

**TEEN CHALLENGE, INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**TEEN CHALLENGE, INC.**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**Contents**

	<u>Page</u>
<b>Independent Accountant's Review Report</b>	1 - 2
<b>Financial Statements</b>	
Statements of financial position	3
Statements of activities	4 - 5
Statements of cash flows	6
Notes to financial statements	7 - 14
<b>Supplementary Information</b>	
Schedule of functional expenses	15



**CITRIN COOPERMAN**

Attest & Assurance | Tax Compliance & Research | Specialty & Consulting

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Teen Challenge, Inc.  
Brooklyn, NY

We have reviewed the accompanying financial statements of Teen Challenge, Inc. (a nonprofit organization) (the "Organization") which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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 the financial statements that are free from material misstatement due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### Supplementary Information

The supplementary information included in the accompanying schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our reviews, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.



CERTIFIED PUBLIC ACCOUNTANTS

White Plains, New York  
June 9, 2016

**TEEN CHALLENGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 730,610	\$ 736,456
Contributions receivable	52,280	34,578
Related party advances	25,060	-
Prepaid expenses and other assets	6,724	19,837
Franchise fee	15,000	15,000
Temporarily restricted donations receivable	9,131	-
Property and equipment, net	842,628	838,882
Long-term investments	<u>2,000,000</u>	<u>2,000,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,681,433</u></b>	<b><u>\$ 3,644,753</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable	\$ 45,099	\$ 20,552
Accrued expenses and other liabilities	18,000	25,000
Capital leases payable	<u>11,209</u>	<u>14,972</u>
Total liabilities	<u>74,308</u>	<u>60,524</u>
Commitments and contingencies (Notes 5, 6, and 7)		
Net assets:		
Undesignated	1,234,227	1,126,081
Board-designated funds	<u>2,352,864</u>	<u>2,453,836</u>
Total unrestricted	3,587,091	3,579,917
Temporarily restricted	<u>20,034</u>	<u>4,312</u>
Total net assets	<u>3,607,125</u>	<u>3,584,229</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,681,433</u></b>	<b><u>\$ 3,644,753</u></b>

See independent accountant's review report and accompanying notes to financial statements.

**TEEN CHALLENGE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
General donations	\$ 744,919	\$ 31,600	\$ 776,519
Wills	177,219	-	177,219
Student generated support	<u>114,816</u>	<u>-</u>	<u>114,816</u>
Total revenue and support	<u>1,036,954</u>	<u>31,600</u>	<u>1,068,554</u>
Other support (expense):			
Interest and dividend income	115,219	-	115,219
Contributions to other organizations	(2,500)	-	(2,500)
Thriftstore income	796	-	796
Other income	2,843	-	2,843
Gain on sale of property	398	-	398
Loss on investment	(51,337)	-	(51,337)
Investment expense	<u>(5,011)</u>	<u>-</u>	<u>(5,011)</u>
Total other support (expense)	<u>60,408</u>	<u>-</u>	<u>60,408</u>
Total revenue and support and other support before net assets released from restrictions	1,097,362	31,600	1,128,962
Net assets released from restrictions	<u>15,878</u>	<u>(15,878)</u>	<u>-</u>
Total revenue and support, other support and net assets released from restrictions	<u>1,113,240</u>	<u>15,722</u>	<u>1,128,962</u>
Expenses:			
Program services	883,863	-	883,863
Administrative and general	179,495	-	179,495
Fundraising	<u>42,708</u>	<u>-</u>	<u>42,708</u>
Total expenses	<u>1,106,066</u>	<u>-</u>	<u>1,106,066</u>
Change in net assets	7,174	15,722	22,896
Net assets - beginning	<u>3,579,917</u>	<u>4,312</u>	<u>3,584,229</u>
NET ASSETS - ENDING	<u>\$ 3,587,091</u>	<u>\$ 20,034</u>	<u>\$ 3,607,125</u>

See independent accountant's review report and accompanying notes to financial statements.

**TEEN CHALLENGE, INC.**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
General donations	\$ 658,318	\$ 20,000	\$ 678,318
Wills	19,586	-	19,586
Student generated support	<u>178,460</u>	<u>-</u>	<u>178,460</u>
Total revenue and support	<u>856,364</u>	<u>20,000</u>	<u>876,364</u>
Other support:			
Interest and dividend income	109,141	-	109,141
Student housing reimbursements	1,398	-	1,398
Thriftstore income	2,292	-	2,292
Other income	1,587	-	1,587
Gain on disposal of fixed asset	<u>(277)</u>	<u>-</u>	<u>(277)</u>
Total other support	<u>114,141</u>	<u>-</u>	<u>114,141</u>
Total revenue and support and other support before net assets released from restrictions	970,505	20,000	990,505
Net assets released from restrictions	<u>30,393</u>	<u>(30,393)</u>	<u>-</u>
Total revenue and support, other support and net assets released from restrictions	<u>1,000,898</u>	<u>(10,393)</u>	<u>990,505</u>
Expenses:			
Program services	922,067	-	922,067
Administrative and general	218,077	-	218,077
Fundraising	<u>41,649</u>	<u>-</u>	<u>41,649</u>
Total expenses	<u>1,181,793</u>	<u>-</u>	<u>1,181,793</u>
Change in net assets	(180,895)	(10,393)	(191,288)
Net assets - beginning	<u>3,760,812</u>	<u>14,705</u>	<u>3,775,517</u>
NET ASSETS - ENDING	<u>\$ 3,579,917</u>	<u>\$ 4,312</u>	<u>\$ 3,584,229</u>

See independent accountant's review report and accompanying notes to financial statements.

**TEEN CHALLENGE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Decrease in net assets	\$ 22,896	\$ (191,288)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	60,890	68,139
(Gain) loss on sale of equipment	(398)	277
Loss on investment	51,337	-
Changes in assets and liabilities:		
Prepaid expenses and other assets	13,113	753
Restricted donation receivable	(9,131)	-
Contributions receivable	(17,702)	(2,546)
Related party advances	(25,060)	2,787
Security deposit	-	4,200
Accounts payable	24,547	12,266
Accrued expenses and other liabilities	<u>(7,000)</u>	<u>(5,500)</u>
Total adjustments	<u>90,596</u>	<u>80,376</u>
Net cash used in operating activities	<u>113,492</u>	<u>(110,912)</u>
Cash flows from investing activities:		
Cash released from loan security	-	50,000
Purchases of property and equipment	(64,636)	(64,931)
Proceeds from the sale of equipment	398	6,525
Purchase of securities	(660,000)	-
Proceeds from the sale of securities	<u>608,663</u>	<u>-</u>
Net cash used in investing activities	<u>(115,575)</u>	<u>(8,406)</u>
Cash flows from financing activities:		
Repayments of notes payable and capital lease obligation	<u>(3,763)</u>	<u>(57,777)</u>
Net decrease in cash and cash equivalents	(5,846)	(177,095)
Cash and cash equivalents - beginning	<u>736,456</u>	<u>913,551</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 730,610</u></b>	<b><u>\$ 736,456</u></b>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 796</u>	<u>\$ 3,400</u>

See independent accountant's review report and accompanying notes to financial statements.



**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of the organization

Teen Challenge, Inc. (the "Organization") is a 501 (c)(3) nonprofit corporation established under the laws of the state of New York and is located in Brooklyn, New York. Incorporated in 1965, the mission of the Organization is to help individuals who have overcome life-controlling addictions and initiate the discipleship process to the point where the individual can function as a productive Christian member of society. The Organization teaches a whole new way of living by addressing family relationships, work attitudes, self-image and esteem, peer pressure, addictions, social issues, community relationship, and a variety of other life skills. The Organization endeavors to help people become mentally sound, emotionally balanced, socially adjusted, physically well, and spiritually alive. The Organization is supported primarily through contributions from donors.

Financial statement presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Income tax status

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and comparable state tax laws, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2013, and 2012 remain subject to examination by the Internal Revenue Service.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit, money market account and certificates of deposit that are readily convertible into cash and purchased with original maturities of three months or less.

Property and equipment

Property and equipment, when purchased, are carried at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. When property and equipment are sold, or otherwise disposed of, the asset and related accumulated depreciation are relieved, and any gain or loss is included in operations.

See independent accountant's review report.

**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Long-term investments

Long-term investments consist of certificates of deposit with original maturities of five years and are stated at cost. The Organization maintains their certificates of deposits with the Assemblies of God Loan Fund (the "AOG Loan Fund"), Church Extension Plan, and Heritage Investment Services Fund ("HISF") which all provide financing for capital expansion projects being undertaken by Assemblies of God ministries and institutions.

Use of estimates

The preparation of financial statements in conformity with 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.

Allocation of expenses

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

Designation of unrestricted net assets

It is the policy of the Board of Directors (the "Board") of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and acquisitions.

Revenue recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization accounts for contributions as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose for the restrictions. Contributions receivable and promises to give represent amounts committed by donors that have not been received by the Organization. These amounts are recorded by the Organization at their net realizable value.

Contributions of non-cash assets are recorded at their fair values at the date received. Donations of non-cash assets without readily determinable fair values are not recognized by the Organization; instead, income from the sale of these items is recognized if and when they are sold. Contributions of services are recorded at their fair values in the period received if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

See independent accountant's review report.

**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair value measurement

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the new standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1* inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Reclassifications

Certain amounts from the 2014 financial statements have been reclassified to conform with the 2015 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through June 9, 2016, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 2. CONCENTRATIONS OF CREDIT RISK**

The Organization places its cash and cash equivalents, which may at times be in excess of federally insured limits, with major financial institutions and limits the amount of credit exposure with any one institution. The Organization has not experienced any losses in these accounts and feels that it is not exposed to any significant credit risk with regards to cash.

The Organization also places its certificates of deposit in accounts with financial institutions that are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal or state authority or regulatory agency. The Organization has not experienced any losses in these accounts and feels that it is not exposed to any significant credit risk with regards to its certificates of deposit.

**NOTE 3. CASH AND CASH EQUIVALENTS**

At December 31, 2015 and 2014, cash and cash equivalents consisted of the following:

	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 3,000	\$ 2,000
Checking accounts	40,462	129,008
Cash - other	-	1,268
Certificates of deposit	-	550,000
Money market accounts	<u>687,148</u>	<u>54,180</u>
Total	<u>\$ 730,610</u>	<u>\$ 736,456</u>

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 80,569	\$ 80,569
Buildings and improvements:		
416 Clinton Avenue	312,751	284,751
436 Clinton Avenue and 435 Vanderbilt Avenue	305,935	304,523
444 Clinton Avenue and 443 Vanderbilt Avenue	1,022,844	1,021,244
Furnishings and equipment	525,039	491,415
Automobiles	<u>131,766</u>	<u>138,766</u>
	2,378,904	2,321,268
Less: accumulated depreciation	<u>(1,536,276)</u>	<u>(1,482,386)</u>
Property and equipment, net	<u>\$ 842,628</u>	<u>\$ 838,882</u>

Depreciation expense was \$60,890 and \$68,139 for the years ended December 31, 2015 and 2014, respectively.

During the year ended 2015, the Organization sold one vehicle that was fully depreciated. The asset's carrying amount, and related accumulated depreciation have been eliminated accordingly.

See independent accountant's review report.

**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 4. PROPERTY AND EQUIPMENT (CONTINUED)**

During the year ended 2014, the Organization sold three vehicles with a carrying value of \$6,802 for \$6,525. The assets' carrying amount, and related accumulated depreciation have been eliminated accordingly. The Organization also purchased two vehicles for \$48,467 during year ending December 31, 2014.

Furnishings and equipment and automobiles include assets acquired under capital leases with a cost of \$80,069 at December 31, 2015 and 2014, respectively. Related amortization included in accumulated depreciation was \$69,587 and \$65,657 at December 31, 2015 and 2014, respectively. Capital leases are included as a component of furnishings and equipment and automobiles (See Note 7). Amortization of assets under capital lease is included in depreciation expense.

There was no property and equipment donated to the Organization during the years ended December 31, 2015 and 2014.

**NOTE 5. BOARD-DESIGNATED FUNDS**

In October 2010, the Organization entered into a contract to sell its property located at 380 Clinton Avenue and 381 Vanderbilt Avenue (the "Property") for \$3,800,000. The Organization also petitioned the Supreme Court of the state of New York (the "Court") to receive approval of the sale pursuant to section 511 of the New York State Not-For-Profit Corporation Law and section 12 of the New York State Religious Corporations Law. The petition outlined how the proceeds from the sale was going to be utilized by the Organization as determined by the Board. The Organization subsequently received approval from the Court on the sale of the Property and the use of the proceeds. On April 5, 2011, the Organization completed the transaction for the sale of the Property for \$3,800,000.

As of December 31, 2015 and 2014, amounts available under board-designated funds were as follows:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Endowment (see Note 6)	\$ 2,000,000	\$ 2,000,000
Building renovation	91,331	192,303
Purchase of staff house	250,000	250,000
Purchase of vehicles	<u>11,533</u>	<u>11,533</u>
Total board-designated funds	<u>\$ 2,352,864</u>	<u>\$ 2,453,836</u>

See independent accountant's review report.

**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 6. BOARD DESIGNATED ENDOWMENT FUND**

As of December 31, 2015 and 2014, the Board has designated \$2,000,000 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets in the accompanying statement of financial position as of December 31, 2015 and 2014. The Organization has a spending policy of appropriating each year any income earned by the endowment fund thus maintaining the principal value of the endowment fund until a decision can be made by the Board as to how to apportion the endowment fund. The endowment assets are invested in several certificates of deposit with the AOG Loan Fund, the Church Extension Plan and the HISF which mature at various dates in 2016. The Organization has adopted an investment policy that attempts to maintain the principal over a period of five years while earning interest income. These investments are all considered long-term.

The Board must vote and approve by a 2/3 resolution in order for the endowment assets to be spent or to change its designation.

The composition of and changes in the board-designated endowment fund for the years ended December 31, 2015 and 2014, were as follows:

Board-designated endowment fund, January 1, 2014	\$ 2,000,000
Investment income	109,141
Amounts appropriated for expenditure	<u>(109,141)</u>
Board-designated endowment fund, December 31, 2014	2,000,000
Investment income	115,219
Amounts appropriated for expenditure	<u>(115,219)</u>
Board-designated endowment fund, December 31, 2015	<u><u>\$ 2,000,000</u></u>

**NOTE 7. COMMITMENTS AND CONTINGENCIES**

Operating leases

At December 31, 2015, the Organization is obligated under a non-cancelable operating lease for office equipment, which expires in 2017. The future minimum lease payments required under their non-cancelable operating leases as of December 31, 2015, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2016	\$ 1,872
2017	<u>936</u>
	<u><u>\$ 2,808</u></u>

Capital leases

The Organization leases certain office equipment under an agreement that is classified as a capital lease. The cost of the asset acquired under capital lease is included in the statement of financial position as "Property and equipment, net" (see Note 4). All other assets acquired un capital leases have been paid off in full.

See independent accountant's review report.

**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 7. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Capital leases (continued)

The present value of future minimum lease payments required under the capital lease as of December 31, 2015, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2016	\$ 4,559
2017	4,559
2018	<u>3,040</u>
Net minimum lease payments	12,158
Less: amount representing interest	<u>(949)</u>
Present value of minimum lease payments	<u>\$ 11,209</u>

**NOTE 8. RELATED-PARTY TRANSACTIONS**

The Organization's President currently serves as the Director of Behold Ministries, Inc. ("Behold"), another religious ministry. During 2015 and 2014, Behold made contributions of \$41,800 and \$83,476, respectively, to the Organization.

In 2014, the Organization entered into a month to month lease agreement for use of an apartment by its president requiring monthly payments of \$4,200, which increased to \$4,300 per month during 2015.

During 2015, the Organization advanced two employee \$2,230. The advances bear no interest and are being repaid weekly through the employees' wages. On August 1st, 2015, the Organization also advanced the Executive Director \$25,000 at an annual interest rate equal to 2%. The advance is being repaid directly through payroll over 48 months. The balance of the advance as of December 31, 2015 is \$23,495. As of December 31, 2015 and 2014, the Organization was due \$25,060 and \$- from related parties, respectively, which has been included in the accompanying statements of financial position in "Related Party advances."

The Executive Director is renting an apartment from the organization on a month to month basis. During year ended December 31, 2015, Related party rental income of \$2,500 has been included in the accompanying statement of activities in "Other income"

**NOTE 9. TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2015 and 2014 \$20,034 and \$4,312, were available to be used in accordance with the provisions of the grant received from Hope of New York.

During the years ended December 31, 2015 and 2014, net assets released from donor restrictions either by incurring expenses satisfying the restricted purposes or by the donor's removal of such restrictions, are as follows:

	<u>2015</u>	<u>2014</u>
United way:		
Purchase paper supplies	\$ 1,050	\$ -
Purchase of food	1,419	-
Hope for New York:		
Kitchen and health related	<u>13,409</u>	<u>30,393</u>
Total	<u>\$ 15,878</u>	<u>\$ 30,393</u>

See independent accountant's review report.

**TEEN CHALLENGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 10. RETIREMENT PLAN**

In 1999, the Organization established a tax-deferred retirement plan for its full-time employees under the umbrella of the Assemblies of God Select Retirement Plan (the "Plan"). The Plan is intended to be a retirement income account program as described in Section 403(b) of the Code. The Plan is also intended to be a "church plan" within the meaning of Section 414(e) of the Code and Section 3(33) of the Employee Retirement Income Security Act of 1974 ("ERISA") and, as such, is exempt from the requirements of ERISA. During 2010, the Board suspended the plan indefinitely. No contributions to the Plan have been made during the years ended December 31, 2015 or 2014.

**NOTE 11. FRANCHISE AGREEMENT**

During the year ended 2013, the Organization entered into a franchise agreement (the "Agreement") with The Way to Recovery, another religious non-profit organization. The Agreement gives the Organization the right to sell trademarked drug testing devices along with their related programming manuals as well as use of The Way to Recovery's license to operate a drug testing facility. The facility is intended to operate by appointment only and act as an outreach program of the Organization in the local community.

The Organization paid \$15,000 for the franchise which has been capitalized in the accompanying statement of financial position. Additionally, the Organization set up the location at their facility in a separately designated area on its premises and is obligated under the agreement for paying for and installing a point of sale system, paying for national marketing expenses of a minimum of \$1,200 per year and local marketing costs equal to 1% of gross annual sales, as defined, and a 5% royalty fee to The Way of Recovery on gross sales, as defined. The Agreement will expire on the tenth anniversary of the testing facility's opening date and is subject to various renewal terms. As of December 31, 2015, there was no material activity in the outreach program other than the initial franchise fee and training of certain employees. The Organization plans to open the testing facility in 2016, at which time amortization of the franchise fee will commence.



**SUPPLEMENTARY INFORMATION**

**TEEN CHALLENGE, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(WITH SUMMARIZED INFORMATION FOR 2014)**

	<b>2015</b>			<b>2014</b>	
	<b>Program Services</b>	<b>Administrative Services</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>
Salaries and wages	\$ 243,044	\$ 85,704	\$ 8,000	\$ 336,748	\$ 339,424
Light, heat and power	84,973	9,442	-	94,415	111,642
Repairs and maintenance	68,881	-	-	68,881	70,347
Office supplies	63,265	5,501	-	68,766	38,889
Postage	51,973	6,663	7,996	66,632	79,816
Insurance	60,391	3,178	-	63,569	92,813
Food	52,078	-	-	52,078	53,027
Benevolence and honorariums	35,191	-	1,665	36,856	22,247
Community outreach	34,552	-	-	34,552	89,045
Telephone	27,026	3,003	-	30,029	24,803
Professional fees	-	28,000	-	28,000	28,200
Vehicle expenses	27,065	-	-	27,065	36,858
Travel and transportation	12,478	9,971	-	22,449	23,276
Payroll taxes	14,783	5,213	487	20,483	19,636
Public relations	-	-	18,872	18,872	7,531
Hospitality	17,061	-	-	17,061	8,299
Employees' medical plans	11,560	4,077	381	16,018	27,111
School supplies and expenses	12,454	-	-	12,454	14,254
Recreation expense	9,717	-	-	9,717	8,273
Data processing services	5,474	2,576	-	8,050	7,782
Bank and credit card fees	-	150	4,916	5,066	2,693
Computer-related expenses	2,428	1,618	-	4,046	1,414
Dues and subscriptions	1,542	-	-	1,542	1,179
Interest	756	40	-	796	3,400
Advertising and promotion	-	-	391	391	929
Thriftstore expenses	-	<u>354</u>	-	<u>354</u>	<u>201</u>
Bookstore expenses	286	-	-	286	565
Total expenses before depreciation	836,978	165,490	42,708	1,045,176	1,113,654
Depreciation	<u>46,885</u>	<u>14,005</u>	-	<u>60,890</u>	<u>68,139</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 883,863</u></b>	<b><u>\$ 179,495</u></b>	<b><u>\$ 42,708</u></b>	<b><u>\$ 1,106,066</u></b>	<b><u>\$ 1,181,793</u></b>

See independent accountants' review report.