes in net assets.

## NOTE 13 NOTES PAYABLE (CONTINUED)

As of September 30, 2018, the approximate aggregate maturities required on the note payable are as follows:

| Year Ending September 30, | Amount |
|---|---|
| 2019 | $ 187,283 |
| 2020 | 171,534 |
| 2021 | 176,518 |
| 2022 | 122,664 |
| 2023 | 106,540 |
| Thereafter | 4,606,855 |
| Total | $ 5,371,394 |

## NOTE 14 OPERATING LEASES

The Organization leases various facilities and equipment under operating leases expiring after 2019. Total lease expense was $2,763,806 and $2,049,513 for the years ended September 30, 2018 and 2017, respectively.

Future minimum payments under these noncancelable operating lease commitments are as follows:

| Year Ending September 30, | Amount |
|---|---|
| 2019 | $ 2,001,697 |
| 2020 | 1,464,360 |
| 2021 | 984,013 |
| 2022 | 555,076 |
| Total | $ 5,005,146 |

## NOTE 15 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for program activities of JFCS as following:

| | 2018 | 2017 |
|---|---|---|
| Time Restricted | $ 835,288 | $ 1,035,852 |
| Purpose Restricted: | | |
| Friends for Life | - | 38,510 |
| Client Assistance | 47,298 | 123,048 |
| Program Service | 229,564 | 136,466 |
| Sojourner Center (Note 20) | 537,075 | 598,490 |
| Staff/Emergencies | - | 500 |
| Total Temporarily Restricted Net Assets | $ 1,649,225 | $ 1,932,866 |

## NOTE 15 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

A summary of the net assets released from restriction are as follows:

| | 2018 | 2017 |
|---|---|---|
| Time Restricted | $ 584,823 | $ 687,000 |
| Friends for Life | 38,510 | - |
| Client Assistance | 71,614 | 117,059 |
| Program Service | 18,296 | 13,325 |
| Sojourner Center | 350,915 | - |
| Staff/Emergencies | 500 | - |
| Total Net Assets Released from Restriction | $ 1,064,658 | $ 817,384 |

## NOTE 16 RETIREMENT PLAN

The Organization has a Section 401(k) plan under the IRC. This plan has two contribution components: (1) A salary reduction arrangement plan, and (2) Employer's qualified nonelective plan.

Under the salary reduction arrangement, employees may allocate a portion of their compensation in accordance with the IRC. The employer may at its discretion contribute a matching amount. In order to participate, employees must be at least 18 years of age to make salary reduction contributions to this plan. There is no minimum service requirement to make salary reduction contributions to the plan. An employee is automatically enrolled into the plan on the first of the month subsequent to the employee's date of hire.

To receive employer matching contributions, an employee must be at least 18 years of age and have completed at least one year of service and has worked a minimum of 1,000 hours. During the years ended September 30, 2018 and 2017, the Organization contributed $0.50 for each $1.00 of eligible contributions deferred from the employees' annual salary. A participant's "eligible contributions" equal the amount of the participant's elective deferrals for the plan year up to 6%. The total contribution expense was $423,320 and $237,810 for the years ended September 30, 2018 and 2017, respectively.

Under the employer's qualified nonelective portion, the employer may contribute to the plan at its discretion. The employee does not contribute to this portion of the plan. To become a participant, an employee must complete one year of service and attain age 18. The total contribution expense for this qualified nonelective portion was $-0- for the years ended September 30, 2018 and 2017, respectively.

## NOTE 17 ADVERTISING

The Organization uses advertising to promote its community programs and recruit employees. Advertising costs are expensed as incurred. Advertising expense totaled $23,681 and $17,164 for the years ended September 30, 2018 and 2017, respectively.

## NOTE 18 COMMITMENT AND CONTINGENT LIABILITIES

The Organization has a partially self-insured health benefit program covering medical and prescription claims. The plan includes a stop-loss provision that insures claims exceeding $110,000 for the years ended September 30, 2018 and 2017.

The Plan offers health benefits to regular, full-time employees working 30 or more hours per week and their beneficiaries and covered dependents once a 60 day waiting period is met. The cost of health care services is recognized as a deduction in the period in which it is provided to participants. Liabilities for health claims incurred but not reported are estimated based on historical claims and industry trends.

The Organization participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. The audits of these programs for, or including, the year ended September 30, 2018, have not been accepted. Accordingly, the Organization’s compliance with applicable grant or contract requirements may be established at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Organization’s management expects such amounts, if any, to be immaterial.

In the opinion of management, the Organization was not involved, as of September 30, 2018, in any pending or threatened claims/litigation that could materially affect the Organization’s financial position and changes in net assets.

## NOTE 19 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high-credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $250,000. At various times throughout the year, the Organization’s cash balances will exceed the federally insured limits. Management believes there are no unusual risks associated with current depository institutions.

## NOTE 20 RESTATEMENT

The 2017 consolidated financial statements as presented reflect adjustments made to temporarily restricted nets assets to correct a misstatement in the previously issued consolidated financial statements. In the prior year, temporarily restricted net assets ($598,490) associated with the acquisition of Sojourner Center were improperly recorded as unrestricted net assets.

## NOTE 20 RESTATEMENT (CONTINUED)

The misstatement identified resulted in the following adjustment as of July 28, 2017:

| | Net Assets As Previously Stated | Affect of Correction of Error | Net Assets As Restated |
|---|---|---|---|
| Unrestricted Net Assets | $ 16,473,644 | $ (598,490) | $ 15,875,154 |
| Temporarily Restricted Net Assets | 1,334,376 | 598,490 | 1,932,866 |
| Total Net Assets | $ 17,808,020 | $ - | $ 17,808,020 |

## NOTE 21 PURCHASE OF SOJOURNER CENTER

In July 2017, the Organization completed the purchase of Sojourner Center, in order to expand upon its mission to strengthen the community through quality behavioral health and social services to children, families and adults. The results of operations of the program are included in the consolidated statement of activities and changes in net assets from the date of purchase.

In connection with this purchase, and for consideration given of $1, the Organization recorded its investment in the Sojourner Center at July 28, 2017 as follows:

| | |
|---|---|
| Cash and Cash Equivalents | $ 709,715 |
| Receivables | 303,261 |
| Prepaid Expenses | 7,965 |
| Other Assets | 21,501 |
| Property and Equipment | 9,248,977 |
| Total Assets | $ 10,291,419 |
| | |
| Accounts Payable | $ 194,500 |
| Accrued Expenses and Other Liabilities | 194,065 |
| Notes Payable | 3,059,084 |
| Total Liabilities | $ 3,447,649 |
| . | |
| Excess of Assets Acquired Over Liabilities Assumed of Sojourner Center | $ 6,843,770 |

## NOTE 22 PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT)

A fund was established in 2018 with insurance policies with cash surrender values from the Lane Foundation, of which $273,107 was to be used to establish an endowment. The Organization has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

## NOTE 23 SUBSEQUENT EVENTS

On October 1, 2018, most Arizona Health Care Costs Containment System (AHCCCS) members moved to an integrated AHCCCS Complete Care Health Care (ACC) health plan and receive all behavioral health services through their chosen ACC plan instead of from a Regional Behavioral Health Authority. This change impacts JFCS's behavioral health program. JFCS must now contract directly with each of the seven health plans to bill for services provided.

On May 31, 2019, Mercy Care in collaboration with Jewish Family and Children's Service, Inc., have agreed that Jewish Family and Children's Service, Inc. will refund deferred revenue associated with fiscal year 2017 funding, in the amount of $1,500,000 to Mercy Care. The remaining deferred revenue balance associated with fiscal year 2018 funding will be absolved in fiscal year 2019.

Management evaluated subsequent events through June 12, 2019, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2018, but prior to June 12, 2019, that provided additional evidence about conditions that existed at September 30, 2018, have been recognized in the consolidated financial statements for the year ended September 30, 2018. Events or transactions that provided evidence about conditions that did not exist at September 30, 2018, but arose before the consolidated financial statements were available to be issued, have not been recognized in the consolidated financial statements for the year ended September 30, 2018.

## JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
## SEPTEMBER 30, 2018
### (SEE INDEPENDENT AUDITORS' REPORT)

| | Jewish Family and Children's Service, Inc. | Sojourner Center | Twenty Thirty Three | Eliminating Entries | Jewish Family and Children's Service, Inc. and Subsidiaries |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 6,035,098 | $ 406,380 | $ 882,481 | $ - | $ 7,323,959 |
| Certificates of Deposit | 3,493,823 | - | - | - | 3,493,823 |
| Receivables, Net | 1,819,315 | 604,309 | 4,260 | - | 2,427,884 |
| Related Party Receivables, Net | 2,030,850 | - | - | (1,418,047) | 612,803 |
| Prepaid Expenses | 396,759 | 25,140 | (37,032) | - | 384,867 |
| Deposits | 173,750 | - | 268 | - | 174,018 |
| Investments in Subsidiaries | 7,758,630 | - | - | (7,758,630) | - |
| Investments Held in Community Foundation | 1,133,093 | - | - | - | 1,133,093 |
| Investment in Joint Ventures | 833,949 | - | - | - | 833,949 |
| Other Assets | 30,500 | 20,890 | - | - | 51,390 |
| Property and Equipment, Net | 1,098,029 | 9,171,878 | 3,754,979 | - | 14,024,886 |
| Pledges Receivable, Net | 406,357 | 1,987 | - | - | 408,344 |
| Total Assets | $ 25,210,153 | $ 10,230,584 | $ 4,604,956 | $ (9,176,677) | $ 30,869,016 |
| **LIABILITIES AND NET ASSETS** | | | | | |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 394,454 | $ 109,712 | $ 44,321 | $ (14,912) | $ 533,575 |
| Accrued Expenses and Other Liabilities | 1,896,696 | 356,721 | 13,033 | (284,406) | 1,982,044 |
| Accrued Compensated Absences | 946,460 | 52,999 | - | - | 999,459 |
| Recoupment Payable | 1,500,000 | - | - | - | 1,500,000 |
| Deferred Revenue | 3,374,169 | - | - | - | 3,374,169 |
| Notes Payable | - | 3,049,084 | 3,441,039 | (1,118,729) | 5,371,394 |
| Total Liabilities | 8,111,779 | 3,568,516 | 3,498,393 | (1,418,047) | 13,760,641 |
| **NET ASSETS**, As Restated | | | | | |
| Board-Designated | 659,257 | - | - | - | 659,257 |
| Unrestricted | 14,516,785 | 6,124,993 | 1,106,563 | (7,221,555) | 14,526,786 |
| Total Unrestricted | 15,176,042 | 6,124,993 | 1,106,563 | (7,221,555) | 15,186,043 |
| Permanently Restricted | 273,107 | - | - | - | 273,107 |
| Temporarily Restricted | 1,649,225 | 537,075 | - | (537,075) | 1,649,225 |
| Total Net Assets | 17,098,374 | 6,662,068 | 1,106,563 | (7,758,630) | 17,108,375 |
| Total Liabilities and Net Assets | $ 25,210,153 | $ 10,230,584 | $ 4,604,956 | $ (9,176,677) | $ 30,869,016 |

**JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES**
**RECONCILIATION TO AUDITED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | Jewish Family and Children's Service, Inc. | Sojourner Center | Twenty Thirty Three | Eliminating Entries | Jewish Family and Children's Service, Inc. and Subsidiaries |
|---|---|---|---|---|---|
| **SUPPORT, REVENUES, AND OTHER GRANTS** | | | | | |
| Support: | | | | | |
| Government and Contracts | $ 40,388,217 | $ 2,414,405 | $ - | $ - | $ 42,802,622 |
| Contributions and Grants | 2,483,023 | 3,136,317 | - | (336,228) | 5,283,112 |
| Special Events, Net of Direct Benefit to Donors | 341,975 | 24,785 | - | - | 366,760 |
| Total Support | 43,213,215 | 5,575,507 | - | (336,228) | 48,452,494 |
| Revenues and Other Gains: | | | | | |
| Client Program Fees | 120,521 | - | - | - | 120,521 |
| Third-Party Fees | 901,465 | - | - | - | 901,465 |
| Management Services | 50,855 | - | 806,740 | (847,620) | 9,975 |
| Investment Income (Loss) | 1,279,280 | - | - | 318,115 | 1,597,395 |
| Equity in Gain/(Loss) of Joint Ventures | (487,084) | - | - | - | (487,084) |
| Gain on Sale of Capital Assets | - | - | 101,170 | - | 101,170 |
| Miscellaneous Income | 731,768 | 95,058 | 3,043 | (323,043) | 506,826 |
| Total Revenue and Other Gains | 2,596,805 | 95,058 | 910,953 | (852,548) | 2,750,268 |
| Total Support, Revenues, and Other Gains | 45,810,020 | 5,670,565 | 910,953 | (1,188,776) | 51,202,762 |
| **FUNCTIONAL EXPENSES** | | | | | |
| Program Services: | | | | | |
| Integrated Health Services | 31,725,129 | - | - | (565,763) | 31,159,366 |
| Shelter Without Walls | 483,200 | - | - | (16,669) | 466,531 |
| Real World Job Development | 613,395 | - | - | (3,838) | 609,557 |
| Homebased Services | 4,327,671 | - | - | (134,830) | 4,192,841 |
| Older Adults | 863,269 | - | - | (20,560) | 842,709 |
| Jewish Community Services | 371,310 | - | - | (12,019) | 359,291 |
| Prevention Services | 145,312 | - | - | (930) | 144,382 |
| Sojourner Center | - | 4,025,486 | - | - | 4,025,486 |
| Total Program Services | 38,529,286 | 4,025,486 | - | (754,609) | 41,800,163 |
| Supporting Services: | | | | | |
| Management and General | 6,324,409 | 1,365,622 | | (279,176) | 7,410,855 |
| Management Services | 466,294 | - | 1,659 | (420,941) | 47,012 |
| Fundraising | 716,909 | 614,343 | - | (4,500) | 1,326,752 |
| Twenty Thirty Three | - | - | 882,469 | (47,612) | 834,857 |
| Other | 482,768 | - | - | - | 482,768 |
| Total Supporting Services | 7,990,380 | 1,979,965 | 884,128 | (752,229) | 10,102,244 |
| Total Functional Expenses | 46,519,666 | 6,005,451 | 884,128 | (1,506,838) | 51,902,407 |
| **CHANGES IN NET ASSETS** | (709,646) | (334,886) | 26,825 | 318,062 | (699,645) |
| Net Assets - Beginning of Year, As Restated | 17,808,020 | 6,996,954 | 1,079,738 | (8,076,692) | 17,808,020 |
| **NET ASSETS - END OF YEAR** | $ 17,098,374 | $ 6,662,068 | $ 1,106,563 | $ (7,758,630) | $ 17,108,375 |