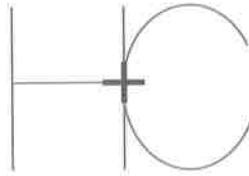


ADOLESCENT CONSULTATION SERVICES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

ADOLESCENT CONSULTATION SERVICES, INC.

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Certified Public Accountants

David J. McCaughin, CPA
John S. McNamara, CPA

Independent Auditor's Report

To the Board of Directors
Adolescent Consultation Services, Inc.
Cambridge, Massachusetts

We have audited the accompanying financial statements of Adolescent Consultation Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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.

To the Board of Directors
Page two

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 Consultation Services, Inc., 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.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
November 20, 2017

ADOLESCENT CONSULTATION SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

| | <u>ASSETS</u> | |
|---|-----------------------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Current Assets | | |
| Cash and cash equivalents | \$ 479,194 | \$ 745,511 |
| Accounts receivable | 56,494 | 47,432 |
| Unconditional promises to give (Note 5) | 32,500 | 35,000 |
| Inventory | 2,431 | 3,159 |
| Prepaid expenses | 20,574 | 16,214 |
| Total Current Assets | <u>591,193</u> | <u>847,316</u> |
| Other Assets | | |
| Investments (Note 3) | 1,682,802 | 1,233,738 |
| Long-term unconditional promises to give, net (Note 5) | 56,452 | 114,096 |
| Security deposit | 3,200 | 3,200 |
| Total Other Assets | <u>1,742,454</u> | <u>1,351,034</u> |
| Property and Equipment | | |
| Office and computer equipment | 91,154 | 91,154 |
| Less accumulated depreciation | (89,854) | (87,610) |
| Property and Equipment, Net | <u>1,300</u> | <u>3,544</u> |
| Total Assets | <u>\$ 2,334,947</u> | <u>\$ 2,201,894</u> |
| | <u>LIABILITIES AND NET ASSETS</u> | |
| Current Liabilities | | |
| Accounts payable | \$ 19,919 | \$ 25,741 |
| Accrued expenses | 42,086 | 37,669 |
| Total Current Liabilities | <u>62,005</u> | <u>63,410</u> |
| Net Assets | | |
| Unrestricted net assets | | |
| Undesignated | 1,709,722 | 1,490,764 |
| Board designated - "Lia Poorvu Fund for the Future" | 429,370 | 409,370 |
| Board designated - "Rebecca Pries Fund for New Initiatives" | 33,350 | 53,350 |
| Total Unrestricted Net Assets | <u>2,172,442</u> | <u>1,953,484</u> |
| Temporarily Restricted Net Assets | <u>100,500</u> | <u>185,000</u> |
| Total Net Assets | <u>2,272,942</u> | <u>2,138,484</u> |
| Total Liabilities and Net Assets | <u>\$ 2,334,947</u> | <u>\$ 2,201,894</u> |

The accompanying notes are an integral part of the financial statements

ADOLESCENT CONSULTATION SERVICES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

| | Total 2017 | | | Total 2016 | | |
|--|--------------|------------------------|--------------|--------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support and Revenue | | | | | | |
| Contributions | | | | | | |
| Corporations and Foundations | \$ 245,452 | \$ 15,500 | \$ 260,952 | \$ 339,533 | \$ 185,000 | \$ 524,533 |
| Individuals | 85,401 | - | 85,401 | 126,474 | - | 126,474 |
| Contributed facilities, services and materials | 98,800 | - | 98,800 | 94,000 | - | 94,000 |
| Total Contributions | 429,653 | 15,500 | 445,153 | 560,007 | 185,000 | 745,007 |
| Fees | | | | | | |
| Juvenile Court | 1,073,238 | - | 1,073,238 | 1,033,745 | - | 1,033,745 |
| Other Revenue | | | | | | |
| Miscellaneous income | 24,419 | - | 24,419 | 32,939 | - | 32,939 |
| Interest and dividend income | 1,322 | - | 1,322 | 1,342 | - | 1,342 |
| Other investment income, net | 153,740 | - | 153,740 | 8,399 | - | 8,399 |
| Total Other Revenues | 179,481 | - | 179,481 | 42,680 | - | 42,680 |
| Total Support and Revenue | 1,682,372 | 15,500 | 1,697,872 | 1,636,432 | 185,000 | 1,821,432 |
| Net Assets Released from Restrictions | | | | | | |
| Satisfaction of time restrictions | 70,000 | (70,000) | - | 30,000 | (30,000) | - |
| Satisfaction of program restrictions | 30,000 | (30,000) | - | 49,953 | (49,953) | - |
| | 100,000 | (100,000) | - | 79,953 | (79,953) | - |
| Expenses | | | | | | |
| Program Services | 1,311,976 | - | 1,311,976 | 1,352,114 | - | 1,352,114 |
| Management and General Fundraising | 190,842 | - | 190,842 | 217,880 | - | 217,880 |
| | 60,596 | - | 60,596 | 64,794 | - | 64,794 |
| Total Expenses | 1,563,414 | - | 1,563,414 | 1,634,788 | - | 1,634,788 |
| Change in Net Assets | 218,958 | (84,500) | 134,458 | 81,597 | 105,047 | 186,644 |
| Net Assets, Beginning of Year | 1,953,484 | 185,000 | 2,138,484 | 1,871,887 | 79,953 | 1,951,840 |
| Net Assets, End of Year | \$ 2,172,442 | \$ 100,500 | \$ 2,272,942 | \$ 1,953,484 | \$ 185,000 | \$ 2,138,484 |

The accompanying notes are an integral part of the financial statements

ADOLESCENT CONSULTATION SERVICES, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2017 AND 2016

| | Program Services | Management and General | Fundraising | Total 2017 | Program Services | Management and General | Fundraising | Total 2016 |
|--|---------------------|---------------------------|------------------|---------------------|---------------------|---------------------------|------------------|---------------------|
| Employee compensation and related expenses | \$ 1,062,554 | \$ 124,106 | \$ 53,695 | \$ 1,240,355 | \$ 1,095,130 | \$ 125,173 | \$ 57,134 | \$ 1,277,437 |
| Occupancy | 135,876 | 8,424 | 4,270 | 148,570 | 133,839 | 8,110 | 4,125 | 146,074 |
| Other program/operating expense | 11,670 | 6,286 | 502 | 18,458 | 12,177 | 38,790 | 1,096 | 52,063 |
| Administrative expense | 99,632 | 52,026 | 2,129 | 153,787 | 106,657 | 45,807 | 2,439 | 154,903 |
| Depreciation of building and equipment | 2,244 | - | - | 2,244 | 4,311 | - | - | 4,311 |
| Total Expenses | \$ 1,311,976 | \$ 190,842 | \$ 60,596 | \$ 1,563,414 | \$ 1,352,114 | \$ 217,880 | \$ 64,794 | \$ 1,634,788 |

The accompanying notes are an integral part of the financial statements

ADOLESCENT CONSULTATION SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 134,458 | \$ 186,644 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 2,244 | 4,311 |
| Net unrealized (gains) losses on investments | (112,442) | 46,497 |
| (Increase) Decrease in Operating Assets: | | |
| Accounts receivable | (9,062) | 3,928 |
| Unconditional promises to give | 60,144 | (119,096) |
| Inventory | 728 | (1,718) |
| Prepaid expenses | (4,360) | 3,265 |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts payable and accrued expenses | (1,405) | 25,855 |
| Net Cash Provided by Operating Activities | <u>70,305</u> | <u>149,686</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of investments | 50,000 | 55,759 |
| Purchase of investments | (386,622) | (111,923) |
| Net Cash Provided by (Used in) Investing Activities | <u>(336,622)</u> | <u>(56,164)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (266,317) | 93,522 |
| Cash and Cash Equivalents, Beginning of Year | <u>745,511</u> | <u>651,989</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 479,194</u> | <u>\$ 745,511</u> |
| Supplemental Disclosures of Cash Flows Information: | | |
| Interest paid during the period | <u>\$ -</u> | <u>\$ -</u> |
| Income taxes paid during the period | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the financial statements

ADOLESCENT CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1 - Nature of Activities

Adolescent Consultation Services, Inc. (The Organization) was incorporated on January 11, 1995, pursuant to the laws of the Commonwealth of Massachusetts. The Organization is a non-profit corporation with headquarters in Cambridge, Massachusetts and other offices in Lowell and Framingham. The Organization provides interdisciplinary diagnostic and treatment services to court-involved children and their families throughout Greater Boston and Middlesex County.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, support and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period as received are shown as unrestricted contributions.

Permanently Restricted Net Assets - Net assets which must be held in perpetuity as stipulated by the donor. As of June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

ADOLESCENT CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

“Lia Poorvu Fund for the Future” and “Rebecca Pries Fund for New Initiatives”

These financial statements include information on the Adolescent Consultation Services, Inc.’s special fundraising efforts known as “Lia Poorvu Fund for the Future” and “Rebecca Pries Fund for New Initiatives”. These fundraising efforts are separate from the Organization’s normal fundraising for its annual operating budget and are reported as Board Designated net assets.

The “Lia Poorvu Fund for the Future” is a special fundraising campaign begun in 1998. The purpose of the “Lia Poorvu Fund for the Future” is the long-term financial stabilization of the Adolescent Consultation Services, Inc. program.

The “Rebecca Pries Fund for New Initiatives” is a special fundraising campaign begun in 2001. The purpose of the “Rebecca Pries Fund for New Initiatives” is to give Adolescent Consultation Services, Inc. the ability to address unique service opportunities as they arise.

Use of Estimates and Assumptions in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADOLESCENT CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities. Therefore, no provision has been made for Federal or State income taxes in the accompanying financial statements.

Investments

The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with the Organization's investments and the level of uncertainty related to changes in the value of the investments, it is at least reasonably possible that changes in risks in the near term would materially affect the assets reported in the financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

Contributed Facilities, Services and Materials

Contributed facilities represent the estimated fair rental value of office space which is provided on a month-to-month basis. Contributed services are reflected in the financial statements at fair value of the services received. The contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials are recognized at their fair market value.

Functional Allocation of Expenses

The costs of providing the Organization's program, supporting services, and fundraising have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, administrative, and fundraising categories.

ADOLESCENT CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of books published by the Organization for the benefit of the program and its clients. Inventory is stated at the lower of cost or market value.

Property and Equipment

Property and equipment purchases with an acquisition cost of \$500 or more, with a useful life of more than one year, are capitalized and recorded at cost. Depreciation is provided using the straight line method over the estimated useful life of the related assets. Depreciation expense was \$2,244 and \$4,311 for the years ended June 30, 2017 and 2016, respectively.

Uncertainty in Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2017, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended June 30, 2016, 2015 and 2014 remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

Compensated Absences

Employees are entitled to paid personal, sick, and vacation time throughout the year. Unused vacation time may be carried over and used through August 31 of the next fiscal year, otherwise the time will lapse. Accrued vacation pay at June 30, 2017 and 2016 was deemed immaterial and not accrued.

Fair Value of Financial Instruments

Carrying amounts of certain of the Adolescent Consultation Services, Inc. financial instruments, including cash and cash equivalents, receivables, payables, and other accrued liabilities, approximate fair value because of their short maturities.

Subsequent Events

The Organization has evaluated subsequent events through November 20, 2017 which is the date the financial statements were available to be issued.

ADOLESCENT CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 3 - Investments

Investments consist of mutual funds and are carried at fair market value. Cost and market values as of June 30, 2017 and 2016 are summarized as follows:

| | <u>June 30, 2017</u> | | |
|--|----------------------|-----------------------------------|-------------------------|
| | <u>Cost</u> | <u>Unrealized Gain (Loss)</u> | <u>Market Value</u> |
| Unrestricted: | | | |
| “Lia Poorvu Fund for the Future” and “Rebecca Pries Fund for New Initiatives” | <u>\$ 1,433,515</u> | <u>\$ 249,287</u> | <u>\$ 1,682,802</u> |
| | | | |
| | <u>June 30, 2016</u> | | |
| | <u>Cost</u> | <u>Unrealized Gain (Loss)</u> | <u>Market Value</u> |
| Unrestricted: | | | |
| “Lia Poorvu Fund for the Future” and “Rebecca Pries Fund for New Initiatives” | <u>\$ 1,096,892</u> | <u>\$ 136,846</u> | <u>\$ 1,233,738</u> |

The following schedule summarizes the net investment income and its classification in the statement of activities for the years ended June 30, 2017 and 2016:

| | Unrestricted: | |
|--------------------------------------|---|-----------------|
| | “Lia Poorvu Fund for the Future” and “Rebecca Pries Fund for New Initiatives” | |
| | <u>2017</u> | <u>2016</u> |
| Advisory fees | \$ - | \$ (2,701) |
| Unrealized gains (losses) | 112,442 | (46,497) |
| Realized gain on sale of investments | 4,352 | 20,243 |
| Investment income | 36,946 | 37,354 |
| Other investment income, net | <u>\$ 153,740</u> | <u>\$ 8,399</u> |

Note 4 - Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs not corroborated by market data. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 were not available.

ADOLESCENT CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 4 - Fair Value Measurements (continued)

The Organization's investments are reported at fair value and consist of the following:

| 2017 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|---------------------|----------------|----------------|---------------------|
| Investments (See Note 3) | <u>\$ 1,682,802</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,682,802</u> |
| 2016 | | | | |
| Investments (See Note 3) | <u>\$ 1,233,738</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,233,738</u> |

Note 5 - Promises to Give

Unconditional promises to give consist of the following:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|------------------|-------------------|
| Gross unrestricted promises to give | \$ 92,500 | \$ 155,000 |
| Less: discount to present value | (3,548) | (5,904) |
| Net unconditional promises to give | <u>\$ 88,952</u> | <u>\$ 149,096</u> |
| Amounts due in: | | |
| Less than one year | \$ 32,500 | \$ 35,000 |
| One to five years | 60,000 | 114,096 |
| | <u>\$ 92,500</u> | <u>\$ 149,096</u> |

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2%.

Uncollectible amounts for unconditional promises to give are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Use in Subsequent Fiscal Year | \$ 90,000 | \$ 155,000 |
| Massachusetts Alliance of Juvenile Court Clinics | 8,000 | 5,000 |
| Intern Compensation | 2,500 | 5,000 |
| Kids and the Law Update | - | 20,000 |
| | <u>\$ 100,500</u> | <u>\$ 185,000</u> |

ADOLESCENT CONSULTATION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 6 - Temporarily Restricted Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|------------------|
| Intern Compensation | \$ 5,000 | \$ 5,000 |
| Use in Subsequent Fiscal Year | 70,000 | 30,000 |
| Kids and The Law Update | 20,000 | 21,620 |
| Massachusetts Alliance of Juvenile Court Clinics | 5,000 | 5,000 |
| Succession planning | - | 18,333 |
| | <u>\$ 100,000</u> | <u>\$ 79,953</u> |

Note 7 - Fees - Juvenile Court

The Organization is a party to a cost reimbursement contract with the Commonwealth of Massachusetts under the juvenile court clinic program. The fees charged under this contract were \$1,073,238 and \$1,033,745 during the years ended June 30, 2017 and 2016, respectively, which represented approximately 63% and 57% of total support and revenue.

As of July 1, 2017, this contract has been extended through June 30, 2020. The contract provides for an annual maximum obligation of \$1,028,394 contingent upon available funds.

Note 8 - Contributed Facilities, Services and Materials

The amounts reflected in the accompanying financial statements as contributed materials, facilities and services are offset by like amounts included in expenses. Contributed materials, facilities and services include the following:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Rent, security and telephone | \$ 88,725 | \$ 88,725 |
| Supplies, equipment and educational materials | 4,075 | 4,075 |
| Reproduction and postage | 1,200 | 1,200 |
| Website development | 4,800 | - |
| | <u>\$ 98,800</u> | <u>\$ 94,000</u> |

Note 9 - Concentrations of Credit Risk - Cash Balances

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash deposits with commercial banks and brokerage firms. The Organization's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The amount of cash balances not covered by the FDIC at June 30, 2017 and 2016 was \$140,604 and \$149,236, respectively.

ADOLESCENT CONSULTATION SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

Note 10 - Surplus Revenue Retention

A not-for-profit provider is allowed to retain an annual net surplus of up to five percent of gross revenues derived from delivering services to clients of the Commonwealth of Massachusetts, beginning with the fiscal year ended June 30, 1993. The cumulative amount retained may not exceed twenty percent of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies, and must be segregated as surplus revenue retention fund balance. A current year surplus which exceeds the five percent level or a cumulative surplus exceeding the twenty percent amount may be reinvested in program services as stipulated by the purchasing agencies, recouped, or used by the Commonwealth to reduce the price of future contracts.

Following are surplus revenue retention deficit amounts calculated by Adolescent Consultation Services, Inc. as of June 30, 2017:

| | |
|---|----------------------------|
| Beginning Accumulated Surplus Revenue Retention Deficit | \$ (151,755) |
| Surplus Revenue Retention Deficit - FY2017 | - |
| Ending Accumulated Surplus Revenue Retention Deficit | <u><u>\$ (151,755)</u></u> |

Since the accumulated surplus retention is a negative amount, no liability relating to this calculation need be recorded in the financial statements.

Note 11 - Retirement Plan

The Organization maintains a defined contribution pension plan, qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the Organization contributed an amount equal to 100% of employee contributions up to 2% of qualified deferrals. The Organization also made a discretionary contribution to the account of each individual employee based on annual compensation and length of service. Contributions to the plan for the years ended June 30, 2017 and 2016 were \$43,803 and \$54,146, respectively.

Note 12 - Commitment

Effective June 1, 2014, the Organization occupies office space under a lease agreement that expires in May, 2019. Rent expense under this lease and an expired lease agreement was \$43,167 and \$42,166 for the years ended June 30, 2017 and 2016, respectively.

Future minimum payments under the above lease are as follows:

| | |
|------|-------------------------|
| 2018 | \$ 44,087 |
| 2019 | <u>41,250</u> |
| | <u><u>\$ 85,337</u></u> |