

TEEN SUCCESS, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

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

TEEN SUCCESS, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018

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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, 2019, 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, 2019, 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 2018 financial statements, and our report dated October 11, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Teen Success, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



San Francisco, California
September 16, 2019

TEEN SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2018

	2019	2018
Assets:		
Cash and Cash Equivalents	\$ 912,950	\$ 1,046,969
Grants and Contributions Receivable	186,221	325,745
Other Assets	14,095	19,564
Property and Equipment, net	8,438	12,302
TOTAL ASSETS	\$ 1,121,704	\$ 1,404,580
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 13,701	\$ 370
Accrued Expenses	202,092	123,786
Total Liabilities	215,793	124,156
 Net Assets:		
Without Donor Restrictions	543,275	867,966
With Donor Restrictions	362,636	412,458
Total Net Assets	905,911	1,280,424
TOTAL LIABILITIES AND NET ASSETS	\$ 1,121,704	\$ 1,404,580

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Contributions:				
Foundations	\$ 616,381	\$ 822,176	\$ 1,438,557	\$ 1,664,303
Government Grant	187,794	0	187,794	179,270
Individuals and Corporations	1,057,694	0	1,057,694	412,295
In-Kind	62,279	0	62,279	25,080
Interest Income	0	0	0	198
Total Support	<u>1,924,148</u>	<u>822,176</u>	<u>2,746,324</u>	<u>2,281,146</u>
Net Assets released from:				
Satisfaction of restrictions	<u>871,998</u>	<u>(871,998)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,796,146</u>	<u>(49,822)</u>	<u>2,746,324</u>	<u>2,281,146</u>
<u>EXPENSES</u>				
Program Services	2,564,000	0	2,564,000	1,425,842
Supporting Services:				
Management and General	218,746	0	218,746	229,943
Fundraising	<u>338,091</u>	<u>0</u>	<u>338,091</u>	<u>261,502</u>
Total Expenses	<u>3,120,837</u>	<u>0</u>	<u>3,120,837</u>	<u>1,917,287</u>
CHANGES IN NET ASSETS	(324,691)	(49,822)	(374,513)	363,859
Net Assets, Beginning of Year	<u>867,966</u>	<u>412,458</u>	<u>1,280,424</u>	<u>916,565</u>
NET ASSETS - AT END OF YEAR	<u>\$ 543,275</u>	<u>\$ 362,636</u>	<u>\$ 905,911</u>	<u>\$ 1,280,424</u>

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2019 Totals</u>	<u>2018 Totals</u>
	<u>Programs</u>		<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 768,719	\$	122,213	\$ 162,325	\$ 1,053,257	\$ 834,572
Payroll Taxes	64,736		9,000	11,828	85,564	66,282
Employee benefits	68,071		10,822	14,374	93,267	64,894
Audit/Accounting	0		35,722	0	35,722	37,234
Communications & Marketing	2,950		2,573	4,876	10,399	17,262
Depreciation Expense	6,143		1,868	1,828	9,839	9,466
Facilitator Support	0		0	0	0	699
Fundraising/Business Development	3,032		0	65,546	68,578	25,241
HR/Talent	2,592		177	419	3,188	2,394
Inkind Rent Expense	44,218		7,473	10,587	62,278	25,080
Insurance	10,027		1,594	2,117	13,738	14,096
Membership and Dues	180		768	0	948	150
Meeting and Conferences	1,311		1,110	1,795	4,216	2,128
Office Expenses	1,520		4,878	5,643	12,041	23,113
Other Contractors	18,828		5,487	40,383	64,698	50,493
Payroll Service Fees	0		1,704	0	1,704	2,682
Phone and Internet	3,365		3,365	3,365	10,095	8,034
Program Materials	12,153		0	50	12,203	18,382
Rent	20,550		3,473	4,920	28,943	15,946
Scholarship Awards	93,000		0	0	93,000	27,750
Staff Development	2,036		716	479	3,231	4,807
Supplies	3,658		3,043	3,247	9,948	5,494
Program Partner Contracts	1,361,038		0	0	1,361,038	605,103
Training	42,815		0	0	42,815	28,110
Travel	33,058		2,760	4,309	40,127	27,875
Total Functional Expenses	\$ 2,564,000	\$	218,746	\$ 338,091	\$ 3,120,837	\$ 1,917,287

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (374,513)	\$ 363,859
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	9,839	9,466
<i>Decrease/(increase) in assets:</i>		
Grants and Contributions Receivable	139,524	(225,521)
Other Assets	5,469	813
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	13,331	(8,749)
Accrued Expenses	78,306	(1,724)
Net Cash Provided / (Used) by Operating Activities	<u>(128,044)</u>	<u>138,144</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	<u>(5,975)</u>	<u>(4,215)</u>
Net Cash Provided / (Used) by Investing Activities	<u>(5,975)</u>	<u>(4,215)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(134,019)	133,929
CASH AND CASH EQUIVALENTS:		
Beginning of Year	<u>1,046,969</u>	<u>913,040</u>
END OF YEAR	<u>\$ 912,950</u>	<u>\$ 1,046,969</u>

See notes to financial statements

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

New Accounting Pronouncement

Effective December 15, 2018, TSI adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (“ASU 2016-14”). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as information regarding liquidity, financial performance and cash flows. ASU 2016-14 revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three. ASU 2016-14 also enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions and requires qualitative disclosures on liquidity and the availability of resources to fund operations.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. TSI’s net assets previously reported as temporarily and permanently restricted are now reported as net assets with donor restrictions. Likewise, TSI’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets - Continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. TSI reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2019.

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.

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.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 received are recorded as increases in net assets with donor restrictions or increases in net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Some categories of expense are attributable to more than one function and are allocated on a consistent basis. Depreciation for leasehold improvements and other assets, utilities and rent are allocated based on square footage and estimated function. Salaries, benefits and payroll tax allocation are based on a percentage associated with an employee function and imputed time.

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, 2019, advertising costs charged to expense totaled \$0.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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, 2018, from which the summarized information was derived.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Foundation Receivables	\$ 137,500	\$ 280,989
Santa Clara County Probation	18,136	20,512
City of San Jose BEST	5,359	7,449
City of Oakland	3,248	0
Other	<u>15,000</u>	<u>16,795</u>
Total	<u>\$ 179,243</u>	<u>\$ 325,745</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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Furniture and Equipment	\$ 49,164	\$ 43,190
Less: Accumulated Depreciation	<u>(40,726)</u>	<u>(30,887)</u>
Total	<u>\$ 8,438</u>	<u>\$ 12,302</u>

Depreciation Expense for the year ended June 30, 2019 and 2018 was \$9,839 and \$9,466 respectively.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent donations or grants awarded to the TSI for which expenditures have not been incurred or for which a donor stipulation has not been met. For the year ended June 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

Restricted for the following purposes:	<u>2019</u>	<u>2018</u>
FY 2019 Operations	\$ 0	\$ 408,458
FY 2019 Scholarships	0	4,000
FY 2020 Operations	322,636	0
FY 2021 Operations	40,000	0
Total	<u>\$ 362,636</u>	<u>\$ 412,458</u>

Note 6: CONCENTRATION OF SUPPORT

During the fiscal year ended June 30, 2019 and 2018, Teen Success, Inc. received support from the Morgan Family Foundation of 30% and 33%, 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, 2019 and 2018, Teen Success, Inc. recorded in-kind rent of \$62,279 and \$25,080 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, 2019 and 2018, employee contributions to the Plan totaled \$10,186 and \$8,100 respectively.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects TSI's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available for use within one year:

Cash and Cash Equivalents	\$ 912,950
Receivables	186,221
Total Financial Assets	<u>1,099,171</u>
Less those unavailable for general expenditures within one year due to:	
Receivables scheduled to be collected in more than one year	(38,636)
Receivables restricted by donors for specific uses to be collected and used within one year	(112,500)
Cash restricted by donors for specific uses	<u>(210,136)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 737,899</u>

TSI has \$737,899 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures including cash available for general expenditures of \$702,814. Receivables of \$147,585 are subject to implied time restrictions but are expected to be collected within one year.

TSI has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 3 months of normal operating expenses, which are, on average, approximately \$750,000. TSI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 10: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through September 16, 2019, the date the financial statements were available to be issued.