

**TEEN SUCCESS, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015**

**IZABAL, BERNACIAK & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**TEEN SUCCESS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**TEEN SUCCESS, INC.**  
Milpitas, California

### Report on Financial Statements

We have audited the accompanying financial statements of Teen Success, Inc., which comprise the statement of financial position as of June 30, 2016, 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 Organization'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 Organization'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 Success, Inc. as of June 30, 2016, 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.

**Report on Summarized Comparative Information**

We have previously audited the Teen Success, Inc.'s 2015 financial statements, and our report dated July 24, 2016, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

*Jacob L. Bernhardt - Cpa*

San Francisco, California

July 27, 2016

**TEEN SUCCESS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 1,009,856	\$ 858,790
Investments	2,620	0
Accounts Receivable	42,246	17,973
Other Assets	16,078	12,513
Property and Equipment (net of accumulated depreciation of \$11,255)	<u>27,720</u>	<u>5,950</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,098,520</u></b>	<b>\$ <u>895,226</u></b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 4,758	\$ 7,052
Accrued Expenses	<u>98,689</u>	<u>60,638</u>
<b>Total Liabilities</b>	<u>103,447</u>	<u>67,690</u>
 <b>Net Assets:</b>		
Unrestricted Net Assets	884,197	704,121
Temporarily Restricted	<u>110,876</u>	<u>123,415</u>
<b>Total Net Assets</b>	<u>995,073</u>	<u>827,536</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,098,520</u></b>	<b>\$ <u>895,226</u></b>

See notes to financial statements

**TEEN SUCCESS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Totals	Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Public Support:				
Contributions:				
Foundations	\$ 1,031,678	\$ 248,080	\$ 1,279,758	\$ 707,254
Government Grant	93,320	0	93,320	39,121
Individuals	277,265	0	277,265	330,163
In-Kind	19,080	0	19,080	16,763
Interest Income	245	0	245	0
Unrealized Gain	74	0	74	0
	1,421,662	248,080	1,669,742	1,093,301
Total Support				
Net Assets released from:				
Satisfaction of restrictions	260,619	(260,619)	0	0
	1,682,281	(12,539)	1,669,742	1,093,301
Total Support and Revenue				
 <b><u>EXPENSES</u></b>				
Program Services	1,102,278	0	1,102,278	754,843
Supporting Services:				
Management and General	172,450	0	172,450	212,780
Fundraising	227,477	0	227,477	206,317
	1,502,205	0	1,502,205	1,173,940
Total Expenses				
<b>CHANGES IN NET ASSETS</b>	180,076	(12,539)	167,537	(80,639)
Net Assets, Beginning of Year	704,121	123,415	827,536	908,175
<b>NET ASSETS - AT END OF YEAR</b>	\$ 884,197	\$ 110,876	\$ 995,073	\$ 827,536

See notes to financial statements

**TEEN SUCCESS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services		Supporting Services		2016 Totals	2015 Totals
	Program		Management and General	Fundraising		
Salaries	\$ 368,551	\$	89,152	\$ 123,156	\$ 580,859	\$ 472,782
Payroll Taxes	28,766		6,943	9,571	45,280	36,898
Employee benefits	37,748		2,625	9,567	49,940	42,118
Audit/Accounting	0		37,831	0	37,831	24,256
Communications & Marketing	2,995		404	602	4,001	2,984
Depreciation Expense	2,607		513	990	4,110	3,350
Facilitator Support	13,406		0	0	13,406	1,534
Fundraising/Business Development	954		0	19,260	20,214	8,538
HR/Talent	575		75	90	740	14,090
Inkind Rent Expense	0		19,080	0	19,080	16,763
Insurance	4,223		2,641	1,446	8,310	8,579
Membership and Dues	1,269		275	985	2,529	1,566
Meeting and Conferences	1,643		494	400	2,537	3,103
Office Expenses	2,654		1,191	948	4,793	10,767
Other Contractors	6,854		303	47,571	54,728	54,936
Payroll Service Fees	0		4,906	0	4,906	6,242
Phone and Internet	4,964		1,081	1,386	7,431	5,216
Program Database	12,004		0	0	12,004	4,000
Program Materials	4,651		0	0	4,651	2,225
Rent	6,745		1,829	2,386	10,960	7,286
Scholarship Awards	35,000		0	0	35,000	43,000
Site Visits	2,250		0	0	2,250	3,039
Staff Development	1,785		193	388	2,366	5,261
Stakeholders Conference	20,428		0	0	20,428	15,339
Supplies	9,955		2,112	5,982	18,049	12,639
Support Groups	509,169		0	0	509,169	363,543
Training	3,170		291	135	3,596	1,525
Travel	19,912		511	2,614	23,037	2,361
<b>Total Functional Expenses</b>	<b>\$ 1,102,278</b>	<b>\$</b>	<b>172,450</b>	<b>\$ 227,477</b>	<b>\$ 1,502,205</b>	<b>\$ 1,173,940</b>

See notes to financial statements

**TEEN SUCCESS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ 167,537	\$ (80,639)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Unrealized Gain on Investments	(74)	0
Depreciation	4,110	3,350
<i>Decrease/(increase) in assets:</i>		
Accounts Receivable	(24,273)	525,395
Other Assets	(3,565)	(6,914)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	(2,294)	6,153
Accrued Expenses	38,051	52,837
	<u>179,492</u>	<u>500,182</u>
<b>Net Cash Provided by Operating Activities</b>	<u>179,492</u>	<u>500,182</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Donation of Investments	(2,546)	0
Purchase of Property and Equipment	(25,880)	(1,290)
	<u>(28,426)</u>	<u>(1,290)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(28,426)</u>	<u>(1,290)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	151,066	498,892
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of Year	<u>858,790</u>	<u>359,898</u>
<b>END OF YEAR</b>	<u>\$ 1,009,856</u>	<u>\$ 858,790</u>

See notes to financial statements



**TEEN SUCCESS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015**

**Note 1: ORGANIZATION**

The mission of Teen Success, Inc. is to transform the lives of teen mothers and their children by helping them become educated, self-sufficient, valued members of society. Teen Success, Inc. (TSI) helps teen moms find and get on a path to success, which includes having a strong social support network, staying in school, and waiting to have more children until emotionally and financially ready. Through weekly support group meetings, teen moms receive guidance from professional facilitators and develop positive peer relationships, which together inspire and empower them to reach their potential.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Teen Success, Inc. prepares its financial statements using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when they are incurred.

**Basis of Presentation**

Teen Success, Inc. 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. At June 30, 2016, Teen Success, Inc. did not have any permanently restricted net assets.

**Income Tax Status**

Teen Success, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code and therefore has made no provisions for federal income taxes in the accompanying financial statements. Teen Success, Inc. is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Management believes Teen Success, Inc. has no uncertain tax positions as of June 30, 2016.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses as of the date and for the period presented. Actual results could differ from these estimates.

**TEEN SUCCESS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable**

Teen Success, Inc. considers all accounts receivable to be fully collectable; accordingly no allowance for doubtful accounts is required. If amounts become uncollectable, they will be charged to operations when that determination is made.

**Property and Equipment**

Property and equipment consists of furniture and office equipment. Teen Success, Inc. records property and equipment at cost or fair value when purchased or donated, respectively, when the cost or fair value exceeds \$500. Teen Success, Inc. computes depreciation using the straight-line method over the estimated useful lives of the property and equipment ranging from three to five years.

**Revenue Recognition**

Contributions receivable are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any restrictions.

All donor-restricted contributions are reported as increases 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 released from restrictions.

**Functional Allocation of Expenses**

The costs of providing Teen Success, Inc.'s various programs and other activities have been allocated on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

**In-kind Support**

Teen Success, Inc. records contributions of goods and services at their fair market value only if they create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and Teen Success, Inc. would have purchased the goods or services if they did not receive them as contributions.

**Advertising Costs**

The production costs of advertising are expensed as incurred. During the year ended June 30, 2016, advertising costs charged to expense totaled \$0.

**TEEN SUCCESS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Comparative 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Teen Success, Inc.'s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**Note 3: INVESTMENTS**

Teen Success, Inc. received a stock donation during the year ended June 30, 2016 fiscal year, which are reported as short-term investments in the statement of financial position. The donated stock is carried at fair value based on quoted prices in active markets (all Level 1 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investments as of June 30, 2016 are summarized as follows:

	Cost at time of Donation	Fair Value	Unrealized Appreciation
Equities	\$ 2,546	\$ 2,620	\$ 74

Net investment income for the year ended June 30, 2016, is as follows:

Interest income	\$ 0
Net realized and unrealized gain/(loss)	74
Net investment income	<u>\$ 74</u>

**Note 4: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016 and 2015 consists of the following:

	2016	2015
Santa Clara County Probation	\$ 21,824	\$ 0
The Grove Foundation	20,000	0
Leshner Foundation	0	10,000
First 5	0	7,973
Other	422	0
Total	<u>\$ 42,246</u>	<u>\$ 17,973</u>

**TEEN SUCCESS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015**

**Note 5: PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives. Property and equipment as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 38,975	\$ 13,094
Less: Accumulated Depreciation	<u>(11,255)</u>	<u>(7,144)</u>
Total	<u>\$ 27,720</u>	<u>\$ 5,950</u>

Depreciation Expense for the year ended June 30, 2016 and 2015 was \$4,110 and \$3,350, respectively.

**Note 6: TEMPORARILY RESTRICTED NET ASSETS**

For the year ended June 30, 2016 and 2015, temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Applied Materials	\$ 0	\$ 2,500
Lantern League	0	6,667
California Wellness Foundation	0	33,333
SanDisk	0	6,667
Bartz Marr Family Foundation	7,500	7,500
Edison International	2,292	2,500
Women's Foundation	0	15,000
Dean & Margaret Leshner Foundation	0	10,000
Cisco Foundation	0	15,000
County of Santa Clara SSIG	0	4,248
Atkinson Foundation	0	5,000
Barnet Segal Charitable Trust	11,500	15,000
Shortino Funding for SJ Groups	4,167	0
Glikbarg Foundation	3,333	0
Bay Area Women's Leadership	4,167	0
Sobrato Foundation	24,004	0
Palo Alto Community Fund	8,333	0
Erik & Edith Bergstrom	25,000	0
Castellano Family Foundation	580	0
Grove Foundation	<u>20,000</u>	<u>0</u>
Total Temporarily Restricted Net Assets	<u>\$ 110,876</u>	<u>\$ 123,415</u>

**TEEN SUCCESS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015**

**Note 7: CONCENTRATION OF SUPPORT**

During the fiscal year ended June 30, 2016 and 2015, Teen Success, Inc. received support from the Morgan Family Foundation of 48% and 45%, respectively, of total gross revenue.

**Note 8: IN-KIND SUPPORT**

Teen Success, Inc. received in-kind contributions for office space. During the year ended June 30, 2016 and 2015, Teen Success, Inc. recorded in-kind rent of \$19,080 and \$16,763, respectively.

**Note 9: RETIREMENT PLAN**

Teen Success, Inc. has adopted a 401(k) plan for its employees. The Plan allows participating employees to defer a portion of their compensation into income tax-deferred investments. During the year ended June 30, 2016 and 2015, employee contributions to the Plan totaled \$9,953 and \$8,390, respectively.

**Note 10: SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through July 28, 2016, the date the financial statements were available to be issued.