



Jackson-Feild Homes, Inc.  
and  
Jackson-Feild Homes  
Foundation

Consolidated Financial Statements

June 30, 2018 and 2017



# ***Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation***

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## ***Independent Auditor's Report***

Board of Trustees  
Jackson-Feild Homes, Inc.  
Jarratt, Virginia

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements (collectively, the financial statements) of Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation as of June 30, 2018 and 2017, 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.

***Emphasis of Matter***

As discussed in Note 14 to the financial statements, the 2017 financial statements have been restated to correct the classification of net asset balances. The opinion is not modified with respect to this matter.

*Mitchell Wiggins*

Petersburg, Virginia  
April 4, 2019

**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Consolidated Statements of Financial Position**  
**June 30, 2018 and 2017**

<b>Assets</b>	<b>2018</b>	(Restated) <b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 180,253	\$ 534,951
Accounts receivable, less allowance for doubtful accounts and contractual adjustments of \$49,420 in 2018 and \$33,432 in 2017	1,337,683	1,015,507
Pledges receivable	20,000	7,500
Prepaid expenses	59,894	33,755
<b>Total current assets</b>	<b>1,597,830</b>	<b>1,591,713</b>
<b>Property and Equipment</b>		
Buildings	4,086,594	4,011,018
Furniture and equipment	1,277,362	1,223,345
Land and improvements	42,105	42,105
Capital projects in process	157,695	-
	<b>5,563,756</b>	<b>5,276,468</b>
Less accumulated depreciation	<b>(4,038,751)</b>	<b>(3,941,312)</b>
	<b>1,525,005</b>	<b>1,335,156</b>
<b>Other Assets</b>		
Investments	3,137,349	3,794,564
	<b>3,137,349</b>	<b>3,794,564</b>
<b>Total assets</b>	<b>\$ 6,260,184</b>	<b>\$ 6,721,433</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accrued payroll and related taxes	\$ 290,585	\$ 282,120
Accounts payable and accrued expenses	369,493	305,557
Lease obligations, current portion	23,086	22,426
Line of credit	148,036	148,036
Notes payable, current portion	8,868	4,647
<b>Total current liabilities</b>	<b>840,068</b>	<b>762,786</b>
<b>Long-Term Liabilities</b>		
Lease obligations, less current portion	55,960	10,528
Notes payable, less current portion	23,134	10,907
	<b>79,094</b>	<b>21,435</b>
<b>Total liabilities</b>	<b>919,162</b>	<b>784,221</b>
<b>Net Assets</b>		
Unrestricted	2,864,573	3,256,402
Temporarily restricted	1,257,228	1,461,589
Permanently restricted	1,219,221	1,219,221
<b>Total net assets</b>	<b>5,341,022</b>	<b>5,937,212</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,260,184</b>	<b>\$ 6,721,433</b>

See Notes to Consolidated Financial Statements

**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Consolidated Statement of Activities**  
**Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in Unrestricted Net Assets</b>				
<i>Operating Revenue</i>				
Placement fees	\$ 4,961,838	\$ -	\$ -	\$ 4,961,838
School funds	1,111,037	-	-	1,111,037
Psychological fees	1,175,363	-	-	1,175,363
	<u>7,248,238</u>	-	-	<u>7,248,238</u>
USDA reimbursement	74,909	-	-	74,909
<b>Total operating revenue</b>	<u>7,323,147</u>	-	-	<u>7,323,147</u>
<i>Support</i>				
Contributions	240,214	358,472	-	598,686
Special events and other, net of expenses, \$4,195	23,373	-	-	23,373
<b>Total support</b>	<u>263,587</u>	<u>358,472</u>	-	<u>622,059</u>
<i>Investment Return and Other Income(Loss)</i>				
Investment return	118,436	112,578	-	231,014
Loss on sale of property and equipment	(4,789)	-	-	(4,789)
<b>Total investment return and other income(loss)</b>	<u>113,647</u>	<u>112,578</u>	-	<u>226,225</u>
<i>Net Assets Released from Restrictions</i>				
<b>Total operating revenue, support, investment return and other income(loss)</b>	<u>8,375,792</u>	<u>(675,411)</u>	-	<u>-</u>
<i>Expenses</i>				
Program services	7,656,206	-	-	7,656,206
Supporting services				
Management and general	900,179	-	-	900,179
Fundraising	211,236	-	-	211,236
<b>Total expenses</b>	<u>8,767,621</u>	-	-	<u>8,767,621</u>
<b>Changes in net assets</b>	(391,829)	(204,361)	-	(596,190)
Net assets, beginning	<u>3,256,402</u>	<u>1,461,589</u>	<u>1,219,221</u>	<u>5,937,212</u>
Net assets, ending	<u>\$ 2,864,573</u>	<u>\$ 1,257,228</u>	<u>\$ 1,219,221</u>	<u>\$ 5,341,022</u>

See Notes to Consolidated Financial Statements

**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Consolidated Statement of Activities**  
**Year Ended June 30, 2017**

	(Restated) Unrestricted	(Restated) Temporarily Restricted	Permanently Restricted	(Restated) Total
<b>Changes in Unrestricted Net Assets</b>				
<i>Operating Revenue</i>				
Placement fees	\$5,095,803	\$ -	\$ -	\$ 5,095,803
School funds	1,103,345	-	-	1,103,345
Psychological fees	1,101,790	-	-	1,101,790
	<u>7,300,938</u>	<u>-</u>	<u>-</u>	<u>7,300,938</u>
USDA reimbursement	73,732	-	-	73,732
<b>Total operating revenue</b>	<u>7,374,670</u>	<u>-</u>	<u>-</u>	<u>7,374,670</u>
<i>Support</i>				
Contributions	294,925	490,075	-	785,000
Special events and other, net of expenses, \$5,806	30,203	-	-	30,203
<b>Total support</b>	<u>325,128</u>	<u>490,075</u>	<u>-</u>	<u>815,203</u>
<i>Investment Return and Other Income</i>				
Investment return	91,816	96,316	-	188,132
Gain on sale of property and equipment	1,125	-	-	1,125
<b>Total investment return and other income</b>	<u>92,941</u>	<u>96,316</u>	<u>-</u>	<u>189,257</u>
<i>Net Assets Released from Restrictions</i>	<u>430,683</u>	<u>(430,683)</u>	<u>-</u>	<u>-</u>
<b>Total operating revenue, support, investment return and other income</b>	<u>8,223,422</u>	<u>155,708</u>	<u>-</u>	<u>8,379,130</u>
<i>Expenses</i>				
Program services	7,043,687	-	-	7,043,687
Supporting services				
Management and general	1,008,384	-	-	1,008,384
Fundraising	203,464	-	-	203,464
<b>Total expenses</b>	<u>8,255,535</u>	<u>-</u>	<u>-</u>	<u>8,255,535</u>
<b>Changes in net assets</b>	<u>(32,113)</u>	<u>155,708</u>	<u>-</u>	<u>123,595</u>
Net assets, beginning	<u>3,288,515</u>	<u>1,305,881</u>	<u>1,219,221</u>	<u>5,813,617</u>
Net assets, ending	<u>\$3,256,402</u>	<u>\$1,461,589</u>	<u>\$1,219,221</u>	<u>\$5,937,212</u>

See Notes to Consolidated Financial Statements



**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Consolidated Statement of Functional Expenses**

**Year Ended June 30, 2018, with Comparative Totals for the Year Ended June 30, 2017**

	<u>Supporting Services</u>				<b>Total 2018</b>	<b>Total 2017</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>		
Salaries	\$ 4,637,847	\$ 449,656	\$ 141,914	\$ 591,570	\$ 5,229,417	\$ 4,989,976
Employee benefits	466,853	48,678	3,678	52,356	519,209	544,370
Payroll taxes	345,127	33,452	10,984	44,436	389,563	368,407
<b>Total salaries and related expenses</b>	<b>5,449,827</b>	<b>531,786</b>	<b>156,576</b>	<b>688,362</b>	<b>6,138,189</b>	<b>5,902,753</b>
Bad debts	-	56,678	-	56,678	56,678	167,069
College and vocational	14,056	-	-	-	14,056	11,827
Contract services	267,354	-	-	-	267,354	274,859
Depreciation	241,575	21,011	711	21,722	263,297	262,014
Dues and subscriptions	7,711	15,505	4,478	19,983	27,694	38,226
Food	228,864	-	-	-	228,864	220,209
Fundraising, other	74	25	8,323	8,348	8,422	14,254
Insurance	134,783	28,462	-	28,462	163,245	162,492
Interest	-	15,720	-	15,720	15,720	11,330
Investment fees	-	23,354	-	23,354	23,354	25,547
Miscellaneous	1,849	5,363	2,424	7,787	9,636	7,450
Office	205,224	35,444	4,390	39,834	245,058	243,959
Other events	14,139	1,872	3,451	5,323	19,462	26,241
Professional fees	59,665	87,428	-	87,428	147,093	129,471
Recruiting	41,353	3,287	10,460	13,747	55,100	77,204
Rent	4,441	6,684	10,344	17,028	21,469	16,612
Repairs and maintenance	173,272	7,472	488	7,960	181,232	92,737
Scholarships provided	432,581	-	-	-	432,581	178,798
Student	158,324	-	-	-	158,324	134,708
Travel	27,464	11,357	4,609	15,966	43,430	57,238
Utilities	169,834	48,731	4,982	53,713	223,547	183,036
Vehicle	23,816	-	-	-	23,816	17,501
	<b>\$ 7,656,206</b>	<b>\$ 900,179</b>	<b>\$ 211,236</b>	<b>\$ 1,111,415</b>	<b>\$ 8,767,621</b>	<b>\$ 8,255,535</b>

See Notes to Consolidated Financial Statements

**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2017**

	Supporting Services			Total Supporting Services	Total 2017
	Program Services	Management and General	Fundraising		
Salaries	\$ 4,404,107	\$ 449,331	\$ 136,538	\$ 585,869	\$ 4,989,976
Employee benefits	497,835	43,258	3,277	46,535	544,370
Payroll taxes	327,619	30,075	10,713	40,788	368,407
<b>Total salaries and related expenses</b>	<b>5,229,561</b>	<b>522,664</b>	<b>150,528</b>	<b>673,192</b>	<b>5,902,753</b>
Bad debts	-	167,069	-	167,069	167,069
College and vocational	11,827	-	-	-	11,827
Contract services	274,859	-	-	-	274,859
Depreciation	240,440	20,908	666	21,574	262,014
Dues and subscriptions	9,453	27,190	1,583	28,773	38,226
Food	220,209	-	-	-	220,209
Fundraising, other	-	-	14,254	14,254	14,254
Insurance	133,498	28,994	-	28,994	162,492
Interest	2,102	9,228	-	9,228	11,330
Investment fees	-	25,547	-	25,547	25,547
Miscellaneous	134	6,658	658	7,316	7,450
Office	198,692	40,184	5,083	45,267	243,959
Other events	18,459	1,697	6,085	7,782	26,241
Professional fees	30,342	99,129	-	99,129	129,471
Recruiting	59,384	10,420	7,400	17,820	77,204
Rent	5,426	4,970	6,216	11,186	16,612
Repairs and maintenance	87,349	5,388	-	5,388	92,737
Scholarships provided	178,798	-	-	-	178,798
Student	134,708	-	-	-	134,708
Travel	28,163	21,336	7,739	29,075	57,238
Utilities	162,782	17,002	3,252	20,254	183,036
Vehicle	17,501	-	-	-	17,501
	<b>\$ 7,043,687</b>	<b>\$ 1,008,384</b>	<b>\$ 203,464</b>	<b>\$ 1,211,848</b>	<b>\$ 8,255,535</b>

*See Notes to Consolidated Financial Statements*

**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (596,190)	\$ 123,595
<b>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</b>		
Bad debt expense	56,678	167,069
Depreciation	263,297	262,014
Unrealized gain on investments	(114,841)	(16,451)
Gain on sale of investments	(4,406)	(67,402)
(Gain) loss on sale of property and equipment	4,789	(1,125)
<b>Changes in operating assets</b>		
Accounts receivable	(378,854)	(202,110)
Pledges receivable	(12,500)	77,500
Prepaid expenses	(26,139)	(9,385)
<b>Changes in operating liabilities</b>		
Accrued payroll and related taxes	8,465	10,757
Accounts payable and accrued expenses	63,936	(11,815)
<b>Net cash provided by (used in) operating activities</b>	<b>(735,765)</b>	<b>332,647</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(15,601)	(253,484)
Proceeds from sale of investments	792,063	542,441
Purchase of property and equipment	(363,450)	(300,197)
Proceeds from sale of property and equipment	2,125	1,125
<b>Net cash provided by (used in) investing activities</b>	<b>415,137</b>	<b>(10,115)</b>
<b>Cash Flows from Financing Activities</b>		
Net repayment on line of credit	-	(1,421)
Principal payments on notes payable	(4,647)	(4,310)
Principal payments on lease obligations	(29,423)	(33,770)
<b>Net cash (used in) financing activities</b>	<b>(34,070)</b>	<b>(39,501)</b>
<b>Net change in cash and cash equivalents</b>	<b>(354,698)</b>	<b>283,031</b>
Cash and cash equivalents, beginning	534,951	251,920
Cash and cash equivalents, ending	<b>\$ 180,253</b>	<b>\$ 534,951</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<b>\$ 15,720</b>	<b>\$ 11,330</b>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Acquisition of property and equipment:		
Purchase price	(460,060)	(300,197)
Issuance of capital lease obligations	75,515	-
Issuance of note payable	21,095	-
<b>Cash paid to acquire property and equipment</b>	<b>(363,450)</b>	<b>(300,197)</b>

See Notes to Consolidated Financial Statements

# ***Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation***

## ***Notes to Consolidated Financial Statements***

***June 30, 2018 and 2017***

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### ***Note 1. Nature of Business and Significant Accounting Policies***

#### ***Nature of activities***

Jackson-Feild Homes Inc. (“Home”) d/b/a/ Jackson-Feild Behavioral Health Services is a not-for-profit Psychiatric Residential Treatment Center which operates in the provision of care and clinical treatment for adolescents with mental illness and substance use disorders. Additionally, the Home operates a licensed and accredited School for the provision of educational services rendered to the residents in care.

The Jackson-Feild Homes Foundation (“Foundation”) was formed to provide fundraising and investment oversight for Jackson-Feild Homes, Inc. The Foundation is a separate legal entity and is governed by a separate Board of Trustees, the majority of which are appointed by the Board of Jackson-Feild Homes, Inc.

A summary of the Organization's significant accounting policies follows:

#### ***General***

The Home maintains its accounts on the accrual basis. These consolidated financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into classes of net assets, either unrestricted, temporarily restricted or permanently restricted.

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

Unrestricted amounts are those currently available at the discretion of the Organization’s Board of Trustees for use in operations and investment in property and equipment.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for acquisition of property and equipment. 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.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

# ***Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation***

## ***Notes to Consolidated Financial Statements***

***June 30, 2018 and 2017***

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### ***Note 1. Nature of Business and Significant Accounting Policies (Continued)***

#### ***Principles of consolidation***

The consolidated financial statements include the accounts of Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation (collectively, the “Organization”), which is described below. All significant interorganization balances and transactions have been eliminated in the consolidation.

#### ***Cash and cash equivalents***

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### ***Investments***

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in net assets.

The Organization evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. The Organization employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, the magnitude and duration of the decline in fair value; for equity and debt securities, the financial health of and business outlook for the issuer; the performance of the underlying assets for interests in securitized assets; and the Organization’s intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in investment income and a new cost basis in the investment is established.

#### ***Accounts receivable***

Accounts receivable are stated at the amount management expects to collect from balances at year end. The Organization has agreements with third-party payors that provide for payments to the Organization based on established rates. Net program service fees are reported at the estimated net realizable amounts from consumers, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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. Consumers not covered by Medicaid are billed directly after primary and secondary insurance payments are recognized. The Organization provides an allowance for uncollectible accounts based upon prior experience and management’s assessment of the collectability of existing specific accounts.

#### ***Pledges receivable***

Pledges receivable, or unconditional promises to give, represent amounts committed by donors to be paid within a specific period of time.

# ***Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation***

## ***Notes to Consolidated Financial Statements***

***June 30, 2018 and 2017***

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### ***Note 1. Nature of Business and Significant Accounting Policies (Continued)***

Pledges receivable due in the next year are reflected as current promises to give and are recorded at its net realizable value. Pledges receivable in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realized value if considered material.

#### ***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation. It is the Organization's policy to capitalize property and equipment over \$2,500. Lesser amounts are expensed. Depreciation is provided by the straight-line method over asset lives ranging from three to forty years, as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 10 years
Land improvements	10 years

#### ***Donated equipment and services***

Donated equipment and materials are reflected as contributions at their estimated fair market values at the date received. No amounts have been reflected in the consolidated financial statements for donated services since they do not meet the criteria for recognition under generally accepted accounting principles.

#### ***Contributions***

Contributions and other support are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

#### ***Operating revenue***

Operating revenue is recorded as income at the time services are provided.

#### ***Functional expenses***

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that relate to a specific program or supporting services are allocated directly. Other expenses that are common to several functions are allocated statistically.

# ***Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation***

## ***Notes to Consolidated Financial Statements***

***June 30, 2018 and 2017***

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### ***Note 1. Nature of Business and Significant Accounting Policies (Continued)***

#### ***Credit risk***

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of temporary cash investments, other investments, and accounts receivable. The Organization periodically held temporary cash investment balances in excess of federally insured credit limits during the year. To mitigate this risk, the Organization places its temporary cash investments with high credit quality financial institutions. In addition, the Organization is potentially subject to concentrations of credit risk in regard to its investments in various debt and equity instruments of public corporations and the United States government, neither of which are insured. The Organization's credit risk related to its accounts receivable is limited since these amounts are paid by governmental agencies with which there is a good collection history. The Organization's credit risk in regard to its pledges receivable is limited due to the collection history with those who have made the pledges, as well as the small balance of such promises.

#### ***Estimates***

The preparation of the consolidated 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 at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### ***Income taxes***

Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation are both qualified nonprofit organizations as defined in 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia, and therefore, are exempt from federal and state income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions". This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's consolidated financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The tax years 2015 to 2017 remain subject to examination by the taxing authorities.

The Organization includes penalties and interest assessed by income taxing authorities in operating expenses. No penalties or interest were incurred for the years ended June 30, 2018 and 2017.

# **Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

## **Notes to Consolidated Financial Statements**

**June 30, 2018 and 2017**

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### **Note 1. Nature of Business and Significant Accounting Policies (Continued)**

#### **Advertising**

The Organization follows the policy of charging the costs of advertising to expenses as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$11,766 and \$30,230, respectively.

#### **Reclassifications**

Certain accounts relating to the prior year have been restated to conform to the current year's presentation.

### **Note 2. Program Service Fees, Net**

The Organization recognizes revenue from resident services on the accrual basis of accounting as the services are delivered to residents. Revenue is earned for the resident services primarily from Medicaid and other third party payors. Reimbursement rates are set annually by each insurer for specific services, and the Organization bills according to its understanding of the appropriate rate for the services delivered to each resident. Resident invoices are subject to approval by each insurer, and the Organization estimates revenue for certain services not yet completed. Because the scope of services and the required documentation are subject to insurer approval and also subject in some cases to interpretation and estimation, the Organization provides an allowance for revenue adjustments to cover estimated adjustments made to billed and estimated service revenue by the insurers. The allowance is recorded as a reduction of revenue in the statement of operations and as a reduction in patient accounts receivable in the balance sheet.

Resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<b>2018</b>	2017
Medicaid	<b>5,117,715</b>	5,437,538
Other third party payors	<b>1,902,850</b>	1,909,846
Scholarships	<b>432,581</b>	178,798
<b>Gross program service fees</b>	<b>7,453,146</b>	7,526,182
Contractual allowance	<b>(204,908)</b>	(225,244)
<b>Resident revenue, net of contractual allowance</b>	<b>\$7,248,238</b>	\$7,300,938



**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2018 and 2017**

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**Note 3. Pledges Receivable**

Unconditional pledges receivable at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Receivables due in less than one year	<u>\$ 20,000</u>	<u>\$ 7,500</u>
<b>Net unconditional pledges receivable</b>	<b><u>\$ 20,000</u></b>	<b><u>\$ 7,500</u></b>

**Note 4. Investments**

The cost, market value and unrealized gains (losses) on investments are as follows:

	<u>June 30, 2018</u>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Gross Unrealized Gains</u>
Corporate stocks	\$ 1,298,821	2,036,734	\$ -	\$ 737,913
Money market funds	65,780	65,780	-	-
Mutual funds	43,775	55,917	-	12,142
Partnerships	71,928	86,859	-	14,931
Corporate bonds	854,926	842,399	(12,527)	-
US government agency bonds	49,999	49,660	(339)	-
	<b><u>\$ 2,385,229</u></b>	<b><u>\$ 3,137,349</u></b>	<b><u>\$ (12,866)</u></b>	<b><u>\$ 764,986</u></b>
	<u>June 30, 2017</u>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Gross Unrealized Gains</u>
Corporate stocks	\$ 1,724,262	2,319,906	\$ (122,791)	\$ 718,435
Money market funds	274,228	274,228	-	-
Mutual funds	37,442	52,916	(119)	15,593
Partnerships	72,476	90,045	-	17,569
Corporate bonds	1,028,877	1,037,472	(1,765)	10,360
US government agency bonds	20,000	19,997	(3)	-
	<b><u>\$ 3,157,285</u></b>	<b><u>\$ 3,794,564</u></b>	<b><u>\$ (124,678)</u></b>	<b><u>\$ 761,957</u></b>

The following schedules summarize the investment returns and its classifications in the consolidated statements of activities as of June 30, 2018 and 2017:

# **Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

## **Notes to Consolidated Financial Statements**

**June 30, 2018 and 2017**

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### **Note 4. Investments (Continued)**

	June 30, 2018			
	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Interest and dividends	\$ 53,809	\$ 57,958	\$ -	\$ 111,767
Net realized gains (losses)	13,158	(8,752)	-	4,406
Net unrealized gains	51,469	63,372	-	114,841
	<u>\$ 118,436</u>	<u>\$ 112,578</u>	<u>\$ -</u>	<u>\$ 231,014</u>

  

	June 30, 2017			
	Temporarily		Permanently	Total
	Unrestricted	Restricted	Restricted	
Interest and dividends	\$ 58,215	\$ 46,064	\$ -	\$ 104,279
Net realized gains	52,533	14,869	-	67,402
Net unrealized gains (losses)	(18,932)	35,383	-	16,451
	<u>\$ 91,816</u>	<u>\$ 96,316</u>	<u>\$ -</u>	<u>\$ 188,132</u>

### **Note 5. Fair Value Measurements**

U. S. GAAP has established a framework to measure fair value, and defined the required disclosures about fair value measurements. Fair value is defined as 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. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

# Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### Note 5. Fair Value Measurements (Continued)

The following tables present the Organization's financial assets measured at fair value on a recurring basis as of June 30, 2018 and 2017, classified by accounting standards regarding fair value hierarchy:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Corporate stocks				
Domestic	\$ 1,847,414	\$ -	\$ -	\$ 1,847,414
International	189,320	-	-	189,320
Mutual funds				
Equities - Domestic	13,790	-	-	13,790
Equities - International	42,127	-	-	42,127
Fixed income - U. S. Treasury	49,660	-	-	49,660
Money market funds	-	65,780	-	65,780
Partnerships	-	86,859	-	86,859
Corporate bonds				
Industrial	-	399,247	-	399,247
Utility	-	117,885	-	117,885
Finance	-	325,267	-	325,267
<b>Total assets</b>	<b>\$ 2,142,311</b>	<b>\$ 995,038</b>	<b>\$ -</b>	<b>\$ 3,137,349</b>

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Corporate stocks				
Domestic	\$ 2,146,644	\$ -	\$ -	\$ 2,146,644
International	173,262	-	-	173,262
Mutual funds				
Equities - Domestic	22,823	-	-	22,823
Equities - International	30,093	-	-	30,093
Fixed income - U. S. Treasury	19,997	-	-	19,997
Money market funds	-	274,228	-	274,228
Partnerships	-	90,045	-	90,045
Corporate bonds				
Industrial	-	639,360	-	639,360
Utility	-	182,193	-	182,193
Finance	-	215,919	-	215,919
<b>Total assets</b>	<b>\$ 2,392,819</b>	<b>\$ 1,401,745</b>	<b>\$ -</b>	<b>\$ 3,794,564</b>

# Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### Note 6. Endowment

#### Interpretation of Relevant State Law

The Board of Trustees of Jackson-Feild Homes Foundation (the "Foundation") has interpreted the Commonwealth of Virginia's Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

The following schedules summarize the endowment net asset composition by type of fund as of June 30, 2018 and 2017:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 510,600	\$ 1,219,221	\$ 1,729,821
<b>Total endowment funds</b>	<b>\$ -</b>	<b>\$ 510,600</b>	<b>\$ 1,219,221</b>	<b>\$ 1,729,821</b>

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 518,569	\$ 1,219,221	\$ 1,737,790
<b>Total endowment funds</b>	<b>\$ -</b>	<b>\$ 518,569</b>	<b>\$ 1,219,221</b>	<b>\$ 1,737,790</b>

**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Notes to Consolidated Financial Statements**

**June 30, 2018 and 2017**

**Note 6. Endowment (Continued)**

The following schedules summarize the net asset composition by type of fund as of June 30, 2018 and 2017:

	<b>June 30, 2018</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 510,600	\$ 1,219,221	\$ 1,729,821
Unrestricted funds	2,864,573	-	-	2,864,573
Temporarily restricted funds	-	746,628	-	746,628
<b>Total net assets</b>	<b>\$ 2,864,573</b>	<b>\$ 1,257,228</b>	<b>\$ 1,219,221</b>	<b>\$ 5,341,022</b>

	<b>June 30, 2017</b>			
	<b>(Restated) Unrestricted</b>	<b>(Restated) Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>(Restated) Total</b>
Donor-restricted endowment funds	\$ -	\$ 518,569	\$ 1,219,221	\$ 1,737,790
Unrestricted funds	3,256,402	-	-	3,256,402
Temporarily restricted funds	-	943,020	-	943,020
<b>Total net assets</b>	<b>\$ 3,256,402</b>	<b>\$ 1,461,589</b>	<b>\$ 1,219,221</b>	<b>\$ 5,937,212</b>

The following schedules summarize the changes in endowment net assets for the years ended June 30, 2018 and 2017:

	<b>June 30, 2018</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	<b>\$ -</b>	<b>\$ 518,569</b>	<b>\$ 1,219,221</b>	<b>\$ 1,737,790</b>
Investment return	-	101,093	-	101,093
Scholarships paid	-	(109,062)	-	(109,062)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 510,600</b>	<b>\$ 1,219,221</b>	<b>\$ 1,729,821</b>

	<b>June 30, 2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	<b>\$ -</b>	<b>\$ 466,963</b>	<b>\$ 1,219,221</b>	<b>\$ 1,686,184</b>
Investment return	-	84,513	-	84,513
Scholarships paid	-	(32,907)	-	(32,907)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 518,569</b>	<b>\$ 1,219,221</b>	<b>\$ 1,737,790</b>

# **Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

## **Notes to Consolidated Financial Statements**

**June 30, 2018 and 2017**

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### **Note 6. Endowment (Continued)**

A description of the amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
<b>Permanently Restricted Net Assets</b>		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 1,219,221</u>	<u>\$ 1,219,221</u>
<b>Total endowment funds classified as permanently restricted net assets</b>	<u>\$ 1,219,221</u>	<u>\$ 1,219,221</u>
<b>Temporarily Restricted Net Assets</b>		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	<u>\$ 510,600</u>	<u>\$ 518,569</u>
<b>Total endowment funds classified as temporarily restricted net assets</b>	<u>\$ 510,600</u>	<u>\$ 518,569</u>

### **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to earn a real total return that is at least equal to the annual spending rate plus inflation as measured by the Consumer Price Index, while assuming a moderate level of risk. Actual returns in any given year may vary from this amount.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, which includes equity funds, fixed income instruments and cash, in order to minimize risks while achieving total return objectives.

### **Spending Policy**

The Foundation has a policy of appropriating for distribution each year up to five (5) percent of the market value of endowment fund units assuming annual inflation of three (3) percent and a target return of eight (8) percent. In establishing this policy, the Foundation considered the long term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

# ***Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation***

## ***Notes to Consolidated Financial Statements***

***June 30, 2018 and 2017***

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### ***Note 7. Restrictions***

Net assets released from restrictions were comprised of the following:

	<b>2018</b>	(Restated) <b>2017</b>
Capital expenditures, including improvements	<b>\$ 326,280</b>	\$ 197,883
Scholarships:		
Scholarships - Direct student support	<b>177,171</b>	58,690
Scholarships- other	<b>112,365</b>	211,810
EISTC Scholarship Program:		
Scholarships	<b>255,410</b>	120,108
Administrative costs	<b>23,014</b>	32,431
Specified purposes	<b>40,723</b>	33,361
Foundation funding of release from restrictions	<b>(259,552)</b>	(223,600)
	<b>\$ 675,411</b>	\$ 430,683

Temporarily restricted net assets are available for the following purposes:

	<b>2018</b>	(Restated) <b>2017</b>
Endowment scholarships	<b>\$ 1,030,536</b>	\$ 1,034,586
EISTC Scholarship Program	<b>148,544</b>	196,226
Capital expenditures, including improvements	<b>44,146</b>	200,910
Specified purposes	<b>34,002</b>	29,867
	<b>\$ 1,257,228</b>	\$ 1,461,589

### ***Education Improvement Scholarships Tax Credits Program***

The Organization participates in the Commonwealth of Virginia's Education Improvement Scholarships Tax Credits Program (EISTCP). The purpose of the program is to provide scholarships via donations to eligible students for qualified educational expenses incurred in attending eligible nonpublic schools. The Organization received contributions of \$230,742 and \$324,311 under the program during the years ended June 30, 2018 and 2017, respectively. In turn, the Organization awarded \$255,410 and \$120,108 to eligible students in the form of scholarships during the years ended June 30, 2018 and 2017, respectively.

Under the Virginia code section for the EISTCP, a donee organization is allowed to retain 10% of amounts received through the program annually to cover administrative costs associated with the program. For the years ended June 30, 2018 and 2017, the amount retained was \$23,074 and \$32,431, respectively.

**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**

**Notes to Consolidated Financial Statements**

**June 30, 2018 and 2017**

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**Note 7. Restrictions (Continued)**

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 1,044,221	\$ 1,044,221
Buildings	150,000	150,000
Chapel maintenance	25,000	25,000
	<u>\$ 1,219,221</u>	<u>\$ 1,219,221</u>

**Note 8. Pension Plan**

The Organization maintains a 401(k) plan. Employees are eligible to participate in the plan after 90 days of employment. The Organization may match 50% of employee contributions up to 3% of salaries at their discretion. During the years ended June 30, 2018 and 2017, the Organization contributed \$43,417 and \$40,459, respectively.

**Note 9. Related Party Balances and Transactions**

A member of the Board of Trustees for the Foundation is also on the Board of the bank that holds all of the Organization's investments. Under the Organization's Conflict of Interest Policy, that Foundation Board member is recused from participating in the selection and evaluation of the Organization's investment manager and asset custodian.

**Note 10. Lease Obligations, Capital Leases**

The Organization has acquired five copiers under the provisions of noncancelable long-term leases with original terms of five years expiring in 2023. The Organization has also acquired a phone system under the provisions of a noncancelable long-term lease with the original term of five years expiring in 2020. For financial reporting purposes, minimum lease rentals relating to furniture and fixtures have been capitalized. The following is a schedule of property acquired through capital leases, with remaining lease obligations at June 30:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 117,891	\$ 160,542
Less accumulated depreciation	<u>(38,781)</u>	<u>(130,363)</u>
	<u>\$ 79,110</u>	<u>\$ 30,179</u>

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease as of June 30, 2018:



**Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation**  
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**Note 10. Lease Obligations, Capital Leases (Continued)**

2019	\$ 29,475
2020	19,646
2021	18,697
2022	18,960
2023	<u>7,904</u>
Total minimum lease payments	94,682
Less amount representing interest ranging from 5% to 9.36%	<u>(15,636)</u>
Present value of net minimum lease payments	79,046
Less, current portion	<u>(23,086)</u>
	<u>\$ 55,960</u>

**Note 11. Notes Payable**

Notes payable consists of the following:

	<u>2018</u>	<u>2017</u>
Ford Motor Credit, 7.49%, payable in monthly installments of \$471, including interest, due July 20, 2020, secured by a vehicle	<b>\$ 10,907</b>	\$ 15,554
Old Point National, 3.99%, payable in monthly installments of \$389, including interest, due June 9, 2023, secured by a vehicle	<b>21,095</b>	-
	<u><b>\$ 32,002</b></u>	<u>\$ 15,554</u>
Totals shown on balance sheet as:		
Amounts due currently	<b>\$ 8,868</b>	\$ 4,647
Amounts due after one year	<b>23,134</b>	10,907
	<u><b>\$ 32,002</b></u>	<u>\$ 15,554</u>

As of June 31, 2018, the aggregate maturities of long-term debt by year are as follows:

2019	\$ 8,868
2020	9,450
2021	4,724
2022	4,391
2023	<u>4,569</u>
	<u>\$ 32,002</u>

# ***Jackson-Feild Homes, Inc. and Jackson-Feild Homes Foundation***

## ***Notes to Consolidated Financial Statements***

***June 30, 2018 and 2017***

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### ***Note 12. Line of Credit***

The Organization maintains a \$150,000 line of credit with BB&T at the bank's prime rate plus 0.5%, which matures in September 2018. The rate at June 30, 2018 was 5.5%. This line is secured by certain investments whose value at June 30, 2018 and 2017 was \$569,927 and \$827,490, respectively. As of June 30, 2018 and 2017, the balance due on this line of credit was 148,036.

### ***Note 13. Economic Dependency***

The Organization generated 79% of its total program operating revenue from the Department of Medicaid Services for the year ended June 30, 2018. There was a net receivable from the Department of Medicaid Services of \$552,949 and \$522,831 as of June 30, 2018 and 2017, respectively. The Organization also receives a significant amount of support from state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

### ***Note 14. Restatement of Net Assets***

The restatement of the 2017 statement of financial position resulted in changes in the net asset balance classifications. As of June 30, 2017, the unrestricted net asset balances increased by \$32,431, and the temporarily restricted net asset balances decreased by \$32,431.

The Organization inadvertently omitted releasing \$32,431 of contributions received under the Commonwealth of Virginia's Education Improvement Scholarships Tax Credits Program (EISTCP) for the year ended June 30, 2017. Under the Virginia code section for the EISTCP, a donee organization is allowed to retain 10% of amounts received through the program annually to cover administrative costs associated with the program. \$324,311 in contributions was received during the year ended June 30, 2017 from the EISTCP. 10% of those contributions, \$32,431, should have been released from temporarily restricted net assets. The omission of the release left temporarily restricted net assets overstated by \$32,431 and unrestricted net assets understated by the same as of June 30, 2017. Therefore, the amount of \$32,431 was reclassified from temporarily restricted net assets to unrestricted net assets. This restatement did not result in a change of the total net assets for 2017.

### ***Note 15. Subsequent Events***

Management has evaluated subsequent events through April 4, 2019, the date which the consolidated financial statements were available for issue.

