

THE TEEN PROJECT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2014

THE TEEN PROJECT, INC.
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

The Teen Project, Inc.

December 31, 2014

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Certified Public Accountant



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Teen Project, Inc.
Sun Valley, California 95352

We have audited the accompanying financial statements of The Teen Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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


Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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, 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 The Teen Project, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


David L. Scarbrough, CPA & Company
Santa Ana, California
April 21, 2015

The Teen Project, Inc.
Statement of Financial Position
December 31, 2014

Assets

Current assets

Cash and cash equivalents	\$ 1,716,004
Donated assets held for sale	<u>69,500</u>
Total current assets	<u>1,785,504</u>

Fixed Assets

Furniture and equipment	44,620
Leasehold improvements	556,101
Land	126,000
Building	294,000
Building improvements	<u>137,538</u>
	1,158,259
Less accumulated depreciation	<u>(133,704)</u>
Net book value	<u>1,024,555</u>

Other Assets

Security deposits	<u>27,360</u>
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Total assets	<u>\$ 2,837,419</u>
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See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Financial Position
December 31, 2014

Liabilities

Current liabilities

Accounts payable	\$ 18,178
Current portion of mortgage payable	5,963
Accrued interest payable	<u>24,900</u>

Total current liabilities	<u>49,041</u>
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Long-term liabilities

Mortgage payable, net of current portion (Note 5)	270,543
Note payable-City of Los Angeles (Note 6)	500,000
Note payable-Paul Blavin (Note 7)	<u>750,000</u>
Total long-term liabilities	<u>1,520,543</u>

Total liabilities	<u>1,569,584</u>
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Net assets

Unrestricted	1,267,835
Temporarily restricted	<u>-</u>

Total net assets	<u>1,267,835</u>
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Total liabilities and net assets	<u><u>\$ 2,837,419</u></u>
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See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Change in unrestricted net assets:			
Support			
Contribution-resulting from Freehab acquisition	\$ 1,444,591	\$ -	\$ 1,444,591
Tech Center donations	106,609	-	106,609
Foundation grants	177,875	-	177,875
Corporate & general contributions	415,199	-	415,199
Total support	<u>2,144,274</u>	<u>-</u>	<u>2,144,274</u>
Net assets released from program restrictions	-	-	-
	<u>2,144,274</u>	<u>-</u>	<u>2,144,274</u>
Functional expenses			
Program services	1,102,302	-	1,102,302
Supporting services:			
Management and general	100,053	-	100,053
Fundraising expenses	45,386	-	45,386
Total functional expenses	<u>1,247,741</u>	<u>-</u>	<u>1,247,741</u>
Increase in net assets	896,533	-	896,533
Net assets at beginning of year	<u>371,302</u>	<u>-</u>	<u>371,302</u>
Net assets at end of year	<u>\$ 1,267,835</u>	<u>\$ -</u>	<u>\$ 1,267,835</u>

See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services	Management & General	Fundraising Expenses	Total Expenses
Operating Expenses:				
Salaries-executive director	\$ 78,286	\$ 39,143	\$ -	\$ 117,429
Lake Forest College Home	68,801	-	-	68,801
Venice PAD Resource Center	106,746	-	-	106,746
Freehab	749,042	-	16,818	765,860
Computer services	4,827	1,207	-	6,034
Depreciation expense	33,801	-	-	33,801
Educational scholarships	4,818	-	-	4,818
Fundraising	-	-	28,568	28,568
Insurance-general	3,887	3,886	-	7,773
Insurance-workers comp.	10,667	1,185	-	11,852
Interest expense	-	24,399	-	24,399
Marketing	5,304	-	-	5,304
Office supplies	2,785	309	-	3,094
Other expenses	17,497	4,298	-	21,795
Printing	1,368	-	-	1,368
Payroll taxes	6,290	3,145	-	9,435
Professional fees	-	22,481	-	22,481
Social media	3,691	-	-	3,691
Travel-conferences	4,492	-	-	4,492
Total operating expenses	<u>\$ 1,102,302</u>	<u>\$ 100,053</u>	<u>\$ 45,386</u>	<u>\$ 1,247,741</u>

See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2014

Cash flows from operating activities:

Increase (decrease) in net assets	\$ 896,533
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	33,801
(Increase) decrease in operating assets:	
Accounts receivable	4,655
Donated assets held for sale	(62,500)
Increase (decrease) in operating liabilities:	
Accounts payable	12,240
Other payables	<u>(2,893)</u>
Net cash provided (used) by operating activities	<u>881,836</u>
 Cash flows from investing activities:	
Increase in security deposit	(27,360)
Increase in property & equipment	<u>(579,207)</u>
Net cash flows from investing activities	<u>(606,567)</u>
 Cash flows from financing activities:	
Principal payments on mortgage	(5,912)
Increase-Loan City of Los Angeles	500,000
Increase -Loan from Paul Blavin	<u>750,000</u>
Net cash provided (used) by financing activities	<u>1,244,088</u>
Net increase (decrease) in cash and cash equivalents	1,519,357
Cash and cash equivalents at beginning of year	<u>196,647</u>
Cash and cash equivalents at end of year	<u>\$ 1,716,004</u>
 Supplementary Information:	
Interest Paid year to date	<u>\$ 40,167</u>

See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Notes to Financial Statements
December 31, 2014

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. In May, 2014, the Organization acquired a 501(c)(3) non-for profit organization named Freehab, Inc. The agreement called for Freehab, Inc. to be dissolved and transfer all of its assets and liabilities to The Teen Project. The Teen Project would also acquire Freehab, Inc.'s trademark, any intellectual property, all the organizations pending grants, pending grant requests and any pending donations. Both organizations have similar missions and activities. The business acquisition was accounted using the Acquisition Method, which resulted in revenue recognition of \$ 1,444,591

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
December 31, 2014

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, 2014.

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, 2014.

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.