

TEEN RECOVERY SOLUTIONS, INC.

FINANCIAL REPORT

December 31, 2017 and 2016

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# *Luton & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS

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Bruce L. Van Huisen  
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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, 2017 and 2016, 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, 2017 and 2016, 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.

*Lutor & Co., PLLC*

Oklahoma City, Oklahoma  
May 31, 2018

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 410,186	\$ 419,123
Accounts receivable	2,580	9,972
Prepaid expenses	13,645	14,122
Total current assets	<u>426,411</u>	<u>443,217</u>

PROPERTY AND EQUIPMENT

Building and improvements	339,965	339,965
Furniture and equipment	19,538	19,538
Vehicles	28,200	28,200
	<u>387,703</u>	<u>387,703</u>
Accumulated depreciation	64,242	47,271
	<u>323,461</u>	<u>340,432</u>

OTHER ASSETS

Endowment fund	11,447	10,602
Security deposit	200	-
	<u>11,647</u>	<u>10,602</u>

	<u>\$ 761,519</u>	<u>\$ 794,251</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 2,365	\$ 9,531
Deferred revenue	-	785
Total current liabilities	<u>2,365</u>	<u>10,316</u>

NET ASSETS

Unrestricted	681,714	678,935
Temporarily restricted	77,440	105,000
	<u>759,154</u>	<u>783,935</u>

	<u>\$ 761,519</u>	<u>\$ 794,251</u>
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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, 2017 and 2016

	2017		2016		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Revenue and support					
Contributions and grants	\$ 119,261	\$ 150,000	\$ 269,261	\$ 97,366	\$ 202,366
Tuition, net of scholarships	51,307	-	51,307	79,985	79,985
After school program, net of scholarships	49,215	-	49,215	59,941	59,941
Opportunity scholarship fund	48,300	-	48,300	-	-
Investment income	2,850	-	2,850	2,846	2,846
Special events and fundraising	232,477	-	232,477	231,691	231,691
Other	3,300	-	3,300	1,427	1,427
In-kind	2,345	-	2,345	2,434	2,434
Net assets released from restriction	177,560	(177,560)	-	160,000	(160,000)
Total revenue and support	686,615	(27,560)	659,055	635,690	580,690
Expenses					
Program services	397,401	-	397,401	455,777	455,777
Management and administration	174,309	-	174,309	133,458	133,458
Fundraising	112,126	-	112,126	110,874	110,874
Total expenses	683,836	-	683,836	700,109	700,109
Change in net assets	2,779	(27,560)	(24,781)	(64,419)	(119,419)
Net assets, beginning of year	678,935	105,000	783,935	743,354	903,354
Net assets, end of year	\$ 681,714	\$ 77,440	\$ 759,154	\$ 678,935	\$ 783,935

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

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2017 and 2016

2017

	APG	Mission Academy	Total Program Services	Administration	Fundraising	Total
Personnel costs	\$ 156,497	\$ 149,115	\$ 305,612	\$ 131,115	\$ 66,688	\$ 503,415
Bank charges	33	325	358	96	2,081	2,535
Bad debt expense	-	3,240	3,240	-	-	3,240
Computer expense	-	1,015	1,015	-	3,000	4,015
Conferences and seminars	-	-	-	-	165	165
Curriculum	566	7,642	8,208	-	-	8,208
Depreciation	-	16,070	16,070	-	901	16,971
Drug tests	3,792	-	3,792	-	-	3,792
Dues and memberships	485	5,694	6,179	635	-	6,814
Food and meals	1,620	4,073	5,693	128	309	6,130
Insurance	3,155	7,186	10,341	11,369	964	22,674
Postage	-	34	34	233	248	515
Printing and reproduction	103	2,353	2,456	-	-	2,456
Professional fees	630	1,045	1,675	26,775	-	28,450
Rent	-	-	-	2,400	2,400	4,800
Special events	150	-	150	-	31,957	32,107
Student events and field trips	13,288	346	13,634	-	-	13,634
Supplies	389	2,502	2,891	650	-	3,541
Telephone and internet	-	4,655	4,655	819	913	6,387
Travel	431	945	1,376	-	-	1,376
Utilities and mowing	-	5,534	5,534	-	-	5,534
Recognition and appreciation	199	4,289	4,488	89	2,500	7,077
	\$ 181,338	\$ 216,063	\$ 397,401	\$ 174,309	\$ 112,126	\$ 683,836

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

TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2017 and 2016

2016

	APG	Mission		Total Program Services	Administration	Fundraising	Total
		Academy	Services				
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	
	\$ 183,666	\$ 272,111	\$ 455,777	\$ 133,458	\$ 110,874	\$ 700,109	

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



TEEN RECOVERY SOLUTIONS, INC.

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (24,781)	\$ (119,419)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	16,971	16,826
Unrealized (gain) losses on funds held by community foundation	(845)	(602)
(Increase) decrease in receivables	7,392	48,045
(Increase) decrease in prepaid expenses	477	(5,457)
(Increase) decrease in security deposit	(200)	-
Increase (decrease) in accounts payable	(7,166)	5,844
Increase (decrease) in deferred revenue	(785)	785
Net cash provided (used) by operating activities	<u>(8,937)</u>	<u>(53,978)</u>
Cash flows from investing activities		
Purchase of fixed assets	-	(6,992)
Net cash provided (used) by investing activities	<u>-</u>	<u>(6,992)</u>
Net increase (decrease) in cash	(8,937)	(60,970)
Cash and cash equivalents, beginning of year	<u>419,123</u>	<u>480,093</u>
Cash and cash equivalents, end of year	<u>\$ 410,186</u>	<u>\$ 419,123</u>
Supplemental disclosures:		
In-kind contributions	<u>\$ 2,346</u>	<u>\$ 2,434</u>

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

TEEN RECOVERY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017 or 2016.

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, 2017 and 2016

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:

	2017	2016
After School Program	\$ -	\$ 37,500
Mission Academy	2,440	37,500
Restricted for next year	<u>75,000</u>	<u>30,000</u>
	<u>\$77,440</u>	<u>\$105,000</u>

TEEN RECOVERY SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017, the Organization had approximately \$144,643 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, 2016	\$10,000
Net investment income	<u>602</u>
Market value at December 31, 2016	10,602
Net investment income	<u>845</u>
Market value at December 31, 2017	<u>\$11,447</u>

Note 6. Subsequent Events

Management has evaluated subsequent events, if any, through the report date of May 31, 2018, which is the date the report was available to be issued and has determined there are none requiring disclosure.