

TEEN LIFELINE, INC.

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2001 and 2000

TEEN LIFELINE, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statement of Functional Expenses (With Comparative Totals for 2000)	5
Notes to Financial Statements	6 - 8

INDEPENDENT AUDITORS' REPORT

Board of Directors
Teen Lifeline, Inc.

We have audited the accompanying statements of financial position of Teen Lifeline, Inc. (a non-profit organization) as of December 31, 2001 and 2000, and the related statements of activities, functional expenses, and cash flows for the years 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, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 28, 2002

TEEN LIFELINE, INC.
 Statements of Financial Position
 December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 200,381	\$ 83,741
Accounts receivable	<u>30,146</u>	<u>11,319</u>
TOTAL CURRENT ASSETS	<u>230,527</u>	<u>95,060</u>
FURNITURE AND EQUIPMENT		
Office furniture and equipment	35,000	35,000
Accumulated depreciation	<u>(9,000)</u>	<u>(4,500)</u>
	<u>26,000</u>	<u>30,500</u>
TOTAL ASSETS	<u>256,527</u>	<u>125,560</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITES		
Accounts payable	1,886	3,041
Accrued payroll	7,915	5,251
Accrued vacation	<u>6,135</u>	<u>5,442</u>
TOTAL CURRENT LIABILITIES	<u>15,936</u>	<u>13,734</u>
NET ASSETS		
Unrestricted	227,591	111,826
Temporarily restricted	<u>13,000</u>	<u>-</u>
	<u>240,591</u>	<u>111,826</u>
TOTAL LIABILITES AND NET ASSETS	<u>\$ 256,527</u>	<u>\$ 125,560</u>

The accompanying notes are an integral part of this statement.

TEEN LIFELINE, INC.
Statements of Activities
Years Ended December 31, 2001 and 2000

CHANGES IN UNRESTRICTED NET ASSETS

	<u>2001</u>	<u>2000*</u>
SUPPORT AND REVENUES		
Grants	\$ 271,408	\$ 210,257
Gifts and contributions	88,814	72,667
Interest income	1,629	265
Miscellaneous	-	1,121
Net Assets Released from Restrictions	<u>26,000</u>	<u>3,000</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUES	<u>387,851</u>	<u>287,310</u>
EXPENSES		
Program Services		
Hotline-Local	65,032	37,560
Hotline-800	43,492	30,480
Life skills development	61,726	41,508
Community Education	25,418	10,679
HIV peer education	36,911	27,382
Peer mediation	<u>2,156</u>	<u>300</u>
	<u>234,735</u>	<u>147,909</u>
Supporting Services		
General and administrative	33,317	38,675
Fundraising	<u>4,034</u>	<u>-</u>
	<u>37,351</u>	<u>38,675</u>
TOTAL UNRESTRICTED EXPENSES	<u>272,086</u>	<u>186,584</u>
INCREASE IN UNRESTRICTED NET ASSETS	115,765	100,726
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>111,826</u>	<u>11,100</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u><u>\$ 227,591</u></u>	<u><u>\$ 111,826</u></u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	\$ 39,000	\$ 3,000
Net Assets Released from Restrictions	<u>(26,000)</u>	<u>(3,000)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	13,000	-
TEMPORARILY RESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>-</u>	<u>-</u>
TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR	<u><u>\$ 13,000</u></u>	<u><u>\$ -</u></u>

*Restated to conform to 2001 presentation
The accompanying notes are an integral part of this statement.

TEEN LIFELINE, INC.
 Statements of Cash Flows
 Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 128,765	\$ 100,726
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,500	4,500
Donated assets	-	(35,000)
(Increase) decrease in:		
Accounts receivable	(18,827)	(11,319)
Increase (decrease) in:		
Accounts payable	(1,155)	3,041
Accrued payroll	2,664	5,251
Accrued vacation	693	5,442
	116,640	72,641
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>116,640</u>	<u>72,641</u>
NET INCREASE IN CASH	116,640	72,641
CASH AT BEGINNING OF YEAR	<u>83,741</u>	<u>11,100</u>
CASH AT END OF YEAR	<u>\$ 200,381</u>	<u>\$ 83,741</u>

The accompanying notes are an integral part of this statement.

TEEN LIFELINE, INC.
Statement of Functional Expenses
Year Ended December 31, 2001
(With Comparative Totals for 2000)

	Year Ended December 31, 2001						Year Ended	
	Program Services			Supporting Services			December 31,	
	Hotline	Development & Education	Total	General and Administrative	Fund Raising	Total	2000	
						Functional Expenses	Functional Expenses	
Salaries	\$ 73,590	\$ 82,222	\$ 155,812	\$ 18,423	\$ -	\$ 18,423	\$ 174,235	\$ 126,942
Payroll taxes and employee related expenses	7,321	7,421	14,742	2,845	69	2,914	17,656	15,858
Total	80,911	89,643	170,554	21,268	69	21,337	191,891	142,800
Advertising	484	-	484	-	50	50	534	-
Bank charges	25	-	25	205	168	373	398	175
Equipment rental	275	2,944	3,219	-	-	-	3,219	700
Food programs	20	289	309	200	-	200	509	138
Insurance	1,524	1,773	3,297	562	57	619	3,916	3,049
Interest	-	-	-	-	20	20	20	-
Legal and accounting	1,071	1,245	2,316	404	40	444	2,760	-
Miscellaneous	170	167	337	1,840	1,797	3,637	3,974	933
Outside services	1,172	1,832	3,004	2,296	-	2,296	5,300	3,502
Postage and delivery	30	1,104	1,134	750	65	815	1,949	1,383
Printing	123	2,844	2,967	-	356	356	3,323	1,737
Rent	6,733	3,316	10,049	-	-	-	10,049	8,400
Repairs	-	-	-	-	-	-	-	-
Staff training/seminars	2,429	10,231	12,660	-	-	-	12,660	5,756
Supplies	1,793	5,695	7,488	369	202	571	8,059	3,311
Subscriptions and dues	1,168	596	1,764	90	546	636	2,400	592
Telephone	10,003	595	10,598	833	-	833	11,431	9,135
Travel	593	3,937	4,530	-	664	664	5,194	473
Total	27,613	36,568	64,181	7,549	3,965	11,514	75,695	39,284
TOTAL EXPENSES BEFORE DEPRECIATION	108,524	126,211	234,735	28,817	4,034	32,851	267,586	182,084
Depreciation expense	-	-	-	4,500	-	4,500	4,500	4,500
TOTAL FUNCTIONAL EXPENSES	\$ 108,524	\$ 126,211	\$ 234,735	\$ 33,317	\$ 4,034	\$ 37,351	\$ 272,086	\$ 186,584

The accompanying notes are an integral part of this statement.

TEEN LIFELINE, INC.
Notes to Financial Statements
December 31, 2001 and 2000

NOTE 1 - Description of Operations and Summary of Significant Accounting Policies

Description of Operations

Teen Lifeline was established in 1986 to address the epidemic problem of adolescent suicide in Arizona. Teen Lifeline was operating as part of another nonprofit organization up until 1999. On June 23, 1999 Teen Lifeline, Inc. (Teen Lifeline) was incorporated and became an independent nonprofit organization. Teen Lifeline's mission is to impact the devastating problem of teen suicide through a free, confidential, peer supported hotline and life skills development that empowers Arizona's youth to reach their full potential.

Income Taxes

Teen Lifeline is a publicly supported organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

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 \$4,500 at December 31, 2001 and 2000, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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 equivalents.

TEEN LIFELINE, INC.
Notes to Financial Statements
December 31, 2001 and 2000

**NOTE 1 - Description of Operations and Summary of Significant Accounting Policies
(continued)**

2000 Column Totals

The columns for 2000 as presented on the statement of functional expenses are summarized totals presented only to facilitate financial analysis. Data in these columns do not present the 2000 statements of functional expenses in conformity with generally accepted accounting principles since these principles require the presentation of such data by functional activity.

Temporarily Restricted Amounts

Teen Lifeline, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

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, 2001 was approximately \$112,000. 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, 2001 and 2000, the Organization had three donors and one donor that contributed over 10% of its total support and revenues, respectively.

NOTE 3 – Operating leases

The organization leases its premises on a month-to-month operating lease from an unrelated party for \$700 per month, which includes utilities paid by lessor. The total rent expense paid was \$10,049 and \$8,400 at December 31, 2001 and 2000, respectively.

TEEN LIFELINE, INC.
Notes to Financial Statements
December 31, 2001 and 2000

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. Employees become fully vested in the plan at inception of participation. The Organization contributed \$3,141 and \$2,552 to the plan at December 31, 2001 and 2000, respectively.

NOTE 5 – Supplemental Disclosures of Cash Flows Information

The Organization paid \$21 and \$0 interest expenses at December 31, 2001 and 2000, respectively.