ACDS

Serving children and adults with Down syndrome,
autism and other developmental disabilities

ACDS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2024

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Connected to your business goals success

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2024
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INDEPENDENT AUDITORS' REPORT

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
ACDS, Inc.
4 Fern Place
Plainview, New York 11803

Opinion

We have audited the financial statements of ACDS, Inc. (hereinafter, "ACDS"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ACDS as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 ACDS's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditors' Responsibilities 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 auditors' 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 ACDS's 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 ACDS's 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.

Cerini & Associates LLP

Bohemia, New York
December 19, 2024

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Current Assets:	
Cash and cash equivalents	$ 2,374,352
Restricted cash	60,482
Investments	1,415,828
Accounts receivable, net	7,587,254
Grants receivable	71,397
Contributions receivable	7,673
Prepaid expenses and other current assets	270,051
TOTAL CURRENT ASSETS	11,787,037
Security deposits	83,145
Operating lease right of use assets	4,050,573
Finance lease right of use assets	799,591
Property and equipment, net	6,868,998
TOTAL ASSETS	$ 23,589,344

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current portion of long-term debt	$ 190,552
Due to funding sources	531,906
Accrued salaries and related fringe benefits	1,985,463
Accounts payable and accrued expenses	1,256,996
Compensated absences	1,382,022
Deferred revenue	1,910,825
Current portion of operating lease liability	1,052,536
Current portion of finance lease liability	238,144
Due to related party	27,550
TOTAL CURRENT LIABILITIES	8,575,994
Long-term debt, net of current portion	1,854,102
Operating lease liability, net of current portion	3,151,751
Finance lease liability, net of current portion	568,441
TOTAL LIABILITIES	14,150,288
Net Assets:	
Net assets without donor restrictions:	
Undesignated	8,019,296
Board designated	1,359,278
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	9,378,574
Net assets with donor restrictions	60,482
TOTAL NET ASSETS	9,439,056
TOTAL LIABILITIES AND NET ASSETS	$ 23,589,344

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Program service fees	$ 49,358,117	$ -	$ 49,358,117
Government grants	1,752,966	-	1,752,966
Contributions	398,774	245,000	643,774
Net investment return	139,473	-	139,473
Other income	65,287	-	65,287
Net assets released from restriction	200,000	(200,000)	-
TOTAL REVENUE	51,914,617	45,000	51,959,617
EXPENSES:			
Program Services:			
Preschool	21,161,172	-	21,161,172
Self-Direction	10,468,700	-	10,468,700
Residential and Day Services	9,554,049	-	9,554,049
Fiscal Intermediary	3,888,824	-	3,888,824
Early Intervention	1,566,564	-	1,566,564
Day Care	797,761	-	797,761
Other	35,341	-	35,341
TOTAL PROGRAM SERVICES	47,472,411	-	47,472,411
Management and General	2,986,638	-	2,986,638
Fundraising	91,515	-	91,515
TOTAL EXPENSES	50,550,564	-	50,550,564
CHANGE IN NET ASSETS	1,364,053	45,000	1,409,053
Net assets, beginning of year	8,014,521	15,482	8,030,003
Net assets, end of year	$ 9,378,574	$ 60,482	$ 9,439,056

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services								Supporting Services		
	Preschool	**Self-Direction**	**Residential and Day Services**	**Fiscal Intermediary**	**Early Intervention**	**Day Care**	**Other**	**Total Program Services**	**Management and General**	**Fundraising**	**Total**
Salaries and wages	$ 14,636,822	$ 6,218,120	$ 6,188,100	$ 2,264,563	$ 878,190	$ 582,463	$ 687	$ 30,768,945	$ 1,296,992	$ 51,658	$ 32,117,595
Payroll taxes and fringe benefits	2,176,153	524,969	773,641	424,396	90,996	69,154	2,974	4,062,283	258,581	4,864	4,325,728
Total salaries and related expenses	16,812,975	6,743,089	6,961,741	2,688,959	969,186	651,617	3,661	34,831,228	1,555,573	56,522	36,443,323
Client related	31,132	3,723,371	155,199	915	100	168	28,021	3,938,906	5,730	948	3,945,584
Occupancy	1,554,436	-	605,528	34,918	20,296	40,591	-	2,255,769	81,492	864	2,338,125
Contracted services	723,864	-	8,971	615,371	405,535	-	-	1,753,741	214,628	-	1,968,369
Program and office supplies	711,953	-	128,025	7,840	13,535	27,068	662	889,083	109,697	1,660	1,000,440
Insurance	160,241	-	532,794	14,710	23,285	15,060	-	746,090	130,321	1,506	877,917
Depreciation and amortization	427,378	-	370,564	13,351	14,941	20,783	-	847,017	197	-	847,214
Professional fees	217,218	-	110,633	39,159	5,898	13,674	373	386,955	361,854	7,103	755,912
Bad debt expense	96,273	1,570	85,185	187,035	103,326	-	-	473,389	10,953	-	484,342
Software	57,604	-	55,847	254,721	1,027	2,053	-	371,252	32,800	6,800	410,852
Food	36,862	-	266,642	1,254	-	448	2,549	307,755	237	232	308,224
Donations	-	-	-	-	-	-	-	-	280,722	10,000	290,722
Transportation	24,730	-	189,142	3,484	4,785	-	42	222,183	5,242	1,993	229,418
Miscellaneous	12,525	670	24,681	709	-	17,772	-	56,357	106,833	3,887	167,077
Interest	75,383	-	43,314	2,855	4,568	8,085	-	134,205	12,308	-	146,513
Staff recruitment	48,446	-	779	3,000	-	25	-	52,250	56,321	-	108,571
Expensed equipment	128,129	-	9,735	19,632	82	417	33	158,028	18,933	-	176,961
Staff development	42,023	-	5,269	911	-	-	-	48,203	2,797	-	51,000
TOTAL EXPENSES	$ 21,161,172	$ 10,468,700	$ 9,554,049	$ 3,888,824	$ 1,566,564	$ 797,761	$ 35,341	$ 47,472,411	$ 2,986,638	$ 91,515	$ 50,550,564

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 1,409,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	847,214
Bad debt expense	484,342
Amortization on operating lease right of use assets	1,278,870
Amortization on finance leases right of use assets	254,243
Net realized and unrealized gains on investment	(63,742)
Changes in operating assets and liabilities:	
Accounts receivable, net	(3,052,482)
Grants receivable	40,369
Contributions receivable	10,090
Prepaid expenses and other current assets	24,505
Due to funding sources	(342,649)
Accrued salaries and related fringe benefits	485,335
Accounts payable and accrued expenses	209,355
Compensated absences	411,629
Deferred revenue	1,822,903
Operating lease liability	(1,227,280)
Due to related party	28,550
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,620,305
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sales of investments	798,420
Purchases of investments	(560,596)
Purchases of property and equipment	(1,345,361)
NET CASH USED IN INVESTING ACTIVITIES	(1,107,537)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	(212,560)
Principal payments on finance leases	(278,414)
NET CASH USED IN FINANCING ACTIVITIES	(490,974)
Net increase in cash and cash equivalents	1,021,794
Cash and cash equivalents, beginning of year	1,413,040
Cash and cash equivalents, end of year	$ 2,434,834
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Non-cash recording of operating lease asset and liability	$ 1,733,610
Non-cash recording of finance lease asset and liability	$ 192,145
Cash paid for interest	$ 146,513
COMPONENTS OF CASH AND CASH EQUIVALENTS ON THE STATEMENT OF FINANCIAL POSITION:	
Cash and cash equivalents	$ 2,374,352
Restricted cash	60,482
TOTAL CASH AND CASH EQUIVALENTS	$ 2,434,834

NOTE 1 – NATURE OF OPERATIONS

ACDS, Inc. ("ACDS"), based 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 is a fiscal intermediary for clients receiving self-directed Community Habilitation and Respite services. ACDS's primary source of revenue is program service fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of ACDS is presented to assist in understanding ACDS's financial statements. The financial statements and notes are representations of ACDS's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP") and have been consistently applied in the preparation of the financial statements.

Basis for Presentation:
The financial statements have been prepared on the accrual basis of accounting and conform to US GAAP. Revenue is recorded when earned and expenses are recorded when incurred. On the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity and priority resulting in the use of cash.

Income Tax Status:
ACDS is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, ACDS has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(I)(A)(VI). Accordingly, no provision has been made for income taxes in the financial statements. ACDS evaluated its activities for uncertain tax positions and has determined that there were no uncertain tax positions for the year ended June 30, 2024.

Recently Adopted Accounting Pronouncements:
Effective for the year ended June 30, 2024, ACDS was required to adopt Accounting Standards Codification ("ASC") Topic 326, *Measurement of Credit Losses on Financial Instruments*, for all assets held at amortized cost basis. Under this new accounting approach, the pronouncement requires ACDS to record an estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. There was no impact on the financial statements associated with the adoption.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments: Investments in equities and exchange-traded funds with readily determinable fair values are reported at their fair value based on quoted market prices in the statement of financial position. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Fair Value Measurements: ACDS utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ACDS has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
    - Quoted prices for similar assets or liabilities in active markets;
    - Quoted prices for identical or similar assets or liabilities in inactive markets;
    - Inputs other than quoted prices that are observable for the asset or liability;
    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
    - If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset and liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Third-Party Reimbursement:
ACDS receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily New York State Office for People with Developmental Disabilities (“OPWDD”), New York State Education Department (“NYSED”), and New York State Department of Health (“NYSDOH”).

Revenue Recognition:
Revenue from government agencies, including NYSED, OPWDD, NYSDOH, and other third-party payers, are recognized at approved rates when ACDS satisfies its performance obligations under contracts by providing services to children, students, and adults. Performance obligations for all of ACDS’s services are provided and consumed at a point in time, or over one year, and therefore these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue earned from NYSED, OPWDD, NYSDOH, and other third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated settlements are provided in the period the related services are rendered. Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing services using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement and rate methodology with the payer, cost reports filed with the payer, correspondence from the payer, and historical rates and settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known, (that is, new information becomes available), or as years are reconciled or are no longer subject to such audits, reviews, and investigations. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the NYSED tuition-based and fee-based programs, as well as OPWDD fee-based programs are complex and subject to interpretation and revision. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

ACDS recognizes revenue from government grants as revenue when eligible costs are incurred, or services are provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue is recorded when cash advances exceed support and revenue earned.

Cash and Cash Equivalents:
Cash and cash equivalents include money market funds and, at times, highly liquid investments with initial maturities when acquired of three months or less. Cash and cash equivalents maintained by investment brokers are included in investments on the statement of financial position. ACDS maintains cash and investments in bank accounts with what it believes to be quality financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). ACDS has not incurred any losses in such accounts to date. From time to time, ACDS has investments and cash on deposit with financial institutions that are in excess of FDIC and SIPC limits.

Accounts Receivable and Allowance for Doubtful Accounts
On a periodic basis, ACDS evaluates receivable balances and establishes an allowance for doubtful accounts based on the history of past write-offs, the age of the receivables, collections, and current economic considerations. Accounts receivable 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 $346,844 as of June 30, 2024.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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-adjusted 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.

Use of Estimates:
The preparation of financial statements in conformity with US 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.

Expense Allocation:
Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred. Those costs that cannot be directly assigned are allocated based upon reasonable allocation methodologies, the most significant of which are:

- Salaries are allocated based on actual service delivery, student full time equivalents, square footage, time studies, and ratio value.
- Payroll taxes and fringe benefits are allocated based upon the salary allocations.
- Occupancy costs are allocated based upon square footage.

Property and Equipment:
Property and equipment are stated at cost. Items in excess of $5,000 and with useful lives of two years or greater are capitalized. Closing costs are capitalized as part of building and improvements and are amortized over the life of the underlying financing agreement. Depreciation and amortization are recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computers and software	5 years
Furniture, fixtures, and equipment	5 - 10 years
Leasehold improvements	5 - 15 years (or lease term if shorter)
Buildings and improvements	5 – 35 years

Debt Issuance Costs:
Debt issuance costs were incurred in connection with the issuance of ACDS's term loans payable. These costs are amortized using the effective interest method over the term of the related indebtedness and are included in interest expense in the accompanying financial statements. In order to simplify the presentation, ACDS reports the deferred financing costs as a direct deduction from the carrying amount of the corresponding debt liability.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Presentation: The financial statements of ACDS have been prepared in accordance with US GAAP, which requires ACDS to report information regarding its financial position and activities according to the following net asset classifications:

> Net assets without donor restrictions: Net assets that are not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objective of ACDS. Additionally, board designated net assets represent those that may be used at the discretion of ACDS's management and the Board of Directors.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ACDS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. ACDS had $60,482 net assets with donor restrictions as of June 30, 2024, none of which were required to be held in perpetuity.

Contributions: Contributions are recognized when the donor makes a promise to give to ACDS, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the year that the contributions are recognized. Other donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction. Restricted contributions received and expended in the same fiscal year are reflected as unrestricted contributions.

NOTE 3 – INVESTMENTS

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents: Valued based on cash management funds whose underlying assets are valued at the net asset value ("NAV") of shares held by ACDS. Cash and cash equivalents are categorized as Level 1 of the fair value hierarchy.

Exchange-Traded Funds: Valued at the daily closing price as reported by the fund. Funds held by ACDS are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held by ACDS are deemed to be actively traded and are categorized as Level 1 of the fair value hierarchy.

NOTE 3 – INVESTMENTS *(continued)*

Corporate Bonds: Value estimated using recently executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single name credit default swap spreads, and recovery rates based on collateral values as key inputs. Corporate bonds are generally categorized as Level 2 of the fair value hierarchy.

Equities - Domestic: Valued at the closing price reported on the active market on which the individual securities are traded. Equities - Domestic are categorized as Level 1 of the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, ACDS's investments at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents................	$ 399,407	$ -	$ -	$ 399,407
Equities - domestic............................	144,120	-	-	144,120
Exchange-traded funds	62,254	-	-	62,254
Corporate bonds................................	-	810,047	-	810,047
Total	$ 605,781	$ 810,047	$ -	$1,415,828

NOTE 4 – COMPENSATED ABSENCES

In accordance with ACDS's internal policies and collective bargaining agreement ("CBA"), certain employees are paid out for unused sick and vacation time upon termination of employment. ACDS accrues amounts for compensated absences as it is earned or vested by employees. During the year ended June 30, 2024, ACDS recognized salary expense as a result of earned or vested compensated absences in the amount of $411,629. As of June 30, 2024, the compensated absences balance was $1,382,022.

As outlined in the CBA, full-time union employees accrue 9-10 sick days as of September 1st of each year and are paid out for accrued sick time upon termination of employment based on their years of service. Part-time union employees that work at least 22 hours per week receive sick days on a pro-rata basis per quarter and are paid out for accrued sick time after termination. Employees with less than one year of service are not paid out after termination. Employees with at least one year of service and less than four years of service are paid 50% of accrued sick time after termination. Employees with at least four years of service and less than eight years of service are paid 75% of accrued sick time after termination. Employees with eight or more years of service are paid 100% of accrued sick time after termination.

NOTE 4 – COMPENSATED ABSENCES *(continued)*

Day care employees who are part of the union ("DCU"), as outlined in the CBA, accrue 10-20 vacation days each year and are paid out for all accrued time upon termination. All other union employees do not receive paid vacation days. DCU employees with less than three years of service receive 10 vacation days annually that are accrued monthly. DCU employees with at least three years of service and less than five years of service receive 15 vacation days annually that accrue on September 1st. DCU employees with at least five years of service receive 20 vacation days annually that accrue on September 1st.

Self-hired community habilitation, respite, and supported employment employees who work an average of 24 hours or more per week in a calendar quarter are eligible for paid vacation and personal time. Eligible employees earn 5 hours of vacation time after the completion of a full calendar quarter, capped at 60 hours per year. Eligible employees earn 6 hours of personal time after the completion of a full calendar quarter, capped at 25 hours per year. Upon termination of employment, all earned, unused vacation time is paid out. Personal time is not paid out upon termination.

NOTE 5 – LINE OF CREDIT

ACDS maintains a $4,000,000 line of credit (the "Line") from a financial institution bearing interest at the prime interest rate of 8.25% as of June 30, 2024. The Line is secured by fixtures located at the preschool located in Plainview, New York. The Line is subject to annual review by the lender on or before February 1, 2025 and can be withdrawn at the lender's option. Interest expense on such borrowings for the year ended June 30, 2024 was $12,285. There was no outstanding balance as of June 30, 2024.

NOTE 6 – RELATED PARTY TRANSACTIONS

A member of ACDS's board of directors is employed by an investment firm engaged by ACDS to hold board-designated funds and donated securities. ACDS paid fees to the investment firm in the amount of $11,335 for the year ended June 30, 2024. Two family members of an ACDS executive are employed by ACDS. Their compensation totaled $176,497 for the year ended June 30, 2024.

ACDS is related to ACDS Foundation, Inc. (the "Foundation") through common management and minority overlap of board members. The Foundation was established to solicit charitable contributions and provide benefits and support to developmentally disabled individuals and their families. ACDS donated investments in the amount of $280,722 to the Foundation during the year ended June 30, 2024.

NOTE 7 – REVENUE AND RECEIVABLE CONCENTRATION

Total program service revenue and accounts receivable disaggregated by program was comprised of the following amounts as of and for the year ended June 30, 2024:

	Revenue Amount	Percent of Total	Receivable Amount	Percent of Total
Preschool	$ 22,876,560	47%	$ 3,706,810	47%
Self-Direction	9,863,455	20%	2,007,162	25%
IRA	6,912,128	14%	701,602	9%
Fiscal Intermediary Fees*	4,580,828	9%	873,246	11%
Day Habilitation	2,560,914	5%	320,405	4%
Early Intervention	1,531,654	3%	285,102	4%
Day care	485,071	1%	3,227	-%
Respite	448,733	1%	27,976	-%
Other	98,774	-%	8,568	-%
Total	$ 49,358,117	100%	$ 7,934,098	100%
Allowance for doubtful accounts			(346,844)	
Accounts receivable, net			7,587,254	

Total program service revenue and accounts receivable disaggregated by funding source was comprised of the following amounts as of and for the year ended June 30, 2024:

	Revenue Amount	Percent of Total	Receivable Amount	Percent of Total
OPWDD	$23,637,870	48%	$ 3,930,391	50%
Counties**	22,924,795	46%	3,706,810	47%
NYSDOH	1,531,654	3%	285,102	3%
Social Security Administration	728,188	2%	-	-%
Private Payers	436,836	1%	3,227	-%
Other	98,774	-%	8,568	-%
Total program service revenue	$49,358,117	100%	$ 7,934,098	100%
Allowance for doubtful accounts			(346,844)	
Accounts receivable, net			7,587,254	

*Fiscal intermediary fees include brokerage revenue.
**Counties includes Westchester County, Nassau County, and Suffolk County.

NOTE 8 – LONG-TERM DEBT

Long-term debt consisted of the following as of June 30, 2024:

Mortgage for property in Merrick, New York (a)	$ 74,083
Mortgage for property in Levittown, New York (b)	31,046
Note payable (c)	47,113
Mortgage for property in Plainview, New York (d)	2,193,132
Total	2,345,374
Less: Unamortized debt issuance costs	(300,720)
Total, net of closing costs	$ 2,044,654

(a) During August 2009, ACDS entered into a mortgage agreement with a lender in the amount of $1,000,000 in order to purchase a residential house in Merrick, New York to be used by clients with developmental disabilities. The debt is secured by the purchased residential house. The terms call for monthly payments of principal and interest of $8,439 at an interest rate of 6.00% for fifteen years, beginning April 2010 and expiring March 2025.

(b) During August 2010, ACDS entered into a mortgage agreement with a lender in the amount of $250,000 in order to purchase property in Levittown, New York. The debt is secured by the purchased property. The terms call for monthly payments of principal and interest of $2,160 at an interest rate of 6.37% for fifteen years, beginning October 2010 and expiring September 2025. As of June 30, 2024, ACDS was in default of a reporting covenant on the mortgage. As a result, the mortgage is callable at the lender's discretion and is reflected as a current liability on the statement of financial position.

(c) During June 2011, ACDS entered into a promissory note from a lender in the amount of $225,000 to make renovations to a group home located in Freeport, New York. The debt is secured by the property in Freeport, New York. The terms call for monthly payments of principal and interest of $1,941 at a variable interest rate for fifteen years, beginning July 2011 and expiring June 2026. The rate of interest shall in no event be at a rate less than 6.25% per annum. As of June 30, 2024, the interest rate was 6.25%.

(d) During July 2021, ACDS entered into a mortgage agreement with a lender in the amount of $2,362,500 in order to purchase property in Plainview, New York. The debt is secured by the purchased property. The terms call for monthly payments of principal and interest of $12,217 at an interest rate of 3.75% for twenty-five years, beginning September 2021 and expiring August 2046.

NOTE 8 – LONG-TERM DEBT *(continued)*

Future minimum principal payments due each year under the long-term debt are as follows for the years ending June 30,:

2025	$	190,552
2026		89,320
2027		69,399
2028		71,880
2029		74,865
Thereafter		1,849,358
Total before unamortized debt issuance cost		2,345,374
Unamortized debt issuance cost		(300,720)
Total	$	2,044,654

NOTE 9 – PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment as of June 30, 2024:

Land	$	1,952,596
Buildings and improvements		5,826,516
Leasehold improvements		1,826,088
Computers and software		233,978
Furniture, fixtures, and equipment		129,221
Total cost		9,968,399
Less: Accumulated depreciation and amortization		(3,453,680)
Plus: Construction in progress		354,279
Property and equipment, net	$	6,868,998

To the extent ACDS purchased any property and equipment with NYSED funds, upon termination of the program, NYSED requires such equipment to be transferred to other NYSED funded special education providers. NYSED has funded a portion of ACDS's property and equipment.

NOTE 10 – DEFINED CONTRIBUTION PLAN

ACDS's retirement expense is based upon annual employer contributions determined by the union. The contributions are then made to a qualified deferred contribution plan, as defined by Internal Revenue Code Section 403(b). Accordingly, for the year ended June 30, 2024, ACDS recorded a pension contribution equal to the eligibility of participants determined by the CBA. Pension expense under this plan for the year ended June 30, 2024 was $21,600.

NOTE 11 – GRANT REVENUE

ACDS received grants from the local school districts under the Individuals with Disabilities Education Act ("IDEA"). Such grants are to be used to directly benefit students with disabilities. IDEA grant income was $585,000 for the year ended June 30, 2024. IDEA grant income was recognized as related expenditures were incurred. These funds are allowed to be rolled over and utilized during future years. For a portion of ACDS's grant expenditures, local school districts did not provide funds by fiscal year-end. ACDS had a grant receivable of $71,397 for those funds not yet received as of June 30, 2024.

During the year ended June 30, 2024, OPWDD awarded $320,139 to ACDS through a Direct Service Retention Bonus Initiative. The funds are to be used for purposes allowed under OPWDD guidelines. ACDS did not incur any expenditures related to the use of the funds during the year ended June 30, 2024. OPWDD guidelines require the grant funds be used by March 2025.

During the year ended June 30, 2024, the Office of Children and Family Services ("OCFS") awarded $1,404,480 to ACDS through the Workforce Retention grant. The funds are to be used for purposes allowed under federal guidelines. ACDS incurred expenditures in the amount of $942,597 related to the use of Workforce Retention funds during the year ended June 30, 2024. Grant income was recognized as related expenditures were incurred. OCFS guidelines required the grant funds be used by September 2024. Allowable expenditures were incurred for the remaining funds subsequent to June 30, 2024.

NOTE 12 – DEFERRED REVENUE

Deferred revenue was comprised of the following as of June 30, 2024:

Self-contained program surplus	$ 801,765
Workforce Retention funds	461,883
Direct Service Retention Bonus	320,139
Self-direction funding surplus	270,550
Other	56,488
Total	$ 1,910,825

The roll forward of deferred revenue was as follows for the year ended June 30, 2024:

Deferred revenue at beginning of year	$ 87,922
Unearned amounts received	9,936,399
Revenue recognized	(8,113,496)
Deferred revenue at end of year	$ 1,910,825

NOTE 13 – DUE TO FUNDING SOURCES

Tuition rates set by NYSED are subject to revision based upon ACDS's actual cost data as presented to the state annually on the Consolidated Fiscal Report (the "CFR"). The revised tuition rates are used to recalculate the total tuition amount allowed and earned by ACDS. ACDS is able to rebill Westchester County, Nassau County, and Suffolk County should the final reconciled rate exceed the originally billed rate, or ACDS will be billed should the final reconciled rate be less than that originally billed. As of June 30, 2024, ACDS estimated a potential liability due to the counties of $480,210. The estimated liability is presented within due to funding sources on the statement of financial position.

NOTE 14 – OPERATING LEASES

ACDS has various leases that are discussed in paragraphs (A) through (I) below. ASC 842 was adopted for each of the leases. Lease expense is presented within the occupancy and expensed equipment amounts on the statement of functional expenses for the year ended June 30, 2024. The components of lease expense in accordance with ASC 842 are as follows for the year ended June 30, 2024:

Amortization of right of use assets	$ 1,278,870
Lease liability accretion	144,796
Total lease expense	$ 1,423,666

The approximate future minimum annual lease obligations for all leases are as follows for the years ending June 30,:

	(A)	(B)	(C)	(D)	(E)
2025	$ 339,722	$ 66,784	$ 44,902	$ 34,561	$ 132,617
2026	349,914	68,768	46,249	35,598	139,248
2027	329,553	-	47,636	30,402	146,211
2028	-	-	49,065	-	153,521
2029	-	-	12,356	-	133,221
Thereafter	-	-	-	-	-
Total	1,019,189	135,552	200,208	100,561	704,818
Less: Present value discount	(41,774)	(5,217)	(11,998)	(4,096)	(74,794)
Present Value	$ 977,415	$ 130,335	$ 188,210	$ 96,465	$630,024
Short-term lease liabilities	$ 316,043	$ 62,840	$ 40,011	$ 32,183	$106,114
Long-term lease liabilities	661,372	67,495	148,199	64,282	523,910
Total lease liabilities	$ 977,415	$ 130,335	$ 188,210	$ 96,465	$630,024
Months remaining	35	24	51	34	58
Discount rate at commencement	2.94%	4.10%	2.94%	3.01%	4.64%
Weighted average remaining lease term	8.14	.74	2.28	.78	8.69
Weighted average discount rate	0.68%	0.13%	0.13%	0.07%	0.70%

NOTE 14 – OPERATING LEASES *(continued)*

	(F)	(G)	(H)	(I)	Total
2025	$ 413,076	$ 20,400	$ 25,716	$ 109,719	$ 1,187,497
2026	428,585	20,400	25,716	124,082	1,238,559
2027	447,913	20,400	25,716	129,045	1,176,877
2028	229,419	20,400	23,573	134,207	610,185
2029	-	6,800	-	139,576	291,953
Thereafter	-	-	-	11,669	11,669
Total	1,518,993	88,400	100,721	648,298	4,516,740
Less: Present value discount	(99,922)	(7,606)	(7,863)	(59,181)	(312,453)
Present Value	$ 1,419,071	$ 80,794	$ 92,858	$ 589,117	$ 4,204,287
Short-term lease liabilities	$ 364,996	$ 17,331	$ 22,242	$ 90,776	$ 1,052,536
Long-term lease liabilities	1,054,075	63,463	70,616	498,341	3,151,751
Total lease liabilities	$ 1,419,071	$ 80,794	$ 92,858	$ 589,117	$ 4,204,287
Months remaining	42	52	47	60	403
Discount rate at commencement	3.94%	4.31%	4.31%	3.84%	
Weighted average remaining lease term	14.18	1.00	1.04	8.41	403
Weighted average discount rate	1.33%	0.08%	0.10%	0.54%	

(A) During June 2022, ACDS entered into an agreement for space for its preschool program in Pelham, New York. The lease calls for monthly payments within a range of $14,832 to $29,959 through May 2027.
(B) During July 2023, ACDS entered into an agreement for administrative office space and a classroom for small group instruction in Plainview, New York. The lease calls for monthly payments within a range of $5,405 to $5,731 through June 2026.
(C) During July 2023, ACDS agreed to an amended lease for a residential building in Searingtown, New York. The building is used as a residential alternative living space for developmentally disabled adults. The lease calls for monthly payments within a range of $3,659 to $4,119 through September 2028.
(D) During May 2017, ACDS agreed to an amended lease for a residential building in Searingtown, New York. The building is used as a residential alternative living space for developmentally disabled adults. The lease expired on April 30, 2022 and was renewed through April 2027. The renewed lease calls for monthly payments within a range of $2,701 to $3,040.
(E) During January 2024, ACDS entered into an agreement for space for developmentally disabled adults in its day habilitation program in Plainview, New York. The lease calls for monthly payments within a range of $10,960 to $13,322, beginning in May 2024 and ending in April 2029.
(F) During February 2016, ACDS entered into an agreement for space for its preschool program in Scarsdale, New York. The lease was extended during January 2018 through December 2022, then again during January 2023 through December 2028. The extended lease calls for monthly payments within a range of $32,846 to $38,237 through December 2027.

NOTE 14 – OPERATING LEASES *(continued)*

(G) During November 2023, ACDS entered into a lease for copiers. The lease calls for monthly payments of $1,700 through November 2028.
(H) During June 2023, ACDS entered into a lease for copiers. The lease calls for monthly payments of $2,143 through June 2028.
(I) During July 2019, ACDS entered into an agreement for space for developmentally disabled adults in its day habilitation program in North Merrick, New York. The lease expired during July 2024 and was extended through July 2027, with an option to renew through July 2029. The original lease called for monthly payments within a range of $8,521 to $8,591. The extended lease calls for monthly payments within a range of $9,974 to $11,669.

NOTE 15 – FINANCE LEASES PAYABLE

ACDS leases a fleet of 50 vehicles used in providing transportation services to its clients. The length of the leases range from 48 to 97 months and the monthly lease payments range from $30 to $1,400.

The following represents the future minimum payments related to the vehicles under finance leases for the years ending June 30;

2025	$ 264,833
2026	238,646
2027	229,404
2028	120,527
2029	8,970
Total	862,380
Less present value discount on finance lease	(55,795)
Total	$ 806,585

The weighted average discount rate for the finance leases as of June 30, 2024 was 3.97%.

NOTE 16 – LIQUIDITY

The following represents ACDS's financial assets available to meet general expenditures over the next twelve months as of June 30, 2024:

Cash and cash equivalents	$ 2,374,352
Investments	1,415,828
Accounts receivable, net	7,587,254
Grants receivable	71,397
Contributions receivable	7,673
Financial assets available to meet general expenditures over the next twelve months	$ 11,456,504

NOTE 16 – LIQUIDITY *(continued)*

ACDS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. ACDS has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and an uncommitted line of credit. See Note 5 for more information about ACDS's line of credit.

NOTE 17 - SUBSEQUENT EVENTS

ACDS has evaluated events and transactions that occurred between July 1, 2024 and December 19, 2024, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.