

THE TEEN PROJECT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015

THE TEEN PROJECT, INC.
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

The Teen Project, Inc.

December 31, 2015

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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. (nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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, 2015, 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
August 1, 2016

The Teen Project, Inc.
Statement of Financial Position
December 31, 2015

Assets

Current assets

Cash and cash equivalents	\$ 1,031,304
Accounts receivable	16,136
Prepaid expenses	35,448
Donated assets held for sale	<u>4,500</u>

Total current assets	<u>1,087,388</u>
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Fixed Assets

Furniture and equipment	54,120
Automotive equipment	32,131
Leasehold improvements	591,458
Land	126,000
Building	294,000
Building improvements	<u>137,538</u>
	1,235,247
Less accumulated depreciation	<u>172,653</u>
Net book value	<u>1,062,594</u>

Other Assets

Security deposits	<u>26,140</u>
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Total assets	<u>\$ 2,176,122</u>
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See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Financial Position
December 31, 2015

Liabilities

Current liabilities

Accounts payable	\$ 101,219
Current portion of mortgage payable	<u>5,820</u>

Total current liabilities 107,039

Long-term liabilities

Mortgage payable, net of current portion (Note 5)	264,756
Note payable-City of Los Angeles (Note 6)	<u>325,000</u>

Total long-term liabilities 589,756

Total liabilities 696,795

Net assets

Unrestricted	55,383
Temporarily restricted	<u>1,423,944</u>

Total net assets 1,479,327

Total liabilities and net assets \$ 2,176,122

See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Change in unrestricted net assets:			
Revenue and Support			
Corporate & general donations	\$ 893,909	\$ 34,883	\$ 928,792
Foundation grants	571,297	20,500	591,797
Resident support	21,639	-	21,639
Board care support	91,877	-	91,877
Fundraising revenue	150,030	-	150,030
Debt forgiveness	175,000	-	175,000
Miscellaneous income	1,310	-	1,310
Loss on sale of donated assets	(58,250)	-	(58,250)
In-kind contributions	96,878	-	96,878
	<u>1,943,690</u>	<u>55,383</u>	<u>1,999,073</u>
Net assets released from program restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>1,943,690</u>	<u>55,383</u>	<u>1,999,073</u>
Functional expenses			
Program services	1,632,199	-	1,632,199
Supporting services:			
Management and general	50,759	-	50,759
Fundraising expenses	104,623	-	104,623
Total functional expenses	<u>1,787,581</u>	<u>-</u>	<u>1,787,581</u>
Increase in net assets	156,109	55,383	211,492
Net assets at beginning of year	<u>1,267,835</u>	<u>-</u>	<u>1,267,835</u>
Net assets at end of year	<u>\$ 1,423,944</u>	<u>\$ 55,383</u>	<u>\$ 1,479,327</u>

See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management & General	Fundraising Expenses	Total Expenses
Operating Expenses:				
Salaries-executive director	\$ 112,125	\$ 25,875	\$ 34,500	\$ 172,500
Lake Forest College Home	44,689	-	-	44,689
Venice PAD Resource Center	78,046	-	-	78,046
Freehab	1,217,523	-	-	1,217,523
Computer services	5,141	-	-	5,141
Contract services	12,925	-	-	12,925
Depreciation expense	37,003	1,947	-	38,950
Educational scholarships	835	-	-	835
Employee benefits	6,217	1,436	1,912	9,565
Fundraising	-	-	64,381	64,381
Insurance-general	20,094	1,058	-	21,152
Insurance-workers comp.	28,583	1,254	1,673	31,510
Marketing	13,339	-	-	13,339
Office expense	1,605	1,605	-	3,210
Other expenses	29,840	-	-	29,840
Payroll taxes	7,494	1,703	2,157	11,354
Professional fees	15,881	15,881	-	31,762
Travel-conferences	859	-	-	859
Total operating expenses	<u>\$ 1,632,199</u>	<u>\$ 50,759</u>	<u>\$ 104,623</u>	<u>\$ 1,787,581</u>

See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash flows from operating activities:

Increase (decrease) in net assets	\$ 211,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	38,950
Donated fixed assets	(43,731)
Forgiveness of debt	(699,900)
Loss on sale of donated assets	58,250
(Increase) decrease in operating assets:	
Accounts receivable	(16,136)
Prepaid expenses	(35,449)
Increase (decrease) in operating liabilities:	
Accounts payable	<u>83,041</u>
Net cash provided (used) by operating activities	<u>(403,483)</u>

Cash flows from investing activities:

Decrease in security deposits	1,220
Increase in property & equipment	<u>(33,257)</u>
Net cash flows from investing activities	<u>(32,037)</u>

Cash flows from financing activities:

Repayment of mortgage payable	(5,930)
Payment on Loan payable- Blavin	(250,000)
Proceeds from sale of donated assets	<u>6,750</u>
Net cash provided (used) by financing activities	<u>(249,180)</u>

Net increase (decrease) in cash and cash equivalents (684,700)

Cash and cash equivalents at beginning of year 1,716,004

Cash and cash equivalents at end of year \$ 1,031,304

Supplementary Information:

 Interest Paid year to date \$ 15,268

See accompanying notes and independent accountant's review report.

The Teen Project, Inc.
Notes to Financial Statements
December 31, 2015

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 youths 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. The business acquisition was accounted using the Acquisition Method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 \$ 55,383 of temporary restricted net assets at December 31, 2015.

The Teen Project, Inc.
Notes to Financial Statements
December 31, 2015

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, 2015.

Property and Equipment. Property and equipment are carried at cost or, if donated, they are recorded 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.

3. CONCENTRATION OF RISK

The organization maintains its bank accounts at various financial institutions, the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. Cash at one of these financial institutions exceeds the federally insured limits. The cash balances at one of the financial institutions totaled \$ 751,213 at December 31, 2015.

The Teen Project, Inc.
Notes to Financial Statements
December 31, 2015

4. MORTGAGE PAYABLE-FARMERS & MERCHANTS BANK

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

5. NOTE PAYABLE-CITY OF LOS ANGELES

Note Payable dated November 1, 2013 with the City of Los Angeles for \$ 500,000 is made in connection with certain funding agreement solely for the habitation of an alcohol detox and recovery residential center. The amounts due under the promissory note are due and payable only in the event that the borrower fails to meet its service repayment obligations set forth in the funding agreement. All non-monetary payments made by the borrower as they relate to the funding agreement and its promissory note shall be in the form of service payment. Commencing on the project completion date of the rehabilitation of the property, the debt service period shall be five years. The borrower shall receive a repayment credit or forgiveness in an amount not to exceed \$ 100,000 per year of satisfactory service. To receive the repayment credit, the borrower must submit a yearly report showing the amount and type of services which the borrower has provided, including the approximate number of clients it has serviced and the general level of income of such clients. The City makes an independent determination based on written evidence that the borrower did in fact provide full services and will allow the credit. The outstanding balance at December 31, 2015 was \$ 325,000.

6. NOTE PAYABLE-PAUL BLAVIN

Paul Blavin requested to covert the outstanding balance of his note \$ 500,000 and accrued interest of \$ 24,900 to a donation to the organization.

7. INCOME TAXES

The Teen Project, Inc. is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and comparable statues of California, except for unrelated business income. The organization does not have any taxable unrelated business income for the twelve months ended December 31, 2015 and accordingly, no provision for taxes has been made.

The Teen Project, Inc.
Notes to Financial Statements
December 31, 2015

The organization's federal exempt tax returns for the years ended December 31, 2012, 2013 and 2014 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.

8. LEASE OBLIGATIONS

The organization rents facilities in Sun Valley, CA under a five and half year lease beginning on August 1, 2013 and expiring in January, 2018. The minimum annual obligations under the leases for the next four years ending December 31 are as follows:

2016	\$ 300,276
2017	306,276
2018	26,034
After	-0-

9. EMPLOYMENT AGREEMENT

The Board of Directors have entered into a three year employment agreement through April 30, 2017 with Lauri Burns, the President and CEO of the organization.

10. SUBSEQUENT EVENTS

The management of the organization has reviewed the results of operations for the period of time from the twelve months ended December 31, 2015 through August 1, 2016 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.