

ACDS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH SUMMARIZED COMPARATIVE
TOTALS FOR JUNE 30, 2014)

ACDS, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
ACDS, Inc.
Plainview, New York

Report on the Financial Statements

We have audited the accompanying financial statements of ACDS, Inc., which comprise the statement of financial position at June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACDS, Inc. at June 30, 2015, and the changes in its net assets and its cash flows for the year then ended accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Other auditors have previously audited the Organization's 2014 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated September 22, 2014. The summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

Jericho, New York
October 22, 2015

ACDS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,102,526	\$ 603,637
Certificates of deposit	-	794,849
Investments	924,410	119,445
Accounts receivable (net of allowance for doubtful accounts of \$99,000 in 2015 and 2014)	1,923,844	1,870,275
Contributions receivable	100,957	69,359
Prepaid expenses and other assets	151,709	110,173
Assets limited as to use	301,745	388,948
Fixed assets, net	<u>3,960,047</u>	<u>4,394,060</u>
TOTAL ASSETS	<u>\$ 8,465,238</u>	<u>\$ 8,350,746</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 881,209	\$ 831,853
Accrued vacation and sick payable	649,856	648,343
Line of credit	50,000	-
Due to government agencies	152,612	117,842
Deferred revenue	50,395	21,563
Loans and mortgage payable	1,476,939	1,614,721
Capital leases payable	<u>1,380,000</u>	<u>1,710,000</u>
TOTAL LIABILITIES	<u>4,641,011</u>	<u>4,944,322</u>
 COMMITMENTS AND CONTINGENCIES		
Net assets:		
Unrestricted		
Operating	2,485,546	2,446,717
Board designated	<u>1,250,000</u>	<u>900,000</u>
Total unrestricted	3,735,546	3,346,717
Temporarily restricted	<u>88,681</u>	<u>59,707</u>
TOTAL NET ASSETS	<u>3,824,227</u>	<u>3,406,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,465,238</u>	<u>\$ 8,350,746</u>

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

ACDS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES, GAINS, LOSSES AND OTHER SUPPORT:				
Program service fees	\$ 15,507,346	\$ -	\$ 15,507,346	\$ 15,140,118
Government grants and contracts	265,968	-	265,968	262,072
Contributions (included in-kind donations of \$1,957 in 2015 and \$6,589 in 2014)	363,998	94,379	458,377	408,803
Special events	421,549	-	421,549	437,921
Less: Cost of direct benefits of special events	(125,908)	-	(125,908)	(138,974)
Interest and dividend income	6,080	-	6,080	4,743
Unrealized gain on investments	3,071	-	3,071	2,601
Miscellaneous	42,375	-	42,375	17,421
Net assets released from restrictions	65,405	(65,405)	-	-
Total Revenues, Gains, Losses and Other Support	16,549,884	28,974	16,578,858	16,134,705
EXPENSES:				
Program services				
Early intervention	2,511,785	-	2,511,785	2,409,632
Preschool	4,662,814	-	4,662,814	4,958,883
Residential and related services	6,530,684	-	6,530,684	5,899,292
Other	669,811	-	669,811	760,887
Total program services	14,375,094	-	14,375,094	14,028,694
Supporting services				
Management and general	1,416,892	-	1,416,892	1,339,257
Fundraising	369,069	-	369,069	333,064
Total Expenses	16,161,055	-	16,161,055	15,701,015
CHANGE IN NET ASSETS	388,829	28,974	417,803	433,690
NET ASSETS, BEGINNING OF YEAR	3,346,717	59,707	3,406,424	2,972,734
NET ASSETS, END OF YEAR	\$ 3,735,546	\$ 88,681	\$ 3,824,227	\$ 3,406,424

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

ACDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Program Services					Supporting Services					
	Early Intervention	Preschool	Residential and Related Services	Other	Total Program Services	Management and General	Fundraising	Direct Costs of Special Events	Total Supporting Services	2015 Total	2014 Total
Salaries	\$ 1,777,980	\$ 3,303,388	\$ 3,890,875	\$ 445,880	\$ 9,418,123	\$ 962,360	\$ 214,662	\$ -	\$ 1,177,012	\$ 10,595,135	\$ 10,347,097
Fringe benefits	264,887	493,519	571,477	65,531	1,395,414	161,620	27,873	-	189,493	1,584,907	1,427,688
	2,042,867	3,796,907	4,462,352	511,411	10,813,537	1,123,980	242,525	-	1,366,505	12,180,042	11,774,785
Contracted personnel services	244,368	49,516	-	-	293,884	-	-	-	-	293,884	295,996
Professional fees	5,667	18,388	19,211	3,905	47,171	105,660	486	-	106,146	153,317	189,323
Supplies	36,938	148,667	275,037	26,025	486,667	29,099	6,575	-	35,674	522,341	472,566
Telephone	5,105	23,001	38,021	4,731	70,858	4,952	2,067	-	7,019	77,877	74,465
Occupancy	109,277	430,064	329,665	86,145	955,151	45,802	11,443	-	57,245	1,012,396	935,414
Equipment rental and maintenance	4,531	25,356	62,525	3,913	96,325	6,128	1,899	-	8,027	104,352	101,778
Systems support	6,287	22,251	39,496	1,958	69,992	14,762	12,012	-	26,774	96,766	74,257
Staff travel	3,324	2,362	137,239	2	142,927	9,350	1,142	-	10,492	153,419	157,683
Interest	71	8,098	173,896	50	182,115	30	6	-	36	182,151	206,764
Depreciation and amortization	12,618	51,364	514,372	9,292	587,646	3,684	1,299	-	4,983	592,629	564,492
Client-related expenses	1,153	3,602	300,013	901	305,669	550	678	-	1,228	306,897	288,931
Insurance	9,687	32,819	143,032	6,559	192,097	22,759	898	-	23,657	215,754	202,801
Printing and postage	1,913	7,846	2,171	1,379	13,309	20,089	491	-	20,580	33,889	24,820
Food, facility and entertainment	-	-	-	-	-	-	-	125,908	125,908	125,908	138,974
Miscellaneous	27,979	42,573	33,654	13,540	117,746	30,047	87,548	-	117,595	235,341	336,940
Total expense	2,511,785	4,662,814	6,530,684	669,811	14,375,094	1,416,892	369,069	125,908	1,911,869	16,286,963	15,839,989
Cost of direct benefits of special events	-	-	-	-	-	-	-	(125,908)	(125,908)	(125,908)	(138,974)
Total expenses reported by function on the statement of activities	\$ 2,511,785	\$ 4,662,814	\$ 6,530,684	\$ 669,811	\$ 14,375,094	\$ 1,416,892	\$ 369,069	\$ -	\$ 1,785,961	\$ 16,161,055	\$ 15,701,015

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

ACDS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 417,803	\$ 433,690
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on sale of fixed assets	-	(9,599)
Unrealized gain on investments	(3,071)	(2,601)
Depreciation and amortization	592,629	564,492
Decrease (increase) in assets		
Accounts receivable	(53,569)	28,978
Contributions receivable	(31,598)	(17,931)
Prepaid expenses and other current assets	(41,536)	(12,056)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	49,356	57,062
Accrued vacation and sick payable	1,513	80,767
Due to government agencies	34,770	53,235
Deferred revenue	28,832	(46,489)
Net cash provided by operating activities	<u>995,129</u>	<u>1,129,548</u>
Cash flows from investing activities		
Purchase of investments	(796,680)	(906,091)
Proceeds from the sale of investments	789,635	600,000
Proceeds from the sale of fixed assets	-	24,605
Purchase of fixed assets	(158,616)	(496,561)
Net cash used in investing activities	<u>(165,661)</u>	<u>(778,047)</u>
Cash flows from financing activities		
Proceeds from line of credit	50,000	1,100,000
Repayments of line of credit	-	(1,350,000)
Proceeds from loans and mortgage payable	-	283,889
Repayments of loans and mortgage payable	(137,782)	(198,626)
Principal payments on capital leases	(330,000)	(310,000)
Decrease (increase) in assets limited as to use	87,203	(1,147)
Net cash used in financing activities	<u>(330,579)</u>	<u>(475,884)</u>
Net change in cash and cash equivalents	498,889	(124,383)
Cash and cash equivalents - beginning of year	<u>603,637</u>	<u>728,020</u>
Cash and cash equivalents - end of year	<u>\$ 1,102,526</u>	<u>\$ 603,637</u>
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 182,151</u>	<u>\$ 209,116</u>

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

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Nature of Operations

ACDS, Inc. (formerly known as Association for Children with Down Syndrome, Inc.) ("ACDS"), located in Plainview, New York, is a not-for-profit, non-sectarian organization, founded in 1966. ACDS is dedicated to providing lifetime resources of exceptional quality, innovation and inclusion for individuals with Down syndrome, Autism, and other developmental disabilities, and their families.

ACDS provides a continuum of year-round programs and services that include diagnostic evaluations and treatment, early intervention, day care/nursery, preschool, including special education and clinical services for children from infancy to age five; individualized residential alternatives ("IRA") and day habilitation services for adults age 21 and over; and evening and weekend recreation and socialization services for individuals age five and over. ACDS also provides nursery/day care programs in an integrated setting, with typically developing children. IRA services were provided at eight group homes and one supportive apartment as of June 30, 2015. ACDS's primary source of revenue is program service fees.

ACDS qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit corporation in New York State. Accordingly, no provision for federal or state income taxes is required.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with ACDS's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting ACDS's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2015, the fair value of ACDS's financial instruments including cash and cash equivalents, certificates of deposit, accounts receivable, contributions receivable, accounts payable and accrued expenses, and accrued vacation and sick payable approximated book value due to the short maturity of these instruments.

Refer to Note 5 - Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Certificates of Deposit

Certificates of deposit with maturities greater than three months when originally acquired are considered investments for cash flow reporting.

Investments

Investments are stated at the readily determinable fair value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Revenue and Accounts Receivable

Program service fee revenue and related accounts receivable generally are recorded using fee for service at estimated allowable rates, which are subject to audit and adjustment by governmental agencies. The effect of any rate adjustments is recorded when reasonably determinable and based upon preliminary notification by the governmental agencies. Differences between the amounts accrued and subsequent settlements are recorded in the year of settlement. Government grants and related receivables are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed the amounts spent, ACDS establishes due to government funders. Interest income is not accrued or recorded on outstanding receivables.

Contributions Receivable

Unconditional promises to give 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 in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. At June 30, 2015, all of the contributions receivable are due in less than one year.

Allowance for Doubtful Accounts

ACDS determines whether an allowance for uncollectibles should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. ACDS established an allowance for doubtful accounts of approximately \$99,000 at June 30, 2015.

Assets Limited As to Use

Assets limited as to use are assets set aside under the terms of certain financing agreements, to be used for capital purposes or the paydown of the outstanding amounts.

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fixed Assets

Fixed assets are stated at cost. Items in excess of \$3,000 and with useful lives of two years or greater are capitalized. Leasehold improvements are amortized over the shorter of their estimated useful lives or the terms of the respective leases. Closing costs are capitalized as part of building and improvements, and are amortized over the life of the underlying financing agreement. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5 to 25 years
Leasehold improvements	5 to 15 years
Furniture, fixtures and equipment	10 years
Vehicles	4 years

Due to Government Agencies

These amounts represent actual and estimated liabilities due back to government funding sources based on current laws and regulations. Laws and regulations governing education and health care programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs.

Deferred Revenue

Deferred revenue consists of amounts received from third-party funding sources in advance of service provision.

Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Board designated funds represent funds designated by the board of directors as a special allocation for enhancing program and non-program activities. Temporarily restricted net assets are those net assets that are restricted by the donors for specific purposes.

Contributions

Contributions, including unconditional promises to give, are recorded as pledged. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. ACDS records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. It is ACDS's policy to reflect rent expense on the straight-line basis, however no adjustment was made to record deferred rent as management determined it inconsequential to the financial statements.

Functional Allocation of Expenses

The costs of providing ACDS's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Uncertainty in Income Taxes

ACDS has adopted the provisions pertaining to uncertain tax provisions (FASB ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. ACDS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. ACDS believes it is no longer subject to income tax examinations prior to 2012.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications have no effect on the change in net assets previously reported.

Note 3 - Concentrations of Credit Risk

ACDS maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, ACDS's balances may exceed these limits.

Note 4 - Assets Limited As to Use

At June 30, 2015, assets held for specific purposes are maintained in the following restricted funds:

Debt service reserve funds (a)	\$ 235,245
Bond funds (b)	<u>66,500</u>
	<u>\$ 301,745</u>

(a) Debt Service Reserve Funds - The debt service reserve funds consist of investments in U.S. Treasury Notes, with interest rates ranging from 3.5% to 4.4%. The investments are carried at fair value. At June 30, 2015, the debt service reserve funds represent the debt service reserves required under the Nassau County Industrial Developmental Agency ("IDA") bond financing agreements.

(b) Bond Funds - The bond funds consist of investments in money market funds for future scheduled IDA bond payments.

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 - Fair Value Measurements

ACDS measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect ACDS's own assumptions of market participant valuation (unobservable inputs).

Items Measured at Fair Value on a Recurring Basis

The following table presents ACDS's assets that are measured at fair value on a recurring basis at June 30, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 903,147	\$ 903,147	\$ -	\$ -
Equities - domestic	21,263	21,263	-	-
Total Investments	<u>924,410</u>	<u>924,410</u>	<u>-</u>	<u>-</u>
U.S. Treasury notes	235,245	235,245	-	-
Money market funds	66,500	66,500	-	-
Total Assets Limited As to Use	<u>301,745</u>	<u>301,745</u>	<u>-</u>	<u>-</u>
Total Assets Measured at Fair Value	<u><u>\$ 1,226,155</u></u>	<u><u>\$ 1,226,155</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Fixed Assets

Fixed assets, net are summarized as follows at June 30, 2015:

Land	\$ 1,370,000
Building and improvements	4,941,924
Leasehold improvements	744,904
Furniture, fixtures and equipment	899,203
Vehicles	876,859
	<hr/>
	8,832,890
Less: Accumulated depreciation and amortization	4,872,843
	<hr/>
	\$ 3,960,047
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Depreciation and amortization expense related to fixed assets amounted to \$592,629 for the year ended June 30, 2015.

Note 7- Line of Credit

At June 30, 2015, ACDS has an outstanding balance of \$50,000 on an available line of credit of \$2,500,000 from a financial institution with interest payable at the bank's base rate plus 1%, which was 5% at June 30, 2015. The line is secured by a security interest in all of the ACDS's assets and is due on demand. The line of credit has no expiration date and is subject to periodic review by the financial institution on an as-requested basis. As an uncommitted line of credit, it can be withdrawn at the lender's option. Interest expense for the year ended June 30, 2015 on such borrowings was \$7,822.

Note 8 - Related Party Transactions

A member of the Board is a member of a law firm engaged by ACDS. No fees have been paid to the law firm for legal services. A member of the Board is employed by the investment firm engaged by ACDS to hold board designated funds and donated securities. No fees have been paid to the investment firm for investment management services.

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9 - Loans and Mortgage Payable

Loans and mortgage payable at June 30, 2015 consist of the following:

Various loans payable - in equal monthly installments ranging from \$327 to \$741 including interest ranging from 0% to 4.9% per annum, with final maturities through June 2019. These loans are secured by transportation equipment with a net book value of \$295,220. \$ 351,998

Mortgage loan with a fixed interest rate of 6% and monthly payments of principal and interest of \$8,439, which is due May 2025. It is secured by property with a net book value of \$805,628 located in Merrick, New York. 746,107

Mortgage loan with a fixed interest rate of 6.37% and monthly payments of principal and interest of \$2,160, which is due August 2025. It is secured by property with a net book value of \$382,517 located in Levittown, New York. 194,806

Mortgage loan with a fixed interest rate of 6.35% and monthly payments of principal and interest of \$1,941, which is due June 2026. It is secured by property with a net book value of \$152,230 located in Freeport, New York. 184,028

\$ 1,476,939

Aggregate maturities of long-term debt are as follows:

Years Ending June 30:

2016	\$	200,786
2017		193,582
2018		179,137
2019		140,766
2020		113,714
Thereafter		648,954

\$ 1,476,939

Interest expense for the year ended June 30, 2015 was \$77,890.

ACDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 10 - Capital Leases Payable

Bonds outstanding consist of the following:

Series 2001 A-A Tax Exempt Civic Facility Revenue Bonds with annual principal payments ranging from \$25,000 to \$65,000 plus quarterly interest payments at 7%, maturing on November 1, 2016.	\$ 125,000
Series 2003 A-A Tax Exempt Civic Facility Revenue Bonds with annual principal payments ranging from \$25,000 to \$65,000 plus quarterly interest payments at 6.125%, maturing on September 1, 2018.	240,000
Series 2004 A-A Tax Exempt Civic Facility Revenue Bonds with annual principal payments ranging from \$35,000 to \$65,000 plus quarterly interest payments at 6%, maturing on December 1, 2019.	300,000
Series 2007 A-A Tax Exempt Civic Facility Revenue Bonds with semi-annual principal payments ranging from \$20,000 to \$60,000 plus quarterly interest payments at 5.95%, maturing on November 1, 2022.	715,000
Total Bonds Outstanding	\$ 1,380,000

The bonds were issued by the IDA to purchase and renovate group homes (see Note 4). Under the agreements with the IDA, ACDS has leased the group homes to the IDA, which subleased such facilities back to ACDS for a term that is concurrent with the bond repayment schedules. Titles to the group homes remain with ACDS pursuant to all existing lease agreements. During the terms of the leases, ACDS is responsible for maintenance of the facilities. These bonds are secured by mortgage and security agreements. Future payments are as follows:

<u>Years Ending June 30:</u>	
2016	\$ 334,229
2017	322,716
2018	258,743
2019	255,386
2020	184,971
Thereafter	268,197
	1,624,242
Less: Amount representing interest	244,242
Present value of net minimum payments	\$ 1,380,000

Interest expense for the year ended June 30, 2015 was \$96,439.

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Note 11 - Temporarily Restricted Net Assets

At June 30, 2015, temporarily restricted net assets are available for special needs purposes in the amount of \$88,681.

Temporarily restricted net assets of \$65,405 were released from restrictions for special needs by satisfying the donor imposed restrictions during the year ended June 30, 2015.

Note 12 - Commitments and Contingencies

(a) ACDS receives its funding through contracts with local school districts; Nassau and Suffolk Counties, New York City and the State of New York. The fiscal viability of ACDS is dependent on the continuation of such funding from governmental budgetary allocations. Further, reimbursements under contracts to ACDS are subject to audit by various funding agencies. Liabilities, if any, which may result from such audits are not presently determinable.

(b) ACDS leases its school and administrative facility from an unrelated third party, located in Plainview, New York under a noncancellable operating lease agreement that expires on August 31, 2019. Either party may terminate the lease with 24 months' notice.

(c) ACDS entered into a five-year lease agreement with an unrelated third party for use of residential property located in Albertson, NY, commencing October 1, 2013 and expiring on September 30, 2018. This facility is to be used only as an Office for People With Developmental Disabilities ("OPWDD") - certified residential housing site. ACDS has the option to renew for an additional five-year term through written notice of intent to renew not less than six months prior to the end of the initial term. In the event of termination of program funding, ACDS shall have the right to terminate within 60 days through a written agreement.

(d) ACDS entered into a five-year lease agreement for use of property with an unrelated third party in Plainview, NY, commencing April 26, 2014 and expiring on April 30, 2019. This location is to be used for program services to OPWDD clients. In the event of termination of program funding, ACDS shall have the right to terminate within 30 days through a written notice.

(e) ACDS leases certain office equipment and one vehicle under noncancellable operating lease agreements with expiration dates through June 2020.

Future minimum lease commitments under operating leases for space, office equipment, and vehicles are approximately as follows:

Years Ending June 30:

2016	\$ 641,578
2017	660,041
2018	686,108
2019	619,926
2020	<u>87,030</u>
	<u>\$ 2,694,683</u>

Rent expense for the year ended June 30, 2015 amounts to \$595,728.

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Note 13 - Subsequent Events

ACDS has evaluated all events or transactions that occurred after June 30, 2015 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.