



**Audited Financial Statements**

**December 31, 2015 and 2014**

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, 2015 and 2014, 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, 2015 and 2014, 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*

Sandra A. Turner CPA PC  
March 9, 2016

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

|                                         | <u>2015</u>                | <u>2014</u>              |
|-----------------------------------------|----------------------------|--------------------------|
| <b>ASSETS</b>                           |                            |                          |
| CASH AND CASH EQUIVALENTS               | \$ 711,675                 | \$ 566,405               |
| GRANTS AND PLEDGES RECEIVABLE           | 4,018                      | 27,750                   |
| PREPAID EXPENSES                        | 18,223                     | 2,983                    |
| PROPERTY AND EQUIPMENT, NET             | <u>274,778</u>             | <u>273,722</u>           |
| <b>TOTAL ASSETS</b>                     | <u><u>\$ 1,008,694</u></u> | <u><u>\$ 870,860</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>       |                            |                          |
| <b>LIABILITIES</b>                      |                            |                          |
| ACCOUNTS AND CREDIT CARDS PAYABLE       | \$ 1,394                   | \$ 1,003                 |
| ACCRUED PAYROLL AND RELATED BENEFITS    | 33,920                     | 32,820                   |
| DEFERRED EVENT REVENUES                 | 2,500                      | -                        |
| MORTGAGE PAYABLE                        | <u>-</u>                   | <u>99,943</u>            |
| <b>TOTAL LIABILITIES</b>                | <u>37,814</u>              | <u>133,766</u>           |
| <b>NET ASSETS</b>                       |                            |                          |
| UNRESTRICTED                            | 966,862                    | 722,094                  |
| TEMPORARILY RESTRICTED                  | <u>4,018</u>               | <u>15,000</u>            |
| <b>TOTAL NET ASSETS</b>                 | <u>970,880</u>             | <u>737,094</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u><u>\$ 1,008,694</u></u> | <u><u>\$ 870,860</u></u> |

*See Notes to Financial Statements*

**TEEN LIFELINE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|                                         | 2015              |                        |                   | 2014              |                        |                   |
|-----------------------------------------|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
|                                         | Unrestricted      | Temporarily Restricted | Total             | Unrestricted      | Temporarily Restricted | Total             |
| <b>PUBLIC SUPPORT AND REVENUE</b>       |                   |                        |                   |                   |                        |                   |
| Contributions and grants                | \$ 195,193        | \$ -                   | \$ 195,193        | \$ 184,473        | \$ -                   | \$ 184,473        |
| Government grants and contracts         | 67,263            | 4,018                  | 71,281            | 32,000            | 15,000                 | 47,000            |
| In-kind contributions                   | 32,447            | -                      | 32,447            | 46,137            | -                      | 46,137            |
| Interest income                         | 463               | -                      | 463               | 896               | -                      | 896               |
|                                         | <u>295,366</u>    | <u>4,018</u>           | <u>299,384</u>    | <u>263,506</u>    | <u>15,000</u>          | <u>278,506</u>    |
| Fundraising revenue                     | 682,429           | -                      | 682,429           | 447,967           | -                      | 447,967           |
| Direct benefit expense                  | (50,100)          | -                      | (50,100)          | (39,300)          | -                      | (39,300)          |
|                                         | <u>632,329</u>    | <u>-</u>               | <u>632,329</u>    | <u>408,667</u>    | <u>-</u>               | <u>408,667</u>    |
| Net assets released from restrictions   | 15,000            | (15,000)               | -                 | 15,000            | (15,000)               | -                 |
| <b>TOTAL PUBLIC SUPPORT AND REVENUE</b> | <u>942,695</u>    | <u>(10,982)</u>        | <u>931,713</u>    | <u>687,173</u>    | <u>-</u>               | <u>687,173</u>    |
| <b>EXPENDITURES</b>                     |                   |                        |                   |                   |                        |                   |
| Program services                        |                   |                        |                   |                   |                        |                   |
| Hotline                                 | 149,948           |                        | 149,948           | 144,630           |                        | 144,630           |
| 1-800 Hotline                           | 92,657            |                        | 92,657            | 87,251            |                        | 87,251            |
| Life skills development                 | 188,253           |                        | 188,253           | 183,957           |                        | 183,957           |
| Community education                     | 140,208           |                        | 140,208           | 150,383           |                        | 150,383           |
|                                         | <u>571,066</u>    |                        | <u>571,066</u>    | <u>566,221</u>    |                        | <u>566,221</u>    |
| Support services                        |                   |                        |                   |                   |                        |                   |
| Management and general                  | 54,462            |                        | 54,462            | 45,813            |                        | 45,813            |
| Fundraising                             | 72,399            |                        | 72,399            | 42,695            |                        | 42,695            |
|                                         | <u>697,927</u>    |                        | <u>697,927</u>    | <u>654,729</u>    |                        | <u>654,729</u>    |
| <b>CHANGE IN NET ASSETS</b>             | 244,768           | (10,982)               | 233,786           | 32,444            | -                      | 32,444            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>    | <u>722,094</u>    | <u>15,000</u>          | <u>737,094</u>    | <u>689,650</u>    | <u>15,000</u>          | <u>704,650</u>    |
| <b>NET ASSETS, END OF YEAR</b>          | <u>\$ 966,862</u> | <u>\$ 4,018</u>        | <u>\$ 970,880</u> | <u>\$ 722,094</u> | <u>\$ 15,000</u>       | <u>\$ 737,094</u> |

See Notes to Financial Statements

**TEEN LIFELINE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|                                | 2015              |                  |                         |                     |                        |                  | Total             |
|--------------------------------|-------------------|------------------|-------------------------|---------------------|------------------------|------------------|-------------------|
|                                | Program Services  |                  |                         | Supporting Services |                        |                  |                   |
|                                | Hotline           | 1-800 Hotline    | Life Skills Development | Community Education | Management and General | Fundraising      |                   |
| Salaries                       | \$ 86,105         | \$ 52,196        | \$ 119,983              | \$ 84,361           | \$ 30,197              | \$ 23,033        | \$ 395,875        |
| Payroll taxes and benefits     | 17,420            | 8,141            | 23,154                  | 16,330              | 5,813                  | 4,227            | 75,085            |
|                                | <u>103,525</u>    | <u>60,337</u>    | <u>143,137</u>          | <u>100,691</u>      | <u>36,010</u>          | <u>27,260</u>    | <u>470,960</u>    |
| Public relations and outreach  | 6,341             | 4,398            | 4,334                   | 5,024               | 1,118                  | 839              | 22,054            |
| Training and development       | 2,743             | 168              | 1,156                   | 1,726               | 79                     | 211              | 6,083             |
| Peer related programs          | 532               | -                | 17,653                  | 68                  | -                      | -                | 18,253            |
| Dues and subscriptions         | 2,836             | 377              | 413                     | 1,794               | 528                    | 125              | 6,073             |
| Occupancy                      | 2,351             | 1,712            | 2,156                   | 2,302               | 371                    | 371              | 9,263             |
| Mortgage interest and fees     | 931               | 666              | 920                     | 1,838               | 210                    | 211              | 4,776             |
| Real estate taxes              | -                 | -                | -                       | -                   | -                      | -                | -                 |
| Insurance                      | 1,753             | 1,461            | 1,948                   | 2,630               | 974                    | 974              | 9,740             |
| Professional fees              | 2,478             | 692              | 2,700                   | 2,416               | 7,079                  | 1,418            | 16,783            |
| Telephone and communications   | 8,034             | 4,944            | -                       | 429                 | 351                    | 217              | 13,975            |
| Supplies                       | 1,943             | 1,396            | 1,991                   | 1,938               | 42                     | 42               | 7,352             |
| Postage                        | 764               | 1,157            | -                       | 497                 | 73                     | -                | 2,491             |
| Printing                       | 778               | 518              | -                       | 2,072               | 30                     | -                | 3,398             |
| Equipment lease                | 2,315             | 2,754            | 1,330                   | 3,609               | 39                     | 29               | 10,076            |
| Bank and merchant fees         | -                 | -                | -                       | 464                 | 2,721                  | 5,651            | 8,836             |
| Special events and fundraising | 9,106             | 9,106            | 9,106                   | 9,106               | 3,252                  | 34,645           | 74,321            |
| Travel and mileage             | 2,092             | 1,951            | -                       | 789                 | -                      | -                | 4,832             |
| Board of Directors             | -                 | -                | -                       | -                   | 1,263                  | 83               | 1,346             |
| Depreciation                   | 1,426             | 1,020            | 1,409                   | 2,815               | 322                    | 323              | 7,315             |
|                                | <u>\$ 149,948</u> | <u>\$ 92,657</u> | <u>\$ 188,253</u>       | <u>\$ 140,208</u>   | <u>\$ 54,462</u>       | <u>\$ 72,399</u> | <u>\$ 697,927</u> |

(Continued)

**STATEMENTS OF FUNCTIONAL EXPENSES**

|                                | 2014              |                  |                         |                     |                        |                  |                   |
|--------------------------------|-------------------|------------------|-------------------------|---------------------|------------------------|------------------|-------------------|
|                                | Program Services  |                  |                         |                     | Supporting Services    |                  | Total             |
|                                | Hotline           | 1-800 Hotline    | Life Skills Development | Community Education | Management and General | Fundraising      |                   |
| Salaries                       | \$ 82,781         | \$ 48,134        | \$ 115,729              | \$ 80,245           | \$ 28,591              | \$ 21,788        | \$ 377,268        |
| Payroll taxes and benefits     | 13,993            | 6,660            | 18,938                  | 12,991              | 4,810                  | 3,567            | 60,959            |
|                                | <u>96,774</u>     | <u>54,794</u>    | <u>134,667</u>          | <u>93,236</u>       | <u>33,401</u>          | <u>25,355</u>    | <u>438,227</u>    |
| Public relations and outreach  | 2,038             | 500              | 626                     | 1,513               | -                      | -                | 4,677             |
| Training and development       | 3,334             | 1,455            | 879                     | 1,977               | 589                    | 1,437            | 9,671             |
| Peer related programs          | -                 | -                | 17,138                  | -                   | -                      | -                | 17,138            |
| Dues and subscriptions         | 1,070             | 316              | -                       | 1,763               | 85                     | 83               | 3,317             |
| Occupancy                      | 2,283             | 1,657            | 1,759                   | 1,433               | 364                    | 364              | 7,860             |
| Mortgage interest and fees     | 1,142             | 817              | 1,136                   | 2,295               | 262                    | 259              | 5,911             |
| Real estate taxes              | 794               | 576              | 601                     | 432                 | 116                    | 116              | 2,635             |
| Insurance                      | 1,895             | 906              | 2,553                   | 1,730               | 696                    | 494              | 8,274             |
| Professional fees              | 7,479             | 4,794            | 8,992                   | 18,777              | 2,055                  | 3,976            | 46,073            |
| Telephone and communications   | 7,829             | 4,360            | 97                      | 413                 | 263                    | 224              | 13,186            |
| Supplies                       | 1,906             | 1,263            | 1,546                   | 2,308               | -                      | 6                | 7,029             |
| Postage                        | 1,449             | 1,396            | 396                     | 1,119               | 72                     | 504              | 4,936             |
| Printing                       | 711               | 713              | -                       | 3,627               | -                      | -                | 5,051             |
| Equipment lease                | 2,957             | 2,170            | 2,859                   | 5,514               | -                      | -                | 13,500            |
| Bank and merchant fees         | -                 | -                | -                       | -                   | 2,511                  | 6,691            | 9,202             |
| Special events and fundraising | 9,357             | 9,357            | 9,357                   | 9,357               | 3,342                  | 2,878            | 43,648            |
| Travel and mileage             | 2,253             | 1,205            | -                       | 2,159               | -                      | -                | 5,617             |
| Board of Directors             | -                 | -                | -                       | -                   | 1,745                  | -                | 1,745             |
| Depreciation                   | 1,359             | 972              | 1,351                   | 2,730               | 312                    | 308              | 7,032             |
|                                | <u>\$ 144,630</u> | <u>\$ 87,251</u> | <u>\$ 183,957</u>       | <u>\$ 150,383</u>   | <u>\$ 45,813</u>       | <u>\$ 42,695</u> | <u>\$ 654,729</u> |

See Notes to Financial Statements

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

|                                                                                             | <u>2015</u>       | <u>2014</u>       |
|---------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                 |                   |                   |
| Change in net assets                                                                        | \$ 233,786        | \$ 32,444         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation                                                                                | 7,315             | 9,486             |
| (Increase) decrease in                                                                      |                   |                   |
| Grants and pledges receivable                                                               | 23,732            | 45,825            |
| Prepaid expenses                                                                            | (15,240)          | (1,031)           |
| Increase (decrease) in                                                                      |                   |                   |
| Accounts and credit cards payable                                                           | 391               | (5,601)           |
| Accrued payroll and related benefits                                                        | 1,100             | 618               |
| Deferred revenues                                                                           | 2,500             | -                 |
| Total adjustments                                                                           | <u>19,798</u>     | <u>49,297</u>     |
| Net cash provided by operating activities                                                   | <u>253,584</u>    | <u>81,741</u>     |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                                              |                   |                   |
| Purchase of property and equipment                                                          | <u>(8,371)</u>    | <u>(9,876)</u>    |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>                                              |                   |                   |
| Principal payments on mortgage payable                                                      | <u>(99,943)</u>   | <u>(27,897)</u>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                            | 145,270           | 43,968            |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                         | <u>566,405</u>    | <u>522,437</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                               | <u>\$ 711,675</u> | <u>\$ 566,405</u> |

*See Notes to Financial Statements*

**TEEN LIFELINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

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***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 102 teens to be Peer Counselors and its Hotline took 13,987 calls in 2014. The Organization's programs train adolescents in Life Skills Development as Peer Counselors and reached 48,052 individuals in 2014 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

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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, 2015 and 2014.

### *Coalition Revenues*

The Organization participates in a suicide prevention coalition with certain other 501(c)(3) not-for-profit organizations in a fee for service grant agreement with the provider, Mercy Maricopa Integrated Care. The coalition is a formal agreement in which each group retains its identity and maintains a separate contract with Mercy Maricopa Integrated Care but all agree to work together toward a common goal to identify and address behavioral health issues for a target audience. The Organization acts as a fiscal agent for the coalition receiving a combined remittance from Mercy Maricopa Integrated Care and remitting payment to the other coalition members. The Organization recognizes the revenue under its separate contract only. For the fiscal year ended December 31, 2015, the Organization received distributions to the coalition totaling \$47,840, remitting \$23,920 to other coalition members as fiscal agent, and recognizing revenues of \$23,920 under its separate contract with the provider.

### *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, 2015 and 2014, the Organization recorded donated materials of approximately \$54,705 and \$32,130, respectively, and donated services of approximately \$59,277 and \$74,900, respectively. This includes donated services and materials included in net event revenues.

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.

*(Note 1 continued on next page)*

## NOTES TO FINANCIAL STATEMENTS

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The value of in-kind services contributed by volunteers for the year ended December 31, 2015 and 2014 is as follows:

|                                        | <b>2015</b>                |                   |
|----------------------------------------|----------------------------|-------------------|
|                                        | Number of<br>Hours Donated | Value             |
| Program services                       | 18,700                     | \$ 418,319        |
| Management and General and Fundraising | 301                        | 6,733             |
|                                        | <u>19,001</u>              | <u>\$ 425,052</u> |

The monetary value of volunteer hours reflected above is calculated at \$22.37 per hour as published in the 2015 Economic Report of the President as reported by the *Independent Sector*.

|                                        | <b>2014</b>                |                   |
|----------------------------------------|----------------------------|-------------------|
|                                        | Number of<br>Hours Donated | Value             |
| Program services                       | 15,050                     | \$ 338,926        |
| Management and General and Fundraising | 177                        | 3,986             |
|                                        | <u>15,227</u>              | <u>\$ 342,912</u> |

The monetary value of volunteer hours reflected above is calculated at \$22.52 per hour as published in the 2014 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 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 2015 and 2014.

## NOTES TO FINANCIAL STATEMENTS

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### *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 2015 and 2014. 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).

### *Subsequent Events*

Subsequent events have been evaluated through March 9, 2016, which was the date the Organization's financial statements were available to be issued.

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## NOTE 2 - PROPERTY AND EQUIPMENT

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Property and equipment consisted of the following at December 31:

|                          | <u>2015</u>       | <u>2014</u>       |
|--------------------------|-------------------|-------------------|
| Building                 | \$ 192,170        | \$ 192,170        |
| Building improvements    | 43,664            | 36,338            |
| Land                     | 47,650            | 47,650            |
| Computers                | 8,095             | 7,050             |
|                          | <u>291,579</u>    | <u>283,208</u>    |
| Accumulated depreciation | <u>(16,801)</u>   | <u>(9,486)</u>    |
|                          | <u>\$ 274,778</u> | <u>\$ 273,722</u> |

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## NOTE 3 – MORTGAGE PAYABLE

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The mortgage payable at December 31, 2015 was zero. The mortgage payable at December 31, 2014 was \$99,943. In July 2013, the Organization entered into a \$213,250 mortgage note payable that is secured by a deed of trust on real estate. The mortgage note payable was due in 84 monthly payments of principal and interest of \$3,064 at an interest rate of 5.50 percent. The Organization paid off the mortgage during the year ended December 31, 2015.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 – OPERATING LEASES

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The Organization leases a copier and office equipment under noncancelable operating leases expiring through July 2017. Lease expense under these leases was approximately \$8,820 for the years ended December 31, 2015 and 2014.

Future minimum payments for these operating leases are as follows for the year ending December 31, 2015: 2016 - \$7,545; and 2017 - \$1,860.

### NOTE 5 – SIMPLE IRA RETIREMENT PLAN

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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 \$8,830 and \$6,100 in matching Simple IRA contributions for the years ended December 31, 2015 and 2014.

### NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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Temporarily restricted net assets of \$4,018 and \$15,000 were held at December 31, 2015 and 2014, respectively. These temporarily restricted net assets were restricted for programs in the subsequent year and for time as the amounts are included in grants and pledges receivable at year end December 31, 2015 and 2014.

### NOTE 7 – CONTINGENCIES

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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.