ADOLESCENT COUNSELING SERVICES

FINANCIAL STATEMENTS

for the fiscal year ended June 30, 2015

ADOLESCENT COUNSELING SERVICES
JUNE 30, 2015

CONTENTS

SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Adolescent Counseling Services:

We have audited the accompanying financial statements of Adolescent Counseling Services (ACS), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 Adolescent Counseling Services as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

S D Mayer & Associates, LLP

San Francisco, California
January 15, 2016

ADOLESCENT COUNSELING SERVICES

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2015

		2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$	232,530
Pledges receivable		77,000
Accounts receivable		30,781
Prepaid expenses		12,124
Total current assets		352,435
Non-Current Assets:		
Investments in securities, at fair value		1,302,628
Property and equipment, net		3,494
Other assets		6,250
Total non-current assets		1,312,372
Total assets	$	1,664,807
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	3,825
Payroll and related liabilities		44,693
Total current liabilities		48,518
Net Assets:		
Unrestricted		1,388,251
Board-designated endowment		151,038
Temporarily restricted		77,000
Total net assets		1,616,289
Total liabilities and net assets	$	1,664,807

The accompanying notes are an integral
part of these financial statements.

ADOLESCENT COUNSELING SERVICES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2015			
	Unrestricted	Board-Designated Endowment	Temporarily Restricted	Total
Support:				
Contributions from Foundations and Individuals	$ 421,096	$ -	$ 77,000	$ 498,096
Non-Government Grants	503,601	-	-	503,601
Government Grants	109,123	-	-	109,123
Contributed Services and materials	882,958	-	-	882,958
Total support	1,916,778	-	77,000	1,993,778
Revenue:				
Program fees	67,338	-	-	67,338
Special events	249,477	-	-	249,477
Investment loss, net of expenses of $17,861	(427)	-	-	(427)
Other income	131	-	-	131
Net assets released from restrictions	65,000	-	(65,000)	-
Total revenue	381,519	-	(65,000)	316,519
Total support and revenue	2,298,297	-	12,000	2,310,297
Expenses:				
Program services	2,107,503	-	-	2,107,503
Management and General	74,514	-	-	74,514
Fundraising	188,232	-	-	188,232
Total expenses	2,370,249	-	-	2,370,249
Change in net assets	(71,952)	-	12,000	(59,952)
Net assets, beginning of year	1,460,203	151,038	65,000	1,676,241
Net assets, end of year	$ 1,388,251	$ 151,038	$ 77,000	$ 1,616,289

The accompanying notes are an integral
part of these financial statements.

ADOLESCENT COUNSELING SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	PROGRAM					SUPPORT			
	On Campus Counseling	Substance Abuse Treatment	After School Counseling	Outlet	Total Program Services	Management and General	Fundraising	Total Support Services	Total Program and Support
Salaries and wages	$ 564,043	$ 116,552	$ 93,779	$ 196,984	$ 971,358	$ 23,779	$ 43,596	$ 67,375	$ 1,038,733
Benefits	35,398	8,867	6,978	19,532	70,775	6,278	(2,228)	4,050	74,825
Payroll Taxes	48,176	8,974	6,296	17,322	80,768	2,008	3,682	5,690	86,458
Program expenses	220	6,609	339	4,499	11,667	-	-	-	11,667
Professional fees	-	-	-	-	-	3,425	-	3,425	3,425
Contracted services	1,830	590	328	393	3,141	8,274	5,155	13,429	16,570
Supplies	924	125	23	119	1,191	2,974	1,222	4,196	5,387
Telephone	3,150	1,153	756	1,455	6,514	2,023	546	2,569	9,083
Postage and shipping	49	-	-	381	430	192	5,177	5,369	5,799
Occupancy	33,633	14,079	7,822	16,336	71,870	4,754	8,604	13,358	85,228
Repairs and maintenance	2,356	986	548	3,184	7,074	3,904	3,230	7,134	14,208
Printing and publications	635	186	186	546	1,553	122	10,800	10,922	12,475
Conferences and meetings	2,213	574	20	6,014	8,821	1,889	4,001	5,890	14,711
Dues and fees	643	3,798	-	-	4,441	210	375	585	5,026
Insurance	3,876	1,622	901	1,082	7,481	7,477	991	8,468	15,949
Miscellaneous	454	14	59	50	577	12	1,066	1,078	1,655
Fundraising expenses	11,187	11,187	11,187	36,414	69,975	-	-	-	69,975
Advertising	512	-	75	507	1,094	75	722	797	1,891
Bank charges	-	-	-	73	73	782	11,281	12,063	12,136
Depreciation	-	-	-	-	-	1,991	-	1,991	1,991
Other expenses	-	-	-	-	-	99	-	99	99
Contributed Services and materials	197,175	292,625	292,625	6,275	788,700	4,246	90,012	94,258	882,958
Total	$ 906,474	$ 467,941	$ 421,922	$ 311,166	$ 2,107,503	$ 74,514	$ 188,232	$ 262,746	$ 2,370,249

The accompanying notes are an integral
part of these financial statements.

ADOLESCENT COUNSELING SERVICES

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		2015
Cash flows from operating activities:		
Change in net assets	$	(59,952)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		1,991
Net investment loss		427
Changes in assets and liabilities:		
Accounts receivable		4,338
Pledges receivable		19,050
Prepaid expenses		(12,124)
Accounts payable		3,225
Payroll and related liabilities		10,323
Net cash used in operating activities		(32,722)
Cash flows from investing activities:		
Proceeds from investments in securities		44,479
Net cash provided by investing activities		44,479
Net increase in cash and cash equivalents		11,757
Cash and cash equivalents, beginning of year		220,773
Cash and cash equivalents, end of year	$	232,530

The accompanying notes are an integral
part of these financial statements.

1. Nature of Activities

Adolescent Counseling Services ("ACS or Organization") 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:

<u>The On-Campus Counseling Program:</u> 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.

<u>Adolescent Substance Abuse Treatment:</u> 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.

<u>After-School Counseling Program:</u> 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.

<u>Outlet:</u> Offers support groups and leadership services to lesbian, gay, bisexual, transgender, and queer+ (LGBTQ+) youth. Outlet also works within community institutions to change how LGBTQ+ youth are treated through its signature UNIQUE (Understanding Issues in the Queer Experience) trainings.

2. Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP").

Basis of Presentation

ACS reports information regarding its financial position and activities according to 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. 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. Temporarily restricted net assets represent contributions that are limited in use by ACS in accordance with temporary donor imposed stipulations. These stipulations may expire with time of may be satisfied and removed by the actions of ACS according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the donor.

Continued

2. Significant Accounting Policies, continued

Cash and Equivalents

For purposes of the Statement of Cash Flows, ACS considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of credit history and other relevant factors, management has concluded that the accounts receivable are fully collectible at year-end.

Contributions and Promises to Give (Pledges Receivable)

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Unconditional promises to give (or pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected within future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the applicable discount rates in the years in which those promises are received. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. At June 30, 2015, there were no known conditional promises to give. An allowance for uncollectible promises to give is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. The allowance for uncollectible promises to give amounted to $0 as of June 30, 2015.

Investments

Readily marketable equity and fixed income securities or mutual funds are carried at fair value, as determined by the last reported sales price on the date of valuation. The net investment income (loss) including changes in the fair value of investments is reflected in the statement of activities. Income and realized and unrealized gains and losses on investments of endowments and similar funds are reported as changes in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; as changes in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or if the funds have not been appropriated for use in operations; and as changes in unrestricted net assets in all other cases.

Continued

2. Significant Accounting Policies, continued

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that ACS is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d).

Accounting for Uncertainty in Income Taxes

As required by generally accepted accounting principles, ACS recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. ACS considered all tax positions for which the statute of limitations remained open and determined there were no unrecognized tax benefits as of June 30, 2015. The fiscal years ended June 30, 2012, 2013, and 2014 are still open to audit for both federal and state purposes.

Donated Services and materials

Donated materials are recorded as support at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support unless the donor has restricted the donated materials to a specific purpose. Donated materials amounted to $90,012 for the year ended June 30, 2015 with a corresponding offset recorded as support expenses in the accompanying statement of functional expenses.

ACS recognizes contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ACS. Donated services amounted to $792,946 for the year ended June 30, 2015 with a corresponding offset recorded as program and support expenses in the accompanying statement of functional expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the furniture and equipment ranging from 5 to 10 years.

Continued

2. Significant Accounting Policies, continued

Functional Expense Allocation

Functional expenses been allocated between Program Services and Supporting Services based on an analysis of personnel time.

Fair Value Measurement

ACS defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings or other comprehensive income when they occur. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, ACS considers the principal or most advantageous market in which ACS would transact and the market-based risk measurement or assumptions that market participants would use in pricing the assets or liability, such as inherent risk, transfer restrictions, and credit risk.

ACS applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1–quoted prices in active markets for identical assets or liabilities.

Level 2–observable inputs other than quoted price in active markets for identical assets or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3–unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the year ended June 30, 2015.

The carrying amounts of certain of ACS's financial instruments including cash and cash equivalents, investments, accounts receivable, pledges receivable, accounts payable, and payroll liabilities approximate fair value due either to length of maturity or interest rates that approximate prevailing market rates.

Advertising Expense

ACS's expenses advertising costs as incurred. For the year ended June 30, 2015, advertising expense amounted to $1,891.

Continued

3. Pledges Receivable

Pledges Receivable, that are expected to be received in the fiscal year ending June 30, 2016, totaled $77,000 at June 30, 2015. Based upon management's judgment, the allowance for uncollectible pledges receivable amounted to $0 as of June 30, 2015.

4. Investments in Securities

Investments at June 30, 2015 that are measured at fair value on a recurring basis consist of the following:

	2015			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 8,845	$ 6,405	$ -	$ 15,250
Equities	497,613	-	28,865	526,478
Fixed income	387,272	140,980	-	528,252
Hedge funds and private equity	-	58,593	174,055	232,648
Total	$ 893,730	$ 205,978	$ 202,920	$ 1,302,628

The Organization did not have any financial liabilities that are measured at fair value at June 30, 2015.

Investment income (loss) for the year ended June 30, 2015 consists of:

	2015
Investment Income (loss):	
Interest and dividends	$ 16,657
Net realized/unrealized gains	777
Investment expenses and fees	(17,861)
Investment loss, net	$ (427)

The following table provides a reconciliation of the changes in assets that are measured at fair value and classified as Level 3 for the year ended June 30, 2015:

	2015
Beginning balance	$ 209,576
Total unrealized losses	(6,656)
Transfers out of Level 3	-
Ending balance	$ 202,920
Changes in unrealized losses	$ (6,656)

Continued

5. Property and Equipment

Property and equipment consisted of the following at June 30, 2015:

	2015
Furniture and Equipment	$ 29,882
Less accumulated depreciation	(26,388)
Total	$ 3,494

Depreciation expense was $1,991 for the year ended June 30, 2015.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2015:

	2015
On Campus Counseling	$ 20,000
Substance Abuse Treatment	15,000
After School Counseling	20,000
Outlet	22,000
	$ 77,000

7. Net Assets Released from Restrictions

Net assets were released from donor restrictions by satisfying the conditions for the following restricted purposes or passage of time during the year ended June 30, 2015:

	2015
On Campus Counseling	$ 20,000
Substance Abuse Treatment	15,000
After School Counseling	20,000
Outlet	10,000
	$ 65,000

8. Concentration of Credit Risk

Financial instruments which potentially subject ACS to credit risk consist primarily of cash and equivalents. Cash includes deposit accounts and investments in money market funds. ACS maintains cash with financial major financial institutions who are members of Federal Deposit Insurance Corporation (FDIC) and money market funds with a Company who is a member of SIPC. At times, amounts in deposit accounts may exceed FDIC limits of $250,000. ACS monitors the bank and investment balances and considers risk on a regular basis.

Continued

9. Board-Designated Endowments

The Organization's endowment consists principally of mutual funds, high quality equity securities, and fixed income securities established for a variety of purposes. Its endowment includes funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (CA-UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by CA-UPMIFA.

In accordance with CA-UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment funds
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policy of the Organization
(8) The limitation under California state law of appropriations to seven percent of the fair value of the endowment funds

Continued

9. Board-Designated Endowments, continued

Board-Designated Endowments

Changes in board-designated endowment net assets for the year ended June 30, 2015 are as follows:

	2015
Board-designated endowment net assets, beginning of year	$ 160,634
Contributions	-
Investment return:	
Investment income, net of expenses	9,650
Net depreciation	(11,467)
Other	(81)
Total investment return	(1,898)
Total current year activity	(1,898)
Amounts appropriated for expenditure	(7,698)
Board-designated endowment net assets, end of year	$ 151,038

Endowment Investment and Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. The primary objective for board-designated funds shall also be protection of capital, but with a higher tolerance for risk and a higher emphasis on return. Liquidity is not a priority since the Organization does not expect to expend these board-designated funds on a short-notice. The Organization invests these board-designated funds in securities and mutual funds such as diversified stock and bond portfolios but not in highly speculative investments.

When investing all endowment funds, management of the Organization bears in mind the "prudent investor rule". Under the "prudent investor rule", the Organization has a fiduciary responsibility to donor-restricted funds similar to that of a trustee to a beneficiary. Accordingly, the Organization is subject to the trust law concept that a trustee should invest a beneficiary's funds as a prudent investor would invest their own funds. If there are donor-specific investment guidelines, those guidelines supersede the investment policy of the Organization and the Organization shall adhere to those guidelines.

Historically, under the Board of Directors and Finance Committee guidelines, the annual distribution from the endowment is targeted at 5% of the beginning of the year balance of the endowment. The Organization reserves the right to modify the spending policy. To achieve the Organization's distribution policy, the endowment assets are invested in a portfolio comprised of cash equivalents, equity securities, fixed income securities, and mutual funds. The portfolio is designed to maximize long-term total investment return while maximally supporting the Organization's endowment projects.

Continued

10. Commitments

In April 2011, ACS entered into a five year lease agreement with Hohbach Realty Company Limited Partnership for its office space located at 1717 Embarcadero Road, Suite 4000. The monthly rent for the lease is $6,250 per month. The lease commenced on April 1, 2011 and ends on February 29, 2016. The monthly rent increases if the consumer price index increases in the year. ACS also leases on a month to-month basis office space in Mountain View for its Outlet Program. Total payments for the administrative offices and outpatient programs for the year ended June 30, 2015 amounted to $81,950.

The future minimum lease payments amount to $12,500 which represent the first two months in 2016.

11. Subsequent Events

ACS evaluated subsequent events for recognition and disclosure through January 15, 2016, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in these financial statements except as noted below.

On November 9, 2015, the entity entered into a new lease agreement with Bayport Plaza, LLC for a new office space in Redwood City, California. The term of the lease is two years commencing on March 1, 2016 and expiring on February 28, 2018 with a base rent of $7,605. Beginning March 1, 2016, the minimum base rent will be $7,605 for months 1 to 12 and $7,833 for months 13 to 24.