Teen Lifeline

Audited Financial Statements

December 31, 2016 and 2015

Sandra Turner CPA

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, 2016 and 2015, 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, 2016 and 2015, 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 17, 2017

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TEEN LIFELINE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CASH AND CASH EQUIVALENTS	$ 888,648	$ 711,675
GRANTS AND PLEDGES RECEIVABLE	54,828	4,018
PREPAID EXPENSES	15,574	18,223
PROPERTY AND EQUIPMENT, NET	266,730	274,778
TOTAL ASSETS	$ 1,225,780	$ 1,008,694
LIABILITIES AND NET ASSETS		
LIABILITIES		
ACCOUNTS AND CREDIT CARDS PAYABLE	$ 520	$ 1,394
ACCRUED PAYROLL AND RELATED BENEFITS	39,237	33,920
DEFERRED EVENT REVENUES	-	2,500
TOTAL LIABILITIES	39,757	37,814
NET ASSETS		
UNRESTRICTED	1,169,023	966,862
TEMPORARILY RESTRICTED	17,000	4,018
TOTAL NET ASSETS	1,186,023	970,880
TOTAL LIABILITIES AND NET ASSETS	$ 1,225,780	$ 1,008,694

TEEN LIFELINE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions and grants	$ 248,450	$ -	$ 248,450	$ 195,193	$ -	$ 195,193
Government grants and contracts	91,475	9,000	100,475	67,263	4,018	71,281
In-kind contributions	22,530	-	22,530	32,447	-	32,447
Interest income	477	-	477	463	-	463
	362,932	9,000	371,932	295,366	4,018	299,384
Fundraising revenue	652,532	8,000	660,532	682,429	-	682,429
Direct benefit expense	(52,000)	-	(52,000)	(50,100)	-	(50,100)
	600,532	8,000	608,532	632,329	-	632,329
Net assets released from restrictions	4,018	(4,018)	-	15,000	(15,000)	-
TOTAL PUBLIC SUPPORT AND REVENUE	967,482	12,982	980,464	942,695	(10,982)	931,713
EXPENDITURES						
Program services						
Hotline	163,756		163,756	149,948		149,948
1-800 Hotline	141,771		141,771	92,657		92,657
Life skills development	164,793		164,793	188,253		188,253
Community education	161,472		161,472	140,208		140,208
	631,792		631,792	571,066		571,066
Support services						
Management and general	59,191		59,191	54,462		54,462
Fundraising	74,338		74,338	72,399		72,399
TOTAL EXPENDITURES	765,321		765,321	697,927		697,927
CHANGE IN NET ASSETS	202,161	12,982	215,143	244,768	(10,982)	233,786
NET ASSETS, BEGINNING OF YEAR	966,862	4,018	970,880	722,094	15,000	737,094
NET ASSETS, END OF YEAR	$ 1,169,023	$ 17,000	$ 1,186,023	$ 966,862	$ 4,018	$ 970,880

TEEN LIFELINE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016						
	Program Services				Supporting Services		
	Hotline	1-800 Hotline	Life Skills Development	Community Education	Management and General	Fundraising	Total
Salaries	$ 99,416	$ 88,623	$ 104,362	$ 101,279	$ 33,168	$ 29,536	$ 456,384
Payroll taxes and benefits	18,811	15,783	20,816	19,226	6,369	5,695	86,700
	118,227	104,406	125,178	120,505	39,537	35,231	543,084
Public relations and outreach	4,576	4,068	152	5,317	-	-	14,113
Training and development	4,005	1,093	755	2,939	799	50	9,641
Peer related programs	565	23	17,809	-	-	-	18,397
Dues and subscriptions	4,072	2,007	254	1,309	379	940	8,961
Occupancy	2,304	3,073	3,115	2,969	496	497	12,454
Mortgage interest and fees	-	-	-	-	-	-	-
Insurance	1,799	1,500	1,999	2,699	1,000	1,000	9,997
Professional fees	2,088	2,529	1,720	2,569	6,710	210	15,826
Telephone and communications	7,400	4,880	923	1,471	276	275	15,225
Supplies	2,973	1,252	2,092	2,410	300	-	9,027
Postage	667	544	-	1,732	50	49	3,042
Printing	841	494	133	2,628	-	195	4,291
Equipment lease	2,510	2,958	1,192	2,614	30	30	9,334
Bank and merchant fees	-	-	-	-	3,515	2,305	5,820
Special events and fundraising	7,912	7,912	7,912	7,912	2,827	33,203	67,678
Travel and mileage	2,262	3,920	13	1,273	-	-	7,468
Board of Directors	-	-	-	-	2,915	-	2,915
Depreciation	1,555	1,112	1,546	3,125	357	353	8,048
	$ 163,756	$ 141,771	$ 164,793	$ 161,472	$ 59,191	$ 74,338	$ 765,321

(Continued)

STATEMENTS OF FUNCTIONAL EXPENSES

	2015						
	Program Services				Supporting Services		
	Hotline	1-800 Hotline	Life Skills Development	Community Education	Management and General	Fundraising	Total
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
	103,525	60,337	143,137	100,691	36,010	27,260	470,960
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
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
	$ 149,948	$ 92,657	$ 188,253	$ 140,208	$ 54,462	$ 72,399	$ 697,927

TEEN LIFELINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 215,143	$ 233,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,048	7,315
(Increase) decrease in		
Grants and pledges receivable	(50,810)	23,732
Prepaid expenses	2,649	(15,240)
Increase (decrease) in		
Accounts and credit cards payable	(874)	391
Accrued payroll and related benefits	5,317	1,100
Deferred revenues	(2,500)	2,500
Total adjustments	(38,170)	19,798
Net cash provided by operating activities	176,973	253,584
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	-	(8,371)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Principal payments on mortgage payable	-	(99,943)
NET INCREASE IN CASH AND CASH EQUIVALENTS	176,973	145,270
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	711,675	566,405
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 888,648	$ 711,675

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 teens to be Peer Counselors and its Hotline took 18,469 calls in 2016. The Organization's programs train adolescents in Life Skills Development as Peer Counselors and reached 69,229 individuals in 2016 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 which may exceed 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, 2016 and 2015.

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 2016, the Organization received distributions to the coalition totaling $217,682, remitting $142,021 to other coalition members as fiscal agent, and recognizing revenues of $75,661 under its separate contract with the provider. For 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, 2016 and 2015, the Organization recorded donated materials of approximately $111,000 and $54,705, respectively, and donated services of approximately $18,321 and $59,277, 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)

The value of in-kind services contributed by volunteers for the year ended December 31, 2016 and 2015 is as follows:

	2016	
	Number of Hours Donated	Value
Program services	19,613	$ 447,765
Management and General and Fundraising	309	7,054
	19,922	$ 454,819

The monetary value of volunteer hours reflected above is calculated at $22.83 per hour as published in the 2015 Economic Report of the President as reported by the *Independent Sector*.

	2015	
	Number of Hours Donated	Value
Program services	18,700	$ 418,319
Management and General and Fundraising	301	6,733
	19,001	$ 425,052

The monetary value of volunteer hours reflected above is calculated at $22.37 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 2016 and 2015.

(Note 1 continued on next page)

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 2016 and 2015. 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 17, 2017, 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:

	2015	2014
Building	$ 192,170	$ 192,170
Building improvements	43,664	43,664
Land	47,650	47,650
Computers	8,095	8,095
	291,579	291,579
Accumulated depreciation	(24,849)	(16,801)
	$ 266,730	$ 274,778

NOTE 3 – MORTGAGE PAYABLE

The mortgage payable at December 31, 2015 was zero. 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.

NOTE 4 – OPERATING LEASES

The Organization leases a copier and office equipment under noncancelable operating leases expiring through July 2017. Lease expense under these leases was approximately $7,545 and $8,820 for the years ended December 31, 2016 and 2015.

Future minimum payments for these operating leases are as follows for the year ending December 31, 2016: 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 $9,970 and $8,830 in matching Simple IRA contributions for the years ended December 31, 2016 and 2015.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $17,000 and $4,018 were held at December 31, 2016 and 2015, respectively. These temporarily restricted net assets were restricted for programs in the subsequent years in the amounts of $9,000 and $4,018, respectively, and in total for time as the amounts are included in grants and pledges receivable at year end December 31, 2016 and 2015.

NOTE 7 – 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.