Audited Financial Statements

The Maple Counseling Center

December 31, 2017

Quigley & Miron

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Quigley & Miron

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Independent Auditor's Report

Board of Directors
The Maple Counseling Center
Beverly Hills, California

We have audited the accompanying financial statements of The Maple Counseling Center (TMCC), a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, 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.

Auditor's 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 of 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 The Maple Counseling Center as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Maple Counseling Center's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Quigley & Miron

Los Angeles, California
May 9, 2018

The Maple Counseling Center
Statement of Financial Position
December 31, 2017
(with comparative totals for 2016)

	2017	2016
Assets		
Cash and cash equivalents		
Operating accounts	$ 484,402	$ 418,362
Money market funds	493,587	493,459
Total Cash and Cash Equivalents	**977,989**	**911,821**
Investments—Notes 3 and 4	97,567	198,284
Fees receivable	9,175	8,290
Contracts receivable	22,667	25,250
Contributions receivable	950	60,150
Prepaid expenses	8,067	
Property and equipment, net—Note 5	62,749	53,878
Security deposit—Note 6	20,050	20,050
Total Assets	**$ 1,199,214**	**$ 1,277,723**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,217	$ 5,760
Accrued employee benefits payable	77,458	77,725
Deferred revenue	626	1,277
Other current liabilities	19,240	16,414
Total Liabilities	**99,541**	**101,176**
Net Assets		
Unrestricted	759,298	806,558
Temporarily restricted—Note 7	340,375	369,989
Total Net Assets	**1,099,673**	**1,176,547**
Total Liabilities and Net Assets	**$ 1,199,214**	**$ 1,277,723**

See notes to financial statements.

The Maple Counseling Center
Statement of Activities
Year Ended December 31, 2017
(with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Public Support and Revenue				
Public support				
Foundation grants	$ 85,899	$ 175,000	$ 260,899	$ 342,500
Fundraising events, net —Note 8	306,358	950	307,308	327,512
Municipal and school district grants	281,457		281,457	263,990
Individual contributions	30,563		30,563	69,987
Total Public Support	**704,277**	**175,950**	**880,227**	**1,003,989**
Revenue				
Client fees	662,698		662,698	634,108
Intern administration fee	56,687		56,687	58,205
Other	1,588		1,588	11,229
Interest	477		477	946
Total Revenue	**721,450**		**721,450**	**704,488**
Total Public Support and Revenue	**1,425,727**	**175,950**	**1,601,677**	**1,708,477**
Net assets released from restrictions	205,564	(205,564)		
Total Public Support, Revenue, and Reclassifications	**1,631,291**	**(29,614)**	**1,601,677**	**1,708,477**
Expenses				
Program services	1,282,917		1,282,917	1,231,356
Management and general	222,644		222,644	196,945
Fund development	172,990		172,990	183,480
Total Expenses	**1,678,551**		**1,678,551**	**1,611,781**
Change in Net Assets	**(47,260)**	**(29,614)**	**(76,874)**	**96,696**
Net Assets at Beginning of Year	**806,558**	**369,989**	**1,176,547**	**1,079,851**
Net Assets at End of Year	**$ 759,298**	**$ 340,375**	**$ 1,099,673**	**$ 1,176,547**

See notes to financial statements.

The Maple Counseling Center
Statement of Functional Expense
Year Ended December 31, 2017
(with comparative totals for 2016)

		Supporting Services			
	Program Services	Management and General	Fund Development	2017 Total	2016 Total
Salaries	$ 737,041	$ 154,914	$ 119,165	$ 1,011,120	$ 932,521
Payroll taxes	56,850	11,949	9,191	77,990	76,002
Employee benefits	44,265	9,304	7,157	60,726	71,721
Total Salaries and Related Expenses	**838,156**	**176,167**	**135,513**	**1,149,836**	**1,080,244**
Rent and parking	286,414	4,423	10,050	300,887	302,321
Office expense	72,141	15,163	11,664	98,968	104,724
Consulting and professional fees	22,609	14,841	13,655	51,105	57,742
Insurance	20,796	4,639		25,435	26,747
Depreciation	17,215	266	604	18,085	16,520
Newsletter and outreach	12,340			12,340	5,722
Miscellaneous	2,575	7,102	1,406	11,083	10,084
Other clinical expenses	7,865			7,865	6,037
Repairs and maintenance	2,806	43	98	2,947	1,640
Total Expenses	**$ 1,282,917**	**$ 222,644**	**$ 172,990**	**$ 1,678,551**	**$ 1,611,781**

See notes to financial statements.

The Maple Counseling Center
Statement of Cash Flows
Year Ended December 31, 2017
(with comparative totals for 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ (76,874)	$ 96,696
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,085	16,520
Changes in operating assets and liabilities:		
Fees receivable	(885)	(813)
Contracts receivable	2,583	31,580
Contributions receivable	59,200	(60,150)
Prepaid expenses	(8,067)	2,545
Accounts payable	(3,543)	(680)
Accrued employee benefits payable	(267)	(7,363)
Deferred revenue	(651)	463
Other current liabilities	2,826	3,197
Net Cash Provided by (Used in) Operating Activities	**(7,593)**	**81,995**
Cash Flows from Investing Activities		
Purchase of property and equipment	(26,956)	(5,115)
Purchase of investments		(747)
Proceeds from maturities of investments	100,717	
Net Cash Provided by (Used in) Investing Activities	**73,761**	**(5,862)**
Net Increase in Cash and Cash Equivalents	**66,168**	**76,133**
Cash and Cash Equivalents at Beginning of Year	**911,821**	**835,688**
Cash and Cash Equivalents at End of Year	**$ 977,989**	**$ 911,821**
Supplementary Disclosures		
Income taxes paid	$	$
Interest paid	$	$

See notes to financial statements.

Note 1—Organization

The Maple Counseling Center (TMCC), a nonprofit community mental health center, provides low cost comprehensive health counseling for people in need throughout Los Angeles County. The agency does not receive any government funding, and relies on individual donations, special events, municipal and foundation funding to supplement the client fees it collects, which constitute 42% of the annual revenue. Client fees are determined on a sliding scale based on ability to pay, and no one is turned away. TMCC is one of the few resources in Los Angeles County where people can pay what they can afford, and receive services for as long as they need.

TMCC provides services to people of all ages. In 2017, over 80% of the Center's headquarters clients were between 18 and 62, with the youngest client being 22 months and the oldest client 95 years.

During 2017, TMCC counseling programs served primarily low-income clients. In 2017, 71% of the clients had an annual income of $30,000 or less, with 52% of the clients having incomes under $20,000 a year; and 45% of the clients having incomes under $15,000 a year. The average fee was $24 per session.

In 2017, over 4,000 clients were served in all programs combined, with 1,920 clients receiving counseling services at the headquarters facility and the remaining clients in schools and community based programs. Founded in 1972, TMCC currently has 15 program staff, 14 of whom are licensed clinicians who supervise 80 graduate level interns and specialized programs. These include a comprehensive adult program of individual and couples counseling, services for older adults, and therapeutic support groups. Specialized services are offered for children and adolescents.

Each week, TMCC provides services to an average of 500 clients at its headquarters office, over 1,000 students in the local schools, and over 200 children and families at community based partner organizations. TMCC's community collaborations have a dual goal of addressing unmet community needs and offering additional intern training opportunities. Collaborative partners currently include organizations in South and East Los Angeles.

Psychiatric services are available for a medication evaluation if it is determined that this may be beneficial to a client.

All programs, with the exception of psychiatry services, are supported through a volunteer model. Counseling services are provided by graduate students in psychology, social work, and marriage and family counseling who are working toward licensure. The agency has a national reputation as a training center where interns gain experience in working with different populations. They are supervised by highly qualified licensed clinical staff, and an additional 80 offsite volunteer supervisors. An additional 25 volunteers with the Community Circle Program, a school-based program that helps elementary students understand the importance of character, self-worth, and responsibility.

Note 2—Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. TMCC recognizes contributions, including unconditional promises to give, as revenue in the period received. TMCC reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions in three classes of net assets, as follows:

> Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of TMCC.
>
> Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of TMCC and/or the passage of time. Included in temporarily restricted net assets are gifts given for a particular purpose and investment income to be used for a particular purpose. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.
>
> Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit TMCC to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2017 and 2016, TMCC had no permanently restricted net assets.

Income Taxes—TMCC is a nonprofit health and human services organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). TMCC is similarly exempt from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, TMCC has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2017 and 2016. Generally, TMCC's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—TMCC considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—Investments are valued at fair market value. Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses are reported as increases or decreases in the appropriate net asset category.

Property and Equipment—Property and equipment are stated at cost at the date of acquisition or fair market value at the date of donation. Capitalized lease equipment is recorded at the fair market value of the equipment at lease inception. TMCC capitalizes all expenditures for property and equipment in excess of $1,000.

Note 2—Significant Accounting Policies—Continued

Depreciation and amortization are calculated based on the straight-line method over the remaining useful lives of the assets as follows:

Office equipment	3.0 - 5.0 years
Capitalized lease	5.0 years
Furniture and fixtures	7.0 years
Leasehold improvements	31.5 years, or life of lease, whichever is shorter

TMCC's artwork is not depreciated, as it is expected to maintain its approximate value, or appreciate over time.

<u>Concentration of Credit Risk</u>—Financial instruments which potentially subject TMCC to concentrations of credit risk consist of cash and cash equivalents, investments and amounts receivable from clients, donors and municipal bodies. TMCC places portions of its cash, cash equivalents and investments with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. In the normal course of operations, such cash balances may exceed the FDIC insurance limits. TMCC places the remainder of its cash and cash equivalents in money market funds managed by a large broker-dealer; these funds are secured by the underlying assets of the fund and have no insurance coverage. Management regularly reviews the financial stability of its cash depositories and deems the risk of loss due to these concentrations to be minimal. Management has assessed the credit risk associated with the investments held at December 31, 2017 and 2016 and has determined that an allowance for potential losses due to credit risk in the investment portfolio is not necessary. With regard to amounts receivable, the risk is limited due to the large number of clients comprising the client base and the small relative size of each of these receivables, and the financial strength of the municipal bodies.

<u>Revenue Recognition</u>—TMCC’s revenue recognition policies are as follows:

> <u>Government grants</u>—Revenues from government grants are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.
>
> <u>Fees</u>—Fees are recognized at the time services are provided.

<u>Donated Services</u>—No amounts have been reflected in the financial statements for donated services as they do not meet the criteria for recognition under generally accepted accounting principles. However, it should be noted that, through TMCC's internship program for mental health professionals, interns donated virtually all of the direct counseling services at TMCC. In addition, volunteers have donated significant amounts of their time to TMCC's other program services and in its fundraising campaigns.

Note 2—Significant Accounting Policies—Continued

Expense Allocation—The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Comparative Totals for 2016—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with TMCC's audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications—Certain amounts in 2016 have been reclassified to conform with the 2017 financial statement presentation.

Use of Estimates—Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported public support, revenues and expenses. Actual results could differ from those estimates and assumptions.

Note 3—Investments

Investments consist of certificates of deposit amounting to $97,567 and $198,284 at December 31, 2017 and 2016, respectively.

Note 4—Fair Value Measurements

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. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

> Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.
>
> Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Note 4—Fair Value Measurements—Continued

> Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016 consist of investments in certificates of deposit, which are considered level 2 assets, and money market funds, which are considered Level 1 assets.

Note 5—Property and Equipment, Net

Net property and equipment at December 31, 2017 and 2016 consist of the following:

	2017	2016
Office equipment	$ 381,386	$ 354,430
Leasehold improvements	92,221	92,221
Furniture and fixtures	102,264	102,264
Capitalized lease equipment	43,551	43,551
Artwork	4,000	4,000
Total Property and Equipment	**623,422**	**596,466**
Less accumulated depreciation	(560,673)	(542,588)
Net Property and Equipment	**$ 62,749**	**$ 53,878**

Note 6—Leases

TMCC currently leases office space under an operating lease with a base payment of $23,564 per month, and a security deposit of $20,050. In addition, TMCC has entered into non-cancellable operating leases for office equipment, which expire within one year, with monthly payments of $1,358 through the year ended December 31, 2018. Rental expenses relating to the years ended December 31, 2017 and 2016 under such operating leases, including common area costs, was $302,604 and $306,780, respectively.

Note 7—Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 consist of amounts restricted by donor-imposed stipulations to fund specific program expenses during specific time periods, as follows:

	2017	2016
Renovation	$ 193,398	$ 193,398
Psychiatric services	129,874	118,453
Ellen's Room	16,153	16,153
Future operating expenses	950	
Technology upgrades		41,985
Totals	**$ 340,375**	**$ 369,989**

Note 8—Fundraising Events, Net

Fundraising events activity during the year ended December 31, 2017 is summarized as follows:

	Crystal Ball	Car Drawing	Other Events	Total
Gross revenue	$ 311,550	$ 87,779	$ 16,882	$ 416,211
Less direct expenses	(87,188)	(20,581)	(1,134)	(108,903)
Net	**$ 224,362**	**$ 67,198**	**$ 15,748**	**$ 307,308**

Fundraising events activity during the year ended December 31, 2016 is summarized as follows:

	Crystal Ball	Car Drawing	Other Events	Total
Gross revenue	$ 338,338	$ 100,995	$ 16,001	$ 455,334
Less direct expenses	(101,581)	(24,701)	(1,540)	(127,822)
Net	**$ 236,757**	**$ 76,294**	**$ 14,461**	**$ 327,512**

Total fund development expenses for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Fund development expenses per statement of functional expenses	$ 172,990	$ 183,480
Fundraising event expenses	108,903	127,822
Totals	**$ 281,893**	**$ 311,302**

Functional expenses, including fundraising event expenses, totaled $1,787,454 and $1,739,603, for the years ended December 31, 2017 and 2016, respectively.

Note 9—Recent Accounting Pronouncements

Fair Value Measurement—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. For nonpublic business entities, ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. TMCC is currently evaluating the impact that the adoption of ASU 2015-07 will have on its financial statements.

Leases—In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for TMCC in 2020; early adoption is permitted. TMCC is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Net Assets Presentation—In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for TMCC in 2018. Early adoption is permitted. TMCC is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Revenue Recognition—In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for TMCC in 2019 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. TMCC is evaluating whether this will have a material impact on its financial statements.

Note 10—Subsequent Events

Management has evaluated all activities of TMCC through May 9, 2018, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.