ADOLESCENT COUNSELING SERVICES

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

WITH SUMMARIZED FINANCIAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

JUNE 30, 2013

Audited Financial Statements	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Revenue and Expense	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9

Morton & Associates INCORPORATED
CERTIFIED PUBLIC ACCOUNTANTS
2479 E. Baysore Rd., Suite 285
Palo Alto, CA 94303

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Adolescent Counseling Services
Palo Alto, California

We have audited the accompanying statement of financial position of Adolescent Counseling Services (a non-profit organization) as of June 30, 2013, and the related statements of activities and changes in net assets, functional revenue and expense for the year then ended and cash flows for the years ended June 30, 2013 and 2012. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adolescent Counseling Services as of June 30, 2013 and the changes in its net assets, functional revenue and expense for the year then ended and its cash flows for the years ended June 30, 2013 and 2012 in conformity with accounting principles generally accepted in the United States of America.

The financial statements include certain summarized information for the year ended June 30, 2012 in total but not by net asset class or functional classification. Such information is presented for comparative purposes only and does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements presented by fund for the year ended June 30, 2012, from which the summarized financial information was derived and on which an unqualified opinion dated October 19, 2012 was expressed.

Morton & Associates, Inc

Morton & Associates Inc.
Certified Public Accountants

November 20, 2013

(650) 323-6665
fax (650) 323-6623
jack@mortoncpa.com
www.mortoncpa.com

ADOLESCENT COUNSELING SERVICES

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

	Unrestricted	Board Designated Endowment Fund	Total All Funds June 30 2013	Total All Funds June 30 2012
ASSETS				
Current Assets				
Cash & Equivalents	$ 206,085	$	$ 206,085	$ 361,164
Grants Receivable				27,192
Accounts Receivable	61,135		61,135	3,650
Prepaid Expenses	16,664		16,664	18,614
Total Current Assets	283,884		283,884	410,620
Fixed Assets				
Office & Equipment	25,175		25,175	25,175
Less: Accumulated Depreciation	(24,397)		(24,397)	(23,939)
Book Value of Fixed Assets	778		778	1,236
Long Term Assets				
Long Term Investments	1,054,633	121,411	1,176,044	1,195,241
Unrealized Gain or Loss on Investments	96,389	29,627	126,016	76,932
Total Long Term Assets	1,151,022	151,038	1,302,060	1,272,173
Total Assets	$ 1,435,684	$ 151,038	$ 1,586,722	$ 1,684,029
LIABILITIES				
Current Liabilities				
Accounts Payable	$	$	$	$ 1,711
Payroll & Related Liabilities	15,657		15,657	19,741
Total Current Liabilities	15,657		15,657	21,452
NET ASSETS				
Operating Fund	268,228		268,228	389,169
Property & Equipment Fund	777		777	1,235
Board Designated Stabilization	1,151,022		1,151,022	1,133,699
Board Designated Endowment		151,038	151,038	138,474
Total Net Assets	1,420,027	151,038	1,571,065	1,662,577
Total Liabilities & Net Assets	$ 1,435,684	$ 151,038	$ 1,586,722	$ 1,684,029

The Accompanying Independent Auditors' Report and the Attached Notes are an Integral Part of These Financial Statements.

ADOLESCENT COUNSELING SERVICES

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

	Unrestricted	Board Designated Endowment Fund	Total All Funds June 30 2013	Total All Funds June 30 2012
SUPPORT				
Contributions	$ 605,417	$ 10,000	$ 615,417	$ 616,797
United Way	1,791		1,791	1,561
Contributions In-Kind	384,058		384,058	474,749
Government Grants	182,561		182,561	212,561
Total Support	1,173,827	10,000	1,183,827	1,305,668
REVENUE				
Program Fees (Net)	84,335		84,335	99,234
Special Events	143,379		143,379	142,537
Interest & Dividends	18,957	3,155	22,112	21,750
Other Income	1,227		1,227	300
Realized Gain or Loss	37,884	2,305	40,189	10,781
Unrealized Gain or Loss	43,617	5,467	49,084	(12,848)
Total Revenue	329,399	10,927	340,326	261,754
Total Increases in Net Assets	$ 1,503,226	$ 20,927	$ 1,524,153	$ 1,567,422
EXPENSES				
Program Services				
On Campus Counseling	$ 885,757	$	$ 885,757	$ 882,905
Substance Abuse Treatment	330,781		330,781	318,661
After School Counseling	171,115		171,115	215,346
Total Program Services	1,387,653		1,387,653	1,416,912
Support Services				
Management & General	78,741	1,294	80,035	87,042
Fund Raising	147,977		147,977	135,580
Total Support Services	226,718	1,294	228,012	222,622
Total Expenses	1,614,371	1,294	1,615,665	1,639,534
Net Increase (Decrease) In Assets	(111,145)	19,633	(91,512)	(72,112)
Assets Released From Restriction	7,069	(7,069)		
Net Assets Beginning	1,524,103	138,474	1,662,577	1,734,689
Net Assets Ending	$ 1,420,027	$ 151,038	$ 1,571,065	$ 1,662,577

The Accompanying Independent Auditors' Report and the Attached Notes are an Integral Part of These Financial Statements.

ADOLESCENT COUNSELING SERVICES
STATEMENT OF FUNCTIONAL REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012

	On Campus Counseling	Substance Abuse Treatment	After School Counseling	Total Program Services	Management & General	Fund Raising	Total Support Services	Total 2013	Total 2012
SUPPORT & REVENUE									
SUPPORT									
Contributions	$ 105,624	$ 21,426	$ 20,000	$ 147,050	$	$ 468,367	$ 468,367	$ 615,417	$ 616,797
United Way						1,791	1,791	1,791	1,561
Contributions In-Kind	287,280	32,876	53,352	373,508	10,550		10,550	384,058	474,749
Government Grants	175,061	7,500		182,561				182,561	212,561
Total Support	567,965	61,802	73,352	703,119	10,550	470,158	480,708	1,183,827	1,305,668
REVENUE									
Program Fees (Net)		61,430	20,865	82,295		2,040	2,040	84,335	99,234
Special Events						143,379	143,379	143,379	142,537
Interest & Dividends					22,112		22,112	22,112	21,750
Other Income	300	927		1,227				1,227	300
Realized Gain or Loss					39,952	237	40,189	40,189	10,781
Unrealized Gain or Loss					49,084		49,084	49,084	(12,848)
Total Revenue	300	62,357	20,865	83,522	111,148	145,656	256,804	340,326	261,754
Total Support & Revenue	568,265	124,159	94,217	786,641	121,698	615,814	737,512	1,524,153	1,567,422
EXPENSES									
Salaries	486,064	187,961	71,983	746,008	23,345	42,799	66,144	812,152	773,911
Benefits	36,633	15,037	3,033	54,703	3,063	5,586	8,649	63,352	51,632
Payroll Taxes	48,471	14,542	3,477	66,490	1,802	3,603	5,405	71,895	68,660
Total Salaries & Benefits	571,168	217,540	78,493	867,201	28,210	51,988	80,198	947,399	894,203
Professional Fees	8,421	24,613	1,604	34,638	2,124	6,306	8,430	43,068	26,606
Contracted Services		11,800	8,300	20,100				20,100	22,965
Contributed Services	287,280	32,876	53,352	373,508	10,550		10,550	384,058	474,749
Supplies	4,840	2,181	759	7,780	1,839	2,709	4,548	12,328	13,209
Telephone	3,037	1,875	1,401	6,313	2,265	941	3,206	9,519	8,763
Postage & Shipping	296	116	216	628	204	3,794	3,998	4,626	7,723
Occupancy		25,000	25,000	50,000	12,500	12,500	25,000	75,000	75,000
Repairs & Maintenance	1,135	714	199	2,048	171	410	581	2,629	3,293
Printing & Publications	2,328	4,767	349	7,444	245	4,553	4,798	12,242	21,726
Travel & Transportation	622	4,431	100	5,153	10	4	14	5,167	791
Conferences & Meetings	385	366		751	807	1,319	2,126	2,877	3,884
Membership Dues						375	375	375	460
Insurance	3,766	2,120	1,255	7,141	390		390	7,531	7,020
Miscellaneous	2,479	994	80	3,553	4,653	6,611	11,264	14,817	9,999
Fundraising Expenses						54,412	54,412	54,412	50,883
Bank Charges		1,388	7	1,395	15,609	2,055	17,664	19,059	17,802
Depreciation					458		458	458	458
Total Expense	885,757	330,781	171,115	1,387,653	80,035	147,977	228,012	1,615,665	1,639,534
Increase (Decrease) Assets	$ (317,492)	$ (206,622)	$ (76,898)	$ (601,012)	$ 41,663	$ 467,837	$ 509,500	$ (91,512)	$ (72,112)

The Accompanying Independent Auditors' Report and the Attached Notes
are an Integral Part of These Financial Statements.

ADOLESCENT COUNSELING SERVICES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	TOTAL CURRENT YEAR	TOTAL PRIOR YEAR
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Increase (Decrease) in Net Assets	$ (91,512)	$ (72,112)
Adjustments to Reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	458	458
Investment Valuation Change	(49,084)	12,848
(Increase) Decrease in Assets:		
Accounts & Grants Receivable	(30,293)	12,834
Prepaid Expenses	1,950	(109)
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,712)	817
Payroll & Related Liabilities	(4,083)	3,088
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	(174,276)	(42,176)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	19,197	(9,678)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	19,197	(9,678)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(155,079)	(51,854)
CASH & CASH EQUIVALENTS, BEGINNING	361,164	413,018
CASH & CASH EQUIVALENTS, ENDING	$ 206,085	$ 361,164
NON CASH TRANSACTIONS		
Contributed Goods & Services	$ 384,058	$ 474,749

The Accompanying Independent Auditors' Report and the Attached Notes are an Integral Part of These Financial Statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Adolescent Counseling Services ("ACS") is a nonprofit 501(c)(3) organization, incorporated in 1975 in the state of California. ACS addresses the emotional developmental needs of adolescents and their families in Santa Clara and neighboring counties through the following programs:

The On-Campus Counseling Program: Founded in 1980, the mission of the On-Campus Counseling Program (OCCP) is to provide free counseling services for teens and their families at eight secondary schools in the Palo Alto Unified School District, the Sequoia Union High School District and at La Entrada Middle School in Menlo Park. Bi-lingual services are provided when necessary and appropriate.

Adolescent Substance Abuse Treatment is an outpatient treatment program for adolescents. A client can move progressively through three program levels or enter the program at any level according to individual need. The services are available to preteens, teens and their families, including parents and siblings on a sliding scale basis.

After-School Counseling Program: Started in September 2008, the mission of the After-School Counseling Program (ASCP) is to provide affordable out-patient assessment, treatment and education for all teens and their families in need of counseling services in our community.

Summary of Significant Accounting Policies

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with FASB ASC subtopic 958-205-05-6, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted Net Assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Agency maintains an Operating and Fixed Asset Fund. Any net assets designated by the Board for specific purposes would also be categorized as unrestricted net assets. Included in this category is the Board Designated Endowment Fund. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- Temporarily Restricted Net Assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.

- Permanently Restricted Net Assets includes assets which are subject to a non-expiring donor restriction such as a donor restricted endowment fund.

Revenue Recognition is in accord with the accrual basis of accounting. Grant revenue and program fees are recognized as revenue in the period in which the service is provided.

Cash and Cash Equivalents include highly liquid investments and those investments with a maturity of three months or less.

Contributions are recorded when cash is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

Furniture and Equipment with a useful life of three or more years and a cost or value in excess of $1,000 is recorded at cost or, if contributed, at the estimated fair market value when donated. Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from three to twenty years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Functional Expenses have been allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized.

Income Taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701D of the Revenue and Taxation Code of California. The Organization has not been classified as a private foundation.

Investments received through donations are recorded at their fair market value and are generally sold upon receipt, according to Board policy. Gains and losses on investments are recognized in the period as unrestricted revenue during the period in which fluctuations occur. Long Term Investments for The Board Designated Endowment Fund are held by the Peninsula Community Foundation and are adjusted to market at year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Estimates

In accordance with generally accepted accounting principles, management has made estimates and assumptions that affect certain amounts and disclosures which could differ from actual results.

Prior year summarized financial information

The financial statements include amounts summarized from the prior audit which are presented in total but not by net asset class. Such information does not include sufficient detail to constitute a full comparative presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE 2: PROPERTY AND EQUIPMENT

At June 30, the cost and related accumulated depreciation of assets in the fixed asset fund consisted of the following:

	June 30, 2013	June 30, 2012
Office & Equipment	$ 25,174	$ 25,174
Less: Accumulated Depreciation	(24,397)	(23,939)
	$ 777	$ 1,235

Depreciation expense for the year ended June 30, 2013 was $458 and for the year ended June 30, 2012 was $458.

NOTE 3: IN-KIND CONTRIBUTIONS

The estimated fair market value of contributed space, in-kind services and equipment received during the year are recorded as contributions of $384,058 and are correspondingly recorded as program service expenses. During the current and prior year the following in-kind contributions were received by ACS:

	June 30, 2013	June 30, 2012
Professional Services	$ 384,058	$ 474,749
Total	$ 384,058	$ 474,749

NOTE 4: COMMITMENTS

In April 2011, ACS entered into a new five year lease agreement with Hobach Realty Company for its office space located at 1717 Embarcadero Road, Suite 4000. The monthly rent for the lease is $6,250 per month. The monthly rent increases if the consumer price index increases in the year. Total payments for the administrative offices and Outpatient Programs for the year ended June 30, 2013 were $75,000.

Future minimum lease payments are as follows:

FYE	June 30
2014	$ 75,000
2015	$ 75,000
2016	$ 75,000
2017	$ 75,000
2018	$ 75,000

NOTE 5: CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

At June 30, 2013, the Organization did not maintain balances in excess of the FDIC coverage limit of $250,000.

NOTE 6: OUTPATIENT (NET)

Revenue from the Outpatient Programs are reported net of Scholarships as follows:

	June 30, 2013	June 30, 2012
Gross Billings	$ 211,910	$ 163,790
Scholarships	(127,575)	(64,556)
Net Revenue	$ 84,335	$ 99,234

NOTE 7: DATE OF MANAGEMENTS REVIEW

In preparing the financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through November 20, 2013, the date that the financial statements were available to be issued.