TEEN CHALLENGE, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2017 AND 2016

TEEN CHALLENGE, INC.
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Contents

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Teen Challenge, Inc.
Brooklyn, New York

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, 2017 and 2016, 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 Organization 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 accordance with accounting principles generally accepted in the United States of America.

CITRINCOOPERMAN®
Accountants and Advisors

Supplementary Information

The supplementary information included in the schedule on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information, and do not express an opinion on such information.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

White Plains, New York
May 31, 2018

TEEN CHALLENGE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 130,950	$ 91,330
Contributions receivable	56,899	19,817
Related-party advances	1,368	97
Prepaid expenses and other assets	59,461	12,382
Temporarily restricted donations receivable	31,892	42,631
Property and equipment, net	860,752	816,099
Security deposit	20,500	-
Long-term investments	2,198,000	2,450,000
TOTAL ASSETS	$ 3,359,822	$ 3,432,356
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 13,248	$ 25,116
Accrued expenses and other liabilities	4,575	1,060
Capital leases payable	111,720	25,340
Conditional donation	25,000	25,000
Other liabilities	6,825	-
Total liabilities	161,368	76,516
Commitments and contingencies (Notes 6, 7 and 8)		
Net assets:		
Unrestricted:		
Undesignated	928,320	1,064,666
Board-designated funds	2,250,000	2,261,533
Total unrestricted	3,178,320	3,326,199
Temporarily restricted	20,134	29,641
Total net assets	3,198,454	3,355,840
TOTAL LIABILITIES AND NET ASSETS	$ 3,359,822	$ 3,432,356

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

TEEN CHALLENGE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
General donations	$ 891,012	$ 140,863	$ 1,031,875
Wills	51,790	-	51,790
Student-generated support	104,235	-	104,235
Total revenue and support	1,047,037	140,863	1,187,900
Other support:			
Interest and dividend income	84,668	-	84,668
Thrift store income	2,766	-	2,766
Other income, net	3,590	-	3,590
Total other support	91,024	-	91,024
Total revenue and support and other support before net assets released from restrictions	1,138,061	140,863	1,278,924
Net assets released from restrictions	150,370	(150,370)	-
Total revenue and support, other support and net assets released from restrictions	1,288,431	(9,507)	1,278,924
Expenses:			
Program services	1,146,575	-	1,146,575
Administrative and general	222,026	-	222,026
Fundraising	67,709	-	67,709
Total expenses	1,436,310	-	1,436,310
Change in net assets	(147,879)	(9,507)	(157,386)
Net assets - beginning	3,326,199	29,641	3,355,840
NET ASSETS - ENDING	$ 3,178,320	$ 20,134	$ 3,198,454

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

TEEN CHALLENGE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
General donations	$ 808,574	$ 75,822	$ 884,396
Wills	20,762	-	20,762
Student-generated support	126,412	-	126,412
Total revenue and support	955,748	75,822	1,031,570
Other support (expense):			
Interest and dividend income	97,415	-	97,415
Thrift store income	2,245	-	2,245
Other income	3,310	-	3,310
Gain on disposal of fixed asset	1,344	-	1,344
Loss on investment	(67)	-	(67)
Other support, net	104,247	-	104,247
Total revenue and support and other support before net assets released from restrictions	1,059,995	75,822	1,135,817
Net assets released from restrictions	66,215	(66,215)	-
Total revenue and support, other support and net assets released from restrictions	1,126,210	9,607	1,135,817
Expenses:			
Program services	1,127,601	-	1,127,601
Administrative and general	222,823	-	222,823
Fundraising	36,678	-	36,678
Total expenses	1,387,102	-	1,387,102
Change in net assets	(260,892)	9,607	(251,285)
Net assets - beginning	3,587,091	20,034	3,607,125
NET ASSETS - ENDING	$ 3,326,199	$ 29,641	$ 3,355,840

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, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Decrease in net assets	$ (157,386)	$ (251,285)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	66,467	60,654
Loss on disposal of fixed assets	-	6,552
Cancellation of capital lease obligation	-	(7,896)
Write-off of franchise fee	-	15,000
Changes in assets and liabilities:		
Prepaid expenses and other assets	(47,079)	(5,658)
Temporarily restricted donation receivable	10,739	(8,500)
Contributions receivable	(37,082)	32,463
Related-party advances	(1,271)	24,963
Conditional donation receivable	(20,500)	-
Accounts payable	(11,868)	(19,983)
Accrued expenses and other liabilities	10,340	(16,940)
Total adjustments	(30,254)	80,655
Net cash used in operating activities	(187,640)	(170,630)
Cash flows from investing activities:		
Purchases of property and equipment	(9,700)	(14,575)
Redemption (purchase) of certificate of deposit	252,000	(450,000)
Net cash provided by (used in) investing activities	242,300	(464,575)
Cash flows from financing activities:		
Repayments of capital lease obligation	(15,040)	(4,075)
Net cash provided by (used in) financing activities	(15,040)	(4,075)
Net increase (decrease) in cash and cash equivalents	39,620	(639,280)
Cash and cash equivalents - beginning	91,330	730,610
CASH AND CASH EQUIVALENTS - ENDING	$ 130,950	$ 91,330
Supplemental disclosures of cash flow information:		
Interest paid	$ 951	$ 595
Supplemental schedules of non-cash investing and financing activities:		
Assets acquired through capital lease obligation	$ 101,420	$ 26,102

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

NOTE 1. NATURE OF 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 ("US 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.

Recently issued but not yet effective accounting pronouncements

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to 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. This ASU will replace most existing revenue recognition guidance in US GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures, but has not yet determined the timing of adoption.

Future adoption of accounting standards

Effective for the year ending December 31, 2018, the Organization will be required to adopt the requirements of recent accounting guidance which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. The effect of adopting this new guidance on the Organization's financial statements and related disclosures has not yet been determined.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, less accumulated depreciation. 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.

The useful lives, by asset group of the property and equipment, are as follows:

Building and improvements	15 - 39 years
Furniture and fixtures	7 years
Equipment	5 years
Automobiles	5 years

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.

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") and Heritage Investment Services Fund (the "HISF"), which both provide financing for capital expansion projects being undertaken by Assemblies of God ministries and institutions.

Conditional donations

Conditional donations are recognized when substantially all of the donor imposed conditions have been met. Any assets contributed before the conditions are substantially met are accounted for as a liability.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through May 31, 2018, the date on which these financial statements were available to be issued. Except for the matter described in Note 13, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. 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 4. CASH AND CASH EQUIVALENTS

At December 31, 2017 and 2016, cash and cash equivalents consisted of the following:

	2017	2016
Cash on hand	$ 3,000	$ 3,000
Checking accounts	70,683	64,194
Cash - other	1	10,156
Money market accounts	57,266	13,980
Total	$ 130,950	$ 91,330

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017 and 2016:

	2017	2016
Land	$ 80,569	$ 80,569
Buildings and improvements:		
416 Clinton Avenue	327,327	327,326
436 Clinton Avenue and 435 Vanderbilt Avenue	305,935	305,935
444 Clinton Avenue and 443 Vanderbilt Avenue	1,022,844	1,022,844
Furnishings and equipment	541,188	531,489
Automobiles	233,186	131,766
	2,511,049	2,399,929
Less: accumulated depreciation	1,650,297	1,583,830
Property and equipment, net	$ 860,752	$ 816,099

Depreciation expense was $66,467 and $60,654 for the years ended December 31, 2017 and 2016, respectively.

Furnishings and equipment and automobiles include assets acquired under capital leases with a cost of $187,939 at December 31, 2017, and $86,519 at December 31, 2016. Related amortization included in accumulated depreciation was $73,242 and $61,287 at December 31, 2017 and 2016, 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.

During the year ended December 31, 2017, there was a property and equipment donation to a related entity, Long Island Teen Challenge. The donated vehicle is a fully depreciated 2001 Ford Van. During the year ended December 31, 2016, there was no property and equipment donated to the Organization.

NOTE 6. CONDITIONAL PROMISES TO GIVE

At December 31, 2016, the Organization received one conditional promise to give relating to construction of a library and related signage to be displayed in the library. As of December 31, 2017, the library had not been completed and the conditions were not yet met.

NOTE 7. 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 were 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.

NOTE 7. BOARD-DESIGNATED FUNDS (CONTINUED)

As of December 31, 2017 and 2016, amounts available under board-designated funds were as follows:

Description	2017	2016
Endowment	$ 2,000,000	$ 2,000,000
Purchase of staff house	250,000	250,000
Purchase of vehicles	-	11,533
Total board-designated funds	$ 2,250,000	$ 2,261,533

Board-designated endowment fund

As of December 31, 2017 and 2016, 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 statements of financial position. The Organization has a spending policy of appropriating each year 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 2021. 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, 2017 and 2016, were as follows:

Board-designated endowment fund, January 1, 2016	$ 2,000,000
Investment income	97,415
Amounts appropriated for expenditure	(97,415)
Board-designated endowment fund, December 31, 2016	2,000,000
Investment income	84,668
Amounts appropriated for expenditure	(84,668)
Board-designated endowment fund, December 31, 2017	$ 2,000,000

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating leases

At December 31, 2017, the Organization is obligated under non-cancelable operating leases for office space and equipment, which expire in 2022. The future minimum lease payments required under their non-cancelable operating leases as of December 31, 2017, are as follows:

Year ending December 31:		Amount
2018	$	73,831
2019		83,491
2020		86,717
2021		90,103
2022		85,025
	$	419,167

Capital leases

The Organization leases vehicles and certain office equipment under agreements that are classified as a capital leases. The cost of the asset acquired under capital lease is included in the accompanying statements of financial position as "Property and equipment, net" (see Note 5).

The present value of future minimum lease payments required under the capital leases as of December 31, 2017, are as follows:

Year ending December 31:		Amount
2018	$	24,697
2019		24,697
2020		24,697
2021		25,628
2022		15,005
Thereafter		4,921
Net minimum lease payments		119,645
Less: amount representing interest		7,925
Present value of minimum lease payments	$	111,720

NOTE 9. RELATED-PARTY TRANSACTIONS

The Organization's president currently serves as the director of Behold Ministries, Inc. ("Behold"), another religious ministry. During 2017, the Organization made contributions of $39,972 to Behold. During 2016, the Organization made contributions of $11,000 to Behold.

Effective January 1, 2017, the position of vice president was added by the Board resulting in a change to the constitution and bylaws of the Organization.

The Organization's vice president currently serves as the executive director of Long Island Teen Challenge, Inc. ("LITC"), another affiliated religious ministry. During the year ended December 31, 2017, both the Organization and LITC paid for certain expenses on the other's behalf. There were no amounts due to or from LITC to the Organization as of December 31, 2017 and 2016.

NOTE 9. RELATED-PARTY TRANSACTIONS (CONTINUED)

Also effective January 1, 2017, the former executive director resigned and a new executive director was elected by the Board.

On August 1st, 2015, the Organization advanced the former executive director $25,000 at an annual interest rate equal to 2%. The advance was initially to be repaid directly through payroll over 48 months. Effective December 2016, there was no remaining outstanding balance due from the former executive director.

The former executive director was renting an apartment from the Organization on a month to month basis. During the year ended December 31, 2016, related-party rental income amounted to $1,000 and has been included in the accompanying statements of activities in "Other income, net." During the year ended December 31, 2017, there were no such transactions.

As of December 31, 2017 and 2016, the Organization was due $1,368 and $97 from related parties, respectively, which has been included in the accompanying statements of financial position in "Related-party advances."

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017 and 2016, $20,134 and $29,641, respectively, were available to be used in accordance with the provisions of several grants received.

During the years ended December 31, 2017 and 2016, 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:

	2017	2016
United Way:		
Purchase of paper supplies	$ 1,050	$ 3,150
Purchase of food	39,926	19,889
Hope for New York:		
Kitchen and health related	79,818	27,844
NYC Human Resources Administration:		
Food expenses	29,576	15,332
Total	$ 150,370	$ 66,215

NOTE 11. 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, 2017 or 2016.

NOTE 12. FRANCHISE AGREEMENT

During the year ended December 31, 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.

There has been no material activity in the outreach program other than the initial franchise fee and training of certain employees. As a result, during the year ended December 31, 2016, the Organization terminated this outreach program and will no longer pursue the franchise. Accordingly, the Organization wrote off the franchise fee during the year ended December 31, 2016.

NOTE 13. SUBSEQUENT EVENTS

In January 2018, the Organization entered into a agreement for the sale of 444 Clinton Avenue for $17,000,000. The agreement is pending New York State Attorney General approval.

SUPPLEMENTARY INFORMATION

TEEN CHALLENGE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED INFORMATION FOR 2016)

	2017				2016
	Program Services	Administrative Services	Fundraising	Total	Total
Salaries and wages	$ 307,943	$ 101,575	$ 33,118	$ 442,636	$ 430,765
Food	179,074	-	-	179,074	151,323
Light, heat and power	90,386	10,043	-	100,429	96,443
Office supplies	74,949	6,517	-	81,466	69,010
Insurance	68,227	3,591	-	71,818	59,488
Postage	43,791	15,154	6,737	65,682	58,544
Community outreach	62,597	-	-	62,597	41,070
Employees' medical plans	32,571	10,744	3,503	46,818	19,486
Repairs and maintenance	46,631	-	-	46,631	85,529
Benevolence and honorariums	29,149	8,955	3,114	41,218	46,098
Telephone	30,876	3,431	-	34,307	30,551
Travel and transportation	33,637	-	-	33,637	31,179
Vehicle expenses	30,396	-	-	30,396	20,416
Payroll taxes	19,642	6,479	2,112	28,233	25,651
Professional fees	-	28,100	-	28,100	33,200
Hospitality	18,348	-	-	18,348	31,397
Fundraising expenses	-	-	13,823	13,823	28,884
Recreation expense	11,633	-	-	11,633	8,596
Data processing services	5,911	2,781	-	8,692	8,536
Rent expense	5,255	1,570	-	6,825	8,536
Bank and credit card fees	-	6,070	-	6,070	4,147
Advertising and promotion	-	-	5,302	5,302	8,958
Dues and subscriptions	1,976	-	-	1,976	3,133
Computer-related expenses	1,184	789	-	1,973	1,191
Interest	903	48	-	951	595
Thrift store expenses	-	892	-	892	513
Bookstore expenses	316	-	-	316	343
School supplies and expenses	-	-	-	-	16,402
Franchise expense	-	-	-	-	15,000
Total expenses before depreciation	1,095,395	206,739	67,709	1,369,843	1,326,448
Depreciation	51,180	15,287	-	66,467	60,654
TOTAL EXPENSES	$ 1,146,575	$ 222,026	$ 67,709	$ 1,436,310	$ 1,387,102

See independent accountant's review report.