

TEEN SUCCESS, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019
IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

TEEN SUCCESS, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, 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

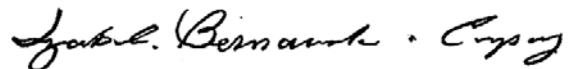
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen Success, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Teen Success, Inc.'s 2019 financial statements, and our report dated September 16, 2019, 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, 2019, 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) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not for Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script, appearing to read "Gabriel Bernmark".

San Francisco, California
October 7, 2020

TEEN SUCCESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2019

	2020	2019
Assets		
Current:		
Cash and Cash Equivalents	\$ 1,217,988	\$ 912,950
Grants and Contributions Receivable	184,213	147,585
Other Assets	46,909	14,095
Long Term Assets:		
Grants and Contributions Receivable	38,750	38,636
Property and Equipment, net	7,648	8,438
TOTAL ASSETS	\$ 1,495,508	\$ 1,121,704
 Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 32,208	\$ 13,701
Accrued Expenses	180,017	202,092
Payroll Protection Program (PPP) Loan, current	78,330	-
Subtotal Current Liabilities	290,555	215,793
Long Term Liabilities:		
Payroll Protection Program (PPP) Loan	97,770	-
Economic Injury Disaster (EID) Loan	150,000	-
Subtotal Long Term Liabilities	247,770	-
Total Liabilities	538,325	215,793
Net Assets:		
Without Donor Restrictions	497,933	543,275
With Donor Restrictions	459,250	362,636
Total Net Assets	957,183	905,911
TOTAL LIABILITIES AND NET ASSETS	\$ 1,495,508	\$ 1,121,704

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	<u>Totals</u>
<u>SUPPORT AND REVENUE</u>				
Public Support				
Contributions:				
Foundations	\$ 813,743	\$ 609,114	\$ 1,422,857	\$ 1,438,557
Government Grant	161,077	-	161,077	187,794
Individuals and Corporations	761,057	114,500	875,557	1,057,694
In-Kind	64,725	-	64,725	62,279
Total Support	<u>1,800,602</u>	<u>723,614</u>	<u>2,524,216</u>	<u>2,746,324</u>
Net Assets released from Satisfaction of restrictions	<u>627,000</u>	<u>(627,000)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,427,602</u>	<u>96,614</u>	<u>2,524,216</u>	<u>2,746,324</u>
<u>EXPENSES</u>				
Program Services	1,985,424	-	1,985,424	2,564,000
Supporting Services:				
Management and General	216,095	-	216,095	218,746
Fundraising	271,425	-	271,425	338,091
Total Expenses	<u>2,472,944</u>	<u>-</u>	<u>2,472,944</u>	<u>3,120,837</u>
CHANGES IN NET ASSETS	(45,342)	96,614	51,272	(374,513)
Net Assets, Beginning of Year	<u>543,275</u>	<u>362,636</u>	<u>905,911</u>	<u>1,280,424</u>
NET ASSETS - AT END OF YEAR	<u>\$ 497,933</u>	<u>\$ 459,250</u>	<u>\$ 957,183</u>	<u>\$ 905,911</u>

See notes to financial statements

TEEN SUCCESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2020 Totals</u>	<u>2019 Totals</u>
	<u>Programs</u>		<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 709,411	\$	115,540	\$ 171,680	\$ 996,631	\$ 1,053,257
Program Partner Contracts	961,608		-	-	961,608	1,361,038
Employee benefits	68,829		11,210	16,657	96,696	93,267
Payroll Taxes	59,208		8,802	12,642	80,652	85,564
Inkind Rent Expense	45,955		7,767	11,003	64,725	62,278
Audit/Accounting	-		42,578	-	42,578	35,722
Other Contractors	22,363		2,338	17,476	42,177	64,698
Program Development	27,114		4,774	4,774	36,662	42,815
Travel	23,178		1,865	5,427	30,470	40,127
Rent	12,687		2,144	3,038	17,869	28,943
Insurance	9,948		1,620	2,407	13,975	13,738
Program Materials	13,621		-	-	13,621	12,203
Scholarship Awards	13,000		-	-	13,000	93,000
Phone and Internet	3,960		3,960	3,960	11,880	10,095
Fundraising/Business Development	-		-	11,126	11,126	68,578
Communications & Marketing	2,151		3,807	3,975	9,933	10,399
Supplies	5,907		1,560	1,429	8,896	9,948
Office Expenses	964		2,641	3,565	7,170	12,041
Depreciation Expense	2,186		370	524	3,080	9,839
Payroll Service Fees	-		2,504	-	2,504	1,704
Staff Development	1,632		-	622	2,254	3,231
Meeting and Conferences	619		597	723	1,939	4,216
Membership and Dues	-		1,528	397	1,925	948
HR/Talent	1,083		490	-	1,573	3,188
Total Functional Expenses	\$ 1,985,424	\$	216,095	\$ 271,425	\$ 2,472,944	\$ 3,120,837

TEEN SUCCESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 51,272	\$ (374,513)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	3,080	9,839
<i>Decrease/(increase) in assets:</i>		
Grants and Contributions Receivable	(36,742)	139,524
Other Assets	(32,814)	5,469
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	18,507	13,331
Accrued Expenses	<u>(22,075)</u>	<u>78,306</u>
Net Cash (Used) by Operating Activities	<u>(18,772)</u>	<u>(128,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	<u>(2,290)</u>	<u>(5,975)</u>
Net Cash (Used) by Investing Activities	<u>(2,290)</u>	<u>(5,975)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on PPP Loan	176,100	-
Proceeds from borrowings on EID Loan	<u>150,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>326,100</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	305,038	(134,019)
CASH AND CASH EQUIVALENTS:		
Beginning of Year	<u>912,950</u>	<u>1,046,969</u>
END OF YEAR	<u>\$ 1,217,988</u>	<u>\$ 912,950</u>

See notes to financial statements

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

During fiscal year ended June 30, 2020, TSI adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact TSI's financial statements.

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, 2020

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, 2020.

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, 2020

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, 2020, advertising costs charged to expense totaled \$0.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019, from which the summarized information was derived.

Reclassification

A reclassification has been made to the 2019 financial statement presentation to correspond to the current year's format. In FY19, grants receivable of \$38,636 was reclassified from current to long term. Total net assets and net income are unchanged due to this reclassification.

Note 3: GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Foundation Receivables	\$ 203,750	\$ 137,500
Santa Clara County Probation	14,177	18,136
City of San Jose BEST	5,036	5,359
City of Oakland	0	3,248
Other	0	21,978
Total	\$ <u>222,963</u>	\$ <u>186,221</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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 47,687	\$ 49,164
Less: Accumulated Depreciation	<u>(40,039)</u>	<u>(40,726)</u>
Total	\$ <u>7,648</u>	\$ <u>8,438</u>

Depreciation Expense for the year ended June 30, 2020 and 2019 was \$3,080 and \$9,839 respectively. During the year ended June 30, 2020, fully depreciated assets of \$3,767 were disposed.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 and 2019, net assets with donor restrictions consisted of the following:

Restricted for the following purposes:	<u>2020</u>	<u>2019</u>
FY 2021 Operations	\$ 338,833	\$ 40,000
Post-Secondary Work	55,000	0
FY 2022 Operations	45,417	0
FY 2021 Scholarships	20,000	0
FY 2020 Operations	0	322,636
Total	<u>\$ 459,250</u>	<u>\$ 362,636</u>

Note 6: CONCENTRATION OF SUPPORT

During the fiscal year ended June 30, 2020 and 2019, Teen Success, Inc. received support from the Morgan Family Foundation of 24% and 30%, 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, 2020 and 2019, Teen Success, Inc. recorded in-kind rent of \$64,725 and \$62,279 respectively.

Note 8: LOAN PAYABLE – PPP LOAN

On April 21, 2020, TSI received a loan from CRF Small Business Loan Company, LLC in the aggregate amount of \$176,100, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated April 21, 2020 issued by the Borrower, matures on April 21, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 21, 2020. The note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. TSI intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan maybe forgiven if they are used for qualifying expenses as described in the CARES Act.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 9: LOAN PAYABLE – EID LOAN

On June 25, 2020, TSI received a loan from CRF Small Business Loan Company, LLC in the aggregate amount of \$150,000, pursuant the SBA Economic Injury Disaster Loan Program under Section 7 of the Small Business Act (as amended) which was expanded under the CARES Act.

The loan, which was in the form of a Note dated June 25, 2020 issued by the Borrower, matures on June 25, 2050 and bears interest at a rate of 2.75% per annum, payable in monthly installments of \$641, which includes principal and interest, commencing on July 25, 2021. The note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds may be used for payroll and other costs as well as to cover increased costs due to supply chain interruption, to pay obligations that cannot be met due to revenue loss and for other uses.

The future annual principal payments on the notes payable are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 78,330
2022	102,154
2023	3,610
2024	3,710
2025	3,814
Thereafter	<u>134,482</u>
Total	<u>\$ 326,100</u>

Note 10: 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, 2020 and 2019, employee contributions to the Plan totaled \$7,787 and \$10,186 respectively.

TEEN SUCCESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 11: 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 within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Donor restricted amounts that are available for use within one year:	
Cash and Cash Equivalents	\$ 1,217,988
Receivables	222,963
Total Financial Assets	<u>1,440,951</u>
Less those unavailable for general expenditures within one year:	
Receivables scheduled to be collected in more than one year	(38,750)
Receivables restricted by donors for specific uses to be collected and used within one year	(165,000)
Cash restricted by donors for specific uses	<u>(255,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 981,701</u>

TSI has \$981,701 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 \$1,217,988. Receivables of \$222,963 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. As noted in Note 8 and Note 9, during the fiscal year ended June 30, 2020, TSI obtained both a PPP Loan and EID Loan to aid in cash needs in response to the COVID-19 Pandemic.

Note 12: SUBSEQUENT EVENTS

TSI's management has evaluated its subsequent events through October 7, 2020, the date the financial statements were available to be issued and concluded that no additional adjustments to the financial statements or disclosures are required.