ACCEL AND AFFILIATE

COMBINED FINANCIAL STATEMENTS

Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

ACCEL AND AFFILIATE

We have audited the accompanying combined financial statements of ***ACCEL and Affiliate***, which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of ***ACCEL and Affiliate*** as of June 30, 2017, and the combined changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

October 5, 2017

ACCEL AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	332,839
Tuition receivable		521,205
Adult education receivable		118,229
Clinic fees receivable		218,488
Prepaid expenses		103,303
TOTAL CURRENT ASSETS		1,294,064
INVESTMENTS		126,918
CASH RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT		80,991
PROPERTY AND EQUIPMENT, net		4,248,393
DEPOSITS		106,061
TOTAL ASSETS	$	5,856,427

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	$	45,000
Accounts payable		90,079
Accrued expenses		2,797
Accrued payroll		169,699
Current maturities of long-term debt		109,931
Deferred revenue		3,024
TOTAL CURRENT LIABILITIES		420,530
DEFERRED RENT		34,169
LONG-TERM DEBT, less current maturities		3,381,543
TOTAL LIABILITIES		3,836,242
NET ASSETS		
Unrestricted		1,884,168
Temporarily restricted		136,017
TOTAL NET ASSETS		2,020,185
TOTAL LIABILITIES AND NET ASSETS	$	5,856,427

See Notes to Combined Financial Statements

ACCEL AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Tuition revenue			
Metro campus	$ 9,071,258	$ -	$ 9,071,258
Tempe campus	1,615,269	-	1,615,269
Adult education programs	1,314,602	-	1,314,602
Classroom consulting fees	12,116	-	12,116
Clinic fees	1,106,671	-	1,106,671
Contributions	88,603	147,746	236,349
Interest income	3,066	-	3,066
Other revenue	19,564	-	19,564
Total revenue and support before retail product sales and net assets released from restrictions	13,231,149	147,746	13,378,895
Retail product sales, net of discounts	88,660	-	88,660
Less: Cost of goods sold	(92,986)	-	(92,986)
Gross profit (loss) on retail sales	(4,326)	-	(4,326)
Net assets released from restrictions	249,189	(249,189)	-
TOTAL REVENUE AND SUPPORT	13,476,012	(101,443)	13,374,569
EXPENSES			
Program services:			
Metro campus	7,975,103	-	7,975,103
Tempe campus	1,687,950	-	1,687,950
Adult education programs	1,303,289	-	1,303,289
BISTA Autism Center	800,676	-	800,676
ACCEL Enterprises Program	98,365	-	98,365
Total program services	11,865,383	-	11,865,383
Supporting services:			
Administrative	1,253,667	-	1,253,667
Fundraising	270,804	-	270,804
Total supporting services	1,524,471	-	1,524,471
TOTAL EXPENSES	13,389,854	-	13,389,854
OTHER GAINS (LOSSES)			
Loss on inventory write off	(201,803)	-	(201,803)
Loss on disposal of assets	(27,933)	-	(27,933)
Unrealized gain on investments	28,276	-	28,276
Total other gains (losses)	(201,460)	-	(201,460)
CHANGE IN NET ASSETS	(115,302)	(101,443)	(216,745)
NET ASSETS, BEGINNING OF YEAR	1,999,470	237,460	2,236,930
NET ASSETS, END OF YEAR	$ 1,884,168	$ 136,017	$ 2,020,185

See Notes to Combined Financial Statements

ACCEL AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services								
	Metro Campus	Tempe Campus	Adult Education Programs	BISTA Autism Center	ACCEL Enterprises Program	Total Program Services	Administrative	Fundraising	Total Expenses
Salaries	$ 5,244,192	$ 1,115,667	$ 799,090	$ 618,312	$ 32,600	$ 7,809,861	$ 788,221	$ 207,465	$ 8,805,547
Payroll and other taxes	378,236	82,249	57,836	45,475	2,178	565,975	51,414	13,810	631,199
Pension contribution	108,128	17,863	6,760	6,299	1,002	140,051	39,212	4,242	183,505
Other employee benefits	558,702	77,239	112,256	38,070	4,603	790,871	42,388	23,530	856,789
Total employee related expenses	6,289,258	1,293,018	975,942	708,156	40,383	9,306,758	921,234	249,047	10,477,040
Computer expense	6,868	2,855	265	1,783	50	11,821	4,443	2,923	19,187
Depreciation expense	103,010	106,887	9,567	88	5,855	225,407	18,548	365	244,321
Amortization expense	-	9,575	-	-	-	9,575	-	-	9,575
Dues and subscriptions	2,714	1,049	1,381	4,386	-	9,530	8,191	1,399	19,119
Education and seminars	19,695	1,295	4,270	865	170	26,295	10,612	786	37,694
Equipment leases	28,149	9,089	919	22,012	420	60,589	2,718	1,525	64,832
Publicity and marketing supplies	-	-	-	-	-	-	500	8,074	8,574
Insurance	65,155	13,200	4,332	1,200	3,084	86,971	9,360	-	96,331
Interest	97,200	80,672	-	-	-	177,872	27,276	772	205,920
Lunch program	51,232	11,214	-	-	-	62,445	-	-	62,445
Vocational supplies	48,979	208	31,212	-	473	80,872	-	-	80,872
Miscellaneous	13,692	843	2,882	1,108	825	19,349	104	89	19,542
Nursing and psychology	12,106	160	-	-	-	12,266	-	-	12,266
Office supplies	8,083	3,739	1,585	991	1,139	15,537	3,184	3,079	21,799
Contractors expense	39,295	1,521	39,029	82	-	79,927	-	-	79,927
Postage	2,518	202	421	111	248	3,500	1,044	316	4,859
Development and training	2,097	84	-	-	-	2,181	-	-	2,181
Professional services	2,517	985	2,802	5,642	6,234	18,180	154,406	-	172,586
Rent	813,847	-	183,614	-	29,918	1,027,378	37,567	-	1,064,945
Repairs and maintenance	139,225	61,359	2,048	-	2,164	204,796	1,161	-	205,957
School and program supplies	48,238	30,034	20,265	7,019	471	106,027	-	-	106,027
Staff recognition	5,689	1,399	869	1,399	84	9,439	11,150	161	20,750
Telephone	28,461	9,870	8,334	4,656	1,596	52,917	16,354	1,077	70,347
Therapy	20,582	1,017	-	-	-	21,599	-	-	21,599
Transportation and travel	24,979	18,467	10,884	39,033	208	93,571	25,480	1,190	120,241
Utilities	97,772	29,207	332	-	2,780	130,091	336	-	130,427
Fundraising events expenses	3,746	-	2,337	2,146	2,262	10,490	-	-	10,490
TOTAL EXPENSES	$ 7,975,103	$ 1,687,950	$ 1,303,289	$ 800,676	$ 98,365	$ 11,865,383	$ 1,253,667	$ 270,804	$ 13,389,854

ACCEL AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (216,745)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	244,321
Loss on inventory write-off	201,803
Amortization of deferred financing costs	9,575
Unrealized gain on investments	(28,276)
Donated investments	(34,330)
Contributions restricted to investment in property and equipment	(81,750)
Loss on disposal of assets	27,933
Decrease (increase) in:	
Tuition receivable	39,075
Adult education receivable	(16,304)
Clinic fees receivable	(52,297)
Prepaid expenses	22,566
Inventory	89,906
Increase (decrease) in:	
Accounts payable	3,208
Accrued expenses	(5,024)
Accrued payroll	35,716
Deferred revenue	3,024
Deferred rent	(3,534)
Net cash provided by operating activities	238,867
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in cash restricted to investment in property and equipment	69,009
Purchase of property and equipment	(311,781)
Purchase of investments	(2,968)
Deposits	4,914
Net cash used in investing activities	(240,826)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	(116,372)
Proceeds from borrowings on long-term debt	28,918
Proceeds from borrowings on line of credit	1,135,000
Principal payments on line of credit	(1,090,000)
Collection of contributions restricted to investment in property and equipment	81,750
Net cash provided by financing activities	39,296
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,337
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	295,502
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 332,839
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 199,224
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES	
Donated investments	$ 34,330

See Notes to Combined Financial Statements

(1) Organizations' operations and summary of significant accounting policies

Nature of operations – ACCEL, Arizona Centers for Comprehensive Education and Life Skills, was incorporated in 1980 as LATCH School, Inc. In 2005, LATCH School, Inc. officially changed its name to ACCEL. The mission is to provide exceptional educational, behavioral, therapeutic and vocational programs to individuals with cognitive, behavioral and physical challenges, to give them the necessary skills to learn, work and to live successfully with dignity and independence. ACCEL is accredited by the National Commission for Accreditation of Special Education Services. ACCEL contracts with over 40 Maricopa County school districts and serves over 300 special needs children and adults on five sites within Maricopa County in Arizona.

ACCEL's major programs are as follows:

School programs (Metro Campus and Tempe Campus) – ACCEL operates school programs located in Phoenix and Tempe as well as satellite classrooms on Arizona public school district campuses. All programs incorporate innovative, individualized, evidenced based practices in applied behavior analysis and structured teaching. Students with a wide range of developmental abilities are taught using a functional life skills curriculum aligned with the Arizona Academic Standards in small sized classrooms with a low student to staff ratio, in addition to an extensive vocational program/transition curriculum, focusing on dignity, independence and community skills.

Adult education programs – The Adult Services program provides adults with functional disabilities ages 18 and older, an opportunity to gain valuable employment skills through practical, "hands on", training experience in creative, enterprise-based businesses such as hat making, screen printing and managing a coffee shop and gift boutique, and in other activities that reinforce these skills. Adults receive lifelong training and education, affirming their self-worth and enabling them to fully participate in the workforce and community.

The BISTA Autism Center – ACCEL BISTA Autism Center offers intensive behavioral services at local clinics, homes and community settings. The staff at BISTA has experience in working with individuals with autism spectrum disorder, including those diagnosed with Asperger's Syndrome and pervasive developmental disorder-not otherwise specified (PPD-NOS). The staff also specializes in working with children with other disabilities. BISTA provides functional behavior assessments, academic assessments and speech services.

ACCEL Enterprises Program – ACCEL operated a retail store as an enterprise-based program. Items created by students of ACCEL and clients of Adult Services were sold within the retail store. Both the creation and sale of art by students and adults are considered part of ACCEL comprehensive instructional programs and is considered program related. Some of the items sold in the store, which included gift and décor merchandise, were purchased to supplement inventory and their sale was considered unrelated business taxable income. The store was closed in fiscal year 2017 and the remaining inventory was written off.

These revenues and related expenses generated before the store's closure are not exempt from federal taxes under Section 511 of the Internal Revenue Code and applicable state taxes. During the year ended June 30, 2017, ACCEL did not have any taxable income. At June 30, 2017, ACCEL had a deferred tax asset for net operating loss carryforwards for tax purposes of approximately $386,331 which is available to offset future unrelated business income tax. The deferred income tax benefit from this carryforward has not been recorded as of June 30, 2017 as ACCEL does not expect to recognize the tax benefit in the future, especially since the store has now been closed. The carryforward will begin to expire in the year 2034.

(1) Organizations' operations and summary of significant accounting policies (continued)

During the year ended June 30, 2014, ACCEL established the ACCEL Foundation (the "Foundation") for the purpose of raising monies to fund programs that provide support and training to increase community awareness for both children and adults with special needs.

Combined financial statements – ACCEL has an economic interest in and control over the Foundation. Accordingly, the combined financial statements include both the accounts of ACCEL and the Foundation (collectively referred to hereafter as the "Organization"). All significant inter-organization transactions and accounts have been eliminated in combination.

Basis of presentation – The accompanying combined financial statements have been prepared in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements.* Under FASB ASC 958-205, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2017, the Organization had no permanently restricted net assets.

Management's use of estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – Cash consists of cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each financial institution are insured in limited amounts by the Federal Deposit Insurance Corporation.

Receivables – Tuition, adult education and clinic fees receivables are carried at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management considers receivables to be fully collectible as of June 30, 2017 and, accordingly, an allowance for doubtful accounts is not considered necessary.

Investments – The Organization accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt and Equity Securities.* Under FASB ASC 958-320, the Organization is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair values of these investments are based on quoted market prices.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying combined financial statements.

(1) Organizations' operations and summary of significant accounting policies (continued)

Fair value measurements – FASB ASC 820, *Fair Value Measurements* establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable inputs for the asset or liability.

Property and equipment and related depreciation and amortization – Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Purchases of property and equipment in excess of $500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization is computed on a straight-line basis using the following estimated useful lives:

Buildings	10 - 20 years
Equipment	1 - 10 years
Leasehold improvements	10 - 30 years
Vehicles	5 - 7 years
Autism clinic software	3 - 5 years

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. No impairment charges were recorded for the year ended June 30, 2017.

Deferred rent – The Organization leases certain office space, as well as other premises. A number of the leases include scheduled base rent increases over their term. The total amount of base rent payments, including scheduled increases, is expensed on the straight-line method over the term of the leases. The deferred lease liability represents the excess of such amounts over actual cash payments.

(1) Organizations' operations and summary of significant accounting policies (continued)

Revenue recognition – Tuition revenue from the school districts is recognized in the period that the related education instruction is performed. Tuition amounts received in advance, if any, are recorded as deferred revenue. Adult Services fees are primarily received from the Arizona Department of Economic Security, Division of Developmental Disabilities ("DES-DDD") and are received under contracts related to Adult behavioral education. The Organization also generates revenue under clinic related contracts with various insurance providers, as well as private pay contracts, which are billed at contracted rates. Revenue is recognized when pervasive evidence of an arrangement exists, services have been rendered, the fee is determinable, and collectability is reasonably assured. Retail product sales consist of gift shop and café sales which are recognized when goods are sold. Shipping and handling costs are included in cost of goods sold.

Contributions – The Organization accounts for contributions in accordance with FASB ASC 958-605*, Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. Restricted contributions, where restrictions are met in the same period in which the contribution is received are shown as additions to unrestricted support.

For the year ended June 30, 2017, contributions from board members totaled $42,130.

Donated materials and services – Donated materials and services are reflected in the accompanying combined financial statements at their estimated fair value at the date of the donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. No amounts have been reflected in the combined financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and fundraising campaigns.

Functional allocation of expenses – The costs of providing various programs and other activities have been reported on a functional basis in the accompanying combined statement of functional expenses. Salaries and related expenses are allocated based on an analysis performed by management of time incurred. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on appropriate allocation methods.

Financial instruments and credit risk – The Organization manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

The Organization extends unsecured credit to the school districts of students and to various payor sources for clinic clients. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental or quasi-governmental agencies supportive of the Organization's mission. As of June 30, 2017 the DES-DDD and the Peoria Unified School District each respectively made up 14% of the receivable balance.

(1) Organizations' operations and summary of significant accounting policies (continued)

Income tax status – ACCEL and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, ACCEL and the Foundation qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income would be taxable. The Organization evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts.

ACCEL and the Foundation's federal Returns of Organizations Exempt from Income Tax (Form 990 and 990T) for fiscal 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2017 returns have not yet been filed.

Recent accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued FASB ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the combined statement of activities and the combined statement of cash flows will be substantially unchanged from the existing lease accounting guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Company has estimated that if they were to adopt the standard for the year ended June 30, 2017, a non-current right of use asset of $5,215,000 would be recorded and a corresponding current and non-current lease liability of $1,042,000 and $4,173,000, respectively, would be recorded in the accompanying combined statement of financial position. The estimate was calculated using the minimum future lease payments (see Note 7) and a discount rate of 4.09% representing the Company's incremental borrowing rate (see Note 4).

(1) Organizations' operations and summary of significant accounting policies (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

In April 2015, the FASB issued ASU No. 2015-03 *Interest – Imputation of Interest (Subtopic 835-30)*, an amendment of previously issued guidance on imputation of interest. ASU 2015-03 amends existing guidance to require the presentation of debt issuance costs in the combined statement of financial position as a deduction from the carrying amount of the related debt liability instead of as an asset. An entity should apply this new guidance on a retrospective basis, wherein the combined statement of financial position of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The recognition guidance for debt issuance costs would not be affected by this ASU. ASU 2015-03 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Organization adopted ASU 2015-03 as of the beginning of fiscal 2017. As a result of the adoption, the Organization reclassified unamortized debt issuance costs of $81,287 as of June 30, 2016 from deferred financing costs, net to a reduction in long-term debt on the combined statement of financial position. Adoption of ASU 2015-03 did not impact the combined results of operations, net assets, or cash flows in the current year.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in ASU 2014-15 are intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. FASB ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. The Organization adopted ASU 2014-15 in 2017 with no significant impact to the combined financial statements.

Subsequent events – The Organization has evaluated subsequent events through October 5, 2017 which is the date the combined financial statements were available to be issued.

(2) Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,677	$ -	$ -	$ 5,677
Equity securities	100,350	-	-	100,350
Corporate bonds	-	20,891	-	20,891
Total investments at fair value	$ 106,207	$ 20,891	$ -	$ 126,918

The Organization has no other assets or liabilities measured at fair value other than at initial recognition.

(3) Property and equipment

Property and equipment consist of the following at June 30, 2017:

Land	$ 1,849,540
Buildings	2,827,644
Equipment	760,672
Leasehold improvements	1,048,352
Vehicles	129,570
Autism clinic software	50,000
	6,665,778
Accumulated depreciation	(2,417,385)
	$ 4,248,393

Depreciation expense charged to operations was $244,321 for the year ended June 30, 2017.

(4) Line of credit

The Organization has a line of credit with a bank with a maximum borrowing limit of $1,000,000 which allows for revolving draws and payments. The borrowings bear interest at a variable rate equal to one month LIBOR plus three percentage points. The effective rate as of June 30, 2017 was 4.09%. The line of credit is collateralized by the Organization's inventory, equipment, investments, and receivables. The line expires in May 2019. The line contains certain annual financial and non-financial covenants.

(5) Long-term debt

In March 2009, the Organization entered into a note payable agreement with a bank in the amount of $3,200,000. The proceeds were issued by the Industrial Development Authority of Phoenix in two bond issues. The proceeds from the bonds were used to refinance certain long-term debt and to finance the construction and renovation of the Tempe facility. In December 2014, the Organization entered into a note payable agreement with a bank in the amount of $2,700,000. The proceeds were the result of a bond issuance by the Industrial Development Authority of the Town of Florence. These proceeds were used to refinance the Series 2009 bonds.

At June 30, 2017, long-term debt consisted of:

Loan payable to a bank, collateralized by a Deed of Trust on the Tempe facilities with principal plus interest payments beginning on January 22, 2015. Interest is calculated at 3.21%. A balloon payment of $1,570,956 is due on December 31, 2024.	$ 2,447,830
Note payable to a third party, collateralized by a Deed of Trust on the Metro campus land located in Maricopa County, Arizona, payment in monthly 9% interest only installments of $8,100, principal due and payable on December 16, 2017. Subsequent to year end, on August 31, 2017, the maturity date was extended to December 16, 2019	1,080,000
Note payable to a bank, collateralized by a vehicle, payable in monthly installments of $639, including interest at 5.99%, maturing on May 15, 2019	12,643

(5) Long-term debt (continued)

Note payable to a bank, collateralized by a vehicle, payable monthly installments of $654, including interest at 3.99%, maturing on September 9, 2020	22,713
Total long-term debt	3,563,186
Less: debt issuance costs	(71,712)
Total long-term debt, net of debt issuance costs	3,491,474
Less: current maturities	(109,931)
Total long-term debt, net of current maturities	$ 3,381,543

Annual maturities of long-term debt outstanding at June 30, 2017 are as follows:

Years Ending June 30,	
2018	$ 109,931
2019	1,194,578
2020	111,999
2021	109,393
2022	111,928
Thereafter	1,853,645
	$ 3,491,474

Certain debt instruments above require the maintenance of financial covenants. As of June 30, 2017, the Organization was not in compliance with a financial covenant. The bank subsequently waived the covenant violation.

(6) Temporarily restricted net assets

Temporarily restricted net assets are subject to donor imposed purpose restrictions. As of June 30, 2017, temporarily restricted net assets consisted of the following:

Horticulture	$ 735
Literacy program	5,000
Classroom technology	9,312
East campus facility upgrade	80,991
Fitness equipment	1,948
Adaptation	38,031
	$ 136,017

At June 30, 2017, temporarily restricted net assets are included within cash and cash equivalents on the accompanying combined statement of financial position.

For the year ended June 30, 2017, net assets released from donor restrictions consisted of the following:

Horticulture	$ 17,708
Literacy program	2,000
Classroom technology	11,188
East campus facility upgrade	150,759
Fitness equipment	11,048
Adaptation	56,486
	$ 249,189

(7) Operating leases

The Organization leases office equipment and office space under operating lease agreements with terms expiring in various years through December 2023. In the normal course of business, operating leases are generally renewed or replaced by other leases. Minimum future rental payments under non-cancelable operating leases with remaining terms in excess of one year are as follows:

Years Ending June 30,	
2018	$ 1,084,545
2019	1,028,850
2020	928,100
2021	904,958
2022	904,958
Thereafter	1,131,197
	$ 5,982,608

Total rental expense for these leases during the year ended June 30, 2017 was approximately $1,130,000.

(8) Retirement plan

ACCEL sponsors a defined contribution plan (the "Plan") for its employees who contributed one year of service during the plan year of at least 1,000 hours. The Plan is a discretionary defined contribution plan and thus, contributions are made each year at the discretion of ACCEL. When contributions are made, they are allocated among the employees based on groups, as defined in the Plan. For the year ended June 30, 2017, ACCEL contributed approximately $184,000.

(9) Contingencies

Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. In the opinion of management and based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.