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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Teen Lifeline, Inc.

We have audited the accompanying statement of financial position of Teen Lifeline, Inc. (a non-profit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen Lifeline, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PATRICK M. GOMEZ, CPA, P.C.
Certified Public Accountant

March 12, 2010

TEEN LIFELINE, INC.

Phoenix, Arizona

FINANCIAL STATEMENTS

Year Ended December 31, 2009

TEEN LIFELINE, INC.

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TEEN LIFELINE, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	190,298
Grants receivable		5,750
Pledges receivable		<u>17,171</u>

TOTAL CURRENT ASSETS 213,219

PROPERTY AND EQUIPMENT

Office furniture and equipment		35,000
Accumulated depreciation		<u>(35,000)</u>

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TOTAL ASSETS 213,219

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued payroll		<u>7,840</u>
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TOTAL CURRENT LIABILITIES 7,840

NET ASSETS

Unrestricted		205,379
Temporarily Restricted		<u>-</u>
		<u>205,379</u>

TOTAL LIABILITIES AND NET ASSETS \$ 213,219

TEEN LIFELINE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants	60,750		60,750
Gifts and contributions	224,080		224,080
Fundraising	88,361		88,361
Other income	1,456		1,456
	374,647		374,647
TOTAL REVENUES AND OTHER SUPPORT			
 EXPENSES			
Program Services			
Hotline-local calls	105,358		105,358
Hotline-800 calls	59,162		59,162
Life skills development	79,570		79,570
Community education	45,139		45,139
Assist	32,907		32,907
	322,136		322,136
Total Program Services			
Supporting Services			
Management and general	25,664		25,664
Fundraising	33,620		33,620
	59,284		59,284
Total Supporting Services			
	381,420		381,420
TOTAL EXPENSES			
	(6,773)		(6,773)
CHANGE IN NET ASSETS			
NET ASSETS - BEGINNING OF YEAR	212,152		212,152
NET ASSETS - END OF YEAR	\$ 205,379	\$	\$ 205,379

TEEN LIFELINE, INC.
STATEMENT OF CASH FLOWS
December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (6,773)
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities	
Depreciation	2,500
Decrease (Increase) in	
Pledges and grants receivables	13,570
Increase (Decrease) in	
Accrued payroll	<u>1,288</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Cash Used By Investing Activities	-
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Cash Provided By Financing Activities	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,585
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>179,713</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 190,298</u>

TEEN LIFELINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Program Services					Supporting Services			Total Functional Expenses
	Life Skills		Community		Total	Management & General		Total	
	<u>Hotline</u>	<u>Development</u>	<u>Education</u>	<u>ASSIST</u>		<u>& General</u>	<u>Fundraising</u>		
Salaries and wages	\$ 85,029	\$ 52,818	\$ 27,383	\$ 20,837	\$ 186,067	\$ 16,941	\$ 17,623	\$ 34,564	\$ 220,631
Payroll taxes and employee related expenses	<u>14,713</u>	<u>8,946</u>	<u>5,039</u>	<u>3,217</u>	<u>31,915</u>	<u>2,941</u>	<u>3,376</u>	<u>6,317</u>	<u>38,232</u>
Total payroll and related	<u>99,742</u>	<u>61,764</u>	<u>32,422</u>	<u>24,054</u>	<u>217,982</u>	<u>19,882</u>	<u>20,999</u>	<u>40,881</u>	<u>258,863</u>
Accounting and legal	2,135	1,285	1,016	663	5,099	-	-	-	5,099
Bank charges	1	-	-	-	1	1,520	564	2,084	2,085
Equipment rental & repairs	4,231	187	187	459	5,064	-	-	-	5,064
Insurances	2,870	1,335	1,335	1,335	6,875	-	44	44	6,919
Outside services	2,221	341	2,487	-	5,049	-	9,383	9,383	14,432
Postage and delivery	655	1,405	-	-	2,060	-	783	783	2,843
Printing	278	-	1,085	-	1,363	-	-	-	1,363
Rent and occupancy	21,737	10,054	2,854	4,556	39,201	-	-	-	39,201
Staff training/seminars	3,503	698	2,861	1,494	8,556	-	484	484	9,040
Office and supplies	3,310	2,501	268	341	6,420	563	1,235	1,798	8,218
Subscriptions and dues	9,588	-	54	5	9,647	45	128	173	9,820
Telephone	10,733	-	-	-	10,733	-	-	-	10,733
Travel and meals	3,516	-	570	-	4,086	-	-	-	4,086
Board of directors	-	-	-	-	-	1,154	-	1,154	1,154
Depreciation	-	-	-	-	-	2,500	-	2,500	2,500
Total other expenses	<u>64,778</u>	<u>17,806</u>	<u>12,717</u>	<u>8,853</u>	<u>104,154</u>	<u>5,782</u>	<u>12,621</u>	<u>18,403</u>	<u>122,557</u>
Total functional expenses	<u>\$ 164,520</u>	<u>\$ 79,570</u>	<u>\$ 45,139</u>	<u>\$ 32,907</u>	<u>\$ 322,136</u>	<u>\$ 25,664</u>	<u>\$ 33,620</u>	<u>\$ 59,284</u>	<u>\$ 381,420</u>

TEEN LIFELINE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 - Summary of Organization and Significant Accounting Policies

Nature of Organization

Teen Lifeline, Inc. ("Teen Lifeline") was established in 1986 to impact the devastating problem of suicide in Arizona so that any teen, at any time, will have knowledge of and access to Teen Lifeline, its counselors and services. The Organization started its operations as part of another nonprofit organization until 1999. On June 23, 1999 the Organization incorporated, obtained its own nonprofit status and became its own nonprofit organization. Teen Lifeline is a safe, confidential, and crucial crisis service where teens help teens make healthy decisions together.

Tax Exempt Status

Teen Lifeline qualifies as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not subject to federal income taxes under Section 501(a) of the Code. The Organization is classified as a publicly supported charitable organization under Section 509(a)(1) of the Code and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Effective January 1, 2009, the Organization adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes: An Interpretation of FASB Statement 109 ("FIN 48"). FIN48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of FIN48 had no impact on the Organization's financial statements.

Financial Statement Presentation

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. Designated endowment amounts represent those assets, which the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or the passage of time

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investment for unrestricted or temporarily restricted purposes.

The accompanying notes are an integral part of these statements

TEEN LIFELINE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 - Summary of Organization and Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in unrestricted net assets.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a remaining maturity of three months or less at date of acquisition to be cash

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management's analysis of time and expense. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Office Furniture and Equipment

Furniture and office equipment are recorded at cost. The cost of maintenance and repairs is expensed as incurred; significant acquisitions and improvements are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Furniture	10 years
Equipment	5 years

The cost of assets retired, together with the related accumulated depreciation, are eliminated from the amounts in the year of disposition. Gains and losses from sales are included in income. Depreciation expense was \$2,500 for the year ended December 31, 2009.

The accompanying notes are an integral part of these statements

TEEN LIFELINE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 - Summary of Organization and Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

The Organization receives a substantial amount of services donated by volunteers. The volunteers donated 10,144 hours of program services to the Organization. The fair market value of these services was estimated by management to be an average of \$20 per hour. No amounts have been reflected in the financial statements for these services for the year ended December 31, 2009.

Non-Cash Contributions

Teen Lifeline, Inc. reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 16th, 2010, the date the financial statements were available to be issued.

NOTE 2 - Concentrations of Credit Risk

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash and accounts receivable. The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits. The Organization's uninsured bank balance at December 31, 2009 was approximately \$103,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances. Concentrations of credit risk with respect to accounts receivable are limited due to the financial strength of its donors. As of December 31, 2009, the Organization had no concentrations with respect to its total support and revenues.

NOTE 3 - Operating leases

The organization leases its premises on a three-year non-cancelable operating lease (with an extension of three additional years) from an unrelated party for \$2,750 per month. On each anniversary year the base rent shall be increased by \$1,200 annually until the lease expires at the end of November 2013. The total rent expense paid was \$33,000 at December 31, 2009.

The accompanying notes are an integral part of these statements

TEEN LIFELINE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 3 - Operating leases (continued)

Minimum future rental payments under this commitment are as follows:

<u>Year Ended December 31,</u>	
2010	\$ 34,200
2011	35,400
2012	36,600
2013	34,650
Total	<u>\$ 140,085</u>

NOTE 4 - Retirement Plan

The Organization implemented a Simple Individual Retirement Plan in 2000. All employees who are expected to receive at least \$5,000 per year of compensation are covered by the plan. The Organization will match equally the employee's contribution up to 3% of eligible employees' compensation. Employee's become fully vested in the plan at inception of participation. The Organization contributed \$ 4,380 to the plan at December 31, 2009.

NOTE 5 - Supplemental Disclosures of Cash Flows Information

The Organization paid \$0 interest expenses at December 31, 2009.

NOTE 6 - Commitments and Contingent Liabilities

The Organization received funding from various agencies in the form of grants and public support. A significant reduction in funding from these agencies may have an effect on the Organization's programs. These agencies require compliance with certain stipulations as a condition of funding. Non-compliance with these stipulations could claim for refund by the agency. Management considers liability for unrecorded claims, if any, to be immaterial.