

JUDSON CENTER, INC. AND SUBSIDIARIES
Royal Oak, Michigan

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2017 and 2016

JUDSON CENTER, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Judson Center, Inc. and Subsidiaries
Royal Oak, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Judson Center, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audits 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 consolidated financial position of the Organization as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplemental information as identified on the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
January 11, 2018

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As of September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 412,257	\$ 2,251,171
Accounts receivable, net	2,526,087	2,159,732
Prepaid expenses and other	180,683	136,170
Total Current Assets	<u>3,119,027</u>	<u>4,547,073</u>
PROPERTY AND EQUIPMENT, NET	<u>4,435,222</u>	<u>3,607,298</u>
OTHER ASSETS		
Investments	10,701,144	10,223,328
Cash surrender value of life insurance	199,288	191,242
Beneficial interest in charitable remainder unitrust	92,193	-
Total Other Assets	<u>10,992,625</u>	<u>10,414,570</u>
TOTAL ASSETS	<u>\$ 18,546,874</u>	<u>\$ 18,568,941</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 324,259	\$ 299,278
Accrued expenses	716,099	840,006
Deferred revenue	203,900	205,728
Capital lease, current portion	29,088	4,573
Total Current Liabilities	<u>1,273,346</u>	<u>1,349,585</u>
LONG-TERM LIABILITIES		
Capital lease, net of current portion	100,027	-
Pension liability	3,161,417	3,421,415
Funds held for others	67,722	-
Total Long-Term Liabilities	<u>3,329,166</u>	<u>3,421,415</u>
Total Liabilities	<u>4,602,512</u>	<u>4,771,000</u>
NET ASSETS		
Unrestricted	13,060,989	13,028,769
Temporarily Restricted	883,373	769,172
Total Net Assets	<u>13,944,362</u>	<u>13,797,941</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,546,874</u>	<u>\$ 18,568,941</u>

See accompanying notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND SUPPORT		
Service fees and grants	\$ 12,775,674	\$ 11,182,313
Autism fee revenue, net of contractual allowance (\$1,895,600 and \$2,357,730 at September 30, 2017 and 2016, respectively)	3,643,663	3,189,514
Unrestricted public contributions	2,521,933	2,398,943
Interest and dividends	306,397	416,857
Realized and unrealized gains on investments	715,371	579,405
Gain on disposal of property and equipment	14,542	111,660
Rental income	26,640	28,353
Miscellaneous	59,974	154,209
Net assets released from restrictions	<u>518,310</u>	<u>112,835</u>
Total Revenue and Support	<u>20,582,504</u>	<u>18,174,089</u>
EXPENSES		
Program services	17,196,136	14,771,025
Management and general	2,573,487	2,398,047
Development	<u>987,326</u>	<u>825,631</u>
Total Expenses	<u>20,756,949</u>	<u>17,994,703</u>
Change in unrestricted net assets before other changes in net assets	<u>(174,445)</u>	<u>179,386</u>
OTHER CHANGES IN NET ASSETS		
Change in pension and postretirement liabilities	<u>206,665</u>	<u>(619,598)</u>
Change in Unrestricted Net Assets	<u>32,220</u>	<u>(440,212)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted public contributions	625,640	414,622
Unrealized gain on cash surrender value of life insurance	6,871	6,890
Net assets released from restrictions	<u>(518,310)</u>	<u>(112,835)</u>
Change in Temporarily Restricted Net Assets	<u>114,201</u>	<u>308,677</u>
CHANGE IN NET ASSETS	<u>146,421</u>	<u>(131,535)</u>
NET ASSETS - Beginning of year	<u>13,797,941</u>	<u>13,929,476</u>
NET ASSETS - END OF YEAR	<u>\$ 13,944,362</u>	<u>\$ 13,797,941</u>

See accompanying notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 146,421	\$ (131,535)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	399,067	436,020
Gain on disposal of property and equipment	(14,542)	(111,660)
Realized and unrealized gain on investments	(715,371)	581,304
Change in beneficial interest in charitable remainder unitrust	(24,471)	-
Allowance for contractual adjustments, doubtful accounts and pledge discounts	40,880	249,704
Unrealized loss (gain) on cash surrender value of life insurance	(8,046)	8,675
Changes in assets and liabilities		
Accounts receivable	(407,235)	(32,446)
Prepaid expenses and other	(44,513)	19,325
Accounts payable	24,981	(27,859)
Accrued expenses	(123,907)	373,188
Deferred revenue	(1,828)	58,728
Pension liability	(259,998)	600,485
Accrued postretirement costs	-	(199,468)
Net cash provided by (used in) operating activities - continuing operations	(988,562)	1,824,461
Net cash provided by operating activities - discontinued operations	-	118,274
Net Cash Flows from Operating Activities	(988,562)	1,942,735
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,095,881)	(562,770)
Proceeds from sale of property and equipment	29,164	126,691
Purchases of investments	(464,879)	(874,503)
Proceeds from sales of investments	702,434	651,964
Net Cash Flows from Investing Activities	(829,162)	(658,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease	(21,190)	(10,817)
Net Change in Cash and Cash Equivalents	(1,838,914)	1,273,300
CASH AND CASH EQUIVALENTS - Beginning of Year	2,251,171	977,871
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 412,257	\$ 2,251,171
Supplemental cash flow disclosures		
Cash paid for interest	\$ 5,602	\$ 217
Equipment purchased under capital lease	\$ 145,733	\$ -

See accompanying notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended September 30, 2017 and 2016

	Program Services	Management and General	Development	2017 Total	Program Services	Management and General	Development	2016 Total
Salaries	\$ 10,775,657	\$ 1,427,656	\$ 472,082	\$ 12,675,395	\$ 9,385,913	\$ 1,307,058	\$ 410,398	\$ 11,103,369
Payroll taxes	975,730	102,274	38,371	1,116,375	894,749	98,555	32,518	1,025,822
Benefits	1,718,045	193,064	24,651	1,935,760	1,122,646	126,237	11,103	1,259,986
Pension	<u>239,476</u>	<u>62,269</u>	<u>16,031</u>	<u>317,776</u>	<u>184,829</u>	<u>42,871</u>	<u>11,611</u>	<u>239,311</u>
Total Salaries and Related Expenses	13,708,908	1,785,263	551,135	16,045,306	11,588,137	1,574,721	465,630	13,628,488
Professional fees and services	377,626	295,409	65,845	738,880	561,874	316,121	55,419	933,414
Supplies, food and equipment	401,938	65,711	216,348	683,997	361,914	53,571	190,202	605,687
Utilities	307,421	61,010	7,349	375,780	295,715	63,782	7,891	367,388
Facilities maintenance and rent	625,054	59,912	10,794	695,760	629,975	66,864	9,063	705,902
Vehicle gas and insurance	612,807	7,778	2,331	622,916	521,808	16,115	903	538,826
Conferences, meetings and lunches	41,180	34,319	1,945	77,444	34,822	24,779	2,541	62,142
Subscriptions, training and recruitment	137,406	116,854	3,756	258,016	97,974	72,571	5,088	175,633
Medical	460,191	-	-	460,191	233,866	-	-	233,866
Bad debt	2,980	-	-	2,980	81	-	-	81
Direct client expense reimbursement	254,664	128	116,489	371,281	205,328	5,194	77,541	288,063
Miscellaneous	2,634	17,680	5,017	25,331	5,848	9,879	3,467	19,193
Depreciation	<u>263,327</u>	<u>129,423</u>	<u>6,317</u>	<u>399,067</u>	<u>233,683</u>	<u>194,450</u>	<u>7,886</u>	<u>436,020</u>
Total Expenses	<u>\$ 17,196,136</u>	<u>\$ 2,573,487</u>	<u>\$ 987,326</u>	<u>\$ 20,756,949</u>	<u>\$ 14,771,025</u>	<u>\$ 2,398,047</u>	<u>\$ 825,631</u>	<u>\$ 17,994,703</u>

See accompanying notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Judson Center, Inc. ("Judson") is a comprehensive, multi-faceted, community based human service center in southeastern Michigan that has been nationally recognized for fostering independence through innovative programs, and for empowering adults, children and their families to live the best lives possible through the following programs:

Autism Services

Judson Autism Connections helps support the needs of children, teens and adults with a diagnosis of Autism Spectrum Disorders (ASD). Judson Autism Connections services offer a comprehensive array of services to include: Applied Behavior Analysis, social skills groups for children and teens, supportive services for children and families, a specialized Summer Program and counseling services.

Behavioral Health Services

Judson is committed to providing high quality behavioral health services to children, families and adults diagnosed with a mental health condition. Services include outpatient therapy, in-home therapy for children with serious emotional disturbances and co-occurring substance use disorders.

Child Welfare Services

Guided by the belief that every child deserves a safe, permanent, and loving family where they can grow up to be happy and productive members of their communities, Judson provides family preservation, foster care, adoption, mentoring and family reunification services for children in need.

Disability Services

Judson provides respite care and vocational rehabilitation services for adults with developmental disabilities and mental illnesses.

Judson is organized as a Michigan 501(c)(3) corporation on a non-stock basis.

The Judson Center Foundation (the "Foundation") is a 501(c)(3) 100% controlled subsidiary of Judson. The purpose of the Foundation is to support Judson.

Judson Center Staffing Solutions, Inc. ("Staffing") is a 100% controlled subsidiary. The purpose of Staffing is to help adults with disabilities obtain and maintain gainful employment in the community.

Child Safe Michigan ("Child Safe") is a 100% controlled subsidiary. The purpose of Child Safe is to meet the needs of neglected, abused and other at-risk children, and their families, with a focus on prevention, treatment, mentoring, and community outreach.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Principles of Presentation

The accompanying consolidated financial statements include the accounts of Judson, Foundation, Staffing, and Child Safe. Significant interorganization accounts and transactions have been eliminated. The consolidated entity is referred to as the "Organization" in the remainder of these notes, unless otherwise noted.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term deposits with a maturity at the date of acquisition of three months or less not held in the Organization's investment accounts. The Organization considers all money market funds to be used for current operations and certificates of deposits purchased with a maturity of three months or less to be cash equivalents. During the normal course of business, the Organization may maintain cash-on-deposit with financial institutions in excess of the federally insured limit of \$250,000. The Organization maintains a policy of making investments only with high quality institutions and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Accounts Receivable

The Organization receives funding, through contracts, from various governmental agencies and organizations and from private payers and third party insurance carriers. The Organization carries its accounts receivable at the invoice amount, less an allowance for doubtful accounts and contractual adjustments. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on past collection history and current credit conditions. Accounts receivable are shown net of an allowance for doubtful accounts of \$389,879 and \$433,053 at September 30, 2017 and 2016, respectively. The contractual allowance is determined by calculating the amount expected to be received for the services performed from the amount actually billed based on the contracts with various insurance companies. Accounts receivable are shown net of contractual adjustments of \$681,343 and \$602,746 at September 30, 2017 and 2016, respectively.

The Organization's promises to give, included within accounts receivable on the statement of financial position, are comprised primarily of amounts committed from individuals and corporations for the Organization's activities. Revenue is recognized when an unconditional promise to give is received; in the absence of such promise, revenue is recognized when the promise to give is collected. 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 unamortized discount represents the adjustment required to record promises to give expected to be received in future years at their present value. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions over the period of the promise to give.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Deferred Revenue

Revenues received for special events occurring after year end are deferred until the date of the event. Deferred revenues as of September 30, 2017 and 2016 were \$203,900 and \$205,728, respectively.

Net Assets

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Net Assets (cont.)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There are no permanently restricted net assets as of September 30, 2017 or 2016.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501 (c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

The Organization follows the standard relating to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the consolidated financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would be more likely than not to sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Organization applies the accounting standard to all tax positions for which the statute of limitations remains open.

Based on its evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in its consolidated financial statements. The Organization is not currently under examination by any taxing jurisdiction.

Contributions, Fees from Government Agencies and Programs, and Fees for Services

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. 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. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Revenue from government contracts under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the funds, revenue and contract receivables are recorded in the period during which the expenses are incurred. Retroactive determination of allowable costs by resource providers may result in final settlements different from interim payments for reimbursable services submitted by the Organization. Revenue is reported at the estimated net realizable amounts from resource providers for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Contributions, Fees from Government Agencies and Programs, and Fees for Services (cont.)

Program service fees represent the estimated net realizable amounts from clients, third-party payers, and others for services rendered. The Organization records fee revenue from insurance carriers principally from fee for service arrangements for services provided.

In-Kind Contributions

The Organization reports gifts of donated goods and professional services as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Contributions are stated at fair value at the date of the gift. In-kind donations totaled \$345,657 and \$258,006 in September 30, 2017 and 2016, respectively, which were recorded as public contributions and expense in the consolidated statements of activities.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification

For comparability, certain 2016 amounts have been reclassified to conform with classifications adopted in 2017. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Estimates

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

Subsequent Events

The Agency has evaluated events through January 11, 2018, which is the date the financial statements were approved and available to be issued.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 2 - Investments

Investments are carried at fair value and are summarized as follows at September 30:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 152,377	\$ 32,747
Bond funds	4,356,717	4,370,365
Equity funds	<u>6,192,050</u>	<u>5,820,216</u>
Total	<u>\$ 10,701,144</u>	<u>\$ 10,223,328</u>

The following schedule summarizes investment income for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 306,397	\$ 416,857
Net realized and unrealized gains on investments	<u>715,371</u>	<u>579,405</u>
Total	<u>\$ 1,021,768</u>	<u>\$ 996,262</u>

NOTE 3 - Fair Value of Financial Instruments

The Organization follows current authoritative guidance, which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The guidance applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are unobservable and not corroborated by market data.

There have been no changes in the methodology used for the years ended September 30, 2017 and 2016.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 3 - Fair Value of Financial Instruments (cont.)

The following method was used to estimate the fair value for each class of financial instrument measured at fair value:

- > Money market funds: These investments are valued at fair value.
- > Equity and bond funds: These investments are valued at the fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While 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 estimate of fair value at the reporting date.

The table below presents information about the Organization's assets that are measured at fair value on a recurring basis as of September 30, 2017 based upon the three-tier hierarchy:

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 152,377	\$ 152,377	\$ -	\$ -
Bond funds	4,356,717	4,356,717	-	-
Equity funds	<u>6,192,050</u>	<u>6,192,050</u>	-	-
Total	<u>\$ 10,701,144</u>	<u>\$ 10,701,144</u>	<u>\$ -</u>	<u>\$ -</u>

The table below presents information about Organization's assets that are measured at fair value on a recurring basis as of September 30, 2016 based upon the three-tier hierarchy:

	September 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 32,747	\$ 32,747	\$ -	\$ -
Bond funds	4,370,365	4,370,365	-	-
Equity funds	<u>5,820,216</u>	<u>5,820,216</u>	-	-
Total	<u>\$ 10,223,328</u>	<u>\$ 10,223,328</u>	<u>\$ -</u>	<u>\$ -</u>

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 4 - Property and Equipment

The major categories of property and equipment at September 30 are summarized as follows:

	Depreciable Lives	2017	2016
Land	N/A	\$ 237,054	\$ 237,054
Buildings	25 yrs	6,970,931	6,211,388
Furniture and fixtures	10-15 yrs	748,209	757,926
Computer hardware and software	5-10 yrs	1,015,666	940,693
Transportation equipment	5 yrs	621,646	610,745
Phone system	10 yrs	465,902	444,758
Work in progress	N/A	457,478	329,026
Total Property and Equipment		10,516,886	9,531,590
Less: Accumulated depreciation		6,081,664	5,924,292
		\$ 4,435,222	\$ 3,607,298

Depreciation expense totaled \$399,067 and \$436,020 for the years ended September 30, 2017 and 2016, respectively. Amortization of assets under capital lease is included in depreciation expense. The net book value of property leased under capital leases is approximately \$153,000 and \$4,000, as of September 30, 2017 and 2016, respectively.

NOTE 5 - Capital Lease Obligations

At September 30 2017 and 2016, the Organization is obligated under long-term vehicle and equipment leases which have been capitalized. The leases are noncancellable and are collateralized by the assets under lease. The present values have been calculated at the implicit interest rate which is approximately 14%.

Capital lease obligations consist of the following at September 30:

	2017	2016
Capital leases	\$ 129,115	\$ 4,573
Less: Current Portion	(29,088)	(4,573)
Long-Term Portion	\$ 100,027	\$ -

Future maturities of capital lease obligations are as follows:

2018	\$ 29,088
2019	29,088
2020	29,088
2021	29,088
2022	12,763
Total	\$ 129,115

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 5 - Capital Lease Obligations (cont.)

Future minimum lease payments due for the capital leases are as follows:

2018	\$	35,366
2019		35,366
2020		35,366
2021		35,366
2022		<u>15,381</u>
Total minimum lease payments		156,845
Less: Amount representing interest		<u>(27,730)</u>
Present value of minimum lease payments		129,115
Less: Current portion		<u>(29,088)</u>
	\$	<u>100,027</u>

NOTE 6 - Commitments

The Organization leases meeting space and residential homes with monthly payments totaling \$17,019 expiring through March 2019. The Organization also leases other facilities and equipment on a month-to-month basis. In 2016, the Organization entered into a lease for Macomb Regional office. The lease has monthly payments of \$9,164 per month. The lease expires November 2022.

In addition, there are future maintenance payments required under its capital leases (see Note 5).

The following is a schedule of annual future minimum lease payments required under operating leases and maintenance commitment as of September 30, 2017:

Years Ending September 30,

2018	\$	344,413
2019		201,057
2020		146,071
2021		146,071
2022 and thereafter		<u>165,457</u>
Total	\$	<u>1,003,069</u>

Total lease expense under these agreements was \$391,161 and \$342,110 for the years ended September 30, 2017 and 2016, respectively.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 7 - Line of Credit

During 2017, the Organization entered into a line of credit agreement with a bank expiring on February 28, 2018, under which it can borrow up to \$1,500,000. The line of credit is collateralized by all personal property and bears interest based on the daily LIBOR rate plus 2.15%, as defined by the credit agreement. There were no outstanding borrowings under the line of credit as of September 30, 2017.

NOTE 8 - Pension Plan

The Organization sponsors a single-employer defined benefit retirement plan, Judson Center Defined Benefit Plan (the "Plan"). The Plan's benefits are frozen with no further benefits accruing to existing participants.

The net periodic pension cost was as follows:

	2017	2016
Interest cost	\$ 325,363	\$ 349,044
Expected return on plan assets	(337,869)	(338,489)
Amortization of actuarial loss	125,273	107,305
Net Periodic Pension Cost	\$ 112,767	\$ 117,860

The following table presents the Plan's unfunded status:

	2017	2016
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	\$ 8,884,187	\$ 8,190,673
Interest cost	325,363	349,044
Actuarial loss	22,241	796,696
Benefits paid	(562,666)	(452,226)
Projected benefit obligation, end of year	8,669,125	8,884,187
Change in plan assets:		
Fair value of plan assets, beginning of year	5,462,772	5,369,743
Actual return on plan assets	483,027	408,282
Employer contributions	124,575	136,973
Benefits paid	(562,666)	(452,226)
Fair value of plan assets, end of year	5,507,708	5,462,772
Unfunded status, end of year		
Projected benefit obligation in excess of plan assets	\$ (3,161,417)	\$ (3,421,415)

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 8 - Pension Plan (cont.)

The amount of net actuarial loss that arose previously, and is expected to be recognized as a component of net periodic benefit cost over the next fiscal year is \$125,273. The accumulated unrecognized actuarial loss at September 30, 2017 and 2016 was \$4,907,380 and \$5,155,570, respectively.

Expected future annual benefit payments to retirees are as follows:

<u>Years ending September 30,</u>	<u>Amount</u>
2018	\$ 338,474
2019	353,446
2020	367,046
2021	376,279
2022	379,683
2023 - 2028	2,006,946

The assumptions used to determine net periodic benefit cost for the Plan were as follows:

	<u>2017</u>		<u>2016</u>	
Discount rate	3.80	%	4.40	%
Expected rate of long-term return on plan assets	6.50	%	6.50	%
Rate of compensation increase	N/A		N/A	

The expected long-term rate of return of Plan assets is determined by reflecting expectations regarding future rates of return at prevailing rates, as published.

The assumptions used to determine the above benefit obligations and fair value of Plan assets include:

	<u>2017</u>		<u>2016</u>	
Discount rate	3.80	%	4.40	%
Expected rate of long-term return on plan assets	6.50	%	6.50	%
Rate of compensation increase	N/A		N/A	

Plan Assets

The composition of the Plan assets at September 30, 2017 and 2016 is set forth in the following table:

	<u>2017</u>	<u>2016</u>
Equity securities	\$ 3,304,625	\$ 3,283,126
Debt securities	2,070,898	2,146,869
Other	<u>132,185</u>	<u>32,777</u>
Total	<u>\$ 5,507,708</u>	<u>\$ 5,462,772</u>

The above investments are all considered level one within the fair value hierarchy at September 30, 2017 and 2016, respectively.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 8 - Pension Plan (cont.)

Contributions

Employer contributions to the Plan were \$124,575 and \$136,973 during the years ended September 30, 2017 and 2016 respectively.

The Organization expects to contribute \$106,000 to the plan in 2018.

NOTE 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of September 30:

	<u>2017</u>	<u>2016</u>
Purpose restrictions:		
Autism Construction	\$ -	\$ 110,000
Lahser respite	197,081	136,003
Autism center	34,852	55,182
Family services- child welfare	-	56,820
Playscape	5,268	18,320
Other purpose restrictions	885	8,162
Time restrictions:		
Pledges receivable	38,068	-
Charitable remainder trust	24,471	-
Other time restrictions	5,815	5,815
Time and purpose restrictions:		
Heart and Ingenuity	221,783	216,812
Substance use - Flinn Foundation	146,475	-
Child Safe mentoring	23,146	-
Lasher respite	25,000	-
Certified peer specialist	-	14,286
Michigan Adoption Resource Exchange	-	7,162
Tele-phyc	100,000	84,410
Integrated health services	46,848	50,000
Other	13,681	6,200
Total	<u>\$ 883,373</u>	<u>\$ 769,172</u>

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 9 - Temporarily Restricted Net Assets (cont.)

Net assets were released from restrictions, by incurring expenses satisfying the purpose or time restrictions specified by donors, as follows:

	<u>2017</u>	<u>2016</u>
Purpose restrictions:		
Autism Construction	\$ 110,000	\$ -
Lahser respite	-	18,882
Childsafe mentoring	5,000	7,533
Autism center	100,194	27,275
Family services- child welfare	56,820	-
Foster care	-	9,390
Michigan Adoption Resource Exchange	-	3,125
Playscape	61,996	-
Other purpose restrictions	12,016	10,712
Time restrictions:		
Pledges receivable	10,000	5,580
Time and purpose restrictions:		
Heart and Ingenuity	2,900	-
Child Safe mentoring	12,854	-
Vocational services	6,200	7,151
Certified peer specialist	14,286	10,115
Michigan Adoption Resource Exchange	22,162	4,374
Tele-physc	84,410	8,698
Integrated health services	3,152	-
Other	<u>16,320</u>	<u>-</u>
Total	<u>\$ 518,310</u>	<u>\$ 112,835</u>

NOTE 10 - Defined Contribution Plan

The Organization established the Judson Center Employees' 401(k) Retirement Plan, a defined contribution plan. Employees of Judson and Child Safe are eligible to participate with respect to salary reduction contributions subsequent to the completion of three months of service and attainment of the age of 18.

The defined contribution plan has a safe harbor provision. With respect to discretionary profit sharing contributions, participants must complete one year of service and have attained the age of 18. The Organization's contributions vest over five years of service. The Organization contributed approximately \$205,009 and \$117,860 to the defined contribution plan during the years ended September 30, 2017 and 2016, respectively.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 11 - Community Foundation Endowment Fund

The Organization has assets with the Community Foundation Endowment Fund for Southeast Michigan (the "Community Foundation") in an endowment fund. The Community Foundation will make distributions of income earned on the endowment fund to the Organization, subject to the Community Foundation's spending policy. Distributions received totaled \$95,043 and \$98,563 during the years ended September 30, 2017 and 2016, respectively. The market value of the endowment fund was \$2,131,201 and \$2,010,412 at September 30, 2017 and 2016, respectively. This market value is not recorded on the Organization's balance sheet as the Community Foundation has received contributions from third party donors only and not from The Organization itself.

NOTE 12 - Beneficial Interest in Charitable Remainder Unitrust

The Organization has been named a beneficiary in a charitable remainder unitrust for which a third party serves as trustee. The trust is irrevocable and upon death of the last remaining recipient, the organization will receive 50% of the trust net assets. The Organization is not restricted in the use of the trust assets once received. The Organization has recorded a beneficial interest in the charitable remainder unitrust totaling \$92,193 at September 30, 2017.

NOTE 13 - Related Party Transactions

During the years ended September 30, 2017 and 2016, the Organization paid or accrued \$531,746 and \$197,616 respectively for consulting and construction services from companies that are owned by or employ Board of Directors members. Amounts still owed to the companies were \$11,541 and \$-, respectively, as of September 30, 2017 and 2016.

JUDSON CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 14 - Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization is currently assessing the effect that ASU 2016-14 will have on its results of operations, financial position and cash flows.

During May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

SUPPLEMENTAL INFORMATION

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION For the Year Ended September 30, 2017

	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 369,981	\$ -	\$ -	\$ 42,276	\$ -	\$ 412,257
Accounts receivable, net	2,400,537	-	-	125,550	-	2,526,087
Related party receivable	201,444	8,196	18,102	433,842	(661,584)	-
Prepaid expenses and other	173,683	-	-	7,000	-	180,683
Total Current Assets	<u>3,145,645</u>	<u>8,196</u>	<u>18,102</u>	<u>608,668</u>	<u>(661,584)</u>	<u>3,119,027</u>
PROPERTY AND EQUIPMENT						
Land	237,054	-	-	-	-	237,054
Buildings and building improvements	6,970,931	-	-	-	-	6,970,931
Furniture and fixtures	1,214,111	-	-	-	-	1,214,111
Computer equipment and software	1,015,666	-	-	-	-	1,015,666
Transportation equipment	621,646	-	-	-	-	621,646
Construction in process	457,478	-	-	-	-	457,478
Total Property and Equipment	10,516,886	-	-	-	-	10,516,886
Less accumulated depreciation and amortization	(6,081,664)	-	-	-	-	(6,081,664)
Property and Equipment, Net	<u>4,435,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,435,222</u>
OTHER ASSETS						
Investments	-	10,701,144	-	-	-	10,701,144
Investment in subsidiary	10,819,173	-	-	-	(10,819,173)	-
Cash surrender value of life insurance	67,055	132,233	-	-	-	199,288
Beneficial interest in charitable remainder unitrust	92,193	-	-	-	-	92,193
Total Other Assets	<u>10,978,421</u>	<u>10,833,377</u>	<u>-</u>	<u>-</u>	<u>(10,819,173)</u>	<u>10,992,625</u>
TOTAL ASSETS	<u>\$ 18,559,288</u>	<u>\$ 10,841,573</u>	<u>\$ 18,102</u>	<u>\$ 608,668</u>	<u>\$(11,480,757)</u>	<u>\$ 18,546,874</u>

See independent auditors' report

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (cont.)
For the Year Ended September 30, 2017

	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 323,407	\$ -	\$ -	\$ 852	\$ -	\$ 324,259
Related party payable	442,038	22,400	-	197,146	(661,584)	-
Accrued expenses	654,985	-	18,102	43,012	-	716,099
Deferred revenue	203,900	-	-	-	-	203,900
Capital lease, current portion	<u>29,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,088</u>
Total Current Liabilities	1,653,418	22,400	18,102	241,010	(661,584)	1,273,346
LONG-TERM LIABILITIES						
Capital lease, net of current portion	100,027	-	-	-	-	100,027
Pension liability	3,161,417	-	-	-	-	3,161,417
Funds held for others	<u>67,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,722</u>
Total Liabilities	4,982,584	22,400	18,102	241,010	(661,584)	4,602,512
NET ASSETS						
Unrestricted	12,692,231	10,819,173	-	367,658	(10,819,173)	13,060,989
Temporarily Restricted	<u>884,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,100)</u>	<u>883,373</u>
Total Net Assets	<u>13,576,704</u>	<u>10,819,173</u>	<u>-</u>	<u>367,658</u>	<u>(10,819,173)</u>	<u>13,944,362</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,559,288</u>	<u>\$ 10,841,573</u>	<u>\$ 18,102</u>	<u>\$ 608,668</u>	<u>\$ (11,480,757)</u>	<u>\$ 18,546,874</u>

See independent auditors' report

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION For the Year Ended September 30, 2016

	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 2,187,672	\$ -	\$ -	\$ 63,499	\$ -	\$ 2,251,171
Accounts receivable, net	2,025,194	-	-	134,538	-	2,159,732
Related party receivable	163,787	7,195	18,085	269,506	(458,573)	-
Prepaid expenses and other	125,144	-	-	11,026	-	136,170
Total Current Assets	<u>4,501,797</u>	<u>7,195</u>	<u>18,085</u>	<u>478,569</u>	<u>(458,573)</u>	<u>4,547,073</u>
PROPERTY AND EQUIPMENT						
Land	237,054	-	-	-	-	237,054
Buildings and building improvements	6,211,388	-	-	-	-	6,211,388
Furniture and fixtures	1,202,684	-	-	-	-	1,202,684
Computer equipment and software	940,693	-	-	-	-	940,693
Transportation equipment	610,745	-	-	-	-	610,745
Construction in process	329,026	-	-	-	-	329,026
Total Property and Equipment	9,531,590	-	-	-	-	9,531,590
Less accumulated depreciation and amortization	(5,924,292)	-	-	-	-	(5,924,292)
Property and Equipment, Net	<u>3,607,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,607,298</u>
OTHER ASSETS						
Investments	-	10,223,328	-	-	-	10,223,328
Investment in subsidiary	10,346,792	-	-	-	(10,346,792)	-
Cash surrender value of life insurance	65,879	125,363	-	-	-	191,242
Total Other Assets	<u>10,412,671</u>	<u>10,348,691</u>	<u>-</u>	<u>-</u>	<u>(10,346,792)</u>	<u>10,414,570</u>
TOTAL ASSETS	<u>\$ 18,521,766</u>	<u>\$ 10,355,886</u>	<u>\$ 18,085</u>	<u>\$ 478,569</u>	<u>\$(10,805,365)</u>	<u>\$ 18,568,941</u>

See independent auditors' report

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (cont.)
For the Year Ended September 30, 2016

	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 298,563	\$ -	\$ -	\$ 715	\$ -	\$ 299,278
Related party payable	294,783	9,092	-	154,696	(458,571)	-
Accrued expenses	769,642	-	18,085	52,279	-	840,006
Deferred revenue	205,728	-	-	-	-	205,728
Capital lease, current portion	4,573	-	-	-	-	4,573
Total Current Liabilities	1,573,289	9,092	18,085	207,690	(458,571)	1,349,585
LONG-TERM LIABILITIES						
Pension liability	3,421,415	-	-	-	-	3,421,415
Total Liabilities	4,994,704	9,092	18,085	207,690	(458,571)	4,771,000
NET ASSETS						
Unrestricted	12,979,701	10,129,983	-	265,879	-	13,028,769
Temporarily Restricted	547,361	216,811	-	5,000	-	769,172
Total Net Assets	13,527,062	10,346,794	-	270,879	(10,346,794)	13,797,941
TOTAL LIABILITIES AND NET ASSETS	\$ 18,521,766	\$ 10,355,886	\$ 18,085	\$ 478,569	\$ (10,805,365)	\$ 18,568,941

See independent auditors' report

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the Year Ended September 30, 2017

	Judson Center, Inc	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS						
REVENUES AND SUPPORT						
Service fees and grants	\$ 11,926,815	\$ -	\$ -	\$ 860,859	\$ (12,000)	\$ 12,775,674
Autism fee revenue, net of contractual allowance (\$1,895,600)	3,643,663	-	-	-	-	3,643,663
Unrestricted public contributions	2,354,500	-	-	667,433	(500,000)	2,521,933
Interest and dividends	1,710	304,687	-	-	-	306,397
Realized and unrealized gains on investments	-	715,371	-	-	-	715,371
Gain on disposal of property and equipment	14,542	-	-	-	-	14,542
Rental income	26,640	-	-	-	-	26,640
Miscellaneous	369,592	-	482,753	36,625	(828,996)	59,974
Net assets released from restrictions	489,372	2,900	-	26,038	-	518,310
Total Revenue and Support	<u>18,826,834</u>	<u>1,022,958</u>	<u>482,753</u>	<u>1,590,955</u>	<u>(1,340,996)</u>	<u>20,582,504</u>
EXPENSES						
Program services	16,023,041	500,000	482,753	1,519,338	(1,328,996)	17,196,136
Supporting services						
Management and general expenses	2,529,937	55,550	-	-	(12,000)	2,573,487
Development	987,326	-	-	-	-	987,326
Total Expenses	<u>19,540,304</u>	<u>555,550</u>	<u>482,753</u>	<u>1,519,338</u>	<u>(1,340,996)</u>	<u>20,756,949</u>
Change in unrestricted net assets before other changes in net assets	<u>(713,470)</u>	<u>467,408</u>	<u>-</u>	<u>71,617</u>	<u>-</u>	<u>(174,445)</u>
OTHER CHANGES IN NET ASSETS						
Change in pension and postretirement liabilities	206,665	-	-	-	-	206,665
Change in investment in subsidiary	472,379	-	-	-	(472,379)	-
Total Other Changes in Net Assets	<u>679,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(472,379)</u>	<u>206,665</u>
Change in Unrestricted Net Assets	<u>(34,426)</u>	<u>467,408</u>	<u>-</u>	<u>71,617</u>	<u>(472,379)</u>	<u>32,220</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
Restricted public contributions	573,440	1,000	-	51,200	-	625,640
Unrealized gain on cash surrender value of life insurance	-	6,871	-	-	-	6,871
Net assets released from restrictions	(489,372)	(2,900)	-	(26,038)	-	(518,310)
Change in Temporarily Restricted Net Assets	<u>84,068</u>	<u>4,971</u>	<u>-</u>	<u>25,162</u>	<u>-</u>	<u>114,201</u>
CHANGE IN NET ASSETS	<u>49,642</u>	<u>472,379</u>	<u>-</u>	<u>96,779</u>	<u>(472,379)</u>	<u>146,421</u>
NET ASSETS - Beginning of year	<u>13,527,062</u>	<u>10,346,794</u>	<u>-</u>	<u>270,879</u>	<u>(10,346,794)</u>	<u>13,797,941</u>
NET ASSETS - END OF YEAR	<u>\$ 13,576,704</u>	<u>\$ 10,819,173</u>	<u>\$ -</u>	<u>\$ 367,658</u>	<u>\$ (10,819,173)</u>	<u>\$ 13,944,362</u>

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JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the Year Ended September 30, 2016

	Judson Center, Inc	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS						
REVENUES AND SUPPORT						
Service fees and grants	\$ 10,512,491	\$ -	\$ -	\$ 681,822	\$ (12,000)	\$ 11,182,313
Autism fee revenue, net of contractual allowance (\$2,357,730)	3,189,514	-	-	-	-	3,189,514
Unrestricted public contributions	2,196,784	1,000	-	701,159	(500,000)	2,398,943
Interest and dividends	2,095	414,762	-	-	-	416,857
Realized and unrealized gain/(loss) on investments	(1,491)	580,896	-	-	-	579,405
Gain on disposal of property and equipment	111,660	-	-	-	-	111,660
Rental income	28,353	-	-	-	-	28,353
Miscellaneous	225,532	-	439,019	24,677	(535,019)	154,209
Net assets released from restrictions	106,042	-	-	6,793	-	112,835
Total Revenue and Support	<u>16,370,980</u>	<u>996,658</u>	<u>439,019</u>	<u>1,414,451</u>	<u>(1,047,019)</u>	<u>18,174,089</u>
EXPENSES						
Program services	13,530,633	500,000	439,019	1,240,392	(939,019)	14,771,025
Supporting services						
Management and general	2,452,401	53,646	-	-	(108,000)	2,398,047
Development	825,631	-	-	-	-	825,631
Total Expenses	<u>16,808,665</u>	<u>553,646</u>	<u>439,019</u>	<u>1,240,392</u>	<u>(1,047,019)</u>	<u>17,994,703</u>
Change in unrestricted net assets before other changes in net assets	<u>(437,685)</u>	<u>443,012</u>	<u>-</u>	<u>174,059</u>	<u>-</u>	<u>179,386</u>
OTHER CHANGES IN NET ASSETS						
Change in pension and postretirement liabilities	(619,598)	-	-	-	-	(619,598)
Change in investment in subsidiary	449,901	-	-	-	(449,901)	-
Total Other Changes in Net Assets	<u>(169,697)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(449,901)</u>	<u>(619,598)</u>
Change in Unrestricted Net Assets	<u>(607,382)</u>	<u>443,012</u>	<u>-</u>	<u>174,059</u>	<u>(449,901)</u>	<u>(440,212)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
Restricted public contributions	409,622	-	-	5,000	-	414,622
Unrealized gain on cash surrender value of life insurance	-	6,890	-	-	-	6,890
Net assets released from restrictions	(106,042)	-	-	(6,793)	-	(112,835)
Change in Temporarily Restricted Net Assets	<u>303,580</u>	<u>6,890</u>	<u>-</u>	<u>(1,793)</u>	<u>-</u>	<u>308,677</u>
CHANGE IN NET ASSETS	<u>(303,802)</u>	<u>449,902</u>	<u>-</u>	<u>172,266</u>	<u>(449,901)</u>	<u>(131,535)</u>
NET ASSETS - Beginning of year	<u>13,830,864</u>	<u>9,896,892</u>	<u>-</u>	<u>98,613</u>	<u>(9,896,893)</u>	<u>13,929,476</u>
NET ASSETS - END OF YEAR	<u>\$ 13,527,062</u>	<u>\$ 10,346,794</u>	<u>\$ -</u>	<u>\$ 270,879</u>	<u>\$ (10,346,794)</u>	<u>\$ 13,797,941</u>

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JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF PROGRAM EXPENSES
For the Year Ended September 30, 2017 (with comparative totals for September 30, 2016)

	Judson Center, Inc.								Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total	
	Family Preservation	Prevention	Foster Care & Adoption	Autism	Group Homes & Respite	Supported Employment	Mental Health	Total					2017	2016
SALARIES AND RELATED EXPENSES														
Salaries	\$ 2,038,004	\$ 208,069	\$ 2,166,070	\$ 2,391,988	\$ 434,573	\$ 1,890,463	\$ 983,324	\$ 10,112,491	\$ -	\$ 439,183	\$ 663,166	\$ (439,183)	\$ 10,775,657	\$ 9,385,913
Payroll taxes	176,489	17,895	188,450	248,640	45,306	157,446	85,057	919,283	-	43,570	56,447	(43,570)	975,730	894,749
Benefits	493,770	56,743	376,581	182,271	78,013	261,121	127,492	1,575,991	-	-	142,054	-	1,718,045	1,122,646
Pension	39,086	7,393	57,471	51,148	12,569	32,487	28,963	229,117	-	-	10,359	-	239,476	184,829
Total Salaries and Related Expenses	2,747,349	290,100	2,788,572	2,874,047	570,461	2,341,517	1,224,836	12,836,882	-	482,753	872,026	(482,753)	13,708,908	11,588,137
OTHER EXPENSES														
Professional fees and services	11,692	1,917	35,260	169,272	12,467	17,087	45,614	293,309	-	-	430,560	(346,243)	377,626	561,874
Supplies, food, and equipment	52,500	3,462	85,945	71,526	21,349	18,183	27,344	280,309	-	-	121,629	-	401,938	361,914
Utilities	47,415	3,715	82,648	78,715	14,911	29,902	33,393	290,699	-	-	16,722	-	307,421	295,715
Facilities maintenance and rent	75,906	23,392	139,989	185,411	39,426	8,993	128,069	601,186	-	-	23,868	-	625,054	629,975
Vehicle gas and insurance	201,531	329	184,918	20,068	15,096	126,822	25,683	574,447	-	-	38,360	-	612,807	521,808
Conferences, meetings, and lunches	3,130	-	24,605	7,860	254	1,461	263	37,573	-	-	3,607	-	41,180	34,822
Subscriptions, training, and recruitment	14,857	358	19,331	76,518	1,715	11,397	4,112	128,288	-	-	9,118	-	137,406	97,974
Medical	-	-	745	-	30	-	459,059	459,834	-	-	357	-	460,191	233,866
Bad debt	-	-	-	-	-	-	-	-	-	-	2,980	-	2,980	81
Direct client expense reimbursement	127,424	-	181,219	5,287	54	428	-	314,412	500,000	-	(59,748)	(500,000)	254,664	205,328
Miscellaneous	408	-	515	-	95	-	-	1,018	-	-	1,616	-	2,634	5,848
Total Other Expenses	534,863	33,173	755,175	614,657	105,397	214,273	723,537	2,981,075	500,000	-	589,069	(846,243)	3,223,901	2,949,205
DEPRECIATION AND AMORTIZATION	6,135	1,349	20,145	99,314	6,950	62,676	8,515	205,084	-	-	58,243	-	263,327	233,683
TOTAL PROGRAM EXPENSES	<u>\$ 3,288,347</u>	<u>\$ 324,622</u>	<u>\$ 3,563,892</u>	<u>\$ 3,588,018</u>	<u>\$ 682,808</u>	<u>\$ 2,618,466</u>	<u>\$ 1,956,888</u>	<u>\$ 16,023,041</u>	<u>\$ 500,000</u>	<u>\$ 482,753</u>	<u>\$ 1,519,338</u>	<u>\$ (1,328,996)</u>	<u>\$ 17,196,136</u>	<u>\$ 14,771,025</u>

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JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF MANAGEMENT AND GENERAL EXPENSES
For the Year Ended September 30, 2017 (with comparative totals for September 30, 2016)

	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total	
						2017	2016
SALARIES AND RELATED EXPENSES							
Salaries	\$ 1,427,656	\$ -	\$ -	\$ -	\$ -	\$ 1,427,656	\$ 1,307,058
Payroll taxes	102,274	-	-	-	-	102,274	98,555
Benefits	193,064	-	-	-	-	193,064	126,237
Pension	<u>62,269</u>	-	-	-	-	<u>62,269</u>	<u>42,871</u>
Total Salaries & Related Expenses	1,785,263	-	-	-	-	1,785,263	1,574,721
OTHER EXPENSES							
Professional fees and services	251,859	55,550	-	-	(12,000)	295,409	316,121
Supplies, food, and equipment	65,711	-	-	-	-	65,711	53,571
Utilities	61,010	-	-	-	-	61,010	63,782
Facilities maintenance and rent	59,912	-	-	-	-	59,912	66,864
Vehicle gas and insurance	7,778	-	-	-	-	7,778	16,115
Conferences, meetings, and lunches	34,319	-	-	-	-	34,319	24,779
Subscriptions, training, and recruitment	116,854	-	-	-	-	116,854	72,571
Direct client expense reimbursement	128	-	-	-	-	128	5,194
Miscellaneous	<u>17,680</u>	-	-	-	-	<u>17,680</u>	<u>9,879</u>
Total Other Expenses	<u>615,251</u>	<u>55,550</u>	-	-	(12,000)	<u>658,801</u>	<u>628,876</u>
DEPRECIATION AND AMORTIZATION	<u>129,423</u>	-	-	-	-	<u>129,423</u>	<u>194,450</u>
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>\$ 2,529,937</u>	<u>\$ 55,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,000)</u>	<u>\$ 2,573,487</u>	<u>\$ 2,398,047</u>

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JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF DEVELOPMENT EXPENSES
For the Year Ended September 30, 2017 (with comparative totals for September 30, 2016)

						Total	
	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	2017	2016
SALARIES AND RELATED EXPENSES							
Salaries	\$ 472,082	\$ -	\$ -	\$ -	\$ -	\$ 472,082	\$ 410,398
Payroll taxes	38,371	-	-	-	-	38,371	32,518
Benefits	24,651	-	-	-	-	24,651	11,103
Pension	16,031	-	-	-	-	16,031	11,611
Total Salaries and Related Expenses	551,135	-	-	-	-	551,135	465,630
OTHER EXPENSES							
Professional fees and services	65,845	-	-	-	-	65,845	55,419
Supplies, food, and equipment	216,348	-	-	-	-	216,348	190,202
Utilities	7,349	-	-	-	-	7,349	7,891
Facilities maintenance and rent	10,794	-	-	-	-	10,794	9,063
Vehicle gas and insurance	2,331	-	-	-	-	2,331	903
Conferences, meetings, and lunches	1,945	-	-	-	-	1,945	2,541
Subscriptions, training, and recruitment	3,756	-	-	-	-	3,756	5,088
Direct client expense reimbursement	116,489	-	-	-	-	116,489	77,541
Miscellaneous	5,017	-	-	-	-	5,017	3,466
Total Other Expenses	429,874	-	-	-	-	429,874	352,114
DEPRECIATION AND AMORTIZATION	6,317	-	-	-	-	6,317	7,887
TOTAL DEVELOPMENT EXPENSES	\$ 987,326	\$ -	\$ -	\$ -	\$ -	\$ 987,326	\$ 825,631

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