

ADOLESCENT COUNSELING SERVICES

FINANCIAL STATEMENTS

for the fiscal years ended June 30, 2022 and 2021

ADOLESCENT COUNSELING SERVICES
JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Adolescent Counseling Services:

Opinion

We have audited the accompanying financial statements of Adolescent Counseling Services (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Adolescent Counseling Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adolescent Counseling Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT - CONTINUED

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Adolescent Counseling Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adolescent Counseling Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

SD Mayer & Associates, LLP

San Francisco, California
July 7, 2023

ADOLESCENT COUNSELING SERVICES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 412,183	\$ 410,797
Unconditional pledges receivable, current portion, net of allowance of \$9,198 and \$200 for 2022 and 2021, respectively	86,720	73,176
Grants receivable, net of allowance of \$0 for 2022 and 2021	346,900	281,257
Prepaid expenses and other current assets	10,733	27,985
Total current assets	<u>856,536</u>	<u>793,215</u>
Non-Current Assets:		
Investments held in trust, at fair value	1,297,038	1,321,160
Unconditional pledges receivable, noncurrent portion, net of allowance of \$0 for 2022 and 2021	163,180	110,022
Other assets	6,676	13,209
Total non-current assets	<u>1,466,894</u>	<u>1,444,391</u>
Total assets	<u><u>\$ 2,323,430</u></u>	<u><u>\$ 2,237,606</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 9,289	\$ 7,497
Payroll and other liabilities	61,527	55,374
Notes Payable	-	227,355
Total current liabilities	<u>70,816</u>	<u>290,226</u>
Net Assets:		
Without donor restrictions	1,740,580	1,462,525
Board-designated endowment	142,034	168,005
With donor restrictions	370,000	316,850
Total net assets	<u>2,252,614</u>	<u>1,947,380</u>
Total liabilities and net assets	<u><u>\$ 2,323,430</u></u>	<u><u>\$ 2,237,606</u></u>

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, 2022 AND 2021

	2022				2021			
	Without donor restrictions	Board-Designated Endowment	With donor restrictions	Total	Without donor restrictions	Board-Designated Endowment	With donor restrictions	Total
Support:								
Contributions from individuals, foundations and non-government grants	\$ 227,790	\$ -	\$ 982,869	\$ 1,210,659	\$ 245,890	\$ -	\$ 770,844	\$ 1,016,734
Government Grants	-	-	125,261	125,261	-	-	145,261	145,261
Contributed materials, Services and facilities	515,623	-	-	515,623	476,685	-	-	476,685
Total support	743,413	-	1,108,130	1,851,543	722,575	-	916,105	1,638,680
Revenue:								
Program fees	150,184	-	-	150,184	132,940	-	-	132,940
Special events	287,365	-	-	287,365	215,440	-	-	215,440
Investment gain (loss), net of expenses of \$4,609 and \$13,457 for 2022 and 2021, respectively	(157,734)	(18,376)	-	(176,110)	196,251	36,553	-	232,804
PPP loan forgiveness	193,563	-	-	193,563	-	-	-	-
Net assets released from restrictions	1,054,980	-	(1,054,980)	-	1,036,755	-	(1,036,755)	-
Total revenue	1,528,358	(18,376)	(1,054,980)	455,002	1,581,386	36,553	(1,036,755)	581,184
Total support and revenue	2,271,771	(18,376)	53,150	2,306,545	2,303,961	36,553	(120,650)	2,219,864
Expenses:								
Program services	1,725,163	-	-	1,725,163	1,588,393	-	-	1,588,393
Management and General	125,204	7,595	-	132,799	124,760	7,197	-	131,957
Fundraising	143,349	-	-	143,349	127,269	-	-	127,269
Total expenses	1,993,716	7,595	-	2,001,311	1,840,422	7,197	-	1,847,619
Change in net assets	278,055	(25,971)	53,150	305,234	463,539	29,356	(120,650)	372,245
Net assets, beginning of year	1,462,525	168,005	316,850	1,947,380	998,986	138,649	437,500	1,575,135
Net assets, end of year	<u>\$ 1,740,580</u>	<u>\$ 142,034</u>	<u>\$ 370,000</u>	<u>\$ 2,252,614</u>	<u>\$ 1,462,525</u>	<u>\$ 168,005</u>	<u>\$ 316,850</u>	<u>\$ 1,947,380</u>

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, 2022

	PROGRAM					SUPPORT			Total Program and Support
	On Campus Counseling	Substance Abuse Treatment	Community Counseling	Outlet	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and wages	\$ 215,093	\$ 179,089	\$ 126,510	\$ 356,801	\$ 877,493	\$ 50,362	\$ 73,531	\$ 123,893	\$ 1,001,386
Benefits	8,164	9,932	3,655	31,892	53,643	2,665	12,843	15,508	69,151
Payroll Taxes	15,125	12,874	9,571	27,279	64,849	3,788	6,419	10,207	75,056
Program expenses	-	582	-	57	639	430	-	430	1,069
Professional fees	-	-	-	-	-	28,350	-	28,350	28,350
Contracted services	31,493	31,769	29,255	20,080	112,597	11,904	703	12,607	125,204
Supplies	665	217	57	1,018	1,957	1,223	303	1,526	3,483
Telephone	889	985	889	1,779	4,542	2,475	949	3,424	7,966
Postage and shipping	-	-	-	-	-	330	2,205	2,535	2,535
Occupancy	9,868	9,868	9,868	19,735	49,339	5,921	10,525	16,446	65,785
Repairs and maintenance	3,775	3,525	3,525	7,050	17,875	5,027	8,407	13,434	31,309
Printing and publications	58	390	73	122	643	712	1,217	1,929	2,572
Conferences and meetings	208	2,262	295	853	3,618	1,302	2,179	3,481	7,099
Dues and fees	-	-	-	21	21	-	-	-	21
Insurance	1,525	1,525	1,525	3,049	7,624	3,284	1,626	4,910	12,534
Miscellaneous	224	147	1,122	474	1,967	-	-	-	1,967
Fundraising expenses	-	-	-	16,055	16,055	41	12,888	12,929	28,984
Advertising	375	1,666	300	-	2,341	384	-	384	2,725
Bank charges	-	-	-	15	15	300	-	300	315
Interest expense	-	-	-	-	-	621	-	621	621
Other expenses	8	1,314	1,328	5,595	8,245	97	9,214	9,311	17,556
Contributed Services and materials	281,600	115,720	13,840	90,540	501,700	13,583	340	13,923	515,623
Total	<u>\$ 569,070</u>	<u>\$ 371,865</u>	<u>\$ 201,813</u>	<u>\$ 582,415</u>	<u>\$ 1,725,163</u>	<u>\$ 132,799</u>	<u>\$ 143,349</u>	<u>\$ 276,148</u>	<u>\$ 2,001,311</u>

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, 2021

	PROGRAM					SUPPORT			Total Program and Support
	On Campus Counseling	Substance Abuse Treatment	Community Counseling	Outlet	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and wages	\$ 193,063	\$ 157,933	\$ 109,494	\$ 324,350	\$ 784,840	\$ 47,773	\$ 65,246	\$ 113,019	\$ 897,859
Benefits	7,992	6,726	7,104	23,218	45,040	16,288	3,846	20,134	65,174
Payroll Taxes	14,165	11,552	8,091	26,083	59,891	3,633	5,110	8,743	68,634
Program expenses	-	-	-	101	101	-	-	-	101
Professional fees	-	-	-	-	-	25,150	-	25,150	25,150
Contracted services	38,666	55,012	14,432	2,580	110,690	384	25,674	26,058	136,748
Supplies	372	-	-	44	416	582	798	1,380	1,796
Telephone	1,094	1,449	1,154	2,189	5,886	2,172	1,167	3,339	9,225
Postage and shipping	-	-	-	5	5	648	1,158	1,806	1,811
Occupancy	14,464	14,464	14,464	28,928	72,320	8,678	15,428	24,106	96,426
Repairs and maintenance	3,475	3,475	3,475	6,950	17,375	5,973	8,853	14,826	32,201
Printing and publications	80	113	34	70	297	360	2,025	2,385	2,682
Conferences and meetings	452	739	210	333	1,734	2,158	817	2,975	4,709
Dues and fees	-	-	-	21	21	60	-	60	81
Insurance	1,119	1,119	1,119	2,237	5,594	2,976	1,193	4,169	9,763
Miscellaneous	3,384	1,989	733	2,432	8,538	6,118	540	6,658	15,196
Fundraising expenses	-	-	-	323	323	-	4,848	4,848	5,171
Advertising	300	-	180	75	555	-	384	384	939
Bank charges	60	-	-	30	90	653	-	653	743
Depreciation	-	-	-	-	-	736	-	736	736
Other expenses	12	1,188	1,225	2,790	5,215	392	(9,818)	(9,426)	(4,211)
Contributed Services and materials	259,380	147,082	-	63,000	469,462	7,223	-	7,223	476,685
Total	<u>\$ 538,078</u>	<u>\$ 402,841</u>	<u>\$ 161,715</u>	<u>\$ 485,759</u>	<u>\$ 1,588,393</u>	<u>\$ 131,957</u>	<u>\$ 127,269</u>	<u>\$ 259,226</u>	<u>\$ 1,847,619</u>

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 305,234	\$ 372,245
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	807
Forgiveness of PPP loan	(193,563)	-
Net realized and unrealized losses (gains) on investment	184,122	(225,132)
Changes in assets and liabilities:		
Unconditional pledges receivable	(66,702)	23,537
Grants receivable	(65,643)	(130,158)
Prepaid expenses and other current assets	17,252	(7,621)
Other assets	6,533	(5,376)
Accounts payable	1,792	(46,281)
Payroll and other liabilities	6,153	12,810
Net cash (used in) provided by operating activities	195,178	(5,169)
Cash flows from investing activities:		
Purchase of investments in securities	(160,000)	(240,000)
Proceeds from investments in securities	-	-
Net cash used in investing activities	(160,000)	(240,000)
Cash flows from financing activities:		
Payments on notes payable	(33,792)	-
Net cash used in financing activities	(33,792)	-
Net (decrease) increase in cash and cash equivalents	1,386	(245,169)
Cash and cash equivalents, beginning of year	410,797	655,966
Cash and cash equivalents, end of year	\$ 412,183	\$ 410,797
Supplemental disclosure:		
Interest paid	\$ 621	\$ -

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

Adolescent Counseling Services
Notes To Financial Statements
For The Years Ended June 30, 2022 and 2021

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 secondary schools. 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.

Community Counseling Program: Started in September 2008, the mission of the Community Counseling Program (CCP), formally known as 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, queer/questioning, intersex, and asexual/ally+ (LGBTQIA+) youth. Outlet also works within community institutions to change how LGBTQIA+ 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 two classes of net assets:

Net assets without donor restrictions— Net assets not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that may or will be met by actions of ACS and/or passage of time. Donor restricted net assets was \$370,000 and \$316,850, as of June 30, 2022 and 2021, respectively.

Net assets without donor restriction 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 net assets without donor restrictions. Included in this category is the board-designated endowment.

Adolescent Counseling Services
Notes To Financial Statements
For The Years Ended June 30, 2022 and 2021

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.

Contributions

Contribution revenue is recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give – that is, those with a measurable performance or other barriers and a right of return – are not recognized until the conditions on which they depend have been met. Contributions and investment gains (losses) and income (loss) that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires or a condition is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions are received from individuals, foundations, schools, and local governments such as a city or county.

Revenue from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures, are recognized as revenue when the organization has incurred expenditures in compliance with specific grant provisions or when the performance obligations are met and delivered. The Organization allocates the transaction price to the specific performance obligations. No amounts of the transaction price were allocated to unsatisfied performance obligations at June 30, 2022 and 2021. Amounts received prior to incurring qualifying expenditures are recorded as deferred revenue in the statement of financial position.

Unconditional Pledges Receivable

Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable 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 pledges receivable are not included as support until the conditions are substantially met. At June 30, 2022 and 2021, there were no known conditional pledges receivable. An allowance for uncollectible pledges receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

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 and changes in net assets. Income and realized and unrealized gains and losses on investments of endowments and similar funds are reported as changes in donor-restricted net assets if the terms of the gift require that they be added to the principal of an endowment fund in perpetuity; or 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 net assets without donor restrictions in all other cases.

Adolescent Counseling Services
Notes To Financial Statements
For The Years Ended June 30, 2022 and 2021

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, 2022 and 2021. The fiscal years ended June 30, 2019, 2020, and 2021 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 \$340 and \$100 for the years ended June 30, 2022 and 2021, 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 \$515,283 and \$476,585 for the years ended June 30, 2022 and 2021, 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 \$5,000 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.

Adolescent Counseling Services
Notes To Financial Statements
For The Years Ended June 30, 2022 and 2021

2. Significant Accounting Policies, continued

Functional Expense Allocation

Functional expenses have 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.

Level 3 investments include beneficial interests held by others. ACS participates in the Nonprofit Investment Program offered by Silicon Valley Community Foundation (SVCF), a nonprofit public benefit corporation. SVCF accepts funds from unrelated nonprofit organizations who desire to have SVCF provide efficient investment management, programmatic expertise, and technical assistance. Assets are invested in the investment pools offered by SVCF. Investments are diversified across public and private securities. ACS may redeem its assets weekly with ten days advance notice. ACS records the estimated fair value of the level 3 investments as calculated by SVCF using available market data including market comparables and other financial data provided by third parties. In February 2022, ACS moved its investment fund to Charles Schwab. Only the endowment fund remains invested with SVCF at June 30, 2022.

There have been no changes in valuation techniques for these assets or liabilities for the years ended June 30, 2022 and 2021.

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

Adolescent Counseling Services
Notes To Financial Statements
For The Years Ended June 30, 2022 and 2021

2. Significant Accounting Policies, continued

Advertising Expense

ACS's expenses advertising costs as incurred. Advertising expense amounted to \$2,725 and \$939 for the years ended June 30, 2022 and 2021, respectively.

Recent Accounting Pronouncements

During February 2016, the FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021, with earlier application permitted. Upon adoption, the lessee will apply the new standard on a modified retrospective approach with a number of optional practical expedients to all periods presented. The practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases based on the present value of the remaining minimum rental payments. ACS is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position, and cash flows.

3. Grants Receivable

Grants receivable amounted to \$346,900 and \$281,257 at June 30, 2022 and 2021. Based upon management's judgment, the allowance for uncollectible grants receivable amounted to \$0 as of June 30, 2022 and 2021.

4. Unconditional Pledges Receivable

Unconditional pledges receivable represent pledges receivable which have been made by donors but have not yet been received. Unconditional pledges receivable due currently are reported at their net realizable value, which is estimated to approximate fair value due to their short maturity. Pledges receivable due in more than one year are recognized at fair value, based on expected collections using present value techniques and discount rates ranging from 1.84% to 4.82%. Net unconditional pledges receivable for which the time restrictions have not yet expired are recorded as net assets with donor restrictions. The allowance for uncollectible pledges receivable amounted to \$9,198 and \$200 as of June 30, 2022 and 2021, respectively.

Adolescent Counseling Services
Notes To Financial Statements
For The Years Ended June 30, 2022 and 2021

4. Unconditional Pledges Receivable, continued

Total unconditional pledges receivable were as follows at June 30, 2022 and 2021:

	2022	2021
Less than one year	\$104,760	\$ 84,345
One to five years	180,720	130,687
	285,480	215,032
Less unamortized discount (1.84% - 4.82%)	(26,382)	(31,634)
Less allowance for uncollectible pledges receivable	(9,198)	(200)
Total unconditional pledges receivable	249,900	183,198
Less net unconditional pledges receivable, current	(86,720)	(73,176)
Net unconditional pledges receivable, noncurrent	<u>\$ 163,180</u>	<u>\$ 110,022</u>

5. Investments in Securities

Investments at June 30, 2022 and 2021 that are measured at fair value on a recurring basis consisted of the following:

	2022			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ 135,228	\$ -	\$ -	\$ 135,228
Bond Funds	204,683	-	-	204,683
Equity Funds	118,956	-	-	118,956
Exchange Traded Funds	676,137	-	-	676,137
Investments held in trust with SVCF	-	-	162,034	162,034
Total	<u>\$1,135,004</u>	<u>\$ -</u>	<u>\$ 162,034</u>	<u>\$ 1,297,038</u>

	2021			
	Level 1	Level 2	Level 3	Total
Investments held in trust with SVCF	\$ -	\$ -	\$ 1,321,160	\$ 1,321,160
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,160</u>	<u>\$ 1,321,160</u>

The Organization did not have any financial liabilities that are measured at fair value at June 30, 2022 and 2021.

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5. Investments in Securities, continued

Net investment income for the years ended June 30, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Investment Income (loss):		
Interest and dividends	\$ 7,543	\$ 7,577
Net realized and unrealized (losses) gains	(179,044)	238,684
Investment expenses and fees	<u>(4,609)</u>	<u>(13,457)</u>
Investment gain (loss), net	<u><u>\$ (176,110)</u></u>	<u><u>\$ 232,804</u></u>

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,321,160	\$ 856,028
Contributions	135,506	309,867
Transfers out of Level 3	(1,175,150)	-
Total unrealized (losses) gains	<u>(119,482)</u>	<u>155,265</u>
Ending balance	<u><u>\$ 162,034</u></u>	<u><u>\$ 1,321,160</u></u>
Changes in unrealized (losses) gains	<u><u>\$ (119,482)</u></u>	<u><u>\$ 155,265</u></u>

6. Property and Equipment

Property and equipment consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and Equipment	\$ 22,015	\$ 35,740
Less accumulated depreciation	<u>(22,015)</u>	<u>(35,740)</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Depreciation expense amounted to \$0 and \$807 for the years ended June 30, 2022 and 2021, respectively.

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7. Note Payable

On May 4, 2020, ACS received loan proceeds in the amount of approximately \$227,355 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. ACS intends to use the proceeds for purposes consistent with the PPP.

On December 22, 2021, the Organization was notified of the partial forgiveness of their PPP loan. \$193,563 of the \$227,355 loan was forgiven. The Organization repaid the remaining \$33,792 over five installments, beginning January 5, 2022 and ending May 5, 2022. Each payment was \$6,882, which included principal and interest.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
On Campus Counseling	\$ 97,500	\$ 85,000
Substance Abuse Treatment	20,000	20,000
Community Counseling	20,000	20,000
Outlet	85,000	63,500
General Purpose - Time restricted	<u>147,500</u>	<u>128,350</u>
	<u><u>\$ 370,000</u></u>	<u><u>\$ 316,850</u></u>

9. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
On Campus Counseling	\$ 345,000	\$ 185,000
Substance Abuse Treatment	60,000	42,500
Community Counseling	20,000	22,500
Outlet	242,230	278,408
General Purpose - Time restricted	<u>387,750</u>	<u>508,347</u>
	<u><u>\$ 1,054,980</u></u>	<u><u>\$ 1,036,755</u></u>

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10. 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. Cash balances in excess of insurance was \$141,649 and \$186,623 for the years ended June 30, 2022 and 2021, respectively.

11. 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 is classified as donor-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 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

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11. Board-Designated Endowments, continued

Changes in board-designated endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Board-designated endowment net assets, beginning of year	\$ 168,005	\$ 138,649
Investment return:		
Investment income, net of expenses	(270)	(869)
Net appreciation	<u>(18,106)</u>	<u>37,422</u>
Total investment return	(18,376)	36,553
Contributions	<u>20,000</u>	<u>-</u>
Total current year activity	1,624	36,553
Amounts appropriated for expenditure	<u>(7,595)</u>	<u>(7,197)</u>
Board-designated endowment net assets, end of year	<u><u>\$ 162,034</u></u>	<u><u>\$ 168,005</u></u>

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.

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12. Commitments

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. ACS renewed the lease for three more years. The lease requires monthly payments averaging approximately \$8,300 with a commencement date of March 1, 2018, and expiration date of February 28, 2021.

On February 19, 2021, the entity entered into a sublease agreement with PCF Insurance Services of the West, LLC, for office space at Bayport Plaza in Redwood City, California. The term of the lease is two years commencing on February 19, 2021, and expiring on January 30, 2023 with a base rent of \$5,220, increasing to \$5,377 in March 2022.

Total payments for the administrative offices and outpatient programs under all of these leases for the years ended June 30, 2022 and 2021 amounted to \$63,266 and \$93,725, respectively.

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

2023	59,990
Total future minimum lease payments	<u>\$ 59,990</u>

13. Liquidity and Availability of Resources

On June 30, 2022, the Organization has \$855,001 of financial assets available within one year from the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$412,183, accounts and grants receivable of \$346,900 and short-term pledges receivable of \$95,918. On June 30, 2021, the Organization has \$765,230 of financial assets available within one year from the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$410,797, accounts and grants receivable of \$281,257 and short-term pledges receivable of \$73,176. None of the financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Organization has a goal to maintain financial assets on hand to meet around six months of normal operating expenses, which are on average approximately \$160,000 a month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

14. Subsequent Events

ACS evaluated subsequent events for recognition and disclosure through July 7, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in these financial statements, other than what is listed below.

In November 2022, the Organization signed a seven-year lease for office space in Redwood City, CA. Monthly rental payments of \$6,289 begin February 2023 with 3% annual increases. The lease terminates in March 2030.

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