JUDSON CENTER, INC. AND SUBSIDIARIES
Royal Oak, Michigan

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2018 and 2017

JUDSON CENTER, INC. AND SUBSIDIARIES

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As of and for the Years Ended September 30, 2018 and 2017

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, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses 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 consolidated financial position of the Organization as of September 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating 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 29, 2019

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 340,454	$ 412,257
Accounts receivable, net	4,051,060	2,526,087
Prepaid expenses and other	147,102	180,683
Total Current Assets	4,538,616	3,119,027
PROPERTY AND EQUIPMENT, NET	4,513,046	4,435,222
OTHER ASSETS		
Investments	10,812,535	10,701,144
Cash surrender value of life insurance	206,245	199,288
Beneficial interest in charitable remainder unitrust	94,141	92,193
Total Other Assets	11,112,921	10,992,625
TOTAL ASSETS	$ 20,164,583	$ 18,546,874

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 428,060	$ 324,259
Accrued expenses	806,749	716,099
Deferred revenue	157,200	203,900
Capital lease, current portion	29,088	29,088
Note payable, current portion	65,076	-
Pension liability, current portion	120,780	125,273
Total Current Liabilities	1,606,953	1,398,619
LONG-TERM LIABILITIES		
Capital lease, net of current portion	70,939	100,027
Pension liability, net of current portion	2,685,470	3,036,144
Funds held for others	60,334	67,722
Interest rate swap liability	18,260	-
Note payable, net of current portion	1,434,924	-
Total Long-Term Liabilities	4,269,927	3,203,893
Total Liabilities	5,876,880	4,602,512
NET ASSETS		
Unrestricted	12,876,945	13,060,989
Temporarily Restricted	1,410,758	883,373
Total Net Assets	14,287,703	13,944,362
TOTAL LIABILITIES AND NET ASSETS	$ 20,164,583	$ 18,546,874

See accompanying notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2018 and 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND SUPPORT		
Service fees and grants	$ 13,858,488	$ 12,775,674
Autism fee revenue, net of contractual adjustments ($4,914,137 and $1,895,600 at September 30, 2018 and 2017, respectively)	4,813,750	3,643,663
Unrestricted public contributions	2,279,611	2,521,933
Interest and dividends	434,045	306,397
Realized and unrealized gains on investments	236,242	715,371
Gain on disposal of property and equipment	-	14,542
Rental income	30,490	26,640
Miscellaneous	192,924	59,974
Net assets released from restrictions	483,272	518,310
Total Revenue and Support	22,328,822	20,582,504
EXPENSES		
Program services	18,799,858	17,196,136
Management and general	3,027,295	2,573,487
Development	1,005,004	987,326
Total Expenses	22,832,157	20,756,949
Change in unrestricted net assets before other changes in net assets	(503,335)	(174,445)
OTHER CHANGES IN NET ASSETS		
Change in pension and postretirement liabilities	319,291	206,665
Change in Unrestricted Net Assets	(184,044)	32,220
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted public contributions	1,003,700	625,640
Unrealized gain on cash surrender value of life insurance	6,957	6,871
Net assets released from restrictions	(483,272)	(518,310)
Change in Temporarily Restricted Net Assets	527,385	114,201
CHANGE IN NET ASSETS	343,341	146,421
NET ASSETS - Beginning of year	13,944,362	13,797,941
NET ASSETS - END OF YEAR	$ 14,287,703	$ 13,944,362

See accompanying notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 343,341	$ 146,421
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation	493,872	399,067
Gain on disposal of property and equipment	-	(14,542)
Realized and unrealized gain on investments	(236,242)	(715,371)
Change in beneficial interest in charitable remainder unitrust	(1,948)	(24,471)
Allowance for contractual adjustments, doubtful accounts and pledge discounts	557,512	40,880
Unrealized gain on cash surrender value of life insurance	(6,957)	(8,046)
Interest rate swap agreement fair market value adjustment	18,260	-
Changes in assets and liabilities		
Accounts receivable	(2,082,485)	(407,235)
Prepaid expenses and other	33,581	(44,513)
Accounts payable	103,801	24,981
Accrued expenses	90,650	(123,907)
Deferred revenue	(46,700)	(1,828)
Pension liability	(355,167)	(259,998)
Payments of funds held for others	(7,388)	-
Net Cash Flows Used in Operating Activities	(1,095,870)	(988,562)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(571,697)	(1,095,881)
Proceeds from sale of property and equipment	-	29,164
Purchases of investments	(3,167,132)	(464,879)
Proceeds from sales of investments	3,291,984	702,434
Net Cash Flows Used in Investing Activities	(446,845)	(829,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease	(29,088)	(21,190)
Proceeds from notes payable	1,500,000	-
Net Cash Flows from (Used in) Financing Activities	1,470,912	(21,190)
Net Change in Cash and Cash Equivalents	(71,803)	(1,838,914)
CASH AND CASH EQUIVALENTS - Beginning of Year	412,257	2,251,171
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 340,454	$ 412,257
Supplemental cash flow disclosures		
Cash paid for interest	$ 56,709	$ 5,602
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, 2018 and 2017

	Program Services	Management and General	Development	2018 Total	Program Services	Management and General	Development	2017 Total
Salaries	$ 11,763,613	$ 1,527,691	$ 523,268	$ 13,814,572	$ 10,775,657	$ 1,427,656	$ 472,082	$ 12,675,395
Payroll taxes	1,001,493	110,358	42,449	1,154,300	975,730	102,274	38,371	1,116,375
Benefits	1,968,454	214,412	28,752	2,211,618	1,718,045	193,064	24,651	1,935,760
Pension	252,498	60,619	14,476	327,593	239,476	62,269	16,031	317,776
Total Salaries and Related Expenses	14,986,058	1,913,080	608,945	17,508,083	13,708,908	1,785,263	551,135	16,045,306
Professional fees and services	379,857	517,148	89,672	986,677	377,626	295,409	65,845	738,880
Supplies, food and equipment	385,560	49,855	230,484	665,899	401,938	65,711	216,348	683,997
Utilities	289,936	70,490	8,912	369,338	307,421	61,010	7,349	375,780
Facilities maintenance and rent	698,276	63,822	9,476	771,574	625,054	59,912	10,794	695,760
Vehicle gas and insurance	653,807	13,415	1,611	668,833	612,807	7,778	2,331	622,916
Conferences, meetings and lunches	50,858	26,628	1,600	79,086	41,180	34,319	1,945	77,444
Subscriptions, training and recruitment	143,857	107,131	5,460	256,448	137,406	116,854	3,756	258,016
Medical	421,331	-	-	421,331	460,191	-	-	460,191
Bad debt	258,683	-	12,000	270,683	2,980	-	-	2,980
Direct client expense reimbursement	238,524	17	22,072	260,613	254,664	128	116,489	371,281
Miscellaneous	9,667	62,825	7,228	79,720	2,634	17,680	5,017	25,331
Depreciation	283,444	202,884	7,544	493,872	263,327	129,423	6,317	399,067
Total Expenses	$ 18,799,858	$ 3,027,295	$ 1,005,004	$ 22,832,157	$ 17,196,136	$ 2,573,487	$ 987,326	$ 20,756,949

See accompanying notes to consolidated financial statements.

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.

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.

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

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 $221,253 and $389,879 at September 30, 2018 and 2017, 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 allowance of $1,407,481 and $681,343 at September 30, 2018 and 2017, respectively.

The Organization's promises to give, included within accounts receivable on the statements 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.

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.

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

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, 2018 and 2017 were $157,200 and $203,900, 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.

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, 2018 or 2017.

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

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.

Accounting for Derivatives and Hedging Activities

The Organization has an interest rate swap agreement (derivative financial instrument). The Organization's purpose in entering into the swap agreement is to mitigate the risk of interest rate increases on the related variable rate debt. The Organization accounts for the swap agreement in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The swap agreement does not qualify as hedging activity, therefore, changes in the fair value are recognized as a component of net income and reflected as a component of interest expense on the statement of operations. Accounting standards require derivative financial instruments to be reflected as assets or liabilities at fair value on the balance sheet.

The Organization entered into an interest rate swap agreement with an effective date of September 6, 2018, fixing the rate on the notional amount of debt at 5.64% through August 6, 2025. The notional amount is $1,500,000 at September 30, 2018.

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

Accounting for Derivatives and Hedging Activities (cont.)

The notional amount under the swap agreements decreases as principal payments are made on the debt. The counterparty on the swap agreements is the same entity as the holder of the original note. The Organization does not require collateral from the counterparty for the interest rate swap agreements. The Organization does not use derivatives for trading or speculative purposes. No derivative contracts were terminated prior to maturity.

As of September 30, 2018, the interest rate swap agreement (not designated as a hedging instrument) is reported in the balance sheet as a liability at fair value of $18,260.

Fair Value of Financial Instruments

The Organization's short-term financial instruments consist of the following: cash and cash equivalents, accounts receivable and accounts payable. The recorded values of these short-term financial instruments approximate their fair values based on the instruments' short-term nature. The Organization's long-term financial instruments consist of money market, equity and bond funds. The recorded values of these long-term financial instruments approximate their fair values based on quoted market prices.

The recorded value of the Organization's interest rate swap (used for purposes other than trading) approximates the amount that the Organization would receive, or pay, to sell or transfer to another entity with the same credit standing, this agreement at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets, and the creditworthiness of the Organization for liabilities.

The recorded value of the Organization's variable rate debt is estimated based on current rates for similar variable rate debt with the same remaining maturities. The Organization also considers its creditworthiness in determining the fair value of their variable rate debt.

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 statements 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.

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

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

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.

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 $249,357 and $345,657 in September 30, 2018 and 2017, 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 2017 amounts have been reclassified to conform with classifications adopted in 2018. 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 ("US GAAP") 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 Organization has evaluated events through January 29, 2019, which is the date the financial statements were approved and available to be issued.

NOTE 2 - Investments

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

	2018	2017
Money market funds	$ 158,556	$ 152,377
Bond funds	3,040,092	4,356,717
Equity funds	7,613,887	6,192,050
Total	$ 10,812,535	$ 10,701,144

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

	2018	2017
Interest and dividends	$ 434,045	$ 306,397
Net realized and unrealized gains on investments	236,242	715,371
Total	$ 670,287	$ 1,021,768

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, 2018 and 2017.

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 using quoted market prices.

> 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.

> Interest rate swap liability: This liability is valued at the approximate amount that the Organization would receive, or pay, to sell or transfer to another entity with the same credit standing and is classified as Level 2.

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, 2018 based upon the three-tier hierarchy:

	September 30, 2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	$ 158,556	$ 158,556	$ -	$ -
Bond funds	3,040,092	3,040,092	-	-
Equity funds	7,613,887	7,613,887	-	-
Total	$ 10,812,535	$ 10,812,535	$ -	$ -
Liabilities:				
Interest rate swap	$ 18,260	$ -	$ 18,260	$ -

The table below presents information about 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	6,192,050	6,192,050	-	-
Total	$ 10,701,144	$ 10,701,144	$ -	$ -

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

The estimated carrying and fair values of the Organization's financial instruments are as follows:

	Carrying Value	Estimated Fair Value
Financial assets:		
Investments	$ 10,812,535	$ 10,812,535
Financial liabilities:		
Variable rate debt	$ 1,500,000	$ 1,500,000
Interest rate swap liability	18,260	18,260

NOTE 4 - Property and Equipment

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

	Depreciable Lives	2018	2017
Land	N/A	$ 237,054	$ 237,054
Buildings	25 yrs	7,018,951	6,970,931
Furniture and fixtures	10-15 yrs	770,204	748,209
Computer hardware and software	5-10 yrs	1,835,359	1,015,666
Transportation equipment	5 yrs	621,646	621,646
Phone system	10 yrs	465,902	465,902
Work in progress	N/A	139,466	457,478
Total Property and Equipment		11,088,582	10,516,886
Less: Accumulated depreciation		6,575,536	6,081,664
		$ 4,513,046	$ 4,435,222

Depreciation expense totaled $493,872 and $399,067 for the years ended September 30, 2018 and 2017, respectively. Amortization of assets under capital lease is included in depreciation expense. The net book value of property leased under capital leases is approximately $119,000 and $153,000, as of September 30, 2018 and 2017, respectively.

NOTE 5 - Capital Lease Obligations

At September 30, 2018 and 2017, the Organization is obligated under long-term vehicle 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:

	2018	2017
Capital leases	$ 100,027	$ 129,115
Less: Current Portion	(29,088)	(29,088)
Long-Term Portion	$ 70,939	$ 100,027

Future maturities of capital lease obligations are as follows:

2019	$ 29,088
2020	29,088
2021	29,088
2022	12,763
Total	$ 100,027

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

2019	$ 35,366
2020	35,366
2021	35,366
2022	15,381
Total minimum lease payments	121,479
Less: Amount representing interest	(21,452)
Present value of minimum lease payments	100,027
Less: Current portion	(29,088)
	$ 70,939

NOTE 6 - Commitments

The Organization leases meeting space and residential homes with monthly payments totaling $17,331 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 $11,066 per month. The lease expires November 2022.

The following is a schedule of annual future minimum lease payments required under operating leases and maintenance commitments as of September 30, 2018:

Years Ending September 30,	
2019	$ 277,071
2020	146,071
2021	146,071
2022	25,864
Total	$ 595,077

Total lease expense under these agreements was $396,343 and $391,161 for the years ended September 30, 2018 and 2017, respectively.

NOTE 7 - Line of Credit

The Organization has a line of credit agreement with a bank expiring on February 28, 2019, 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% (an effective rate of 4.38% as of September 30, 2018), as defined by the credit agreement. There were no outstanding borrowings under the line of credit as of September 30, 2018 or 2017, respectively.

NOTE 8 - Note Payable

The Organization has a term note payable to a financial institution which is collateralized by all personal property of the Organization.

The note is due in monthly installments of $5,423, including interest at an effective rate of 4.42% at September 30, 2018 and with the unpaid balance of approximately $1,140,000 due on the maturity date of September 6, 2023.

Maturities on the note payable for years ending September 30 are as follows:

2019	$ 65,076
2020	68,256
2021	73,164
2022	77,436
2023	1,216,068
Total	$ 1,500,000

NOTE 9 - 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:

	2018	2017
Interest cost	$ 321,731	$ 325,363
Expected return on plan assets	(351,107)	(337,869)
Amortization of actuarial loss	120,780	125,273
Net Periodic Pension Cost	$ 91,404	$ 112,767

The following table presents the Plan’s unfunded status:

	2018	2017
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 8,669,125	$ 8,884,187
Interest cost	321,731	325,363
Actuarial loss (gain)	(187,690)	22,241
Benefits paid	(413,432)	(562,666)
Projected benefit obligation, end of year	8,389,734	8,669,125
Change in plan assets:		
Fair value of plan assets, beginning of year	5,507,708	5,462,772
Actual return on plan assets	310,698	483,027
Employer contributions	178,510	124,575
Benefits paid	(413,432)	(562,666)
Fair value of plan assets, end of year	5,583,484	5,507,708
Unfunded status, end of year		
Projected benefit obligation in excess of plan assets	$ (2,806,250)	$ (3,161,417)

US GAAP requires the Organization to recognize the unfunded status of the Plan as a liability in its consolidated statements of financial position.

NOTE 9 - 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 $120,780. The accumulated unrecognized actuarial loss at September 30, 2018 and 2017 was $4,639,318 and $4,907,380, respectively.

Estimated future annual benefit payments expected to be paid from the Plan are as follows:

Years ending September 30,	Amount
2019	$ 352,719
2020	361,699
2021	367,654
2022	370,981
2023	374,544
2024 - 2029	2,005,552

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

	2018	2017
Discount rate	3.80 %	3.80 %
Expected rate of long-term return on plan assets	6.50 %	6.50 %
Rate of compensation increase	N/A	N/A

In determining the expected long-term rate of return on defined benefit pension plan assets, management considers the historical rates of return, the nature of investments and an expectation of future investment strategies.

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

	2018	2017
Discount rate	4.00 %	3.80 %
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, 2018 and 2017 is set forth in the following table:

	2018	2017
Equity securities	$ 3,347,857	$ 3,304,625
Debt securities	2,125,074	2,070,898
Other	110,553	132,185
Total	$ 5,583,484	$ 5,507,708

The above investments are all considered level one within the fair value hierarchy at September 30, 2018 and 2017.

NOTE 9 - Pension Plan (cont.)

Contributions

Employer contributions to the Plan were $178,510 and $124,575 during the years ended September 30, 2018 and 2017 respectively.

The Organization expects to contribute $110,000 to the plan in fiscal 2019.

NOTE 10 - Temporarily Restricted Net Assets

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

	2018	2017
Purpose restrictions:		
Lahser respite	$ 229,911	$ 197,081
Autism center	51,048	34,852
Foster care and family services	51,140	-
Playscape	5,268	5,268
Other purpose restrictions	111	885
Time restrictions:		
Pledges receivable	28,265	38,068
Charitable remainder trust	33,808	24,471
Other time restrictions	5,815	5,815
Time and purpose restrictions:		
Heart and Ingenuity	223,564	221,783
Substance use - Flinn Foundation	104,110	146,475
Autism House	162,011	-
Child Safe mentoring	-	23,146
Lasher respite	-	25,000
JFF Website	19,000	-
Autism teen independent skills	15,453	-
Tele-physc	-	100,000
Integrated health services	481,254	46,848
Other	-	13,681
Total	$ 1,410,758	$ 883,373

NOTE 10 - 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:

	2018	2017
Purpose restrictions:		
Autism Construction	$ -	$ 110,000
Child Safe visitation room	34,482	-
Child Safe mentoring	-	5,000
Autism center	61,265	100,194
Family services- child welfare	-	56,820
Foster care and family services	25,149	-
Playscape	-	61,996
Other purpose restrictions	2,136	12,016
Time restrictions:		
Pledges receivable	10,000	10,000
Time and purpose restrictions:		
Heart and Ingenuity	5,175	2,900
Substance use - Flinn Foundation	43,546	-
Lahser respite	25,000	-
JFF website	36,000	-
Autism teen independent skills	34,547	-
Child Safe mentoring	35,146	12,854
Vocational services	-	6,200
Certified peer specialist	-	14,286
Child Safe parent support training	7,016	-
Michigan Adoption Resource Exchange	-	22,162
Tele-physc	100,000	84,410
Integrated health services	46,848	3,152
Other	16,962	16,320
Total	$ 483,272	$ 518,310

NOTE 11 - 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 $236,186 and $205,009 to the defined contribution plan during the years ended September 30, 2018 and 2017, respectively.

NOTE 12 - 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 $91,119 and $95,043 during the years ended September 30, 2018 and 2017, respectively. The market value of the endowment fund was $2,157,054 and $2,010,412 at September 30, 2018 and 2017, 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 13 - 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 $94,141 and $92,193 as of September 30, 2018 and 2017, respectively.

NOTE 14 - Related Party Transactions

During the years ended September 30, 2018 and 2017, the Organization paid or accrued $172,160 and $531,746 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 $598 and $11,541, respectively, as of September 30, 2018 and 2017.

NOTE 15 - Accounting Pronouncements

During August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): "Presentation of Financial Statements of Not-for-Profit Entities." The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. ASU 2016-14 is to be applied retroactively with transition provisions. 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 Organization may elect to apply the guidance earlier. 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 will have on its results of operations, financial position and cash flows.

NOTE 15 - Accounting Pronouncements (cont.)

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, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

During November 2016, the FASB issued ASU 2016-18, “Restricted Cash”, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim period within fiscal years beginning after December 15, 2019, and should be applied on a retrospective transition basis. Early adoption is permitted. The Organization is currently evaluating the effect that ASU 2016-18 will have on its results of operations, financial position and cash flows.

During June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU 2018-08 will have on its results of operations, financial position and cash flows.

SUPPLEMENTAL INFORMATION

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
As of September 30, 2018

	Judson Center, Inc	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total
		ASSETS				
CURRENT ASSETS						
Cash and cash equivalents	$ 197,558	$ -	$ -	$ 142,896	$ -	$ 340,454
Accounts receivable, net	3,876,546	-	-	174,514	-	4,051,060
Related party receivable	200,935	-	11,797	447,817	(660,549)	-
Prepaid expenses and other	139,702	-	-	7,400	-	147,102
Total Current Assets	4,414,741	-	11,797	772,627	(660,549)	4,538,616
PROPERTY AND EQUIPMENT						
Land	237,054	-	-	-	-	237,054
Buildings and building improvements	7,018,951	-	-	-	-	7,018,951
Furniture and fixtures	1,236,106	-	-	-	-	1,236,106
Computer equipment and software	1,835,359	-	-	-	-	1,835,359
Transportation equipment	621,646	-	-	-	-	621,646
Construction in process	137,921	-	-	1,545	-	139,466
Total Property and Equipment	1,087,037	-	-	1,545	-	1,088,582
Less accumulated depreciation and amortization	(6,575,536)	-	-	-	-	(6,575,536)
Property and Equipment, Net	4,511,501	-	-	1,545	-	4,513,046
OTHER ASSETS						
Investments	-	10,812,535	-	-	-	10,812,535
Investment in subsidiary	10,937,550	-	-	-	(10,937,550)	-
Cash surrender value of life insurance	67,055	139,190	-	-	-	206,245
Beneficial interest in charitable remainder unitrust	94,141	-	-	-	-	94,141
Total Other Assets	11,098,746	10,951,725	-	-	(10,937,550)	11,112,921
TOTAL ASSETS	$ 20,024,988	$ 10,951,725	$ 11,797	$ 774,172	$ (11,598,099)	$ 20,164,583

See independent auditors' report.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (cont.)
As of September 30, 2018

	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	$ 411,358	$ -	$ -	$ 16,702	$ -	$ 428,060
Related party payable	459,613	14,175	-	186,761	(660,549)	-
Accrued expenses	745,292	-	11,797	49,660	-	806,749
Deferred revenue	157,200	-	-	-	-	157,200
Capital lease, current portion	29,088	-	-	-	-	29,088
Note payable, current portion	65,076	-	-	-	-	65,076
Pension liability, current portion	120,780	-	-	-	-	120,780
Total Current Liabilities	1,988,407	14,175	11,797	253,123	(660,549)	1,606,953
LONG-TERM LIABILITIES						
Capital lease, net of current portion	70,939	-	-	-	-	70,939
Pension liability, net of current portion	2,685,470	-	-	-	-	2,685,470
Funds held for others	60,334	-	-	-	-	60,334
Interest rate swap liability	18,260	-	-	-	-	18,260
Note payable, net of current portion	1,434,924	-	-	-	-	1,434,924
Total Long-Term Liabilities	4,269,927	-	-	-	-	4,269,927
Total Liabilities	6,258,334	14,175	11,797	253,123	(660,549)	5,876,880
NET ASSETS						
Unrestricted	12,355,896	10,937,550	-	521,049	(10,937,550)	12,876,945
Temporarily Restricted	1,410,758	-	-	-	-	1,410,758
Total Net Assets	13,766,654	10,937,550	-	521,049	(10,937,550)	14,287,703
TOTAL LIABILITIES AND NET ASSETS	$ 20,024,988	$ 10,951,725	$ 11,797	$ 774,172	$ (11,598,099)	$ 20,164,583

See independent auditors' report.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
As of 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	3,145,645	8,196	18,102	608,668	(661,584)	3,119,027
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	0,516,886	-	-	-	-	10,516,886
Less accumulated depreciation and amortization	6,081,664)	-	-	-	-	(6,081,664)
Property and Equipment, Net	4,435,222	-	-	-	-	4,435,222
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	10,978,421	10,833,377	-	-	(10,819,173)	10,992,625
TOTAL ASSETS	$ 18,559,288	$ 10,841,573	$ 18,102	$ 608,668	$ (11,480,757)	$ 18,546,874

See independent auditors' report.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (cont.)
As of 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	29,088	-	-	-	-	29,088
Pension liability, current portion	125,273	-	-	-	-	125,273
Total Current Liabilities	1,778,691	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, net of current portion	3,036,144	-	-	-	-	3,036,144
Funds held for others	67,722	-	-	-	-	67,722
Total Long-Term Liabilities	3,203,893	-	-	-	-	3,203,893
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	884,473	-	-	-	(1,100)	883,373
Total Net Assets	13,576,704	10,819,173	-	367,658	(10,819,173)	13,944,362
TOTAL LIABILITIES AND NET ASSETS	$ 18,559,288	$ 10,841,573	$ 18,102	$ 608,668	$ (11,480,757)	$ 18,546,874

See independent auditors' report.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2018

	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	$ 12,798,986	$ -	$ -	$ 1,071,502	$ (12,000)	$ 13,858,488
Autism fee revenue, net of contractual adjustments ($4,914,137)	4,813,750	-	-	-	-	4,813,750
Unrestricted public contributions	2,073,277	-	-	706,334	(500,000)	2,279,611
Interest and dividends	2,135	431,910	-	-	-	434,045
Realized and unrealized gains on investments	-	236,242	-	-	-	236,242
Rental income	30,490	-	-	-	-	30,490
Miscellaneous	441,146	-	418,749	28,234	(695,205)	192,924
Net assets released from restrictions	425,561	5,175	-	52,536	-	483,272
Total Revenue and Support	20,585,345	673,327	418,749	1,858,606	(1,207,205)	22,328,822
EXPENSES						
Program services	17,402,340	505,175	418,749	1,668,799	(1,195,205)	18,799,858
Management and general expenses	2,987,738	51,557	-	-	(12,000)	3,027,295
Development	1,005,004	-	-	-	-	1,005,004
Total Expenses	21,395,082	556,732	418,749	1,668,799	(1,207,205)	22,832,157
Change in unrestricted net assets before other changes in net assets	(809,737)	116,595	-	189,807	-	(503,335)
OTHER CHANGES IN NET ASSETS						
Change in pension and postretirement liabilities	319,291	-	-	-	-	319,291
Change in investment in subsidiary	118,377	-	-	-	(118,377)	-
Total Other Changes in Net Assets	437,668	-	-	-	(118,377)	319,291
Change in Unrestricted Net Assets	(372,069)	116,595	-	189,807	(118,377)	(184,044)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
Restricted public contributions	987,580	-	-	16,120	-	1,003,700
Unrealized gain on cash surrender value of life insurance	-	6,957	-	-	-	6,957
Net assets released from restrictions	(425,561)	(5,175)	-	(52,536)	-	(483,272)
Change in Temporarily Restricted Net Assets	562,019	1,782	-	(36,416)	-	527,385
CHANGE IN NET ASSETS	189,950	118,377	-	153,391	(118,377)	343,341
NET ASSETS - Beginning of year	13,576,704	10,819,173	-	367,658	(10,819,173)	13,944,362
NET ASSETS - END OF YEAR	$ 13,766,654	$ 10,937,550	$ -	$ 521,049	$ (10,937,550)	$ 14,287,703

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 adjustments ($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 gain/(loss) 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	18,826,834	1,022,958	482,753	1,590,955	(1,340,996)	20,582,504
EXPENSES						
Program services	16,023,041	500,000	482,753	1,519,338	(1,328,996)	17,196,136
Management and general	2,529,937	55,550	-	-	(12,000)	2,573,487
Development	987,326	-	-	-	-	987,326
Total Expenses	19,540,304	555,550	482,753	1,519,338	(1,340,996)	20,756,949
Change in unrestricted net assets before other changes in net assets	(713,470)	467,408	-	71,617	-	(174,445)
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	679,044	-	-	-	(472,379)	206,665
Change in Unrestricted Net Assets	(34,426)	467,408	-	71,617	(472,379)	32,220
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	84,068	4,971	-	25,162	-	114,201
CHANGE IN NET ASSETS	49,642	472,379	-	96,779	(472,379)	146,421
NET ASSETS - Beginning of year	13,527,062	10,346,794	-	270,879	(10,346,794)	13,797,941
NET ASSETS - END OF YEAR	$ 13,576,704	$ 10,819,173	$ -	$ 367,658	$ (10,819,173)	$ 13,944,362

See independent auditors' report.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF PROGRAM EXPENSES
For the Year Ended September 30, 2018 (with comparative totals for September 30, 2017)

	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					2018	2017
SALARIES AND RELATED EXPENSES														
Salaries	$ 2,345,888	$ 208,263	$ 2,511,944	$ 2,695,013	$ 214,973	$ 1,776,246	$ 1,266,459	$ 11,018,786	$ -	$ 379,258	$ 744,827	$ (379,258)	$ 11,763,613	$ 10,775,657
Payroll taxes	194,277	17,589	211,474	255,750	20,514	140,408	98,301	938,313	-	39,491	63,180	(39,491)	1,001,493	975,730
Benefits	644,396	57,196	469,096	178,010	47,398	262,923	139,643	1,798,662	-	-	169,792	-	1,968,454	1,718,045
Pension	49,835	5,663	64,479	49,464	6,494	32,964	28,370	237,269	-	-	15,229	-	252,498	239,476
Total Salaries and Related Expenses	3,234,396	288,711	3,256,993	3,178,237	289,379	2,212,541	1,532,773	13,993,030	-	418,749	993,028	(418,749)	14,986,058	13,708,908
OTHER EXPENSES														
Professional fees and services	27,105	1,991	70,948	36,129	1,987	9,148	78,278	225,586	-	-	430,726	(276,456)	379,856	377,626
Supplies, food, and equipment	20,518	3,063	97,864	85,817	10,621	9,457	16,910	244,250	-	-	141,310	-	385,560	401,938
Utilities	48,501	3,904	72,789	74,457	11,457	25,791	32,975	269,874	-	-	20,062	-	289,936	307,421
Facilities maintenance and rent	90,089	24,426	174,489	196,861	49,386	423	133,297	668,971	-	-	29,305	-	698,276	625,054
Vehicle gas and insurance	232,396	601	197,245	32,472	10,063	128,713	20,081	621,571	-	-	32,236	-	653,807	612,807
Conferences, meetings, and lunches	4,177	-	31,993	4,320	46	1,798	720	43,054	5,175	-	2,629	-	50,858	41,180
Subscriptions, training, and recruitment	10,146	839	31,995	76,820	242	6,157	4,336	130,535	-	-	13,322	-	143,857	137,406
Medical	-	-	10	-	-	-	421,052	421,062	-	-	269	-	421,331	460,191
Bad debt	-	-	-	225,844	-	-	28,239	254,083	-	-	4,600	-	258,683	2,980
Direct client expense reimbursement	147,225	-	152,290	4,539	68	260	-	304,382	500,000	-	(65,858)	(500,000)	238,524	254,664
Miscellaneous	105	-	1,201	179	-	144	-	1,629	-	-	8,039	-	9,668	2,634
Total Other Expenses	580,262	34,824	830,824	737,438	83,870	181,891	735,888	3,184,997	505,175	-	616,640	(776,456)	3,530,356	3,223,901
DEPRECIATION	6,118	580	13,344	115,457	5,137	77,341	6,336	224,313	-	-	59,131	-	283,444	263,327
TOTAL PROGRAM EXPENSES	$ 3,820,776	$ 324,115	$ 4,101,161	$ 4,031,132	$ 378,386	$ 2,471,773	$ 2,274,997	$ 17,402,340	$ 505,175	$ 418,749	$ 1,668,799	$ (1,195,205)	$ 18,799,858	$ 17,196,136

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF MANAGEMENT AND GENERAL EXPENSES
For the Year Ended September 30, 2018 (with comparative totals for September 30, 2017)

	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total 2018	Total 2017
SALARIES AND RELATED EXPENSES							
Salaries	$ 1,527,691	$ -	$ -	$ -	$ -	$ 1,527,691	$ 1,427,656
Payroll taxes	110,358	-	-	-	-	110,358	102,274
Benefits	214,412	-	-	-	-	214,412	193,064
Pension	60,619	-	-	-	-	60,619	62,269
Total Salaries & Related Expenses	1,913,080	-	-	-	-	1,913,080	1,785,263
OTHER EXPENSES							
Professional fees and services	477,591	51,557	-	-	(12,000)	517,148	295,409
Supplies, food, and equipment	49,855	-	-	-	-	49,855	65,711
Utilities	70,490	-	-	-	-	70,490	61,010
Facilities maintenance and rent	63,822	-	-	-	-	63,822	59,912
Vehicle gas and insurance	13,415	-	-	-	-	13,415	7,778
Conferences, meetings, and lunches	26,628	-	-	-	-	26,628	34,319
Subscriptions, training, and recruitment	107,131	-	-	-	-	107,131	116,854
Direct client expense reimbursement	17	-	-	-	-	17	128
Miscellaneous	62,825	-	-	-	-	62,825	17,680
Total Other Expenses	871,774	51,557	-	-	(12,000)	911,331	658,801
DEPRECIATION	202,884	-	-	-	-	202,884	129,423
TOTAL MANAGEMENT AND GENERAL EXPENSES	$ 2,987,738	$ 51,557	$ -	$ -	$ (12,000)	$ 3,027,295	$ 2,573,487

See independent auditors' report.

JUDSON CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF DEVELOPMENT EXPENSES
For the Year Ended September 30, 2018 (with comparative totals for September 30, 2017)

	Judson Center, Inc.	Judson Center Foundation, Inc.	Judson Center Staffing Solutions, Inc.	Child Safe Michigan	Eliminations	Total 2018	Total 2017
SALARIES AND RELATED EXPENSES							
Salaries	$ 523,268	$ -	$ -	$ -	$ -	$ 523,268	$ 472,082
Payroll taxes	42,449	-	-	-	-	42,449	38,371
Benefits	28,752	-	-	-	-	28,752	24,651
Pension	14,476	-	-	-	-	14,476	16,031
Total Salaries and Related Expenses	608,945	-	-	-	-	608,945	551,135
OTHER EXPENSES							
Professional fees and services	89,672	-	-	-	-	89,672	65,845
Supplies, food, and equipment	230,484	-	-	-	-	230,484	216,348
Utilities	8,912	-	-	-	-	8,912	7,349
Facilities maintenance and rent	9,476	-	-	-	-	9,476	10,794
Vehicle gas and insurance	1,611	-	-	-	-	1,611	2,331
Conferences, meetings, and lunches	1,600	-	-	-	-	1,600	1,945
Subscriptions, training, and recruitment	5,460	-	-	-	-	5,460	3,756
Bad debts expense	12,000	-	-	-	-	12,000	-
Direct client expense reimbursement	22,072	-	-	-	-	22,072	116,489
Miscellaneous	7,228	-	-	-	-	7,228	5,017
Total Other Expenses	388,515	-	-	-	-	388,515	429,874
DEPRECIATION	7,544	-	-	-	-	7,544	6,317
TOTAL DEVELOPMENT EXPENSES	$ 1,005,004	$ -	$ -	$ -	$ -	$ 1,005,004	$ 987,326

See independent auditors' report.