

TEEN RECOVERY SOLUTIONS, INC.

FINANCIAL REPORT

DECEMBER 31, 2016 and 2015

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities and changes in net assets	4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 10

Luton & Co., PLLC

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INDEPENDENT AUDITOR'S REPORT

Executive Committee and Board of Directors
Teen Recovery Solutions, Inc.

We have audited the accompanying financial statements of Teen Recovery Solutions, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 audits 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 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 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. 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 Recovery Solutions, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Luton & Co., PLLC

Oklahoma City, Oklahoma
July 13, 2017

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 419,123	\$ 480,093
Accounts receivable	9,972	58,017
Prepaid expenses	14,122	8,665
Total current assets	<u>443,217</u>	<u>546,775</u>

PROPERTY AND EQUIPMENT

Building and improvements	339,965	332,973
Furniture	19,538	19,538
Vehicles	28,200	28,200
	<u>387,703</u>	<u>380,711</u>
Accumulated depreciation	<u>47,271</u>	<u>30,445</u>
	340,432	350,266

OTHER ASSETS

Endowment fund	<u>10,602</u>	<u>10,000</u>
	<u>\$ 794,251</u>	<u>\$ 907,041</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 9,531	\$ 3,687
Deferred revenue	785	-
Total current liabilities	<u>10,316</u>	<u>3,687</u>

NET ASSETS

Unrestricted	678,935	743,354
Temporarily restricted	105,000	160,000
	<u>783,935</u>	<u>903,354</u>
	<u>\$ 794,251</u>	<u>\$ 907,041</u>

The Notes to Financial Statements are an integral part of these statements.

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Contributions and grants	\$ 97,366	\$ 105,000	\$ 202,366	\$ 114,692	\$ 160,000	\$ 274,692
Tuition, net of scholarships	79,985	-	79,985	81,698	-	81,698
After school program, net of scholarships	59,941	-	59,941	89,600	-	89,600
Investment income	2,846	-	2,846	699	-	699
Special events and fundraising	231,691	-	231,691	291,180	-	291,180
Other	1,427	-	1,427	-	-	-
In-kind	2,434	-	2,434	358,595	-	358,595
Net assets released from restriction	160,000	(160,000)	-	107,480	(107,480)	-
Total revenue and support	635,690	(55,000)	580,690	1,043,944	52,520	1,096,464
Expenses						
Program services	455,777	-	455,777	380,828	-	380,828
Management and administration	133,458	-	133,458	82,269	-	82,269
Fundraising	110,874	-	110,874	126,102	-	126,102
Total expenses	700,109	-	700,109	589,199	-	589,199
Change in net assets	(64,419)	(55,000)	(119,419)	454,745	52,520	507,265
Net assets, beginning of year	743,354	160,000	903,354	288,609	107,480	396,089
Net assets, end of year	\$ 678,935	\$ 105,000	\$ 783,935	\$ 743,354	\$ 160,000	\$ 903,354

The Notes to Financial Statements are an integral part of these statements.

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

2016

	APG	Mission Academy	Total Program Services	Administration	Fundraising	Total
Personnel costs	\$ 134,053	\$ 184,038	\$ 318,091	\$ 94,529	\$ 70,002	\$ 482,622
Bank charges	-	-	-	-	1,024	1,024
Bad debt expense	-	1,685	1,685	-	-	1,685
Conferences and seminars	660	752	1,412	510	-	1,922
Curriculum	1,458	17,295	18,753	-	-	18,753
Depreciation	-	15,926	15,926	-	900	16,826
Drug tests	8,258	-	8,258	-	-	8,258
Dues and memberships	2,139	12,016	14,155	635	65	14,855
Food and meals	2,466	4,776	7,242	837	-	8,079
Insurance	3,897	6,015	9,912	6,682	647	17,241
Postage	-	53	53	364	847	1,264
Printing and reproduction	1,115	1,739	2,854	-	243	3,097
Professional fees	4,990	8,000	12,990	25,331	5,788	44,109
Rent	-	-	-	2,400	2,400	4,800
Property taxes	-	2,664	2,664	-	-	2,664
Repairs and maintenance	4	1,750	1,754	-	-	1,754
Special events	-	-	-	-	25,790	25,790
Student events and field trips	22,577	1,847	24,424	-	-	24,424
Supplies	569	4,787	5,356	1,126	52	6,534
Telephone and internet	251	2,274	2,525	936	616	4,077
Travel	655	290	945	-	-	945
Utilities	269	4,128	4,397	-	-	4,397
Recognition and appreciation	305	2,076	2,381	108	2,500	4,989
	<u>\$ 183,666</u>	<u>\$ 272,111</u>	<u>\$ 455,777</u>	<u>\$ 133,458</u>	<u>\$ 110,874</u>	<u>\$ 700,109</u>

The Notes to Financial Statements are an integral part of these statements.

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

	2015					Total
	APG	Mission Academy	Total Program Services	Administration	Fundraising	
Personnel costs	\$ 99,390	\$ 142,625	\$ 242,015	\$ 44,260	\$ 72,925	\$ 359,200
Bank charges	-	-	-	-	1,897	1,897
Computer expense	-	6,578	6,578	-	300	6,878
Conferences and seminars	-	317	317	808	-	1,125
Curriculum	1,138	5,655	6,793	-	-	6,793
Depreciation	1,880	4,395	6,275	-	450	6,725
Drug tests	8,653	-	8,653	-	-	8,653
Dues and memberships	272	4,325	4,597	775	-	5,372
Food and meals	4,236	7,191	11,427	267	-	11,694
Insurance	3,476	2,580	6,056	2,277	1,366	9,699
Postage	-	-	-	407	17	424
Printing and reproduction	1,160	1,686	2,846	223	-	3,069
Professional fees	-	5,692	5,692	27,906	2,138	35,736
Rent	7,000	21,000	28,000	2,400	2,400	32,800
Repairs and maintenance	-	3,518	3,518	-	-	3,518
Special events	1,047	-	1,047	-	41,508	42,555
Student events and field trips	19,820	668	20,488	-	-	20,488
Supplies	1,209	8,897	10,106	685	-	10,791
Telephone and internet	353	1,998	2,351	1,110	601	4,062
Travel	2,389	47	2,436	-	-	2,436
Utilities	1,332	4,237	5,569	-	-	5,569
Recognition and appreciation	421	5,643	6,064	1,151	2,500	9,715
	\$ 153,776	\$ 227,052	\$ 380,828	\$ 82,269	\$ 126,102	\$ 589,199

The Notes to Financial Statements are an integral part of these statements.

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (119,419)	\$ 507,265
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	16,826	6,725
Unrealized (gain) losses on funds held by community foundation	(602)	-
Donation of building	-	(320,000)
(Increase) decrease in receivables	48,045	(45,937)
(Increase) decrease in prepaid expenses	(5,457)	(4,758)
Increase (decrease) in accounts payable	5,844	(2,995)
Increase (decrease) in deferred revenue	785	-
Net cash provided (used) by operating activities	<u>(53,978)</u>	<u>140,300</u>
Cash flows from investing activities		
Purchase of fixed assets	(6,992)	(30,902)
Funds invested with community foundation	-	(10,000)
Net cash provided (used) by investing activities	<u>(6,992)</u>	<u>(40,902)</u>
Net increase (decrease) in cash	(60,970)	99,398
Cash and cash equivalents, beginning of year	<u>480,093</u>	<u>380,695</u>
Cash and cash equivalents, end of year	<u>\$ 419,123</u>	<u>\$ 480,093</u>
Supplemental disclosures:		
In-kind contributions	<u>\$ 2,434</u>	<u>\$ 358,595</u>

The Notes to Financial Statements are an integral part of these statements.

TEEN RECOVERY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1. Organization and Summary of Significant Accounting Policies

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 from Oklahoma Outreach Foundation to Teen Recovery Solutions, Inc.

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. In 2011, the school was renamed Mission Academy. Mission Academy was accredited in 2012 by the Oklahoma State Department of Education. The Organization also has an after school program (APG) that started in 2012. APG offers a comprehensive recovery support community to teens and families. This includes individual and group counseling, recovery groups, prosocial weekend activities and recovery retreats.

Basis of presentation

The Organization reports 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. The Organization had no permanently restricted net assets as of December 31, 2016 or 2015.

Revenue recognition

Revenues, gains, and other support are reported as increases in unrestricted net assets. Amounts received that are restricted by the donor for specific purposes or periods of time are reported as temporarily restricted support that increases the temporarily restricted net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets only. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

Property and equipment

Fixed assets are recorded at cost, or fair value if donated, and depreciated using the straight-line method over an estimated useful life of five to thirty-nine years.

Maintenance and repairs which do not improve or extend the useful lives of the assets are expensed as incurred. It is the Organization's policy to capitalize additions and betterments costing more than \$1,000. Upon retirement or replacement, the costs and accumulated depreciation are removed from the respective accounts and the differences are included in changes in net assets.

TEEN RECOVERY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1. Organization and Summary of Significant Accounting Policies, continued

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Allowance for uncollectible accounts

Management charges income with doubtful accounts when they are considered uncollectible. As the amount is not material, no provision for doubtful accounts has been made in these statements.

Use of estimates

The preparation of financial statements 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 statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and activities benefited. The program expense consists of the After School Program and Mission Academy.

Income tax status

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax provision has been included in the financial statements.

In-kind donations

In-kind donations of goods and services are recorded in the financial statements at the estimated value of such goods and services.

Note 2. Temporarily Restricted Net Assets

Temporarily restricted net assets was comprised of the following:

	2016	2015
Tuition Scholarships	\$ -	\$ 40,000
After School Program	37,500	-
Mission Academy	37,500	30,000
Restricted for next year	<u>30,000</u>	<u>90,000</u>
	<u>\$105,000</u>	<u>\$160,000</u>

TEEN RECOVERY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 3. Rental Expense

On October 30, 2015, the building used for the programs was donated to the Organization. The building's value was estimated at \$320,000 and was recorded as an in-kind contribution. The estimated rental value through that date was \$28,000 and was included in the financial statements as in-kind revenue and rent expense.

The Organization also leases office space on a month to month basis. Rent expense for this lease was \$4,800 for each year.

Note 4. Concentration of Credit Risk

The Organization's cash balances in its financial institution at times may exceed federally insured limits. At December 31, 2016, the Organization had approximately \$144,062 in a financial institution that exceeded federally insured limits.

Note 5. Funds Held By Community Foundation

Teen Recovery Solutions, Inc. invested \$10,000 during 2015 with the Communities Foundation of Oklahoma (CFO). The Foundation maintains variance power over the funds. The distribution policy is to distribute a set percentage of the funds average fair market value over the previous set number of quarters. The percentage has historically been 5% of the average fair market value over the previous eight quarters or life of the fund. The remaining investment return is left with the fund to add to the value, which protects the future revenue stream from inflation. Assets transferred by Teen Recovery Solutions, Inc., reciprocal transfers, are recognized in the statements of financial position.

Market value at January 1, 2015	\$ -
Reciprocal transfer	10,000
Net investment income	<u>-</u>
Market value at December 31, 2015	10,000
Net investment income	<u>602</u>
Market value at December 31, 2016	<u>\$10,602</u>

Note 6. Subsequent Events

Management has evaluated subsequent events, if any, through the report date of July 13, 2017, which is the date the report was available to be issued and has determined there are none requiring disclosure.