TEEN RECOVERY SOLUTIONS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

KNOL & MINNEY, PLLC
50 PENN PLACE, SUITE 310
OKLAHOMA CITY, OK 73118
(405) 840-3279

Teen Recovery Solutions, Inc.

Contents

KNOL & MINNEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Teen Recovery Solutions, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Teen Recovery Solutions, Inc. which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 risk of material misstatement of the financial statements, either due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. 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.

1900 NORTHWEST EXPRESSWAY, 50 PENN PLACE, SUITE 310 OKLAHOMA CITY, OKLAHOMA 73118-1804
TELEPHONE: 405/840-3279 FAX: 405/840-2665

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 Recovery Solutions, Inc. as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kmel & Minney, PLLC

September 10, 2013

Teen Recovery Solutions, Inc.
Statement of Financial Position
As of December 31, 2012

ASSETS

		2012
Current Assets:		
Cash in bank	$	280,258
Student Receivable		6,250
Total Current Assets		286,508
Property and Equipment:		
Leasehold improvements		12,973
Furniture and fixtures		8,970
Equipment		7,866
		29,809
Accumulated depreciation		(14,790)
Net Property and Equipment		15,019
Total Assets	$	301,527

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	5,339
Total Current Liabilities		5,339
Net Assets		
Unrestricted		179,471
Temporarily restricted		116,717
Total Net Assets		296,188
Total liabilities and net assets	$	301,527

The accompanying notes are an integral part of these financial statements.

Teen Recovery Solutions, Inc.
Statement of Activities
For the Year Ended December 31, 2012

		2012
Unrestricted Net Assets		
Revenues and Support		
Contributions and grants	$	80,500
Special fundraising event		175,270
Tuition - net of scholarships		18,527
Interest income		630
Released from restriction		54,924
Total Revenues and Support		329,851
Expenses		
Program services - Mission Academy		226,323
Program services - Other		6,028
Administrative		43,399
Fundraising		63,733
Total expenditures		339,483
Increase (decrease) in net assets		(9,632)
Unrestricted net assets		
Beginning of year		189,103
End of year	$	179,471
Temporarily Restricted Net Assets		
Contributions and grants received	$	110,000
Released from restriction		(54,924)
Increase in temporarily restricted net assets		55,076
Temporarily restricted net assets - beginning of yeai		61,641
Temporarily restricted net assets - end of year	$	116,717

The accompanying notes are an integral part of these financial statements.

Teen Recovery Solutions, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services					
	Mission Academy	Programs-Other	Total Program Services	Administrative	Fundraising	2012 Total (Memo Only)
Personnel Costs	135,590	3,413	139,003	17,051	13,527	169,581
Bank charges		-	-	(38)	70	32
Conferences and seminars	25	-	25	479	90	594
Curriculum	9,244	-	9,244	-	-	9,244
Depreciation	4,162	-	4,162	-	-	4,162
Drug tests	4,005	-	4,005	-	-	4,005
Dues and memberships	1,092	-	1,092	627	-	1,719
Insurance	1,082	-	1,082	2,516	-	3,598
Other expenses	488	-	488	279	-	767
Postage	44	-	44	339	1,019	1,402
Printing and reproduction	1,977	-	1,977	161	7,154	9,292
Professional fees	6,668	2,100	8,768	15,306	7,268	31,342
Rent	41,157	195	41,352	1,322	351	43,025
Repairs and maintenance	2,213	-	2,213	-	-	2,213
Scholarships	-	320	320	-	-	320
Special events	-	-	-	-	33,018	33,018
Student events and fieldtrips	6,100	-	6,100	-	-	6,100
Supplies	4,005	-	4,005	676	155	4,836
Telephone and internet	2,580	-	2,580	2,196	1,034	5,810
Travel	1,596	-	1,596	2,244	-	3,840
Utilities	4,113	-	4,113	-	-	4,113
Recognition / Appreciation	182		182	241	47	470
Total expenditures	226,323	6,028	232,351	43,399	63,733	339,483

The accompanying notes are an integral part of these financial statements.

Teen Recovery Solutions, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2012

		2012
Cash Flows from Operating Activities:		
Cash received from contributors, grantors, students, etc.	$	336,268
Cash paid to suppliers and employees		(288,696)
Interest received		630
Net cash provided by (used for) operating activities		48,202
Cash Flows from Investing Activities:		
Cash paid for purchase of property and equipment		(4,325)
Net cash provided by (used for) investing activities		(4,325)
Net increase (decrease) in cash and cash equivalents		43,877
Cash - beginning of year		236,381
Cash - end of year	$	280,258

Schedule Reconciling Increase (Decrease) in Net Assets to Net Cash Provided by (Used For) Operating Activities

Increase (decrease) in net assets	$	45,444
Adjustments to reconcile excess revenue to net cash provided by (used for) operating activities:		
Depreciation		4,162
(Gain) loss on disposal of assets		-
(Increase) decrease in student receivable		(3,230)
Increase (decrease) in accounts payable		1,826
Total adjustments		2,758
Net cash provided by (used for) operating activities	$	48,202

The accompanying notes are an integral part of these financial statements.

Teen Recovery Solutions, Inc.
Notes to Financial Statements
December 31, 2012

Note 1 – Nature of Organization

Teen Recovery Solutions, Inc. was formed in 2000 to support treatment and recovery for teens experiencing chemical dependency on alcohol and other drugs.

Effective September 21, 2012, the Organization changed its name to Teen Recovery Solutions, Inc. from Oklahoma Outreach Foundation.

In 2006 the Organization opened the Oklahoma Outreach Sober School as a continuum of care for teens who have attended treatment for addictions and who have a true desire to actively commit to a sober lifestyle. The school has a capacity of up to 10 students. In 2011 the school was renamed Mission Academy.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements have been prepared using the accrual method of accounting. This method records revenues and related assets when earned, and records expenses and related liabilities when the obligations are incurred.

Basis of Presentation:

Financial statement presentation follows the recommendations of generally accepted accounting principles for Financial Statements of Not-For-Profit Organizations. Under generally accepted accounting principles, the Foundation is required to report information regarding three classes of net assets as follows:

Unrestricted net assets – net assets not subject to donor stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported on the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of December 31, 2012.

Note 2 – Summary of Significant Accounting Policies (Continued)

Recognition of donor restrictions:

Revenue that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is received. All other donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents:

Cash and Cash Equivalents include checking accounts and all liquid investments with an original maturity of three months or less.

Property and Equipment:

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Furniture and equipment are depreciated over five to ten years. Purchased assets are stated at cost. Donated assets are stated at their estimated fair market value at the date received. The Organization capitalizes assets purchased and donated with an estimated life of greater than one year and cost or fair market value in excess of $1,000.

Estimates:

The preparation of a financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Income Taxes:

The Organization is a non-profit entity and is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Organization's exempt organization information returns for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Expense Allocation:

The costs associated with various functions and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the functions benefited.

Note 3 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31, 2012:

Scholarships-Tulsa and Dallas/Fort Worth area students	$ 6,000
Teen Recovery Day	717
Mission Academy Support/Inasmuch Foundation	30,000
E.L. Gaylord	50,000
Anshultz	30,000
Total	$ 116,717

Note 5 – Contributed Rent

The use of the building for the Mission Academy is contributed to the Organization. The estimated rental value is included on the financial statements as contributions income and rent expense. The amount recorded is based on rental value of similar space in the surrounding area. The amount recorded as rent expense for the Mission Academy during 2012 was $38,400.

Note 6 – Contributed Fixed Assets

During the year fixed assets with a fair market value of $4,325 was contributed to the Organization

Note 7 – Contingencies

On August 1, 2010 the Organization entered into a lease agreement for office space. The lease is a three year lease that expires on July 31, 2013. The future lease payments are $2,800 in 2013.

Note 8 – Subsequent Events

Subsequent events were evaluated through September 10, 2013, which is the date the financial statements were available to be issued. No events occurred which would affect the amounts on the financial statements.