SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

ADOLESCENT COUNSELING SERVICES

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FINANCIAL STATEMENTS

for the fiscal years ended June 30, 2017 and 2016

ADOLESCENT COUNSELING SERVICES
JUNE 30, 2017 AND 2016

CONTENTS

SD MAYER & ASSOCIATES, LLP

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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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

S D Mayer & Associates, LLP

San Francisco, California
February 9, 2018

ADOLESCENT COUNSELING SERVICES

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 44,212	$ 178,479
Pledges receivable, net of allowance	22,500	67,500
Accounts receivable	112,145	17,020
Prepaid expenses and other current assets	14,071	21,519
Total current assets	192,928	284,518
Non-Current Assets:		
Investments in securities, at fair value	1,200,438	1,227,967
Property and equipment, net	5,436	7,678
Other assets	7,833	7,833
Total non-current assets	1,213,707	1,243,478
Total assets	$ 1,406,635	$ 1,527,996
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 10,488	$ 3,173
Payroll and related liabilities	40,178	45,163
Total current liabilities	50,666	48,336
Net Assets:		
Unrestricted	1,148,712	1,227,995
Board-designated endowment	132,257	142,065
Temporarily restricted	75,000	109,600
Total net assets	1,355,969	1,479,660
Total liabilities and net assets	$ 1,406,635	$ 1,527,996

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

ADOLESCENT COUNSELING SERVICES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Board-Designated Endowment	Temporarily Restricted	Total	Unrestricted	Board-Designated Endowment	Temporarily Restricted	Total
Support:								
Contributions from Foundations and Individuals	$ 275,931	$ -	$ 75,000	$ 350,931	$ 347,465	$ -	$ 109,600	$ 457,065
Non-Government Grants	479,127	-	-	479,127	561,824	-	-	561,824
Government Grants	128,780	-	-	128,780	115,770	-	-	115,770
Contributed materials, Services and facilities	774,217	-	-	774,217	1,047,974	-	-	1,047,974
Total support	1,658,055	-	75,000	1,733,055	2,073,033	-	109,600	2,182,633
Revenue:								
Program fees	94,476	-	-	94,476	83,781	-	-	83,781
Special events	185,780	-	-	185,780	238,662	-	-	238,662
Investment gain (loss), net of expenses of $12,770 and $14,623 for 2017 and 2016, respectively	115,000	-	-	115,000	(29,050)	-	-	(29,050)
Other income	10	-	-	10	28	-	-	28
Net assets released from restrictions	109,600	-	(109,600)	-	77,000	-	(77,000)	-
Total revenue	504,866	-	(109,600)	395,266	370,421	-	(77,000)	293,421
Total support and revenue	2,162,921	-	(34,600)	2,128,321	2,443,454	-	32,600	2,476,054
Expenses:								
Program services	2,065,214	9,808	-	2,075,022	2,275,206	8,973	-	2,284,179
Management and General	62,413	-	-	62,413	98,023	-	-	98,023
Fundraising	114,577	-	-	114,577	230,481	-	-	230,481
Total expenses	2,242,204	9,808	-	2,252,012	2,603,710	8,973	-	2,612,683
Change in net assets	(79,283)	(9,808)	(34,600)	(123,691)	(160,256)	(8,973)	32,600	(136,629)
Net assets, beginning of year	1,227,995	142,065	109,600	1,479,660	1,388,251	151,038	77,000	1,616,289
Net assets, end of year	$ 1,148,712	$ 132,257	$ 75,000	$ 1,355,969	$ 1,227,995	$ 142,065	$ 109,600	$ 1,479,660

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, 2017

	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	$ 606,549	$ 106,380	$ 85,328	$ 198,039	$ 996,296	$ 20,720	$ 37,987	$ 58,707	$ 1,055,003
Benefits	23,717	4,898	2,896	23,327	54,838	(7,581)	2,755	(4,826)	50,012
Payroll Taxes	50,254	8,277	6,038	16,684	81,253	1,679	3,078	4,757	86,010
Program expenses	-	12,485	-	2,513	14,998	88	67	155	15,153
Professional fees	-	-	-	-	-	15,917	-	15,917	15,917
Contracted services	4,729	670	372	7,597	13,368	222	1,660	1,882	15,250
Supplies	118	-	39	860	1,017	2,974	644	3,618	4,635
Telephone	3,452	1,368	777	1,285	6,882	2,000	812	2,812	9,694
Postage and shipping	-	-	-	329	329	800	5,211	6,011	6,340
Occupancy	40,386	16,906	9,392	11,271	77,955	6,256	10,331	16,587	94,542
Repairs and maintenance	13,259	5,531	3,025	3,687	25,502	2,515	8,403	10,918	36,420
Printing and publications	-	102	102	-	204	-	8,022	8,022	8,226
Conferences and meetings	1,612	317	316	3,429	5,674	2,863	2,682	5,545	11,219
Dues and fees	-	-	-	100	100	929	-	929	1,029
Insurance	3,420	1,432	795	954	6,601	7,051	875	7,926	14,527
Miscellaneous	1,146	-	11	61	1,218	-	-	-	1,218
Fundraising expenses	-	-	-	16,977	16,977	-	13,887	13,887	30,864
Advertising	721	390	75	445	1,631	-	630	630	2,261
Bank charges	-	289	281	1,197	1,767	490	2,673	3,163	4,930
Depreciation	-	-	-	-	-	2,242	-	2,242	2,242
Board Strategic Plan	-	-	-	-	-	-	9,000	9,000	9,000
Other expenses	29	228	210	226	693	-	2,612	2,612	3,305
Contributed Services and materials	186,442	287,467	284,218	9,592	767,719	3,248	3,248	6,496	774,215
Total	$ 935,834	$ 446,740	$ 393,875	$ 298,573	$ 2,075,022	$ 62,413	$ 114,577	$ 176,990	$ 2,252,012

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, 2016

	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	$ 596,041	$ 126,265	$ 93,961	$ 202,178	$ 1,018,445	$ 26,101	$ 47,853	$ 73,954	$ 1,092,399
Benefits	22,064	9,073	6,516	16,623	54,276	1,137	2,735	3,872	58,148
Payroll Taxes	50,103	9,460	6,601	16,575	82,739	2,145	3,932	6,077	88,816
Program expenses	493	6,765	151	2,552	9,961	-	-	-	9,961
Professional fees	-	-	-	-	-	18,700	-	18,700	18,700
Contracted services	4,997	626	348	418	6,389	209	17,883	18,092	24,481
Supplies	611	314	281	320	1,526	5,218	421	5,639	7,165
Telephone	4,316	1,655	1,052	1,683	8,706	1,720	828	2,548	11,254
Postage and shipping	220	92	51	442	805	334	7,388	7,722	8,527
Occupancy	30,326	12,694	7,052	13,130	63,202	10,555	7,758	18,313	81,515
Repairs and maintenance	3,731	1,468	815	2,717	8,731	13,344	4,053	17,397	26,128
Printing and publications	574	336	338	2,276	3,524	3,607	9,784	13,391	16,915
Conferences and meetings	817	3,596	411	8,052	12,876	2,479	8,710	11,189	24,065
Dues and fees	-	1,153	145	300	1,598	625	500	1,125	2,723
Insurance	3,911	1,637	910	1,092	7,550	8,089	1,001	9,090	16,640
Miscellaneous	588	203	50	554	1,395	1,081	165	1,246	2,641
Fundraising expenses	-	110	-	21,139	21,249	31	27,176	27,207	48,456
Advertising	995	-	75	995	2,065	75	366	441	2,506
Bank charges	-	-	-	-	-	777	11,397	12,174	12,174
Depreciation	-	-	-	-	-	1,674	-	1,674	1,674
Board Strategic Plan	-	-	-	-	-	-	9,000	9,000	9,000
Other expenses	-	1	-	-	1	122	696	818	819
Contributed Services and materials	242,724	363,224	363,224	9,969	979,141	-	68,835	68,835	1,047,976
Total	$ 962,511	$ 538,672	$ 481,981	$ 301,015	$ 2,284,179	$ 98,023	$ 230,481	$ 328,504	$ 2,612,683

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

ADOLESCENT COUNSELING SERVICES

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (123,691)	$ (136,629)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,242	1,674
Net realized and unrealized losses (gains) on investment	(118,186)	25,470
Changes in assets and liabilities:		
Accounts receivable	(95,125)	13,761
Pledges receivable	45,000	9,500
Prepaid expenses and other current assets	7,447	(9,395)
Other assets	-	(1,583)
Accounts payable	7,315	(652)
Payroll and related liabilities	(4,985)	471
Net cash used in operating activities	(279,983)	(97,383)
Cash flows from investing activities:		
Purchase of property and equipment	-	(5,858)
Proceeds from investments in securities	145,716	49,190
Net cash provided by investing activities	145,716	43,332
Net decrease in cash and cash equivalents	(134,267)	(54,051)
Cash and cash equivalents, beginning of year	178,479	232,530
Cash and cash equivalents, end of year	$ 44,212	$ 178,479

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:

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.

Outlet: 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 or 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, 2017 and 2016, 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, 2017 and 2016.

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.

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).

Continued

2. Significant Accounting Policies, continued

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, 2017 and 2016. The fiscal years ended June 30, 2014, 2015, and 2016 are still open to audit for both federal and state purposes.

Donated Material, Services, and Facilities

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 $16,242 and $68,847 for the years ended June 30, 2017 and 2016, respectively, with a corresponding offset recorded as support expenses in the accompanying statements 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 $732,775 and $970,894 for the years ended June 30, 2017 and 2016, respectively, with a corresponding offset recorded as program and support expenses in the accompanying statements of functional expenses.

Donated Facilities are recorded at their estimated fair value. Donated Facilities amounted to $25,200 and $8,233 for the years ended June 30, 2017 and 2016, respectively, with a corresponding offset recorded as program and support expenses in the accompanying statements 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.

Functional Expense Allocation

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

Continued

2. Significant Accounting Policies, continued

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 years ended June 30, 2017 and 2016.

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. Advertising expense amounted to $2,261 and $2,506 for the years ended June 30, 2017 and 2016, respectively.

3. Pledges Receivable

Pledges Receivable amounted to $22,500 and $67,500 at June 30, 2017 and 2016. Based upon management's judgment, the allowance for uncollectible pledges receivable amounted to $0 as of June 30, 2017 and 2016.

Continued

4. Investments in Securities

Investments at June 30, 2017 and 2016 that are measured at fair value on a recurring basis consisted of the following:

	2017			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 7,283	$ 7,283	$ -	$ 14,566
Equities	466,852	-	42,296	509,148
Fixed income	363,654	125,327	-	488,981
Hedge funds and private equity	-	27,784	159,959	187,743
Total	$ 837,789	$ 160,394	$ 202,255	$ 1,200,438

	2016			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 7,072	$ 7,072	$ -	$ 14,144
Equities	468,610	-	27,018	495,628
Fixed income	371,919	127,805	-	499,724
Hedge funds and private equity	-	55,199	163,272	218,471
Total	$ 847,601	$ 190,076	$ 190,290	$ 1,227,967

The Organization did not have any financial liabilities that are measured at fair value at June 30, 2017 and 2016.

Net investment loss for the years ended June 30, 2017 and 2016 consisted of:

	2017	2016
Investment Income (loss):		
Interest and dividends	$ 9,584	$ 11,043
Net realized and unrealized gains (losses)	118,186	(25,470)
Investment expenses and fees	(12,770)	(14,623)
Investment gain (loss), net	$ 115,000	$ (29,050)

The following table provides a reconciliation of the changes in assets that are measured at fair value and classified as Level 3 for the years ended June 30, 2017 and 2016:

	2017	2016
Beginning balance	$ 190,290	$ 202,920
Total unrealized gains (losses)	11,965	(12,630)
Transfers out of Level 3	-	-
Ending balance	$ 202,255	$ 190,290
Changes in unrealized gains (losses)	$ 11,965	$ (12,630)

Continued

5. Property and Equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016
Furniture and Equipment	$ 35,740	$ 35,740
Less accumulated depreciation	(30,304)	(28,062)
Total	$ 5,436	$ 7,678

Depreciation expense amounted to $2,242 and $1,674 for the years ended June 30, 2017 and 2016, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2017 and 2016:

	2017	2016
On Campus Counseling	$ 22,500	$ 25,000
Substance Abuse Treatment	10,000	15,000
After School Counseling	-	20,000
Outlet	27,500	34,600
Fundraising	15,000	15,000
	$ 75,000	$ 109,600

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 years ended June 30, 2017 and 2016:

	2017	2016
On Campus Counseling	$ 25,000	$ 20,000
Substance Abuse Treatment	15,000	15,000
After School Counseling	20,000	20,000
Outlet	34,600	22,000
Fundraising	15,000	-
	$ 109,600	$ 77,000

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 major financial institutions who are members of the 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 years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Board-designated endowment net assets, beginning of year	$ 142,065	$ 151,038
Contributions	-	-
Investment return:		
Investment income (loss), net of expenses	(7,657)	3,323
Net appreciation (depreciation)	5,379	(4,582)
Other	-	-
Total investment return	(2,278)	(1,259)
Total current year activity	(2,278)	(1,259)
Amounts appropriated for expenditure	(7,530)	(7,714)
Board-designated endowment net assets, end of year	$ 132,257	$ 142,065

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 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 project.

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 ended on February 29, 2016.

ACS also leases on a month to-month basis office space in Mountain View for its Outlet Program.

On November 9, 2015, the entity entered into a lease agreement with Bayport Plaza, LLC for 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.

Total payments for the administrative offices and outpatient programs under all of these leases for the years ended June 30, 2017 and 2016 amounted to $92,172 and $78,837, respectively.

The following schedule represents the future minimum lease payments at June 30:

2018	$ 62,664
Total future minimum lease payments	$ 62,664

11. Subsequent Events

ACS evaluated subsequent events for recognition and disclosure through February 9, 2018, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in these financial statements except as noted below.

ACS is currently negotiating an extension of its existing lease agreement for its office space in Redwood City, California. The lease requires monthly payments averaging approximately $8,300 with a commencement date of March 1, 2018 and expiration date of February 28, 2021.