



Audited Financial Statements

December 31, 2012 and 2011



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Teen Lifeline, Inc.
Phoenix, Arizona

We have audited the accompanying financial statements of Teen Lifeline, Inc. (an Arizona not-for-profit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen Lifeline, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sandra A. Turner, CPA

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March 13, 2013

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TEEN LIFELINE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 422,970	\$ 149,884
GRANTS AND PLEDGES RECEIVABLE	26,265	17,832
PREPAID EXPENSES	<u>2,571</u>	<u>1,750</u>
TOTAL ASSETS	<u>\$ 451,806</u>	<u>\$ 169,466</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
ACCOUNTS AND CREDIT CARDS PAYABLE	\$ -	\$ 507
ACCRUED PAYROLL AND RELATED BENEFITS	<u>29,434</u>	<u>24,632</u>
TOTAL LIABILITIES	<u>29,434</u>	<u>25,139</u>
NET ASSETS		
UNRESTRICTED	420,872	144,327
TEMPORARILY RESTRICTED	<u>1,500</u>	<u>-</u>
TOTAL NET ASSETS	<u>422,372</u>	<u>144,327</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 451,806</u>	<u>\$ 169,466</u>

See Notes to Financial Statements

TEEN LIFELINE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Unrestricted
PUBLIC SUPPORT AND REVENUE				
Contributions and grants	\$ 266,834	\$ 1,500	\$ 268,334	\$ 179,957
Government grants and contracts	107,550	-	107,550	65,300
In-kind contributions	57,263	-	57,263	38,775
Interest income	152	-	152	157
	<u>431,799</u>	<u>1,500</u>	<u>433,299</u>	<u>284,189</u>
Fundraising revenue	437,958	-	437,958	196,976
Direct benefit expense	(34,350)	-	(34,350)	(23,625)
	<u>403,608</u>	<u>-</u>	<u>403,608</u>	<u>173,351</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>835,407</u>	<u>1,500</u>	<u>836,907</u>	<u>457,540</u>
EXPENDITURES				
Program services				
Hotline	136,263		136,263	99,502
1-800 Hotline	54,777		54,777	49,831
Life skills development	130,477		130,477	120,891
Community education	130,658		130,658	102,535
	<u>452,175</u>		<u>452,175</u>	<u>372,759</u>
Support services				
Management and general	29,381		29,381	28,419
Fundraising	77,306		77,306	55,452
	<u>558,862</u>		<u>558,862</u>	<u>456,630</u>
CHANGE IN NET ASSETS	276,545	1,500	278,045	910
NET ASSETS, BEGINNING OF YEAR	<u>144,327</u>	<u>-</u>	<u>144,327</u>	<u>143,417</u>
NET ASSETS, END OF YEAR	<u>\$ 420,872</u>	<u>\$ 1,500</u>	<u>\$ 422,372</u>	<u>\$ 144,327</u>

See Notes to Financial Statements

TEEN LIFELINE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012						Total
	Program Services			Supporting Services			
	Hotline	1-800 Hotline	Life Skills Development	Community Education	Management and General	Fundraising	
Salaries	\$ 62,571	\$ 29,791	\$ 90,557	\$ 58,310	\$ 18,178	\$ 13,445	\$ 272,852
Payroll taxes and benefits	11,345	5,387	15,450	10,696	3,870	2,893	49,641
	<u>73,916</u>	<u>35,178</u>	<u>106,007</u>	<u>69,006</u>	<u>22,048</u>	<u>16,338</u>	<u>322,493</u>
Public relations and outreach	293	-	-	25,815	-	-	26,108
Training and development	10,272	-	800	1,589	-	209	12,870
Peer related programs	15,877	149	1,291	139	-	-	17,456
Dues and subscriptions	865	-	252	1,208	-	894	3,219
Occupancy	13,957	10,149	10,573	7,613	1,024	1,024	44,340
Insurance	1,586	845	2,010	1,868	423	317	7,049
Professional fees	5,345	1,663	6,437	7,953	1,210	4,056	26,664
Telephone and communications	8,543	1,775	324	369	717	324	12,052
Supplies	1,860	713	1,128	3,035	48	360	7,144
Postage	737	520	352	2,619	-	570	4,798
Printing	619	1,997	-	3,521	-	-	6,137
Equipment lease	1,708	931	1,303	3,875	50	49	7,916
Bank and merchant fees	-	-	-	-	2,236	1,620	3,856
Special events and fundraising	-	-	-	-	-	51,416	51,416
Travel and mileage	685	857	-	2,048	-	129	3,719
Board of Directors	-	-	-	-	1,625	-	1,625
	<u>\$ 136,263</u>	<u>\$ 54,777</u>	<u>\$ 130,477</u>	<u>\$ 130,658</u>	<u>\$ 29,381</u>	<u>\$ 77,306</u>	<u>\$ 558,862</u>

(Continued)

STATEMENTS OF FUNCTIONAL EXPENSES

	2011						
	Program Services				Supporting Services		Total
	Hotline	1-800 Hotline	Life Skills Development	Community Education	Management and General	Fundraising	
Salaries	\$ 52,444	\$ 25,060	\$ 79,411	\$ 42,766	\$ 16,408	\$ 11,506	\$ 227,595
Payroll taxes and benefits	9,229	4,363	12,535	8,597	3,248	2,400	40,372
	<u>61,673</u>	<u>29,423</u>	<u>91,946</u>	<u>51,363</u>	<u>19,656</u>	<u>13,906</u>	<u>267,967</u>
Public relations and outreach	213	1,210	-	21,141	-	-	22,564
Training and development	2,043	(70)	875	4,118	250	5	7,221
Peer related programs	-	-	9,565	(137)	-	-	9,428
Dues and subscriptions	2,144	350	-	1,675	135	-	4,304
Occupancy	12,630	9,185	9,567	6,888	2,125	2,125	42,520
Insurance	1,703	908	2,157	2,006	454	341	7,569
Professional fees	4,745	3,011	3,913	6,006	892	6,416	24,983
Telephone and communications	9,187	1,533	-	55	587	369	11,731
Supplies	1,489	995	1,190	1,055	-	-	4,729
Postage	732	606	560	1,258	-	1,655	4,811
Printing	445	892	-	1,766	-	-	3,103
Equipment lease	1,118	798	1,118	3,008	193	192	6,427
Bank and merchant fees	32	-	-	-	3,325	114	3,471
Special events and fundraising	-	-	-	-	-	30,287	30,287
Travel and mileage	1,348	990	-	2,333	-	-	4,671
Board of Directors	-	-	-	-	802	42	844
	<u>\$ 99,502</u>	<u>\$ 49,831</u>	<u>\$ 120,891</u>	<u>\$ 102,535</u>	<u>\$ 28,419</u>	<u>\$ 55,452</u>	<u>\$ 456,630</u>

See Notes to Financial Statements

TEEN LIFELINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 278,045	\$ 910
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in		
Grants and pledges receivable	(8,433)	(11,485)
Prepaid expenses	(821)	(1,750)
Increase (decrease) in		
Accounts and credit cards payable	(507)	90
Accrued payroll and related benefits	4,802	15,774
Total adjustments	<u>(4,959)</u>	<u>2,629</u>
Net cash provided by operating activities	<u>273,086</u>	<u>3,539</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	273,086	3,539
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>149,884</u>	<u>146,345</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 422,970</u>	<u>\$ 149,884</u>

See Notes to Financial Statements

TEEN LIFELINE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Teen Lifeline, Inc. (the Organization) was incorporated under the laws of the State of Arizona in June 1999 and has been in operation since 1985, originally as part of another not-for-profit organization. Teen Lifeline is a not-for-profit organization dedicated to impacting the devastating problem of teen suicide in Arizona so that any teen, at any time, will have knowledge and access to the Organization, its counselors and services. The Organization's mission is to provide a safe, confidential and crucial crisis service where teens help teens make healthy decisions. The Organization provides services in Arizona.

The Organization's program services train 53 teens a year to be Peer Counselors and its Hotline takes more than 11,000 calls per year. The Organization's programs train adolescents in Life Skills Development as Peer Counselors and reach more than 35,000 individuals through its Community Education and Outreach programs in middle schools and high schools.

The Organization funds its programs and operations through grants, contributions and fundraising activities.

Accounting Framework

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations* and standards promulgated by the American Institute of Certified Public Accountants for not-for-profit organizations in conformity with United States of America generally accepted accounting principles. Accordingly, the financial statements are prepared on the accrual basis of accounting. Under this method of accounting, revenue and expenses are identified with specific periods of time and are recorded as earned and incurred, respectively, without regard to the date of receipt or payment. The Organization's activities are reported according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash balances at financial institutions within the \$250,000 per bank limit insured by the Federal Deposit Insurance Corporation (FDIC).

Contributions and Promises to Give

Contribution revenue is recognized when the Organization is notified of the existence of a pledge or receives a contribution. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the accounting period in which the contributions are recognized. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as released from restrictions.

(Note 1 continued on next page)

NOTES TO FINANCIAL STATEMENTS

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at the net present value of expected cash flows.

Grants and Pledges Receivable

Grants and pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on grants and pledges receivable using the allowance method. The allowance is based on experience, knowledge of the donors or agencies and the industry and other circumstances which may affect the ability of donors or agencies to meet their obligations. It is the Organization's policy to charge off uncollectible amounts when management determines the receivable will not be collected. No allowance is deemed necessary by management for grants and pledges receivable at December 31, 2012 and 2011.

Donated Assets and Services

Donated assets, services and other non-cash donations are recorded as contributions at their estimated values at the date of donation. Donated services and time are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization pays for most services requiring specific expertise. However, if such services are donated and the value is ascertainable, the fair market value is reflected in the financial statements as revenue and expense.

For the year ended December 31, 2012 and 2011, the Organization recorded donated materials of approximately \$16,160 and \$13,525, respectively, and donated services of approximately \$41,100 and \$25,250, respectively.

In addition, the Organization received numerous hours of donated services by volunteers dedicated to the Organization's programs. The fair value of these donated services is not recognized in the statement of activities since they do not meet the criteria for recognition under generally accepted accounting principles.

The value of in-kind services contributed by volunteers for the year ended December 31, 2012 and 2011 is as follows:

	2012	
	Number of Hours Donated	Value
Program services	13,840	\$ 272,786
Management and General and Fundraising	250	4,928
	<u>14,090</u>	<u>\$ 277,714</u>

The monetary value of volunteer hours reflected above is calculated at \$19.71 per hour as published in the 2012 Economic Report of the President as reported by the *Independent Sector*.

(Note 1 continued on next page)

NOTES TO FINANCIAL STATEMENTS

	2011	
	Number of Hours Donated	Value
Program services	11,200	\$ 218,176
Management and General and Fundraising	300	5,844
	<u>11,500</u>	<u>\$ 224,020</u>

The monetary value of volunteer hours reflected above is calculated at \$19.48 per hour as published in the 2011 Economic Report of the President as reported by the *Independent Sector*.

Functional Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and support services benefited based on management's estimate of employee hours devoted to each function.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and a useful life of more than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the respective assets.

The Organization's office furniture and equipment valued at original acquisition cost of \$35,000 are fully depreciated at December 31, 2012 and 2011.

The Organization reviews its valuation of property and equipment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment losses were recorded in 2012 and 2011.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Teen Lifeline, Inc. is a not-for-profit organization exempt from federal and state income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). Income determined to be unrelated business taxable income may be taxable to the Organization. The Organization did not report any unrelated business taxable income for 2011 and 2010. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(11) and is classified as an organization other than a private foundation under Section 509(a)(2).

NOTES TO FINANCIAL STATEMENTS

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, and the related state of Arizona Form 99 for the years ending December 31, 2009 through 2012 are subject to examination by the taxing authorities. These returns are generally subject to examination for three years after they were filed.

Subsequent Events

Subsequent events have been evaluated through March 13, 2013, which was the date the Organization's financial statements were available to be issued.

NOTE 2 – SIMPLE IRA RETIREMENT PLAN

The Organization sponsors a Simple IRA retirement plan covering qualified employees, as defined. Employees who receive salary of at least \$5,000 are eligible to participate in the plan. The Organization matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. The Organization contributed approximately \$14,060 and \$13,000 in matching Simple IRA contributions for the years ended December 31, 2012 and 2011.

NOTE 3 – OPERATING LEASES

The Organization leases offices under a noncancelable operating lease expiring November 2014. Lease expense under this lease was \$36,700 and \$35,500 for the years ended December 31, 2012 and 2011.

The Organization leases a copier and office equipment under noncancelable operating leases expiring through July 2017. Lease expense under these leases was approximately \$3,700 and \$2,048 for the years ended December 31, 2012 and 2011.

Future minimum payments for these operating leases are as follows for the fiscal year ending December 31: 2013 - \$42,373; 2014 - \$40,222; 2015 - \$4,472; 2016 - \$3,720; and 2014 - \$1,860.

NOTE 4 – CONTINGENCIES

Discontinuation or significant reduction of grant and contract funding received from governmental agencies and foundations could have a severe near term impact on the Organization and its operations. These agencies and grantors require compliance with contract and grant terms. Non-compliance with the requirements could impact current or future funding. Management does not anticipate discontinuation of the funding by these sources.