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

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

TABLE OF CONTENTS

CliftonLarsonAllen LLP
CLAconnect.com

Independent Auditors' Report

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

Report on the 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 June 30, 2014 and 2013, 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 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 June 30, 2014 and 2013, 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.

CliftonLarsonAllen LLP

Phoenix, Arizona
November 21, 2014

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	2014	2013
Cash and cash equivalents	$ 8,029,854	$ 7,110,766
Receivables, net	1,179,487	1,687,189
Related party receivables, net	1,085,276	286,414
Prepaid expenses	365,733	356,467
Deposits	162,563	149,336
Investments held in Community Foundation	487,315	320,959
Investment in joint ventures	707,872	677,359
Property and equipment, net	2,778,364	2,022,279
Pledges receivable, net	528,255	223,014
TOTAL ASSETS	$ 15,324,719	$ 12,833,783

LIABILITIES AND NET ASSETS

	2014	2013
LIABILITIES		
Accounts payable	$ 818,486	$ 381,599
Accrued expenses and other liabilities	1,740,427	1,801,566
Accrued compensated absences	677,464	594,203
Deferred revenue	354,449	1,047,133
Note payable	1,433,332	-
Forgivable loan	8,000	16,000
Total liabilities	5,032,158	3,840,501
NET ASSETS		
Board designated	346,363	195,574
Unrestricted	8,879,552	8,074,503
Total unrestricted	9,225,915	8,270,077
Temporarily restricted	1,066,646	723,205
Total net assets	10,292,561	8,993,282
TOTAL LIABILITIES AND NET ASSETS	$ 15,324,719	$ 12,833,783

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014			
	Unrestricted	**Temporarily Restricted**	**Totals**	**2013 Totals**
SUPPORT, REVENUES AND OTHER GAINS				
Support				
Government and contracts	$ 28,173,815	$ -	$ 28,173,815	$ 25,359,122
Contributions and grants	1,888,566	721,617	2,610,183	2,116,743
Special events, net of direct benefit to donors	168,017	59,135	227,152	241,240
Total support	30,230,398	780,752	31,011,150	27,717,105
Revenues and Other Gains				
Client program fees	576,567	-	576,567	519,248
Third party fees	458,787	-	458,787	280,748
Management services	2,506,885	-	2,506,885	1,072,638
Investment income	53,835	12,208	66,043	44,639
Earnings from equity method investments	-	-	-	60,618
Miscellaneous income	184,185	-	184,185	163,725
Total revenues and other gains	3,780,259	12,208	3,792,467	2,141,616
Net assets released from restrictions:				
Satisfaction of program restrictions	449,519	(449,519)	-	-
Total support, revenues and other gains	34,460,176	343,441	34,803,617	29,858,721

(Continued)

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(CONTINUED)
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Totals	Totals
FUNCTIONAL EXPENSES				
Program Services:				
Behavioral Health Services	$ 19,042,870	$ -	$ 19,042,870	$ 17,149,766
Shelter Without Walls	385,289	-	385,289	334,010
Real World Job Development	501,508	-	501,508	449,571
Homebased Services	3,879,439	-	3,879,439	3,634,640
Older Adults	1,208,633	-	1,208,633	1,222,750
Jewish Community Services	332,007	-	332,007	337,749
Prevention Services	96,949	-	96,949	94,599
Total program services	25,446,695	-	25,446,695	23,223,085
Supporting Services:				
Management and general	4,089,699	-	4,089,699	3,382,272
Management services	2,839,155	-	2,839,155	1,099,241
Fundraising	621,286	-	621,286	481,763
Twenty Thirty Three	330,466	-	330,466	396,545
Other	177,037	-	177,037	126,221
Total supporting services	8,057,643	-	8,057,643	5,486,042
Total functional expenses	33,504,338	-	33,504,338	28,709,127
CHANGES IN NET ASSETS	955,838	343,441	1,299,279	1,149,594
NET ASSETS, BEGINNING OF YEAR	8,270,077	723,205	8,993,282	7,843,688
NET ASSETS, END OF YEAR	$ 9,225,915	$ 1,066,646	$ 10,292,561	$ 8,993,282

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2013

	2013		
	Unrestricted	**Temporarily Restricted**	**Totals**
SUPPORT, REVENUES AND OTHER GAINS			
Support			
Government and contracts	$ 25,359,122	$ -	$ 25,359,122
Contributions and grants	1,637,949	478,794	2,116,743
Special events, net of direct benefit to donors	241,240	-	241,240
Total support	27,238,311	478,794	27,717,105
Revenues and Other Gains			
Client program fees	519,248	-	519,248
Third party fees	280,748	-	280,748
Management services	1,072,638	-	1,072,638
Investment income	35,654	8,985	44,639
Earnings from equity method investments	60,618	-	60,618
Miscellaneous income	163,725	-	163,725
Total revenues and other gains	2,132,631	8,985	2,141,616
Net assets released from restrictions:			
Satisfaction of program restrictions	363,646	(363,646)	-
Total support, revenues and other gains	29,734,588	124,133	29,858,721

(Continued)

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(CONTINUED)
Year Ended June 30, 2013

	2013		
	Unrestricted	Temporarily Restricted	Totals
FUNCTIONAL EXPENSES			
Program Services:			
Behavioral Health Services	$ 17,149,766	$ -	$ 17,149,766
Shelter Without Walls	334,010	-	334,010
Real World Job Development	449,571	-	449,571
Homebased Services	3,634,640	-	3,634,640
Older Adults	1,222,750	-	1,222,750
Jewish Community Services	337,749	-	337,749
Prevention Services	94,599	-	94,599
Total program services	23,223,085	-	23,223,085
Supporting Services:			
Management and general	3,382,272	-	3,382,272
Management services	1,099,241	-	1,099,241
Fundraising	481,763	-	481,763
Twenty Thirty Three	396,545	-	396,545
Other	126,221	-	126,221
Total supporting services	5,486,042	-	5,486,042
Total functional expenses	28,709,127	-	28,709,127
CHANGES IN NET ASSETS	1,025,461	124,133	1,149,594
NET ASSETS, BEGINNING OF YEAR	7,244,616	599,072	7,843,688
NET ASSETS, END OF YEAR	$ 8,270,077	$ 723,205	$ 8,993,282

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services							
	Behavioral Health Services	Shelter Without Walls	Real World Job Development	Homebased Services	Older Adults	Jewish Community Services	Prevention Services	Total Program Services
EXPENSES								
Salaries	$ 11,506,987	$ 216,126	$ 289,379	$ 2,595,756	$ 766,268	$ 198,932	$ 78,177	$ 15,651,625
Payroll taxes and fringe benefits	2,159,719	45,538	46,125	549,033	128,835	25,535	12,954	2,967,739
Total payroll expenses	13,666,706	261,664	335,504	3,144,789	895,103	224,467	91,131	18,619,364
Professional fees and contract services	2,804,077	6,398	5,012	88,228	128,738	43,337	793	3,076,583
Supplies	107,586	683	3,740	6,612	36,670	173	47	155,511
Telephone	267,522	6,276	21,633	79,922	15,215	3,408	1,366	395,342
Postage, shipping, and delivery	48,459	295	2,449	2,762	4,054	464	88	58,571
Occupancy	967,462	4,182	66,251	15,553	43,121	899	1,312	1,098,780
Equipment	217,100	3,210	14,151	25,753	9,915	2,176	715	273,020
Printing and publications	20,404	235	670	2,232	5,835	2,803	48	32,227
Travel	308,744	10,240	8,535	413,840	44,897	6,469	280	793,005
Meeting and conferences	35,735	323	954	5,884	2,902	371	312	46,481
Events	350	-	375	-	3,753	15,070	-	19,548
Specific assistance to clients	398,630	88,702	31,755	62,910	155	29,014	-	611,166
Membership dues and subscriptions	25,468	521	726	5,409	2,239	751	172	35,286
Insurance	97,684	1,842	2,290	18,997	5,741	1,596	468	128,618
Depreciation and amortization	66,361	568	4,381	5,580	1,977	470	167	79,504
Miscellaneous	10,582	150	3,082	968	8,318	539	50	23,689
Loss from equity method investments	-	-	-	-	-	-	-	-
Provision for doubtful accounts	-	-	-	-	-	-	-	-
Total non-payroll expenses	5,376,164	123,625	166,004	734,650	313,530	107,540	5,818	6,827,331
TOTAL EXPENSES	$ 19,042,870	$ 385,289	$ 501,508	$ 3,879,439	$ 1,208,633	$ 332,007	$ 96,949	$ 25,446,695

(Continued)

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Supporting Services							
	Management and General	Management Services	Fundraising	Twenty Thirty Three	Other	Total Supporting Services	Total Functional Expenses	2013 Totals
EXPENSES								
Salaries	$ 2,649,074	$ 1,362,755	$ 289,779	$ -	$ 16,000	$ 4,317,608	$ 19,969,233	$ 17,503,436
Payroll taxes and fringe benefits	514,334	229,555	50,093	-	749	794,731	3,762,470	3,377,106
Total payroll expenses	3,163,408	1,592,310	339,872	-	16,749	5,112,339	23,731,703	20,880,542
Professional fees and contract services	413,008	377,056	42,593	2,360	17,895	852,912	3,929,495	2,702,698
Supplies	18,783	9,754	1,824	-	-	30,361	185,872	162,408
Telephone	51,173	23,798	4,158	-	266	79,395	474,737	424,054
Postage, shipping, and delivery	8,045	4,690	2,315	-	9	15,059	73,630	71,176
Occupancy	187,489	136,372	15,372	44,053	329	383,615	1,482,395	1,384,104
Equipment	71,122	65,216	16,121	60,008	2,231	214,698	487,718	427,956
Printing and publications	45,658	15,455	11,874	117	52	73,156	105,383	73,212
Travel	20,921	47,844	3,630	-	22	72,417	865,422	785,523
Meeting and conferences	51,756	51,790	14,325	-	876	118,747	165,228	134,797
Events	-	-	104,639	-	-	104,639	124,187	111,153
Specific assistance to clients	-	-	-	-	-	-	611,166	755,185
Membership dues and subscriptions	15,775	6,642	2,273	-	190	24,880	60,166	56,627
Insurance	19,447	27,219	2,779	30,458	780	80,683	209,301	153,891
Depreciation and amortization	13,838	37,933	883	184,772	6,143	243,569	323,073	338,258
Miscellaneous	9,276	513	10,448	8,698	130,475	159,410	183,099	37,226
Loss from equity method investments	-	301,347	-	-	-	301,347	301,347	-
Provision for doubtful accounts	-	141,216	48,180	-	1,020	190,416	190,416	210,317
Total non-payroll expenses	926,291	1,246,845	281,414	330,466	160,288	2,945,304	9,772,635	7,828,585
TOTAL EXPENSES	$ 4,089,699	$ 2,839,155	$ 621,286	$ 330,466	$ 177,037	$ 8,057,643	$ 33,504,338	$ 28,709,127

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program Services							
	Behavioral Health Services	**Shelter Without Walls**	**Real World Job Development**	**Homebased Services**	**Older Adults**	**Jewish Community Services**	**Prevention Services**	**Total Program Services**
EXPENSES								
Salaries	$ 10,549,370	$ 183,712	$ 257,375	$ 2,402,892	$ 721,080	$ 184,691	$ 74,904	$ 14,374,024
Payroll taxes and fringe benefits	2,004,920	36,764	46,268	537,081	112,255	24,388	13,317	2,774,993
Total payroll expenses	12,554,290	220,476	303,643	2,939,973	833,335	209,079	88,221	17,149,017
Professional fees and contract services	2,032,595	18,164	4,101	48,792	204,744	44,855	745	2,353,996
Supplies	84,416	1,865	3,426	5,286	39,247	329	89	134,658
Telephone	239,062	4,762	18,526	79,929	14,815	3,609	1,285	361,988
Postage, shipping, and delivery	44,264	301	2,472	2,779	4,195	378	120	54,509
Occupancy	909,850	4,546	66,770	20,114	42,325	1,311	1,691	1,046,607
Equipment	195,756	2,483	6,970	21,352	8,169	1,855	690	237,275
Printing and publications	21,289	777	259	2,415	9,600	2,308	85	36,733
Travel	260,263	5,394	8,151	403,414	49,113	8,788	449	735,572
Meeting and conferences	36,530	559	1,718	5,627	1,737	752	331	47,254
Events	8,995	-	215	-	-	25,693	-	34,903
Specific assistance to clients	546,664	71,638	27,779	73,587	494	35,023	-	755,185
Membership dues and subscriptions	27,813	632	693	5,712	2,392	522	149	37,913
Insurance	78,791	1,466	1,907	15,734	5,209	1,435	410	104,952
Depreciation and amortization	99,249	886	2,670	9,278	3,089	819	310	116,301
Miscellaneous	9,939	61	271	648	4,286	993	24	16,222
Provision for doubtful accounts	-	-	-	-	-	-	-	-
Total non-payroll expenses	4,595,476	113,534	145,928	694,667	389,415	128,670	6,378	6,074,068
TOTAL EXPENSES	$ 17,149,766	$ 334,010	$ 449,571	$ 3,634,640	$ 1,222,750	$ 337,749	$ 94,599	$ 23,223,085

(Continued)

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year Ended June 30, 2013

	Supporting Services						
	Management and General	**Management Services**	**Fundraising**	**Twenty Thirty Three**	**Other**	**Total Supporting Services**	**Total Functional Expenses**
EXPENSES							
Salaries	$ 2,218,175	$ 629,875	$ 265,362	$ -	$ 16,000	$ 3,129,412	$ 17,503,436
Payroll taxes and fringe benefits	459,717	97,723	42,494	-	2,179	602,113	3,377,106
Total payroll expenses	2,677,892	727,598	307,856	-	18,179	3,731,525	20,880,542
Professional fees and contract services	210,774	89,317	29,835	2,368	16,408	348,702	2,702,698
Supplies	21,277	3,801	2,672	-	-	27,750	162,408
Telephone	51,681	6,314	4,000	-	71	62,066	424,054
Postage, shipping, and delivery	10,691	3,027	2,926	-	23	16,667	71,176
Occupancy	222,187	55,274	12,696	47,219	121	337,497	1,384,104
Equipment	46,713	21,475	3,925	115,496	3,072	190,681	427,956
Printing and publications	23,659	4,071	8,653	87	9	36,479	73,212
Travel	24,664	20,307	4,980	-	-	49,951	785,523
Meeting and conferences	40,538	29,218	17,786	-	1	87,543	134,797
Events	4,227	-	72,023	-	-	76,250	111,153
Specific assistance to clients	-	-	-	-	-	-	755,185
Membership dues and subscriptions	13,636	4,021	972	-	85	18,714	56,627
Insurance	14,077	6,195	2,098	26,327	242	48,939	153,891
Depreciation and amortization	12,308	3,472	1,156	204,940	81	221,957	338,258
Miscellaneous	7,948	151	10,185	108	2,612	21,004	37,226
Provision for doubtful accounts	-	125,000	-	-	85,317	210,317	210,317
Total non-payroll expenses	704,380	371,643	173,907	396,545	108,042	1,754,517	7,828,585
TOTAL EXPENSES	$ 3,382,272	$ 1,099,241	$ 481,763	$ 396,545	$ 126,221	$ 5,486,042	$ 28,709,127

The accompanying notes are an integral part of the consolidated financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,299,279	$ 1,149,594
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	323,073	338,258
Provision for doubtful accounts	238,596	210,317
Forgiveness of loan	(8,000)	(8,000)
Transfer of property and equipment to a receivable	(163,543)	-
Equity in (earnings) loss of joint ventures	301,347	(60,619)
Net realized and unrealized gains on investments	(66,043)	(44,639)
Increase (decrease) in cash resulting from changes in:		
Receivables	317,286	630,033
Related party receivables	(635,319)	(182,254)
Prepaid expenses	(9,266)	(72,865)
Deposits	(13,227)	(28,567)
Accounts payable	436,887	79,538
Accrued expenses and other liabilities	(61,139)	253,323
Accrued compensated absences	83,261	77,072
Deferred revenue	(692,684)	(498,612)
Net cash provided by operating activities	1,350,508	1,842,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments held in Community Foundation	(82,173)	(19,197)
Purchases of investment in joint ventures	(350,000)	-
Purchases of property and equipment	(1,242,701)	(1,365,025)
Transfer of property and equipment to a receivable	163,543	-
Proceeds from sale of property and equipment	-	1,185
Net cash used in operating activities	(1,511,331)	(1,383,037)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from capital campaign pledges receivable	68,675	-
Increase in capital campaign pledges receivable	(422,096)	(223,014)
Proceeds from note payable	1,433,332	-
	1,079,911	(223,014)
NET INCREASE IN CASH AND CASH EQUIVALENTS	919,088	236,528
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,110,766	6,874,238
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,029,854	$ 7,110,766
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 5,026	$ -

The accompanying notes are an integral part of the 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, and JFCS Behavioral Health, LLC's (collectively JFCS or 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 non-profit 501(c)(3) status in 1955, and became non-sectarian 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 non-profit, non-sectarian 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.

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

Basis of Presentation

The consolidated financial statements have been prepared in accordance with the American Institute of Certified Public Accountants (AICPA) Not-For-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, JFCS maintains its accounts on the accrual basis of accounting and is required to provide 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 in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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. At June 30, 2014 and 2013, JFCS had no permanently restricted net assets.

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 June 30, 2014 and 2013, included in unrestricted net assets is a $346,363 and $195,574, respectively, board-designated investment in an 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 – 35 years
Furniture, equipment, and vehicles	3 – 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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 for profit operating entities owned 20% or more, but not more than 50%, are accounted for using the equity method of accounting. Investments in for profit operating 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. is 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 of 1954 as amended and from state income taxes under ARS 43-1201. In addition, JFCS and TTT have been determined by the Internal Revenue Service not to be private foundations within the meaning of Section 509(a). Income determined to be unrelated business taxable income (UBTI) would be taxable.

The federal and state corporate tax returns of the Organization for 2013, 2012, and 2011 are subject to examination by the Internal Revenue Service and State authorities, generally for three years after they were filed. Management believes that JFCS and TTT have no uncertain tax provisions as of June 30, 2014 and 2013.

Economic Dependency and Concentration of Credit Risk

During 2014 and 2013, the Organization received approximately 59% and 64%, respectively, of its revenue through the Regional Behavioral Health Authority in Maricopa, an agent for the State of Arizona. 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 June 30, 2014 and 2013, consisted of a carrying amount of $8,029,854 and $7,110,766 with $7,724,669 and $6,387,561 being unrestricted and $305,185 and $723,205 being temporarily restricted, respectively.

NOTE 3 – RECEIVABLES

Receivables consist of the following:

	2014	2013
Department of Economic Security	$ 473,066	$ 1,035,309
Magellan of Arizona, Inc.	-	297,883
City of Phoenix	17,881	39,637
Area Agency of Aging	14,828	20,961
Jewish Community Foundation	129,666	128,500
CRS/Other Insurance	526,081	226,834
Other receivables	90,815	73,349
Sub-total	1,252,337	1,822,473
Less allowance for doubtful accounts	(72,850)	(135,284)
Total receivables, net	$ 1,179,487	$ 1,687,189

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 June 30, 2014 and 2013, the amount outstanding over 120 days was $258,836 and $680,863, respectively.

NOTE 4 – RELATED PARTY RECEIVABLES

Related party receivables consist of the following:

	2014	2013
Topaz, LLC	$ 786,775	$ 157,219
Behavioral Health Information Network of Arizona, LLC	556,716	246,020
Quality Care Network of Arizona	8,000	8,175
Sub-total	1,351,491	411,414
Less allowance for doubtful accounts	(266,215)	(125,000)
Total related party receivables, net	$ 1,085,276	$ 286,414

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.

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2014	2013
Pledges receivable	$ 576,435	$ 223,014
Less unamortized discount	(23,180)	-
Total	553,255	223,014
Less alowance for uncollectibles	(25,000)	-
Pledges receivable, net	$ 528,255	$ 223,014
Amounts due in:		
Less than one year	$ 196,835	$ 68,675
One to five years	379,600	154,339
Total	$ 576,435	$ 223,014

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%. Two pledges account for 37% of the pledge receivable balance as of June 30, 2014 and two pledges accounted for 56% of the pledges receivable balance as of June 30, 2013.

NOTE 6 – INVESTMENTS

Investments in Joint Ventures

Topaz, LLC

JFCS is a 50% owner and managing administrative member in Topaz, LLC (Topaz), a partnership with another not-for-profit entity providing information technology services to not-for-profit entities. JFCS recognized its share of the equity in the earnings (loss) of Topaz of $(85,662) and $60,618 for the years ended June 30, 2014 and 3013.

JFCS provided approximately $1,444,712 and $724,985 in management and administrative services during the years ended June 30, 2014 and 2013, respectively. The Topaz investment consisted of an equity balance of $542,227 and $627,889, at June 30, 2014 and 2013, respectively.

NOTE 6 – INVESTMENTS (CONTINUED)

Investments in Joint Ventures (Continued)
Topaz, LLC

Summary financial information (audited) for Topaz, LLC as of and for the years ended December 31, 2013 and 2012 is provided below:

	2013 Audited	2012 Audited
Assets		
Cash and equivalents	$ 1,685,428	$ 529,288
Accounts receivable	141,455	79,579
Prepaid and deposits	345,930	123,668
Equipment, net of accumulated depreciation	806,050	865,714
Total Assets	$ 2,978,863	$ 1,598,249
Liabilities		
Accounts payable	571,679	180,160
Deferred revenue	1,210,467	128,789
Total Liaiblities	1,782,146	308,949
Partners' capital	1,196,717	1,289,300
Total liabilities and partners' capital	$ 2,978,863	$ 1,598,249
Total revenue	$ 2,791,842	$ 2,202,410
Total expenses	(2,884,425)	(1,901,454)
Net earnings	$ (92,583)	$ 300,956

Behavioral Health Information Network of Arizona, LLC
JFCS is a 29% owner and managing member in Behavioral Health Information Network of Arizona, LLC (BHINAZ), partnering with other not-for-profit stakeholders providing statewide health information exchange (HIE) services. JFCS provided approximately $957,349 and $246,020 in management and administrative services during the years ended June 30, 2014 and 2013, respectively. The BHINAZ investment consisted of an equity balance of $134,315 and $0 at June 30, 2014 and 2013, respectively. JFCS recognized its share of the loss in BHINAZ of $215,685 for the year ended June 30, 2014.

NOTE 6 – INVESTMENTS (CONTINUED)

Other Investments
JFCS has two other investments in joint ventures carried at cost which totaled $31,330 and $49,470 at June 30, 2014 and 2013, respectively.

Investments held in Community Foundation
Jewish Community Foundation of Greater Phoenix
JFCS also has funds on deposit at the Jewish Community Foundation of Greater Phoenix, which has been designated by the Board of Directors. The investments totaled $487,315 and $320,959 as of June 30, 2014 and 2013, respectively.

NOTE 7 – 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 under FASB ASC 820 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.

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

NOTE 7 – 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 following table sets forth by level, within the fair value hierarchy, the Organization's fair value as of June 30, 2014 and 2013:

	2014			
	Level 1	Level 2	Level 3	Total
Investment held by Jewish Community Foundation of Greater Phoenix	$ -	$ -	$ 487,315	$ 487,315

	2013			
	Level 1	Level 2	Level 3	Total
Investment held by Jewish Community Foundation of Greater Phoenix	$ -	$ -	$ 320,959	$ 320,959

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 June 30, 2014 and 2013:

	2014	2013
Balance, beginning of year	$ 320,959	$ 282,093
Additions	105,278	-
Total unrealized gains	61,078	38,866
Balance, at end of year	$ 487,315	$ 320,959

The following table describes the valuation techniques used to calculate fair market value for assets in level 3. There were no changes in valuation techniques and related inputs resulting from the adoption of the new requirement.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at June 30, 2014	Valuation Techniques	Unobservable Inputs
Jewish Community Foundation of Greater Phoenix	$487,315	Percentage ownership of investment pool	The percentage ownership investment pool as applied to investment statements

The Organization evaluates Level 2 and Level 3 investments for events and changes in circumstances that indicate a transfer into or transfer out of Level 3. The Organization recognizes the transfers into and out of Level 3 as of the date of the event or change in circumstance. During the years ended June 30, 2014 and 2013, there were no transfers into or out of the Level 3 category.

NOTE 8 – 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 cased 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. JFCS earned $14,046,973 and $12,361,630 in funding from QCN to provide children behavioral health services for the years ended June 30, 2014 and 2013, respectively. Additionally, for fiscal years ended June 30, 2014 and 2013, JFCS provides administrative services including Medical Director Services amounting to $103,805 and $101,633, respectively.

Behavioral Health Information Network of Arizona began operations on June 27, 2013 and was created to provide statewide exchange of healthcare information to participating providers. JFCS is the managing member providing management and administrative services to this organization. JFCS transferred $163,543 of computer software to Behavioral Health Information Network of Arizona, LLC (BHINAZ) in 2014.

NOTE 9 – PROPERTY AND EQUIPMENT

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

	2014	2013
Land	$ 279,830	$ 279,830
Construction in process	1,853,007	884,797
Building and improvements	886,458	868,209
Furniture and equipment	1,380,147	1,235,538
Computer software	475,569	602,758
Leasehold improvements	560,290	521,725
Total	5,435,301	4,392,857
Less accumulated depreciation and amortization	(2,656,937)	(2,370,578)
Property and equipment, net	$ 2,778,364	$ 2,022,279

Depreciation and amortization expense charged to operations was $323,073 and $338,258 for the years ended June 30, 2014 and 2013, respectively. JFCS has not capitalized any interest on the construction in process due to its immateriality. Also, the construction in process related to a new building has an estimated construction cost of $3,000,000.

NOTE 10 – LINE OF CREDIT

The Organization has a revolving line of credit for $1,000,000 from a bank with no balance outstanding as of June 30, 2014 and 2013, respectively. On January 28, 2014, JFCS extended the line of credit for twelve months which matures on February 1, 2015. The renewed line of credit is unsecured and has interest that is payable monthly at one month LIBOR plus 2.94% and 3.001% (3.55% and 3.19%) as of June 30, 2014 and 2013, respectively.

The line of credit has covenants requiring the Organization to maintain certain financial ratios and liquidity. At June 30, 2014 and 2013, management believes the Organization was in compliance with these covenants.

NOTE 11 – FORGIVABLE LOAN

During the year ended June 30, 2006, JFCS executed a note payable in the amount of $40,000 to the City of Phoenix, Arizona. The loan is secured by a ten-year lien on real property. This note carries a zero percent interest rate and is forgivable in $8,000 installments annually beginning in year six of the loan and maturing in March 2015. The balance outstanding was $8,000 and $16,000 as of June 30, 2014 and 2013, respectively.

NOTE 12 – DEFERRED REVENUE

For the year ended June 30, 2014, the total block payments the Organization received from Mercy Maricopa Integrated Care for adult behavioral health services, and QCN for children behavioral service's exceeded the amount earned in the amount of $24,687 and $328,133, respectively.

For the year ended June 30, 2013, the total block payments the Organization received from Magellan Health Services of Arizona, Inc. (Magellan) for adult behavioral health services and QCN for children behavioral service's exceeded the amount earned in the amount of $648,594 and $396,911, respectively. All deferred revenue amounts for adult children behavioral health services due to Magellan and QCN at June 30, 2013 have been recouped and/or resolved as of June 30, 2014.

The balances noted in the two preceding paragraphs make up a significant portion of the deferred revenue balances outstanding as of June 30, 2014 and 2013.

NOTE 13 – NOTE PAYABLE

The Organization had an outstanding note payable balance with a bank of $1,433,332 and $0 as of June 30, 2014 and 2013, respectively. The total loan commitment from the bank is $3,000,000. Interest on the note payable accrues at a fixed rate of 3.45% and will be due in equal monthly payments with the final payment due on March 28, 2021. The loan is secured by inventory, equipment and accounts receivable of the Organization.

Interest expense on the note payable was $5,026 and $0 for the years ended June 30, 2014 and 2013, respectively, and is included in management and general in the accompanying consolidated statements of activities and changes in net assets.

The approximate aggregate maturities required on the note payable after June 30, 2014 are as follows:

Years Ended June 30:		
2015	$	119,604
2016		210,192
2017		217,559
2018		225,185
2019		233,077
Thereafter		427,715
Total	$	1,433,332

NOTE 14 – OPERATING LEASES

The Organization leases various facilities and equipment under operating leases expiring after 2019. Total lease expense was $1,496,888 and $1,330,547 for the years ended June 30, 2014 and 2013, respectively.

Future minimum payments under these non-cancelable operating lease commitments are as follows:

Years Ended June 30:		
2015	$	1,482,545
2016		1,426,499
2017		1,323,836
2018		1,111,084
2019		1,056,107
Thereafter		367,952
Total	$	6,768,023

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

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

		2014		2013
Time Restricted	$	913,369	$	575,789
Purpose Restricted				
Friends for Life		38,510		38,510
Client Assistance		110,654		108,406
Program Service		3,613		-
Staff/Emergencies		500		500
Total temporarily restricted net assets	$	1,066,646	$	723,205

A summary of the net assets released from restriction during 2014 and 2013 follows:

		2014		2013
Time restricted	$	406,644	$	319,378
Client Assistance		42,875		44,268
Total net assets released from restriction	$	449,519	$	363,646

NOTE 16 – RETIREMENT PLAN

The Organization has a Section 401(k) plan under Internal Revenue Code (IRC). This plan has two contribution components;

1. A salary reduction arrangement plan, and
2. Employer's qualified non-elective 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. During the years ended June 30, 2014 and 2013, the Organization contributed $.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 $193,589 and $187,424 for the years ended June 30, 2014 and 2013, respectively.

Under the employer's qualified non-elective 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 was $0 and $214,817 for the years ended June 30, 2014 and 2013, 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 $34,046 and $18,634 for the years ended June 30, 2014 and 2013, respectively.

NOTE 18 – CONTINGENT LIABILITIES

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 years ended June 30, 2014 and 2013, 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 June 30, 2014 and 2013, 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 may exceed the federally insured limits. Management believes there are no unusual risks associated with current depository institutions.

NOTE 20 – SUBSEQUENT EVENTS

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 will no longer be provided by Children's Provider Network Organizations and will be moved under direct provider contracts. The loss of funding to Quality Care Network would likely result in the dissolution of this related party organization.

Subsequent to year end, JFCS made additional draws on the note payable with a bank of $804,082.

Management evaluated subsequent events through November 21, 2014, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to November 21, 2014, that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the consolidated financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014, 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 June 30, 2014.