

TEEN SUCCESS, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

TEEN SUCCESS, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017

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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, 2018, 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, 2018, 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 2017 financial statements, and our report dated July 28, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California

October 11, 2018

TEEN SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2017

	2018	2017
Assets:		
Cash and Cash Equivalents	\$ 1,046,969	\$ 913,040
Grants and Contributions Receivable	325,745	100,224
Other Assets	19,564	20,377
Property and Equipment, net	12,302	17,553
TOTAL ASSETS	\$ 1,404,580	\$ 1,051,194
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 370	\$ 9,119
Accrued Expenses	123,786	125,510
Total Liabilities	124,156	134,629
 Net Assets:		
Unrestricted Net Assets	867,966	763,145
Temporarily Restricted	412,458	153,420
Total Net Assets	1,280,424	916,565
TOTAL LIABILITIES AND NET ASSETS	\$ 1,404,580	\$ 1,051,194

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018		2017	
	Unrestricted	Temporarily Restricted	Totals	Totals
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Contributions:				
Foundations	\$ 1,154,314	\$ 509,989	\$ 1,664,303	\$ 1,197,947
Government Grant	179,270	0	179,270	162,454
Individuals and Corporations	412,295	0	412,295	344,202
In-Kind	25,080	0	25,080	20,272
Interest Income	198	0	198	291
Unrealized Gain/(Loss)	0	0	0	(194)
Total Support	<u>1,771,157</u>	<u>509,989</u>	<u>2,281,146</u>	<u>1,724,972</u>
Net Assets released from:				
Satisfaction of restrictions	<u>250,951</u>	<u>(250,951)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,022,108</u>	<u>259,038</u>	<u>2,281,146</u>	<u>1,724,972</u>
<u>EXPENSES</u>				
Program Services	1,425,842	0	1,425,842	1,395,665
Supporting Services:				
Management and General	229,943	0	229,943	201,478
Fundraising	261,502	0	261,502	206,337
Total Expenses	<u>1,917,287</u>	<u>0</u>	<u>1,917,287</u>	<u>1,803,480</u>
CHANGES IN NET ASSETS	104,821	259,038	363,859	(78,508)
Net Assets, Beginning of Year	<u>763,145</u>	<u>153,420</u>	<u>916,565</u>	<u>995,073</u>
NET ASSETS - AT END OF YEAR	<u>\$ 867,966</u>	<u>\$ 412,458</u>	<u>\$ 1,280,424</u>	<u>\$ 916,565</u>

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2018 Totals</u>	<u>2017 Totals</u>
	<u>Program</u>		<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 577,572	\$	112,171	\$ 144,829	\$ 834,572	\$ 805,665
Payroll Taxes	46,134		8,989	11,159	66,282	70,767
Employee benefits	38,765		13,948	12,181	64,894	69,219
Audit/Accounting	0		37,234	0	37,234	35,681
Communications & Marketing	11,300		1,886	4,076	17,262	1,282
Depreciation Expense	5,869		2,083	1,514	9,466	10,167
Facilitator Support	699		0	0	699	1,800
Fundraising/Business Development	2,047		33	23,161	25,241	17,485
HR/Talent	1,708		396	290	2,394	1,183
Inkind Rent Expense	0		25,080	0	25,080	20,272
Insurance	4,190		8,848	1,058	14,096	9,491
Membership and Dues	0		150	0	150	1,211
Meeting and Conferences	200		1,067	861	2,128	5,308
Office Expenses	10,551		7,259	5,303	23,113	8,235
Other Contractors	1,247		1,078	48,168	50,493	32,396
Payroll Service Fees	636		1,855	191	2,682	4,196
Phone and Internet	3,226		2,538	2,270	8,034	10,894
Program Database	8,203		0	0	8,203	8,375
Program Materials	10,161		9	9	10,179	1,430
Rent	15,946		0	0	15,946	13,743
Scholarship Awards	27,750		0	0	27,750	40,000
Staff Development	208		1,404	3,195	4,807	1,325
Supplies	1,317		2,062	2,115	5,494	19,520
Support Groups	605,103		0	0	605,103	546,283
Training	28,110		0	0	28,110	41,701
Travel	24,900		1,853	1,122	27,875	25,851
	<u>\$ 1,425,842</u>	<u>\$</u>	<u>229,943</u>	<u>\$ 261,502</u>	<u>\$ 1,917,287</u>	<u>\$ 1,803,480</u>

TEEN SUCCESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 363,859	\$ (78,508)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	9,466	10,167
<i>Decrease/(increase) in assets:</i>		
Grants and Contributions Receivable	(225,521)	(57,978)
Other Assets	813	(4,299)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	(8,749)	4,361
Accrued Expenses	(1,724)	26,821
Net Cash Provided / (Used) by Operating Activities	<u>138,144</u>	<u>(99,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	0	2,620
Purchase of Property and Equipment	(4,215)	0
Net Cash Provided / (Used) by Investing Activities	<u>(4,215)</u>	<u>2,620</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	133,929	(96,816)
CASH AND CASH EQUIVALENTS:		
Beginning of Year	<u>913,040</u>	<u>1,009,856</u>
END OF YEAR	<u>\$ 1,046,969</u>	<u>\$ 913,040</u>

See notes to financial statements

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, 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, 2018.

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, 2018

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.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2017, from which the summarized information was derived.

Note 3: GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Foundation Receivables	\$ 280,989	\$ 40,000
Santa Clara County Probation	20,512	27,501
City of San Jose BEST	7,449	9,500
Other	<u>16,795</u>	<u>23,223</u>
Total	<u>\$ 325,745</u>	<u>\$ 100,224</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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Furniture and Equipment	\$ 43,190	\$ 38,975
Less: Accumulated Depreciation	<u>(30,888)</u>	<u>(21,422)</u>
Total	<u>\$ 12,302</u>	<u>\$ 17,553</u>

Depreciation Expense for the year ended June 30, 2018 and 2017 was \$9,466 and \$10,167 respectively.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 5: TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2018 and 2017, temporarily restricted net assets were restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
FY 2018 Operations	\$ 0	\$ 153,420
FY 2019 Operations	408,458	0
FY 2019 Scholarships	<u>4,000</u>	<u>0</u>
Total	<u>\$ 412,458</u>	<u>\$ 153,420</u>

Note 6: CONCENTRATION OF SUPPORT

During the fiscal year ended June 30, 2018 and 2017, Teen Success, Inc. received support from the Morgan Family Foundation of 33% and 46%, respectively, of total gross revenue.

Note 7: IN-KIND SUPPORT

Teen Success, Inc. received in-kind contributions for office space. During the year ended June 30, 2018 and 2017, Teen Success, Inc. recorded in-kind rent of \$25,080 and \$20,272, 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, 2018 and 2017, employee contributions to the Plan totaled \$8,100 and \$1,097 respectively.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 9: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through October 11, 2018, the date the financial statements were available to be issued.