Teen Lifeline

FINANCIAL STATEMENTS

Year Ended December 31, 2017

TEEN LIFELINE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2017

CONTENTS

GREGORY MICHAEL COY
CPA, PLLC

Audit, Tax, Management Advisory,
Forensic and Internal Control Consulting

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of *Teen Lifeline, Inc.*;

Report on the Financial Statements

I have audited the accompanying financial statements of Teen Lifeline, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of Teen Lifeline, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Teen Lifeline, Inc.'s December 31, 2016 financial statements were audited by other auditors. In their report dated March 17, 2017, they expressed an unmodified opinion on those audited financial statements. The prior year summarized comparative information has been derived from those financial statements. Such information does not include sufficient detail to constitute a presentation in accordance U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the December 31, 2016 Teen Lifeline, Inc.'s audited financial statements.

Gregory Michael Coy, CPA, PLLC

Phoenix, Arizona
April 24, 2018

P.O. Box 32875 Phoenix, Arizona 85064 (480) 241-7707 greg@gregorycoycpa.com

TEEN LIFELINE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017
(with comparative totals at December 31, 2016)

A S S E T S

	2017	2016 Restated
CURRENT ASSETS		
Cash	1,183,319	$ 888,648
Accounts receivable	14,000	54,828
Contributions receivable	49,202	50,000
Prepaid expenses	-	15,574
TOTAL CURRENT ASSETS	1,246,521	1,009,050
PROPERTY AND EQUIPMENT, net	258,682	266,730
TOTAL ASSETS	$ 1,505,203	$ 1,275,780

L I A B I L I T I E S   A N D   N E T   A S S E T S

	2017	2016 Restated
CURRENT LIABILITIES		
Accounts payable	$ -	$ 520
Accrued expenses	30,250	39,237
TOTAL LIABILITIES	30,250	39,757
NET ASSETS		
Unrestricted	1,410,751	1,169,023
Temporarily restricted, as restated	64,202	67,000
TOTAL NET ASSETS	1,474,953	1,236,023
TOTAL LIABILITIES AND NET ASSETS	$ 1,505,203	$ 1,275,780

See Accompanying Notes to Financial Statements

TEEN LIFELINE, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

			Totals	
	Unrestricted	Temporarily Restricted	2017	2016 Restated
SUPPORT AND REVENUE:				
Contributions	$ 197,637	$ 64,202	$ 261,839	$ 298,450
Government grants and contracts	116,286	-	116,286	100,475
Donated materials and services	48,903	-	48,903	22,530
Interest income	457	-	457	477
Total support and revenue before special events and net assets released from restrictions	363,283	64,202	427,485	421,932
Special events				
Revenue from special events	690,402	-	690,402	660,532
Less costs of direct donor benefits	(133,554)	-	(133,554)	(52,000)
Gross profit (loss) on special events	556,848	-	556,848	608,532
Net assets released from restrictions	67,000	(67,000)	-	-
TOTAL SUPPORT AND REVENUE	987,131	(2,798)	984,333	1,030,464
EXPENSES:				
Program services	597,307	-	597,307	631,792
Management and general	66,543	-	66,543	59,191
Fundraising	81,553	-	81,553	74,338
TOTAL EXPENSES	745,403	-	745,403	765,321
CHANGE IN NET ASSETS	241,728	(2,798)	238,930	265,143
NET ASSETS, BEGINNING OF YEAR	1,169,023	67,000	1,236,023	970,880
NET ASSETS, END OF YEAR	$ 1,410,751	$ 64,202	$ 1,474,953	$ 1,236,023

See Accompanying Notes to Financial Statements

TEEN LIFELINE, INC.

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

						Supporting Services			Total Expenses	
	Hotline	1-800 Hotline	Life Skills Development	Community Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	2017	2016
Salaries, payroll taxes and benefits	$ 104,630	$ 68,338	$ 95,294	$ 129,123	397,385	$ 57,376	$ 69,701	$ 127,077	$ 524,462	$ 543,084
Public relations and outreach	18,901	14,319	5,154	18,901	57,275	-	-	-	57,275	14,113
Training and development	5,224	2,677	1,966	3,523	13,390	552	1,812	2,364	15,754	9,641
Peer related programs	859	795	1,304	222	3,180	-	-	-	3,180	18,397
Dues and subscriptions	3,112	2,312	711	1,689	7,824	445	622	1,067	8,891	8,961
Occupancy	3,292	2,620	3,188	2,931	12,031	794	794	1,588	13,619	12,454
Insurance	1,977	1,977	1,977	2,601	8,532	936	936	1,872	10,404	9,997
Professional fees	4,832	3,640	4,529	5,185	18,186	1,967	2,206	4,173	22,359	15,826
Telephone and communications	8,940	5,656	1,277	1,824	17,697	274	274	548	18,245	15,225
Supplies	2,999	1,817	1,090	2,091	7,997	545	545	1,090	9,087	9,027
Postage	669	669	458	845	2,641	423	458	881	3,522	3,042
Printing	734	734	196	2,591	4,255	98	538	636	4,891	4,291
Equipment lease	1,985	2,480	1,077	2,480	8,022	435	532	967	8,989	9,334
Bank and merchant fees	1,727	1,727	1,727	1,727	6,908	1,524	1,726	3,250	10,158	5,820
Fundraising	-	-	-	-	-	-	-	-	-	67,678
Travel and mileage	856	1,474	-	1,902	4,232	285	239	524	4,756	7,468
Board related costs	1,025	669	934	1,265	3,893	562	683	1,245	5,138	2,915
Curriculum development & implementation	4,050	4,050	4,050	4,050	16,200	-	-	-	16,200	2,915
Depreciation	1,851	1,851	1,851	1,851	7,404	242	402	644	8,048	8,048
Other	-	85	85	85	255	85	85	170	425	8,048
	$ 167,663	$ 117,890	$ 126,868	$ 184,886	$ 597,307	$ 66,543	$ 81,553	$ 148,096	$ 745,403	$ 776,284

See Accompanying Notes to Financial Statements

TEEN LIFELINE, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 238,930	$ 265,143
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,048	8,048
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	40,828	(50,810)
Contributions receivable	798	(50,000)
Prepaid expenses	15,574	2,649
Increase (decrease) in:		
Accounts payable	(520)	(874)
Accrued expenses	(8,987)	5,317
Deferred revenue	-	(2,500)
Net cash provided by (used in) operating activities	294,671	176,973
NET CHANGE IN CASH	294,671	176,973
CASH, BEGINNING OF YEAR	888,648	711,675
CASH, END OF YEAR	$ 1,183,319	$ 888,648
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

See Accompanying Notes to Financial Statements

(1) Organization purpose and summary of significant accounting policies

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 20,781 calls in 2017. The Organization's programs train adolescents in Life Skills Development as Peer Counselors and reached 114,895 individuals in 2017 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.

The significant accounting policies followed by the Organization are as follows:

Basis of presentation - 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 is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

Prior period summarized information - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash - Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains cash balances at financial institutions which may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC), and therefore, the Organization is at risk of loss of these funds should the financial institution become insolvent.

(1) Organization purpose and summary of significant accounting policies (continued)

Accounts receivable – Accounts receivable consist of program service fees and exchange transaction revenue due within one year. The Organization, at times, grants credit without collateral to its funders. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Although the Organization does not require collateral on its accounts receivable, credit risk with respect to accounts receivable is limited due to the fact that accounts receivable are not significant in amount at December 31, 2017 and 2016. At December 31, 2017 and 2016, management considers the accounts receivable to be fully collectible and, therefore, no allowance for doubtful accounts has been provided.

Contributions receivable - Unconditional promises to give (contributions receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At December 31, 2017 and 2016, management considers the accounts receivable to be fully collectible and, therefore, no allowance for doubtful accounts has been provided. At December 31, 2017 and 2016, all contributions receivable were due in less than 1 year, accordingly, management does not consider a discount necessary.

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at fair value at the date of the gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Building	39 years
Building improvements	10 to 39 years
Computers	5 to 7 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

(1) Organization purpose and summary of significant accounting policies (continued)

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of *Accounting for the Impairment of Long-Lived Assets.* This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows to be expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no long-lived assets have any impairment of value.

Revenue recognition - The Organization recognizes program services revenue as services are rendered. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with terms of the grant or contract.

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 2017, the Organization received distributions to the coalition totaling $146,816, remitting $78,408 to other coalition members as fiscal agent, and recognizing revenues of $68,408 under its separate contract with the provider. 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.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets are released from restrictions.

Donated materials and services - Donated materials and professional services are recorded at their estimated values if they enhance the Organization's nonfinancial assets or require specialized skills that the Organization would normally purchase, if not provided by donation. Other volunteers donate a significant amount of time to the Organization's program services. No amounts have been reflected in the financial statements for these other volunteer services, since they did not meet the recognition requirements under generally accepted accounting standards.

For the year ended December 31, 2017 and 2016, the Organization recorded donated materials and services of $48,903 and $22,530, 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.

(1) <u>Organization purpose and summary of significant accounting policies (continued)</u>

The value of donated services contributed by volunteers for the years ended December 31, 2017 and 2016 is as follows:

	2017	
	Number of hours donated	Value
Program services	$ 19,892	$ 468,854
Management & general and fundraising	429	10,112
Total	$ 20,321	$ 478,966

The monetary value of volunteer hours reflected above is calculated at $23.57 per hour as published in the 2016 Economic Report of the President as reported by *Independent Sector.*

	2016	
	Number of hours donated	Value
Program services	$ 19,613	$ 447,765
Management & general and fundraising	309	7,054
Total	$ 19,922	$ 454,819

The monetary value of volunteer hours reflected above is calculated at $22.83 per hour as published in the 2016 Economic Report of the President as reported by *Independent Sector.*

Special events revenue - The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the accompanying statement of activities.

Functional allocation of expenses - The costs of providing programs and other activities have been presented 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 program and supporting services benefited based on management's estimate of time and/or resources devoted to each activity.

Income tax status - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. 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 2017 and 2016. 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).

(1) Organization purpose and summary of significant accounting policies (continued)

Subsequent events - The Organization evaluated subsequent events after the statement of financial position date of December 31, 2017 through April 24, 2018 which was the date the Organization's financial statements were available to be issued. No conditions were noted that did not exist as of December 31, 2017, but arose subsequent to that date.

(2) Property and equipment

Property and equipment consist of:	2017	2016
Cost or donated value:		
Building	$ 192,170	$ 192,170
Building improvements	43,664	43,664
Land	47,650	47,650
Computers	8,095	8,095
Total cost or donated value	291,579	291,579
Accumulated depreciation	(32,897)	(24,849)
Net property and equipment	$ 258,682	$ 266,730

Depreciation expense charged to operations is $8,048 and $8,048 for the years ended December 31, 2017 and 2016, respectively.

(3) Lease commitments

The Organization leases office equipment under non-cancellable operating leases expiring through 2021. For the years ended December 31, 2017 and 2016, total rental expense under these leases was $8,989 and $9,334, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Minimum future lease payments under non-cancellable operating leases having remaining terms in excess of one year at December 31, 2017, are as follows:

Years Ending December 31,	
2018	$ 3,194
2019	3,194
2020	3,194
2021	3,194
2022	1,330
Thereafter	-
Total minimum future lease payments	$ 14,106

(4) Temporarily restricted net assets

Temporarily restricted net assets consist of the following:	2017	2016 Restated
Purpose restrictions:		
Student ID initiative	$ 15,000	$ -
Other programs	-	9,000
Time restrictions:		
Contributions receivable	49,202	58,000
Total temporarily restricted net assets	$ 64,202	$ 67,000

(5) Restatement

The Organization has restated its net assets at December 31, 2016, to correct a prior fiscal year error related to the recording of contributions receivable, contribution income, and temporarily restricted net assets. These restatements reflect $50,000 of temporarily restricted contributions receivable that were received in 2016, but were improperly recorded as contribution income in 2017.
The impact of these restatements is as follows:

Account	As Originally Stated	Restatement Adjustments	As Restated
Contributions receivable	$ -	$ 50,000	$ 50,000
Contribution revenue	$ 248,450	$ 50,000	$ 298,450
Temporarily restricted net assets	$ 17,000	$ 50,000	$ 67,000