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

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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AND SUBSIDIARIES
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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, 2019 and 2018, 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.

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

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, 2019 and 2018, 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

As discussed in Note 1 to the consolidated financial statements, management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that 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
March 28, 2020

JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 5,750,511	$ 7,323,959
Certificates of Deposit	2,789,604	3,493,823
Receivables, Net	4,869,425	2,427,884
Related Party Receivables, Net	602,796	612,803
Prepaid Expenses	418,921	384,867
Deposits	200,653	174,018
Investments Held in Community Foundation	1,137,420	1,133,093
Investment in Joint Ventures	641,509	833,949
Other Assets	51,390	51,390
Property and Equipment, Net	14,774,632	14,024,886
Pledges Receivable, Net	335,313	408,344
Total Assets	$ 31,572,174	$ 30,869,016
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 894,067	$ 533,575
Accrued Expenses and Other Liabilities	2,056,554	1,982,044
Accrued Compensated Absences	983,715	999,459
Recoupment Payable	1,500,000	1,500,000
Deferred Revenue	4,165,352	3,374,169
Notes Payable	5,131,018	5,371,394
Total Liabilities	14,730,706	13,760,641
NET ASSETS		
Net Assets Without Donor Restrictions:		
Board-Designated	711,340	659,257
Undesignated	13,894,231	14,526,786
Total Net Assets Without Donor Restrictions	14,605,571	15,186,043
Net Assets With Donor Restrictions	2,235,897	1,922,332
Total Net Assets	16,841,468	17,108,375
Total Liabilities and Net Assets	$ 31,572,174	$ 30,869,016

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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	2019			
	Without Donor Restriction	With Donor Restriction	Totals	2018 Totals
SUPPORT, REVENUES, AND OTHER GAINS				
Support:				
Government and Contracts	$ 44,149,891	$ -	$ 44,149,891	$ 42,802,622
Contributions and Grants	3,303,336	1,396,833	4,700,169	5,283,112
Special Events, Net of Direct Benefit to Donors	420,338	-	420,338	366,760
Total Support	47,873,565	1,396,833	49,270,398	48,452,494
Revenues and Other Gains (Losses):				
Client Program Fees	165,222	-	165,222	120,521
Third Party Fees	941,168	-	941,168	901,465
Management Services	12,367	-	12,367	9,975
Investment Income	51,804	18,320	70,124	1,597,395
Equity in Gain/(Loss) of Joint Ventures	(192,440)	-	(192,440)	(487,084)
Gain on Sale of Capital Assets	-	-	-	101,170
Miscellaneous Income	867,589	-	867,589	506,826
Total Revenues and Other Gains (Losses)	1,845,710	18,320	1,864,030	2,750,268
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	1,101,588	(1,101,588)	-	-
Total Support, Revenues, and Other Gains	50,820,863	313,565	51,134,428	51,202,762

(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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	2019			2018
	Without Donor Restriction	With Donor Restriction	Totals	Totals
FUNCTIONAL EXPENSES				
Program Services:				
Behavioral Health Services	$ 31,267,251	$ -	$ 31,267,251	$ 31,159,366
Child and Family Solutions	5,052,459	-	5,052,459	5,413,311
Older Adults	867,290	-	867,290	842,709
Jewish Community Services	360,235	-	360,235	359,291
Sojourner Center	4,622,722	-	4,622,722	4,025,486
Total Program Services	42,169,957	-	42,169,957	41,800,163
Supporting Services:				
Management and General	6,289,112	-	6,289,112	7,410,855
Management Services	573,846	-	573,846	47,012
Fundraising	1,672,453	-	1,672,453	1,326,752
Twenty Thirty Three	695,967	-	695,967	834,857
Other	-	-	-	482,768
Total Supporting Services	9,231,378	-	9,231,378	10,102,244
Total Functional Expenses	51,401,335	-	51,401,335	51,902,407
CHANGES IN NET ASSETS	(580,472)	313,565	(266,907)	(699,645)
Net Assets - Beginning of Year,	15,186,043	1,922,332	17,108,375	17,808,020
NET ASSETS - END OF YEAR	$ 14,605,571	$ 2,235,897	$ 16,841,468	$ 17,108,375

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

	2018		
	Without Donor Restriction	With Donor Restriction	Totals
SUPPORT, REVENUES, AND OTHER GAINS			
Support			
Government and Contracts	$ 42,802,622	$ -	$ 42,802,622
Contributions and Grants	4,235,221	1,047,891	5,283,112
Special Events, Net of Direct Benefit to Donors	366,760	-	366,760
Total Support	47,404,603	1,047,891	48,452,494
Revenues and Other Gains			
Client Program Fees	120,521	-	120,521
Third Party Fees	901,465	-	901,465
Management Services	9,975	-	9,975
Investment Income	1,591,162	6,233	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	506,826	-	506,826
Total Revenues and Other Gains	2,744,035	6,233	2,750,268
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	1,064,658	(1,064,658)	-
Total Support, Revenues, and Other Gains	51,213,296	(10,534)	51,202,762

(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

	2018		
	Without Donor Restriction	With Donor Restriction	Totals
FUNCTIONAL EXPENSES			
Program Services:			
Behavioral Health Services	$ 31,159,366	$ -	$ 31,159,366
Child and Family Solutions	5,413,311	-	5,413,311
Older Adults	842,709	-	842,709
Jewish Community Services	359,291	-	359,291
Sojourner Center	4,025,486	-	4,025,486
Total Program Services	41,800,163	-	41,800,163
Supporting Services:			
Management and General	7,410,855	-	7,410,855
Management Services	47,012	-	47,012
Fundraising	1,326,752	-	1,326,752
Twenty Thirty Three	834,857	-	834,857
Other	482,768	-	482,768
Total Supporting Services	10,102,244	-	10,102,244
Total Functional Expenses	51,902,407	-	51,902,407
CHANGES IN NET ASSETS	(689,111)	(10,534)	(699,645)
Net Assets - Beginning of Year	15,875,154	1,932,866	17,808,020
NET ASSETS - END OF YEAR	$ 15,186,043	$ 1,922,332	$ 17,108,375

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, 2019

	Program Services					
	Behavioral Health Services	Child and Family Solutions	Older Adults	Jewish Community Services	Sojourner Center	Total Program Services
EXPENSES						
Salaries	$ 19,414,456	$ 3,344,802	$ 583,218	$ 234,149	$ 2,008,880	$ 25,585,505
Payroll Taxes and Fringe Benefits	3,784,777	705,521	98,911	29,941	460,698	5,079,848
Total Payroll Expenses	23,199,233	4,050,323	682,129	264,090	2,469,578	30,665,353
Professional Fees and Contract Services	4,466,485	145,639	35,265	43,911	180,457	4,871,757
Supplies	147,330	34,425	21,970	1,394	198,414	403,533
Telephone	420,035	101,933	16,872	4,320	25,150	568,310
Postage, Shipping, and Delivery	30,434	5,092	3,817	269	164	39,776
Occupancy	1,556,659	108,226	38,011	883	354,492	2,058,271
Equipment	235,733	22,629	8,142	1,068	20,109	287,681
Printing and Publications	9,159	892	3,239	9,007	1,132	23,429
Travel	696,806	434,945	46,936	6,476	25,305	1,210,468
Meeting and Conferences	13,595	11,786	823	164	846	27,214
Events	-	-	-	-	111	111
Specific Assistance to Clients	29,246	100,774	3,883	25,369	-	159,272
Membership Dues and Subscriptions	39,889	7,550	1,134	467	-	49,040
Insurance	126,275	19,575	3,360	1,392	32,671	183,273
In-Kind Expenses	-	-	-	-	885,271	885,271
Depreciation and Amortization	273,386	6,977	1,020	428	420,922	702,733
Miscellaneous	22,986	1,693	689	997	8,100	34,465
Provision for Doubtful Accounts	-	-	-	-	-	-
Total Nonpayroll Expenses	8,068,018	1,002,136	185,161	96,145	2,153,144	11,504,604
Total Functional Expenses	31,267,251	5,052,459	867,290	360,235	4,622,722	42,169,957
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	$ 31,267,251	$ 5,052,459	$ 867,290	$ 360,235	$ 4,622,722	$ 42,169,957

(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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	Supporting Services						
	Management Services	Management and General	Fundraising	Twenty Thirty Three	Total Supporting Services	Total Functional Expenses	2018 Totals
EXPENSES							
Salaries	$ -	$ 3,988,429	$ 814,147	$ -	$ 4,802,576	$ 30,388,081	$ 30,649,277
Payroll Taxes and Fringe Benefits	(4,060)	743,317	135,854	-	875,111	5,954,959	6,331,927
Total Payroll Expenses	(4,060)	4,731,746	950,001	-	5,677,687	36,343,040	36,981,204
Professional Fees and Contract Services	27,393	739,592	154,782	4,300	926,067	5,797,824	5,600,211
Supplies	120	23,665	7,151	-	30,936	434,469	405,016
Telephone	-	65,632	10,818	-	76,450	644,760	617,127
Postage, Shipping, and Delivery	975	8,452	3,688	-	13,115	52,891	71,179
Occupancy	20,839	343,869	56,048	45,432	466,188	2,524,459	2,236,029
Equipment	(1,224)	182,649	21,529	31,988	234,942	522,623	630,217
Printing and Publications	10	7,696	101,439	-	109,145	132,574	66,252
Travel	(550)	12,936	2,825	-	15,211	1,225,679	1,252,651
Meeting and Conferences	105	14,540	12,011	-	26,656	53,870	128,014
Events	-	-	71,115	-	71,115	71,226	152,050
Specific Assistance to Clients	-	-	204	-	204	159,476	235,968
Membership Dues and Subscriptions	-	11,425	1,997	-	13,422	62,462	63,115
Insurance	-	40,421	5,127	47,897	93,445	276,718	282,852
In-Kind Expenses	-	-	289,429	-	289,429	1,174,700	-
Depreciation and Amortization	1,689	27,963	15,202	468,366	513,220	1,215,953	1,065,250
Miscellaneous	6,045	78,526	24,429	97,984	206,984	241,449	188,531
Provision for Doubtful Accounts	522,504	-	-	-	522,504	522,504	460,203
Total Nonpayroll Expenses	577,906	1,557,366	777,794	695,967	3,609,033	15,113,637	13,454,665
Total Functional Expenses	573,846	6,289,112	1,727,795	695,967	9,286,720	51,456,677	50,435,869
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Events Expenses	-	-	55,342	-	55,342	55,342	57,515
Total Expenses Included in the Expense Section of the Statement of Activities	$ 573,846	$ 6,289,112	$ 1,672,453	$ 695,967	$ 9,231,378	$ 51,401,335	$ 50,378,354

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					
	Behavioral Health Services	Child and Family Solutions	Older Adults	Jewish Community Services	Sojourner Center	Total Program Services
EXPENSES						
Salaries	$ 19,819,252	$ 3,488,880	$ 564,365	$ 219,156	$ 1,659,908	$ 25,751,561
Payroll Taxes and Fringe Benefits	4,113,334	786,714	95,353	30,712	325,320	5,351,433
Total Payroll Expenses	23,932,586	4,275,594	659,718	249,868	1,985,228	31,102,994
Professional Fees and Contract Services	3,880,466	131,019	42,628	51,393	57,893	4,163,399
Supplies	165,489	30,543	25,587	1,537	144,140	367,296
Telephone	407,196	103,830	15,430	3,263	18,952	548,671
Postage, Shipping, and Delivery	36,804	5,527	3,680	267	182	46,460
Occupancy	1,341,896	105,923	37,858	1,040	246,977	1,733,694
Equipment	300,024	36,743	9,509	2,740	30,238	379,254
Printing and Publications	15,879	1,381	3,030	9,842	2,799	32,931
Travel	631,848	537,516	38,901	5,879	14,728	1,228,872
Meeting and Conferences	49,500	25,991	264	672	-	76,427
Events	1,928	60	-	7,268	338	9,594
Specific Assistance to Clients	90,417	122,715	-	22,736	-	235,868
Membership Dues and Subscriptions	40,263	8,065	1,102	473	-	49,903
Insurance	125,244	20,919	3,241	1,402	33,726	184,532
In-Kind Expenses	-	-	-	-	1,174,839	1,174,839
Depreciation and Amortization	124,531	6,529	804	348	303,195	435,407
Miscellaneous	15,295	956	957	563	12,251	30,022
Provision for Doubtful Accounts	-	-	-	-	-	-
Total Nonpayroll Expenses	7,226,780	1,137,717	182,991	109,423	2,040,258	10,697,169
Total Functional Expenses	31,159,366	5,413,311	842,709	359,291	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	$ 5,413,311	$ 842,709	$ 359,291	$ 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

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

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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (266,907)	$ (699,645)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,215,953	1,065,250
Provision for Doubtful Accounts	522,504	460,203
(Gain)/Loss on Sale of Property and Equipment	-	(101,170)
Equity in (Gain)/Loss of Joint Ventures	192,440	487,084
Net Realized and Unrealized Gains on Investments	19,400	(1,597,395)
Change in Discount on Pledges Receivable	(22,120)	(22,120)
Forgiveness of Note Payable	(45,808)	(10,000)
Changes in Cash Resulting from Changes in:		
Receivables	(3,103,998)	(1,271,797)
Related Party Receivables	10,007	415,227
Prepaid Expenses and Other Assets	(34,054)	89,662
Deposits	(26,635)	(13,760)
Accounts Payable	360,492	151,985
Accrued Expenses and Other Liabilities	74,510	(274,538)
Accrued Compensated Absences	(15,744)	46,139
Recoupment Payable	-	1,500,000
Deferred Revenue	791,183	1,664,666
Net Cash Provided (Used) by Operating Activities	(328,777)	1,889,791
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments Held in Community Foundation	(23,727)	(273,044)
Proceeds from Sale of Investments	-	2,000,000
Purchase of Certificates of Deposit	(1,293,539)	(3,482,573)
Redemption of Certificates of Deposit	1,997,758	-
Proceeds from Sale of Property and Equipment	-	155,000
Purchases of Property and Equipment	(1,965,699)	(953,081)
Net Cash Used by Investing Activities	(1,285,207)	(2,553,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Capital Campaign Pledges Receivable	235,104	235,104
Repayments of Note Payable	(194,568)	(233,049)
Net Cash Provided by Financing Activities	40,536	2,055
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,573,448)	(661,852)
Cash and Cash Equivalents - Beginning of Year	7,323,959	7,985,811
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,750,511	$ 7,323,959
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 75,663	$ 76,397

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)

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.

Basis of Presentation

JFCS' consolidated financial statements have been prepared in accordance with the Not-For-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, the Organization 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

JFCS reports contributions restricted by donors 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

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 consolidated statement of financial position. 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 net assets without restrictions, unless the associated income or loss is restricted.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable (Continued)

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 net assets without restrictions unless the associated income or loss is restricted.

Board Designated Net Assets

As of September 30, 2019 and 2018, included in net assets without donor restrictions is a $711,340 board-designated investment fund held at the Jewish Community Foundation of Greater Phoenix, an unrelated entity.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 with or without donor restricted support depending on the existence of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restriction.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018.

Economic Dependency and Concentration of Credit Risk

The Organization received approximately 68% of its revenue through seven contractors within the Arizona Health Care Costs Containment System (AHCCCS) Complete Care health plans, 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, 2019 and 2018, respectively. The loss of these revenue sources 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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. JFCS has implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. Disclosure of liquidity and availability of resources (Note 2) has been presented for the year ended September 30, 2019 only.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures.

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year-End:	
Cash and Cash Equivalents	$ 5,750,511
Certificates of Deposit, with Current Maturities	1,532,623
Accounts Receivable	4,869,425
Related Party Receivable	602,796
Investments Held in Community Foundation	1,137,420
Pledges Receivable	335,313
Total Financial Assets	14,228,088
Less Amounts not Available to be Used For Within One Year	
Board Designated Net Assets Without Donor Restrictions	(711,340)
Net Assets With Donor Restrictions	(2,235,897)
Total Financial Assets not Available to be Used For Within One Year	(2,947,237)
Financial Assets Available to Meet Cash Needs For General Expenditures Within One Year	$11,280,851

NOTE 3 CASH AND CASH EQUIVALENTS

Cash as of September 30, 2019 and 2018 consisted of a carrying amount of $5,750,511 and $7,323,959, with $5,266,340 and $6,773,991 for operations and $484,170 and $549,968 being donor restricted, respectively.

NOTE 4 CERTIFICATES OF DEPOSIT

Certificates of deposit at September 30, 2019, consist of the following:

Maturity Date in Fiscal Year	Cost	Stated Rate
2020	$ 1,532,623	2.30 % to 2.65 %
2021	1,257,193	1.90 % to 2.50 %
Total	$ 2,789,604	

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	

NOTE 4 CERTIFICATES OF DEPOSIT (CONTINUED)

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.

NOTE 5 RECEIVABLES

Receivables consist of the following:

	2019	2018
Department of Child Safety	$ 1,404,723	$ 784,071
Insurance/Other Health Plans	3,098,486	1,057,658
Maricopa RBHA	346,304	414,946
Department of Public Safety	420,508	501,539
CRS/Other Insurance	179,190	132,250
Jewish Community Foundation	71,868	70,108
City of Phoenix	52,631	57,961
Area Agency of Aging	9,224	12,270
Other Receivable	200,000	17,321
Subtotal	5,782,934	3,048,124
Less: Allowance for Doubtful Accounts	(913,509)	(620,240)
Total Receivables, Net	$ 4,869,425	$ 2,427,884

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, 2019 and 2018, the amount outstanding over 120 days was $723,606 and $723,606, respectively.

NOTE 6 RELATED PARTY RECEIVABLES

Related party receivables consist of the following:

	2019	2018
Topaz, LLC	$ 602,796	$ 609,509
Quality Care Network of Arizona	-	3,294
Subtotal	602,796	612,803
Less: Allowance for Doubtful Accounts	-	-
Total Related Party Receivables, Net	$ 602,796	$ 612,803

NOTE 7 PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2019	2018
Pledges Receivable	$ 347,201	$ 432,507
Less: Unamortized Discount	(3,399)	(3,399)
Total	343,802	429,108
Less: Allowance for Uncollectibles	(8,489)	(20,764)
Pledges Receivable, Net	$ 335,313	$ 408,344
Amounts Due in:		
Less than One Year	$ 281,801	$ 441,772
One to Five Years	65,400	(9,265)
Total	$ 347,201	$ 432,507

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 8 INVESTMENTS

Investments in Joint Ventures

Topaz Information, LLC

JFCS was a 50% owner and administrative member in Topaz Information, LLC (Topaz), a partnership with another nonprofit entity providing information technology services to both for-profit and nonprofit entities. JFCS recognized its share of the equity in the earnings (loss) of Topaz of $(192,440) and $(487,084) for the years ended September 30, 2019 and 2018, respectively.

The Topaz investment consisted of an equity balance of $641,509 and $833,949 at September 30, 2019 and 2018, respectively.

Subsequent to year end, on October 14, 2019, JFCS completed the sale of its membership interest in Topaz to NextGen Healthcare, Inc. for $2,224,456 resulting in a gain of $1,582,947. In addition, the sale provides for a contingent gain of up to $1,000,000 that depends on certain conditions being met. In addition, JFCS received $602,796 for repayment of the JFC's loan to Topaz (See Note 6)

NOTE 8 INVESTMENTS (CONTINUED)

Investments in Joint Ventures (Continued)

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

Summary financial information for Topaz, LLC, as of and for the years ended December 31, 2018 and 2017, is as follows:

	2018 Audited	2017 Audited
Assets		
Cash and Equivalents	$ 715,014	$ 1,233,398
Accounts Receivable	456,331	740,736
Prepaid and Deposits	37,091	57,808
Inventory	117,786	394,083
Total Current Assets	1,326,222	2,426,025
Equipment, Net of Accumulated Depreciation	2,855,113	3,093,910
Total Assets	$ 4,181,335	$ 5,519,935
Liabilities	$ 2,644,050	$ 3,502,595
Partners' Capital	1,537,285	2,017,340
Total Liabilities and Partners' Capital	$ 4,181,335	$ 5,519,935
Total Revenue	$ 6,888,276	$ 7,149,406
Total Expenses	7,368,331	7,444,131
Net Earnings (Loss)	$ (480,055)	$ (294,725)

Partners in Recovery, LLC

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

Jewish Community Foundation of Greater Phoenix

JFCS also has funds on deposit at the Jewish Community Foundation of Greater Phoenix. The investments totaled $1,137,420 and $1,133,093 as of September 30, 2019 and 2018, respectively. JFCS recognized unrealized gains on the investment of $31,418 and $89,602 for the years ended September 30, 2019 and 2018, respectively, and $75,067 and $16,063 in interest income included in investment income for the years ended September 30, 2019 and 2018, respectively.

Other Assets

JFCS has three other investments carried at cost which totaled $51,390 at September 30, 2019 and 2018.

NOTE 9 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.

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, 2021 and earn various stated rates ranging from 1.90% to 2.65%.

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2019 and 2018.

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value as of September 30, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Investment Held by Jewish Community Foundation of Greater Phoenix	$ -	$ -	$ 1,137,420	$ 1,137,420
Certificates of Deposit	-	2,789,604	-	2,789,604
Total Assets Held at Fair Value	$ -	$ 2,789,604	$ 1,137,420	$ 3,927,024

	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

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2019 and 2018:

	2019	2018
Balance - Beginning of Year	$ 1,133,093	$ 812,568
Additions	23,727	289,107
Grants	-	-
Total Unrealized Gain, Included in the Changes in Net Assets	(19,400)	31,418
Balance - End of Year	$ 1,137,420	$ 1,133,093

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, 2019	Fair Value at June 30, 2018	Valuation Techniques	Unobservable Inputs
Jewish Community Foundation of Greater Phoenix	$ 1,137,420	$ 1,133,093	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, 2019 and 2018, 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 10 PROPERTY AND EQUIPMENT

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

	2019	2018
Land	$ 1,306,154	$ 1,306,154
Building and Improvements	15,870,547	15,823,732
Furniture and Equipment	4,252,206	3,981,302
Computer Software	615,855	894,123
Leasehold Improvements	717,025	1,285,174
Construction in Process	1,495,918	95,148
Total	24,257,705	23,385,633
Less: Accumulated Depreciation and Amortization	(9,483,073)	(9,360,747)
Property and Equipment, Net	$ 14,774,632	$ 14,024,886

NOTE 10 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense charged to operations was $1,215,953 and $1,065,250 for the years ended September 30, 2019 and 2018, respectively. There was no interest capitalized in either 2019 or 2018 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, 2019 or 2018. 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, 2019 and 2018, respectively.

The line of credit has covenants requiring the Organization to maintain certain financial ratios and liquidity. At September 30, 2019 and 2018, management believes the Organization was in compliance with these covenants.

NOTE 12 DEFERRED REVENUE

For the years ended September 30, 2019 and 2018, the total block payments the Organization received from Mercy Maricopa Integrated Care for adult and children behavioral health services, exceeded the amount earned in the amount of $2,034,071 and $2,695,551, respectively.

The amount of recoupment due Mercy Maricopa Integrated Care was $1,500,000 as of September 30, 2019 and 2018.

Remaining deferred revenue for the years ended September 30, 2019 and 2018 was $2,131,281 and $678,618 were mainly due to the payments for the targeted investment programs.

NOTE 13 NOTES PAYABLE

Description	2019	2018
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.	$ 1,957,758	$ 2,058,390
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.	169,984	242,766

NOTE 13 NOTES PAYABLE (CONTINUED)

Description	2019	2018
Unsecured note payable, payable in equal monthly installments of $6,145, bearing interest at a fixed rate of 2.40%, matured August 28, 2019.	$ -	$ 21,154
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.	950,000	990,000
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.	63,882	69,690
Total	$ 5,131,018	$ 5,371,394

Interest expense on the notes payable was $75,663 and $78,564 for the years ended September 30, 2019 and 2018, 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, 2019, the approximate aggregate maturities required on the note payable are as follows:

Year Ending September 30,	Amount
2020	$ 225,472
2021	230,456
2022	176,098
2023	160,478
2024	158,076
Thereafter	4,180,438
Total	$ 5,131,018

NOTE 14 OPERATING LEASES

The Organization leases various facilities and equipment under operating leases expiring after 2019. Total lease expense was $2,726,532 and $2,763,806 for the years ended September 30, 2019 and 2018, respectively.

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

Year Ending September 30,	Amount
2020	$ 1,549,026
2021	1,683,587
2022	1,411,944
2023	1,170,622
Thereafter	9,028,520
Total	$ 14,843,699

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are available as follows:

	2019	2018
Pledge Receivable	$ 338,918	$ 835,288
Endowment	276,313	273,107
Purpose Restricted:		
Client Assistance	-	47,298
Program Service	790,104	229,564
Sojourner Center	830,562	537,075
Total Temporarily Restricted Net Assets	$ 2,235,897	$ 1,922,332

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	2019	2018
Time Restricted	$ 81,674	$ 584,823
Friends for Life	-	38,510
Client Assistance	64,931	71,614
Program Services	421,097	18,296
Sojourner Center	533,886	350,915
Staff/Emegencies	-	500
Total	$ 1,101,588	$ 1,064,658

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, 2019 and 2018, 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 $471,827 and $423,320 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018, 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 $15,835 and $23,681 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018.

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, 2019, 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, 2019, 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 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 net assets with donor restrictions to be held in perpetuity (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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 21 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 28, 2020, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2019, but prior to March 28, 2020, that provided additional evidence about conditions that existed at September 30, 2019, have been recognized in the consolidated financial statements for the year ended September 30, 2019. Events or transactions that provided evidence about conditions that did not exist at September 30, 2019, 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, 2019.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from September 30, 2019 through REPORT DATE both domestic and international equity markets have experienced large declines. These losses are not included in the consolidated financial statements as of and for the year ended September 30, 2019.

NOTE 21 SUBSEQUENT EVENTS (CONTINUED)

New Accounting Standards

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, 2020. 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.

JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
SEPTEMBER 30, 2019
(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	$ 4,278,683	$ 525,852	$ 945,976	$ -	$ 5,750,511
Certificates of Deposit	2,789,604	-	-	-	2,789,604
Receivables, Net	4,109,020	761,145	(740)	-	4,869,425
Related Party Receivables, Net	2,023,121	-	-	(1,420,325)	602,796
Prepaid Expenses	394,759	23,720	442	-	418,921
Deposits	200,385	-	268	-	200,653
Investments in Subsidiaries	7,576,824	-	-	(7,576,824)	-
Investments Held in Community Foundation	1,137,420	-	-	-	1,137,420
Investment in Joint Ventures	641,509	-	-	-	641,509
Other Assets	30,500	20,890	-	-	51,390
Property and Equipment, Net	2,391,235	8,862,630	3,520,767	-	14,774,632
Pledges Receivable, Net	335,344	(31)	-	-	335,313
Total Assets	$ 25,908,404	$ 10,194,206	$ 4,466,713	$ (8,997,149)	$ 31,572,174
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	$ 622,164	$ 545,345	$ 28,154	$ (301,596)	$ 894,067
Accrued Expenses and Other Liabilities	1,886,710	163,011	6,833	-	2,056,554
Accrued Compensated Absences	892,710	91,005	-	-	983,715
Recoupment Payable	1,500,000	-	-	-	1,500,000
Deferred Revenue	4,165,352	-	-	-	4,165,352
Notes Payable	-	3,003,276	3,246,471	(1,118,729)	5,131,018
Total Liabilities	9,066,936	3,802,637	3,281,458	(1,420,325)	14,730,706
NET ASSETS					
Net Assets Without Donor Restrictions:					
Board-Designated	711,340	-	-	-	711,340
Undesignated	13,894,231	5,561,007	1,185,255	(6,746,262)	13,894,231
Total Net Assets Without Donor Restrictions	14,605,571	5,561,007	1,185,255	(6,746,262)	14,605,571
Net Assets With Donor Restrictions	2,235,897	830,562	-	(830,562)	2,235,897
Total Net Assets	16,841,468	6,391,569	1,185,255	(7,576,824)	16,841,468
Total Liabilities and Net Assets	$ 25,908,404	$ 10,194,206	$ 4,466,713	$ (8,997,149)	$ 31,572,174

JEWISH FAMILY AND CHILDREN'S SERVICE, INC. AND SUBSIDIARIES
RECONCILIATION TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(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	$ 41,329,961	$ 2,819,930	$ -	$ -	$ 44,149,891
Contributions and Grants	1,925,587	2,774,582	-	-	4,700,169
Special Events, Net of Direct Benefit to Donors	378,699	41,639	-	-	420,338
Total Support	43,634,247	5,636,151	-	-	49,270,398
Revenues and Other Gains:					
Client Program Fees	165,222	-	-	-	165,222
Third-Party Fees	941,168	-	-	-	941,168
Management Services	24,882	-	795,637	(808,152)	12,367
Investment Income (Loss)	69,118	811	195	-	70,124
Investment Income (Loss) in Subsidiary	(191,806)	-	-	191,806	-
Equity in Gain/(Loss) of Joint Ventures	(192,440)	-	-	-	(192,440)
Miscellaneous Income	762,290	195,767	-	(90,468)	867,589
Total Revenue and Other Gains	1,578,434	196,578	795,832	(706,814)	1,864,030
Total Support, Revenues, and Other Gains	45,212,681	5,832,729	795,832	(706,814)	51,134,428
FUNCTIONAL EXPENSES					
Program Services:					
Behavioral Health Services	31,833,585	-	-	(566,334)	31,267,251
Child and Family Solutions	5,200,520	-	-	(148,061)	5,052,459
Older Adults	887,290	-	-	(20,000)	867,290
Jewish Community Services	371,772	-	-	(11,537)	360,235
Sojourner Center	-	4,622,722	-	-	4,622,722
Total Program Services	38,293,167	4,622,722	-	(745,932)	42,169,957
Supporting Services:					
Management and General	5,494,039	838,091	-	(43,018)	6,289,112
Management Services	643,764	-	-	(69,918)	573,846
Fundraising	1,038,617	642,415	-	(8,579)	1,672,453
Twenty Thirty Three	-	-	717,140	(21,173)	695,967
Total Supporting Services	7,176,420	1,480,506	717,140	(142,688)	9,231,378
Total Functional Expenses	45,469,587	6,103,228	717,140	(888,620)	51,401,335
CHANGES IN NET ASSETS	(256,906)	(270,499)	78,692	181,806	(266,907)
Net Assets - Beginning of Year	17,098,374	6,662,068	1,106,563	(7,758,630)	17,108,375
NET ASSETS - END OF YEAR	$ 16,841,468	$ 6,391,569	$ 1,185,255	$ (7,576,824)	$ 16,841,468