Teen Lifeline

Audited Financial Statements

December 31, 2013 and 2012

Sandra Turner CPA PC

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, 2013 and 2012, 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, 2013 and 2012, 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 15, 2014

7650 South McClintock Drive
Suite 103-366
Tempe, Arizona 85284-1673

C. 480.695.7699
F. 480.897.9312

sturner@controller-services.com
www.controller-services.com

TEEN LIFELINE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CASH AND CASH EQUIVALENTS	$ 522,437	$ 422,970
GRANTS AND PLEDGES RECEIVABLE	73,575	26,265
PREPAID EXPENSES	1,952	2,571
PROPERTY AND EQUIPMENT, NET	273,332	-
TOTAL ASSETS	$ 871,296	$ 451,806
LIABILITIES AND NET ASSETS		
LIABILITIES		
ACCOUNTS AND CREDIT CARDS PAYABLE	$ 6,604	$ -
ACCRUED PAYROLL AND RELATED BENEFITS	32,202	29,434
MORTGAGE PAYABLE	127,840	-
TOTAL LIABILITIES	166,646	29,434
NET ASSETS		
UNRESTRICTED	689,650	420,872
TEMPORARILY RESTRICTED	15,000	1,500
TOTAL NET ASSETS	704,650	422,372
TOTAL LIABILITIES AND NET ASSETS	$ 871,296	$ 451,806

See Notes to Financial Statements

TEEN LIFELINE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions and grants	$ 237,998	$ -	$ 237,998	$ 266,834	$ 1,500	$ 268,334
Government grants and contracts	33,333	15,000	48,333	107,550	-	107,550
In-kind contributions	33,911	-	33,911	57,263	-	57,263
Interest income	143	-	143	152	-	152
	305,385	15,000	320,385	431,799	1,500	433,299
Fundraising revenue	587,492	-	587,492	437,958	-	437,958
Direct benefit expense	(39,750)	-	(39,750)	(34,350)	-	(34,350)
	547,742	-	547,742	403,608	-	403,608
Net assets released from restrictions	1,500	(1,500)	-	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	854,627	13,500	868,127	835,407	1,500	836,907
EXPENDITURES						
Program services						
Hotline	128,896		128,896	136,263		136,263
1-800 Hotline	59,842		59,842	54,777		54,777
Life skills development	156,022		156,022	130,477		130,477
Community education	118,895		118,895	130,658		130,658
	463,655		463,655	452,175		452,175
Support services						
Management and general	37,308		37,308	29,381		29,381
Fundraising	84,886		84,886	77,306		77,306
TOTAL EXPENDITURES	585,849		585,849	558,862		558,862
CHANGE IN NET ASSETS	268,778	13,500	282,278	276,545	1,500	278,045
NET ASSETS, BEGINNING OF YEAR	420,872	1,500	422,372	144,327	-	144,327
NET ASSETS, END OF YEAR	$ 689,650	$ 15,000	$ 704,650	$ 420,872	$ 1,500	$ 422,372

See Notes to Financial Statements

TEEN LIFELINE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013						
	Program Services				Supporting Services		
	Hotline	1-800 Hotline	Life Skills Development	Community Education	Management and General	Fundraising	Total
Salaries	$ 68,740	$ 34,154	$ 99,476	$ 62,198	$ 23,798	$ 18,869	$ 307,235
Payroll taxes and benefits	12,805	6,071	17,435	11,989	4,414	3,269	55,983
	81,545	40,225	116,911	74,187	28,212	22,138	363,218
Public relations and outreach	2,259	198	-	14,364	149	-	16,970
Training and development	4,905	309	1,405	1,675	105	506	8,905
Peer related programs	345	-	15,765	267	-	-	16,377
Dues and subscriptions	2,841	1,518	-	1,896	45	750	7,050
Occupancy	11,680	8,492	8,888	6,606	821	821	37,308
Mortgage interest and fees	1,180	849	1,063	1,683	110	110	4,995
Real estate taxes	(60)	(43)	(54)	(87)	(6)	(6)	(256)
Insurance	1,796	859	2,420	1,639	625	468	7,807
Professional fees	5,259	2,006	5,774	3,458	1,430	6,021	23,948
Telephone and communications	10,195	1,241	30	141	309	224	12,140
Supplies	2,288	720	1,241	2,819	221	96	7,385
Postage	265	188	-	2,686	619	1,144	4,902
Printing	571	1,110	-	2,505	-	-	4,186
Equipment lease	1,937	1,155	2,058	2,168	328	-	7,646
Bank and merchant fees	527	-	-	-	2,840	2,419	5,786
Special events and fundraising	-	-	-	-	-	49,659	49,659
Travel and mileage	787	600	-	2,054	-	482	3,923
Board of Directors	-	-	-	-	1,446	-	1,446
Depreciation	576	415	521	834	54	54	2,454
	$ 128,896	$ 59,842	$ 156,022	$ 118,895	$ 37,308	$ 84,886	$ 585,849

(Continued)

STATEMENTS OF FUNCTIONAL EXPENSES

	2012						
	Program Services				Supporting Services		
	Hotline	1-800 Hotline	Life Skills Development	Community Education	Management and General	Fundraising	Total
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
	73,916	35,178	106,007	69,006	22,048	16,338	322,493
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
Mortgage interest and fees	-	-	-	-	-	-	-
Real estate taxes	-	-	-	-	-	-	-
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
Depreciation	-	-	-	-	-	-	-
	$ 136,263	$ 54,777	$ 130,477	$ 130,658	$ 29,381	$ 77,306	$ 558,862

See Notes to Financial Statements

TEEN LIFELINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 282,278	$ 278,045
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,454	-
(Increase) decrease in		
Grants and pledges receivable	(47,310)	(8,433)
Prepaid expenses	619	(821)
Increase (decrease) in		
Accounts and credit cards payable	6,604	(507)
Accrued payroll and related benefits	2,768	4,802
Total adjustments	(34,865)	(4,959)
Net cash provided by operating activities	247,413	273,086
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(275,786)	-
Net cash used in investing activities	(275,786)	-
CASH FLOWS USED IN FINANCING ACTIVITIES		
Distribution from mortgage loan	213,250	-
Principal payments on mortgage payable	(85,410)	-
Net cash provided by financiing activities	127,840	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	99,467	273,086
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	422,970	149,884
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 522,437	$ 422,970

See Notes to Financial Statements

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 73 teens to be Peer Counselors and its Hotline takes more than 12,000 calls per year. The Organization's programs train adolescents in Life Skills Development as Peer Counselors and reach more than 36,000 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)

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, 2013 and 2012.

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, 2013 and 2012, the Organization recorded donated materials of approximately $14,860 and $16,160, respectively, and donated services of approximately $19,050 and $41,100, 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, 2013 and 2012 is as follows:

	2013	
	Number of Hours Donated	Value
Program services	14,637	$ 293,911
Management and General and Fundraising	250	5,020
	14,887	$ 298,931

The monetary value of volunteer hours reflected above is calculated at $20.08 per hour as published in the 2013 Economic Report of the President as reported by the *Independent Sector*.

(Note 1 continued on next page)

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

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*.

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 2013 and 2012.

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).

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, 2010 through 2013 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 15, 2014, which was the date the Organization's financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2013	2012
Building	$ 192,170	$ -
Building improvements	32,064	-
Land	47,650	-
Computers	3,902	-
	275,786	-
Accumulated depreciation	(2,454)	-
	$ 273,332	$ -

NOTE 3 – MORTGAGE PAYABLE

The mortgage payable at December 31, 2013 was $127,840. 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 is due in 84 monthly payments of principal and interest of $3,064 at an interest rate of 5.50 percent.

Future minimum principal payments are as follows for the year ending December 31, 2013: 2014 - $31,099; 2015 - $32,257; 2016 - $34,077; and 2017 - $30,407.

NOTE 4 – OPERATING LEASES

The Organization leased offices under a noncancelable operating lease expiring September 2013. Lease expense under this lease was $28,350 and $36,700 for the years ended December 31, 2013 and 2012.

The Organization leases a copier and office equipment under noncancelable operating leases expiring through July 2017. Lease expense under these leases was approximately $5,745 and $3,700 for the years ended December 31, 2013 and 2012.

Future minimum payments for these operating leases are as follows for the year ending December 31, 2013: 2014 - $9,571; 2015 - $9,571; 2016 - $7,545; and 2017 - $1,860.

NOTE 5 – 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 $13,900 and $14,060 in matching Simple IRA contributions for the years ended December 31, 2013 and 2012.

NOTE 6 – 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.