

THE TEEN PROJECT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

THE TEEN PROJECT, INC.
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

The Teen Project, Inc.

For the Year Ended December 31, 2013

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Certified Public Accountant



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Teen Project, Inc.
Rancho Santa Margarita, California 92688

We have audited the accompanying statements of financial position of The Teen Project, Inc. (a nonprofit organization) as of December 31, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of The Teen Project, Inc. as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.


David L. Scarbrough, CPA & Company
Santa Ana, California
July 31, 2014

The Teen Project, Inc.
Statement of Financial Position
December 31, 2013

Assets

Current assets

| | |
|------------------------------|--------------|
| Cash and cash equivalents | \$ 196,647 |
| Accounts receivable | 4,655 |
| Donated assets held for sale | <u>7,000</u> |

Total current assets 208,302

Fixed Assets

| | |
|-------------------------------|-----------------|
| Furniture and equipment | 13,163 |
| Land | 126,000 |
| Building | 294,000 |
| Building improvements | <u>137,538</u> |
| | 570,701 |
| Less accumulated depreciation | <u>(91,552)</u> |
| Net book value | <u>479,149</u> |

Total assets \$ 687,451

See accompanying notes to financial statements.

The Teen Project, Inc.
Statement of Financial Position
December 31, 2013

Liabilities

Current liabilities

| | |
|-------------------------------------|---------------|
| Accounts payable | \$ 5,938 |
| Current portion of Mortgage payable | 5,656 |
| Unused Therapy donation | <u>28,100</u> |
| Total current liabilities | <u>39,694</u> |

Long-term liabilities

| | |
|---|----------------|
| Mortgage payable, net of current portion (Note 5) | <u>276,455</u> |
|---|----------------|

| | |
|-------------------|----------------|
| Total liabilities | <u>316,149</u> |
|-------------------|----------------|

Net assets

| | |
|------------------------|----------|
| Unrestricted | 371,302 |
| Temporarily restricted | <u>-</u> |

| | |
|------------------|----------------|
| Total net assets | <u>371,302</u> |
|------------------|----------------|

| | |
|---|---------------------------------|
| Total liabilities and net assets | <u><u>\$ 687,451</u></u> |
|---|---------------------------------|

See accompanying notes to financial statements.

The Teen Project, Inc.
Statement of Activities
For the Year Ended December 31, 2013

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|-------------------|
| Unrestricted net assets | | | |
| Support | | | |
| Foundation grants | \$ 127,736 | \$ - | \$ 127,736 |
| Contributions | 51,236 | - | 51,236 |
| Internship program | 25,000 | - | 25,000 |
| Warm tag bag store program | 11,750 | - | 11,750 |
| Other income- property tax refund | 12,115 | - | 12,115 |
| Total support | <u>227,837</u> | <u>-</u> | <u>227,837</u> |
| Net assets released from program restrictions | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>227,837</u> | <u>-</u> | <u>227,837</u> |
| Functional expenses | | | |
| Program services | 305,279 | - | 305,279 |
| Supporting services: | | | |
| Management and general | 17,691 | - | 17,691 |
| Fund-raising expenses | <u>-</u> | <u>-</u> | <u>-</u> |
| Total functional expenses | <u>322,970</u> | <u>-</u> | <u>322,970</u> |
| Decrease in net assets | (95,133) | - | (95,133) |
| Net assets at beginning of year | <u>466,435</u> | <u>-</u> | <u>466,435</u> |
| Net assets at end of year | <u>\$ 371,302</u> | <u>\$ -</u> | <u>\$ 371,302</u> |

See accompanying notes to financial statements.

The Teen Project, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2013

| | Program Services | Management & General | Fund-raising Expenses | Total Expenses |
|---------------------------------|-----------------------------|-------------------------------------|----------------------------------|---------------------------|
| Operating Expenses: | | | | |
| Salaries-executive director | \$ 36,000 | \$ - | \$ - | \$ 36,000 |
| Lake Forest College Home | 127,169 | - | - | 127,169 |
| Venice PAD Resource Center | 129,057 | - | - | 129,057 |
| Computer services | 2,537 | 2,537 | - | 5,074 |
| Contract services | 2,825 | - | - | 2,825 |
| Employee expenses | 2,534 | - | - | 2,534 |
| Employee education expense | 1,109 | - | - | 1,109 |
| Insurance-general | 655 | - | - | 655 |
| Insurance-workers comp. | 3,393 | - | - | 3,393 |
| Marketing expense | - | 679 | - | 679 |
| Meeting expense | - | 299 | - | 299 |
| Miscellaneous expense | - | 2,638 | - | 2,638 |
| Online donation collection | - | 2,739 | - | 2,739 |
| Professional fees-accounting | - | 7,963 | - | 7,963 |
| Software | - | 836 | - | 836 |
| Total operating expenses | <u>\$ 305,279</u> | <u>\$ 17,691</u> | <u>\$ -</u> | <u>\$ 322,970</u> |

See accompanying notes to financial statements.

The Teen Project, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash flows from operating activities:

| | |
|---|-----------------|
| Increase (decrease) in net assets | \$ (95,133) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 12,940 |
| (Increase) decrease in operating assets: | |
| Accounts receivable | (4,655) |
| Donated assets held for sale | (7,000) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | 5,938 |
| Other payables | <u>21,840</u> |
| Net cash provided (used) by operating activities | <u>(66,070)</u> |

Cash flows from investing activities:

-

Cash flows from financing activities:

| | |
|--|--------------------------|
| Principal payments on mortgage | (3,322) |
| Net cash provided (used) by financing activities | <u>(3,322)</u> |
| Net increase (decrease) in cash and cash equivalents | (69,392) |
| Cash and cash equivalents at beginning of year | <u>266,039</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 196,647</u></u> |

Supplementary Information:

| | |
|-----------------------|-------------------------|
| Interest Paid in 2013 | <u><u>\$ 20,654</u></u> |
|-----------------------|-------------------------|

See accompanying notes to financial statements.

The Teen Project, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2013

1. ORGANIZATION'S NATURE OF ACTIVITIES

The Teen Project, Inc. was founded in 2007 and is a privately funded Nonprofit California Corporation. It provides housing, education, sober living and mentoring to youth ages 18 to 24 year old (Transitional Age Youth) aging out of the foster care system to homelessness. The Teen Project, Inc seeks to aid these youth exiting foster care and at risk homeless youth with all of the resources and support of an intact family allowing the greatest opportunity for success and a smooth transition to adulthood.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation. The Financial Accounting Standards Board ("FASB") implemented the FASB Accounting Standards Codification (Codification) effective July 1, 2009. The codification has become the source of authoritative Generally Accepted Accounting Principles ("GAAP") recognized by FASB to be applied to nongovernmental entities. On the effective date of Codification, the Codification superseded all then existing accounting and reporting standards. All other non-grandfathered accounting literature not included in the Codification has become non-authoritative. References to GAAP included in the FASB Codification are noted as Accounting Standards Codification ("ASC"). The change in presentation did not impact The Teen Project, Inc. financial statements.

Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation. The Teen Project, Inc. reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, a description of which is as follows:

A. Unrestricted Funds

Unrestricted funds represent revenue and contributions and expenditures related to the operation and management of The Teen Project, Inc. primary programs and support services. All public support and revenues are considered to be available for unrestricted use unless specifically restricted by the donor or grantor.

The Teen Project, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2013

B. Temporarily Restricted Funds

Temporarily restricted fund is utilized to record resources received that are temporarily restricted as to use by the Board of Directors or by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets and are reported in the Statement of Activities. The Organization had no temporary restricted net assets at December 31, 2013.

C. Permanently Restricted Funds

Permanently restricted net assets are utilized to record resources received that are permanently restricted as to use by donor or grantor. The Teen Project, Inc. has no permanently restricted net assets at December 31, 2013.

Property and Equipment. Property and equipment are carried at cost or, if donated, at fair market value at date of donation. Depreciation is provided on the straight-line and declining methods over estimated useful lives of seven years for furniture and equipment and thirty-nine years for buildings and building improvements

Cash and Equivalents. For financial statement purposes, cash and cash equivalents consist of cash and investments with an original maturity of three months or less.

Contributions. The Teen Project, Inc. records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be for unrestricted use unless specifically restricted by the donor. Contributed equipment is recorded at its fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Accordingly, actual results may differ from the estimates under different assumptions or conditions.

Functional Allocation of Expenses. The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting service classifications based on estimates made by management.

The Teen Project, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2013

3. CONCENTRATION OF RISK

The organization maintains all its bank accounts at one financial institution, JPMorgan Chase Bank, N.A.. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. Cash at this financial institution exceeds the federally insured limits. The cash balances at JPMorgan Chase Bank, N.A. totaled \$196,647 at December 31, 2013. At various times during the year the bank balance exceeded the FDIC insurance coverage.

4. ACCOUNTS RECEIVABLE

Accounts receivable represents uncollected donations at December 31, 2013. No provision has been made for uncollectible accounts, as management considers all accounts to be currently collectible. Uncollectible accounts are expensed on an individual basis when they are deemed to no longer be collectible.

5. MORTGAGE PAYABLE-F&M BANK OF LONG BEACH

5.50% 1ST Trust deed payable to F&M Bank of Long Beach, secured by land and building in Lake Forest, CA. Monthly payments of \$ 1,766 including principal and interest, beginning February 14, 2013 and continuing until February 14, 2018, with any unpaid principal and interest due at that time.

6. INCOME TAXES

The Teen Project, Inc. is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and comparable statutes of California, except for unrelated business income. The organization does not have any taxable unrelated business income for the year ended December 31, 2013 and accordingly, no provision for taxes has been made.

The organization's federal exempt tax returns for the years ended December 31, 2010, 2011 and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. Management has evaluated the tax positions reflected in the organization's tax filings and does not believe that any material uncertain tax position exists.

7. SUBSEQUENT EVENTS

After careful consideration and discussions with FREEHAB, INC., a 501(c)(3) California non-profit corporation, the Board of Directors of The Teen Project, Inc. decided that they

The Teen Project, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2013

7. SUBSEQUENT EVENTS (Continued)

would acquire and assume all the assets and liabilities of FREEHAB, INC., effective April 11, 2014. FREEHAB, INC. has a similar mission and long-term goals as The Teen Project, Inc. FREEHAB, INC. will also assign to The Teen Project, Inc. all leases, FREEHAB, INC.'s trademark, any intellectual property, all of the organization's pending grants, pending grant requests and any pending donations. FREEHAB, INC. will dissolve their corporation.

The management of the organization has reviewed the results of operations for the period of time from its year end December 31, 2013 through July 31, 2014 the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.