

TEEN SUCCESS, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016**

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

TEEN SUCCESS, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016

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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, 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

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.

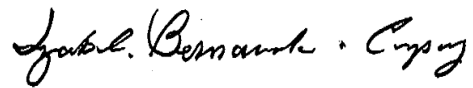
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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 2016 financial statements, and our report dated July 27, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California
July 28, 2017

TEEN SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and Cash Equivalents	\$ 913,040	\$ 1,009,856
Investments	0	2,620
Accounts Receivable	100,224	42,246
Other Assets	20,377	16,078
Property and Equipment, net	<u>17,553</u>	<u>27,720</u>
TOTAL ASSETS	\$ <u>1,051,194</u>	\$ <u>1,098,520</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 9,119	\$ 4,758
Accrued Expenses	<u>125,510</u>	<u>98,689</u>
Total Liabilities	<u>134,629</u>	<u>103,447</u>
 Net Assets:		
Unrestricted Net Assets	763,145	884,197
Temporarily Restricted	<u>153,420</u>	<u>110,876</u>
Total Net Assets	<u>916,565</u>	<u>995,073</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,051,194</u>	\$ <u>1,098,520</u>

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Totals</u>
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Contributions:				
Foundations	\$ 899,947	\$ 298,000	\$ 1,197,947	\$ 1,279,758
Government Grant	162,454	0	162,454	93,320
Individuals	344,202	0	344,202	277,265
In-Kind	20,272	0	20,272	19,080
Interest Income	291	0	291	245
Unrealized Gain/(Loss)	(194)	0	(194)	74
Total Support	<u>1,426,972</u>	<u>298,000</u>	<u>1,724,972</u>	<u>1,669,742</u>
Net Assets released from:				
Satisfaction of restrictions	<u>255,456</u>	<u>(255,456)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>1,682,428</u>	<u>42,544</u>	<u>1,724,972</u>	<u>1,669,742</u>
<u>EXPENSES</u>				
Program Services	1,395,665	0	1,395,665	1,102,278
Supporting Services:				
Management and General	201,478	0	201,478	172,450
Fundraising	<u>206,337</u>	<u>0</u>	<u>206,337</u>	<u>227,477</u>
Total Expenses	<u>1,803,480</u>	<u>0</u>	<u>1,803,480</u>	<u>1,502,205</u>
CHANGES IN NET ASSETS	(121,052)	42,544	(78,508)	167,537
Net Assets, Beginning of Year	<u>884,197</u>	<u>110,876</u>	<u>995,073</u>	<u>827,536</u>
NET ASSETS - AT END OF YEAR	<u>\$ 763,145</u>	<u>\$ 153,420</u>	<u>\$ 916,565</u>	<u>\$ 995,073</u>

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2017</u> <u>Totals</u>	<u>2016</u> <u>Totals</u>
	<u>Program</u>		<u>Management</u> <u>and General</u>	<u>Fundraising</u>		
Salaries	\$ 563,342	\$	108,325	\$ 133,998	\$ 805,665	\$ 580,859
Payroll Taxes	51,715		8,209	10,843	70,767	45,280
Employee benefits	55,577		4,203	9,439	69,219	49,940
Audit/Accounting	1,875		33,806	0	35,681	37,831
Communications & Marketing	965		37	280	1,282	4,001
Depreciation Expense	6,304		2,237	1,626	10,167	4,110
Facilitator Support	1,800		0	0	1,800	13,406
Fundraising/Business Development	56		0	17,429	17,485	20,214
HR/Talent	493		0	690	1,183	740
Inkind Rent Expense	0		20,272	0	20,272	19,080
Insurance	5,852		2,575	1,064	9,491	8,310
Membership and Dues	397		7	807	1,211	2,529
Meeting and Conferences	2,963		1,514	831	5,308	2,537
Office Expenses	3,450		1,168	3,617	8,235	4,793
Other Contractors	7,877		8,406	16,113	32,396	54,728
Payroll Service Fees	0		4,196	0	4,196	4,906
Phone and Internet	8,422		1,131	1,341	10,894	7,431
Program Database	8,375		0	0	8,375	12,004
Program Materials	1,430		0	0	1,430	4,651
Rent	10,173		1,544	2,026	13,743	10,960
Scholarship Awards	40,000		0	0	40,000	35,000
Site Visits	0		0	0	0	2,250
Staff Development	1,175		100	50	1,325	2,366
Stakeholders Conference	0		0	0	0	20,428
Supplies	12,496		2,610	4,414	19,520	18,049
Support Groups	546,283		0	0	546,283	509,169
Training	41,580		56	65	41,701	3,596
Travel	23,065		1,082	1,704	25,851	23,037
Total Functional Expenses	\$ 1,395,665	\$	201,478	\$ 206,337	\$ 1,803,480	\$ 1,502,205

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (78,508)	\$ 167,537
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Unrealized Gain on Investments	0	(74)
Depreciation	10,167	4,110
<i>Decrease/(increase) in assets:</i>		
Accounts Receivable	(57,978)	(24,273)
Other Assets	(4,299)	(3,565)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	4,361	(2,294)
Accrued Expenses	26,821	38,051
	<u>(99,436)</u>	<u>179,492</u>
Net Cash Provided / (Used) by Operating Activities	<u>(99,436)</u>	<u>179,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Donation of Investments	0	(2,546)
Proceeds from sale of investments	2,620	0
Purchase of Property and Equipment	0	(25,880)
	<u>2,620</u>	<u>(28,426)</u>
Net Cash Provided / (Used) by Investing Activities	<u>2,620</u>	<u>(28,426)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(96,816)	151,066
CASH AND CASH EQUIVALENTS:		
Beginning of Year	<u>1,009,856</u>	<u>858,790</u>
END OF YEAR	<u>\$ 913,040</u>	<u>\$ 1,009,856</u>

See notes to financial statements

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017, 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, 2017.

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, 2017

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, 2017, advertising costs charged to expense totaled \$0.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2016, from which the summarized information was derived.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Johnson Family Foundation	\$ 40,000	\$ 0
Santa Clara County Probation	27,501	21,824
The Grove Foundation	0	20,000
El Camino Hospital	20,000	0
City of San Jose BEST	9,500	0
Other	<u>3,223</u>	<u>422</u>
Total	<u>\$ 100,224</u>	<u>\$ 42,246</u>

Note 4: 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Furniture and Equipment	\$ 38,975	\$ 38,975
Less: Accumulated Depreciation	<u>(21,422)</u>	<u>(11,255)</u>
Total	<u>\$ 17,553</u>	<u>\$ 27,720</u>

Depreciation Expense for the year ended June 30, 2017 and 2016 was \$10,167 and \$4,110, respectively.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 5: TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2017 and 2016, temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Johnson Foundation	\$ 40,000	\$ 0
El Camino Hospital	20,000	0
William & Charlene Glickbarg	4,167	0
Kern Community Foundation	2,083	0
Mission City Community Fund	1,667	0
Central Valley Community Foundation	1,750	0
Applied Materials	833	0
Union Bank	833	0
Bartz Marr Family Foundation	0	7,500
Edison International	0	2,292
Barnet Segal Charitable Trust	23,541	11,500
Shortino Funding for SJ Groups	0	4,167
Glikbarg Foundation	8,333	3,333
Bay Area Women's Leadership	0	4,167
Sobrato Foundation	20,629	24,004
Palo Alto Community Fund	6,667	8,333
Erik & Edith Bergstrom	22,917	25,000
Castellano Family Foundation	0	580
Grove Foundation	0	20,000
Total Temporarily Restricted Net Assets	\$ <u>153,420</u>	\$ <u>110,876</u>

Note 6: CONCENTRATION OF SUPPORT

During the fiscal year ended June 30, 2017 and 2016, Teen Success, Inc. received support from the Morgan Family Foundation of 46% and 48%, respectively, of total gross revenue.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 7: IN-KIND SUPPORT

Teen Success, Inc. received in-kind contributions for office space. During the year ended June 30, 2017 and 2016, Teen Success, Inc. recorded in-kind rent of \$20,272 and \$19,080, respectively.

Note 8: 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, 2017 and 2016, employee contributions to the Plan totaled \$1,097 and \$9,953, respectively.

Note 9: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through July 28, 2017, the date the financial statements were available to be issued.