

**TEEN CHALLENGE OF NEVADA , INC.**  
**(A Nonprofit Corporation)**

FINANCIAL STATEMENTS  
Together with  
**INDEPENDENT AUDITORS' REPORT**  
FOR THE YEAR ENDED DECEMBER 31, 2022

**Tang & Lee, LLP**

*Certified Public Accountants*

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**TEEN CHALLENGE OF NEVADA, INC.**  
**(A Nonprofit Corporation)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Teen Challenge of Nevada, Inc.  
Sparks, Nevada

### ***Opinion***

We have audited the accompanying financial statements of **Teen Challenge of Nevada, Inc.** (TCNV) (the Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in its net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TCNV. as of December 31, 2022, and the statement of activities and changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TCNV and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TCNV's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibility***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TCNV's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TCNV's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Report on Summarized Comparative Information***

We have previously audited TCNV's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Tang & Lee, LLP*

Burlingame, California  
November 10, 2023

**TEEN CHALLENGE OF NEVADA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**  
**(With Comparative Totals for December 31, 2021)**

	<b>Without donor restrictions</b>	<b>Total 2022</b>	<b>Summarized 2021</b>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 289,642	\$ 289,642	\$ 549,190
Prepaid expenses and deposits	16,622	16,622	17,214
Total current assets	306,264	306,264	566,404
PROPERTY AND EQUIPMENT:			
Buildings and improvements	2,455,032	2,455,032	2,142,006
Furniture and equipment	100,712	100,712	96,704
Vehicles	121,882	121,882	121,882
	2,677,626	2,677,626	2,360,592
Less accumulated depreciation	(749,489)	(749,489)	(683,540)
	1,928,137	1,928,137	1,677,052
Construction in progress	-	-	13,841
Total property and equipment	1,928,137	1,928,137	1,690,893
RIGHT-OF-USE ASSETS:			
Right-of-use asset-copiers	8,391	8,391	-
Total other assets	8,391	8,391	-
Total assets	\$ 2,242,792	\$ 2,242,792	\$ 2,257,297

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

**TEEN CHALLENGE OF NEVADA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**  
**(Continued)**  
**(With Comparative Totals for December 31, 2021)**

	<b>Without donor restrictions</b>	<b>Total 2022</b>	<b>Summarized 2021</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 26,954	\$ 26,954	\$ 29,880
Accounts payable-related parties	411,654	411,654	420,903
Accrued expenses	23,872	23,872	25,727
Deposit held	58,560	58,560	68,564
Lease liability - current portion	1,764	1,764	-
Current portion of notes payable	48,374	48,374	33,235
	571,178	571,178	578,309
<b>Long-term liabilities:</b>			
Lease liability	6,627	6,627	-
Notes payable-related parties	698,746	698,746	580,420
Notes payable, net of current portion	325,663	325,663	299,193
	1,031,036	1,024,409	879,613
	1,602,214	1,602,214	1,457,922
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>NET ASSETS:</b>			
Without donor restrictions	640,578	640,578	799,375
	640,578	640,578	799,375
	\$ 2,242,792	\$ 2,242,792	\$ 2,257,297

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

**TEEN CHALLENGE OF NEVADA, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN ITS NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Comparative Totals for December 31, 2021)**

	Without donor restrictions	Total 2022	Summarized 2021
<b>SUPPORT AND REVENUE:</b>			
General contributions	\$ 343,351	\$ 343,351	\$ 556,974
Non-cash donations	15,246	15,246	54,551
Special events contributions	44,071	44,071	205,912
Special events direct benefits cost	(11,825)	(11,825)	(15,364)
Total support	<u>390,843</u>	<u>390,843</u>	<u>802,073</u>
Interest income and miscellaneous income	30,293	30,293	22,493
Program fees	687,340	687,340	713,856
Sale of assets and donated items	10,992	10,992	15,995
Total revenue	<u>728,625</u>	<u>728,625</u>	<u>752,344</u>
Total support and revenue	<u>1,119,468</u>	<u>1,119,468</u>	<u>1,554,417</u>
<b>EXPENSES:</b>			
Program services	1,017,972	1,017,972	1,056,412
Supporting services -			
General and administrative	156,589	156,589	163,620
Fundraising	102,204	102,204	97,111
Total supporting services	<u>258,793</u>	<u>258,793</u>	<u>260,731</u>
Total expenses	<u>1,276,765</u>	<u>1,276,765</u>	<u>1,317,143</u>
<b>Changes in net assets- increase/(decrease)</b>	(157,297)	(157,297)	237,274
<b>NET ASSETS, beginning of year</b>	799,375	799,375	565,128
<b>Prior period adjustments</b>	<u>(1,500)</u>	<u>(1,500)</u>	<u>(3,027)</u>
<b>Restated net assets, beginning of year</b>	797,875	797,875	562,101
<b>NET ASSETS, end of year</b>	<u>\$ 640,578</u>	<u>\$ 640,578</u>	<u>\$ 799,375</u>

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



**TEEN CHALLENGE OF NEVADA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Comparative Totals for December 31, 2021)**

	<b>Total 2022</b>	<b>Summarized 2021</b>
Cash flows from operating activities:		
Increase (Decrease) in net assets	\$ (157,297)	\$ 237,274
<b>Adjustments to reconcile change in net assets to net cash from operating activities:</b>		
Depreciation and amortization	65,949	70,178
<b>Changes (increase)/decrease in assets and liabilities:</b>		
Prepaid expenses and deposits	592	4,961
Other current assets	-	800
Right-of-use asset-copiers	(8,391)	-
Accounts payables and accrued expenses	(14,030)	(18,866)
Deposits held	(10,004)	(41,591)
Lease liability	8,391	-
Prior period adjustments	(1,500)	(3,027)
	<b>(116,290)</b>	<b>249,729</b>
Cash flows for investing activities:		
Acquisition of property and equipment	(317,034)	(37,349)
Disposal of property and equipment	-	415
Construction in progress	13,841	(3,221)
	<b>(303,193)</b>	<b>(40,155)</b>
Cash flows for financing activities:		
Tax exempt income-PPP loan forgiven	-	(100,000)
(Debt reduction)/increase on long-term debt	159,935	(47,251)
	<b>159,935</b>	<b>(147,251)</b>
<b>Net increase(decrease) in cash</b>	<b>(259,548)</b>	<b>62,323</b>
Cash, beginning of year	549,190	486,867
Cash, end of year	289,642	549,190
Supplementary information:		
Interest paid during the year	\$17,878	\$22,539

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

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements**  
**December 31, 2022**

**NOTE 1 Nature of Organization**

David Wilkerson started Teen Challenge in 1958 as a home to help drug addicts and gang members in New York City to grow stronger in their relationship with God. Teen Challenge has expanded to more than 240 centers throughout the United States and over 1,200 centers in other countries since then.

Teen Challenge of Nevada, Inc. (TCNV) was originally incorporated on November 6, 1997 under its former name "Northern Nevada Teen Challenge, Inc." as a non-profit corporation in Nevada. Its former name had changed since June 6, 2001. TCNV was established to operate a Reno Adolescent Boys Center at Reno and to provide a network of Christian Discipleship programs providing ministry to men and adolescent boys who have life-controlling problems.

On September 10, 2002, TCNV opened a new ministry in Las Vegas.

In September of 2004, the Organization closed the Las Vegas center; but, continued to maintain an outreach office.

On July 22, 2015, the Board approved the management to purchase the property in Las Vegas for the Men's Center.

On June 28, 2017, the Board approved the management to purchase the property in Lund for the Girl's Center.

**NOTE 2 Summary of Significant Accounting Policies**

a. **Accounting Principles Updates**

- 1) In 2019, The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards (SAS) No. 134, Auditor Reporting and Amendments, which includes amendments to address disclosures in the Audit of Financial Statements. The new standard makes fundamental changes in the layout of the audit report as well as the information required to be presented in all auditor reports issued under generally accepted auditing standards (GAAS). The standard is effective for the reporting periods ending on or after December 15, 2020. However, in May 2020, AICPA issued SAS No. 141 to amend the effective date of No. 134. The SAS becomes effective for audits of financial statements for periods ending on or after December 15, 2021.
- 2) In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) was issued to replace the leases requirements in Topic 840, Leases. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. Topic 842 will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods and is to be retrospectively applied. For private company and non-profit entities, the amendments in this update are effective for the fiscal years beginning after December 15, 2021.

b. **Basis of Presentation**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with FASB ASC 958-605-20, Accounting for Contributions Received and Contributions Made, and FASB ASC 958, Financial Statements of Not-For-Profit Organizations. The financial statements report separately classifies amounts of net assets:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TCNV. These net assets may be used at the discretion of TCNV's management and the board of directors.

**Net assets with donor restrictions:** Net assets are subjected to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TCNV or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

c. **Revenue Recognition**

**1) Contributions**

Contributions are recognized when cash or other assets are received or promises to give are made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the pending conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with donor restrictions are released and reclassified as net assets without donor restrictions.

TCNV believes that motivation for giving results is when God moves the hearts of individuals. Therefore, it views any faith promises received as an expression of a desire to give based on God's future provision. Therefore, faith promises received by TCNV are recognized as neither contributions nor conditional promises in the financial statements, since all conditions rest with the donor, and the donor reserves the right to modify the promise.

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

**2) Program fees**

TCNV meets the criteria in revenue recognition under ASC 606 - Revenue from contracts with customers. Generally accepted accounting principles (GAAP) require that revenues are recognized according to the revenue recognition principles, a feature of accrued accounting. This means that revenue is recognized on the income statement in the period when realized and earned not necessarily when cash is received. TCNV has contracts with customers for services provided by students over a performance period. Contracts narrate performance obligations, service price, and allocation of service price to performance obligations over the performance period. TCNV recognizes program fee revenue for services provided by students when the service specified by the customer is performed and satisfied.

**3) Sales of assets and donated items**

TCNV meets the criteria in revenue recognition under ASC 606 - Revenue from contracts with customers. Generally accepted accounting principles (GAAP) require that revenues are recognized according to the revenue recognition principles, a feature of accrued accounting. This means that revenue is recognized on the income statement in the period when realized and earned not necessarily when cash is received. TCNV has contracts with customers for inventory and donated items sales over a performance period. Contracts narrate performance obligations, service price, and allocation of service price to performance obligations over the performance period. TCNV recognizes inventory and donated items sales revenue when inventory sale is performed and satisfied and inventory is delivered to customers.

**4) Interest income and miscellaneous income**

Interest income and miscellaneous income consist primarily of interest income from banks and rental income from former students.

d. **Property and Equipment**

Land, buildings, and equipment valued at \$500 or more are capitalized and recorded at cost purchased or at fair market value at the date of giving(donation).

Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

	<u>Life in Years</u>
Buildings and improvements	20 to 40
Furniture and equipment	7
Vehicles	5

e. **Donated Goods and Services**

Donated goods and services are recorded at their fair market value at the date of giving and serving.

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

f. **Cash and Cash Equivalents Definition**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term. Highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

g. **Use of Volunteers**

A large number of people have contributed a significant amount of time to the activities of TCNV. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of FASB ASC 958. If these activities could be valued in the accompanying financial statements, their inclusion would significantly increase the percentage of expenses attributable to direct program expenditures.

h. **Use of Estimates in the Preparation of Financial Statements**

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 period. Actual results could differ from those estimates.

i. **Income Taxes Status**

TCNV is exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and state income taxes under 81.290 of Nevada Revised Statutes, respectively. Furthermore, TCNV is not classified as a private foundation.

The Financial Accounting Standards Board (FASB) FASB Interpretation No.48, *Accounting for Uncertainty in Income Taxes*, (Fin 48) which was subsequently included in the FASB Codification as ASC 740, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of TCNV has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. TCNV's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed.

j. **Functional Allocation of Expenses**

The costs of providing the combined various programs and other activities have been summarized in the Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to their natural expenditure classification. Certain costs common to several functions have been allocated among the programs and supporting services benefited. General and administrative and fundraising expenses are those not directly identifiable with any specific function but which provide for the overall support and direction TCNV.

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

k. **Fair Value of Financial Instruments**

TCNV's financial instruments include cash and cash equivalents. The carrying amount of these items approximates fair value because of the nature and short maturity of these instruments.

l. **Comparative Financial Information**

The consolidated financial statements are presented with prior year summarized comparative totals which do not include detail by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's 2021 consolidated financial statements, from which the comparative totals were derived.

**NOTE 3 Notes Payable**

- a. TCNV acquired a fixed rate mortgage of \$107,000 on September 20, 2011. The interest rate is 7.0% per year and the term of the note is over 20 years (240 months). The monthly payment is \$712. The outstanding balance on December 31, 2022 was \$41,674.
- b. TCNV purchased the property in Lund for the new Girl's center on June 28, 2017. The total cost of the property is 636,126. The TCNV obtained a loan of \$200,000 from Leota Johnson. The note is secured by a deed of trust. The interest rate is 4.5% per annum, and the term of the note is over 10 years. Starting August 1, 2017, the monthly payment is \$2,073. The outstanding balance on December 31, 2022 was \$102,840.
- c. TCNV obtained a loan of \$130,000 from Joyner. The note is secured by a deed of trust. The interest rate is 4.0% per annum, and the term of the note is over 10 years. Starting December 25, 2020, the monthly payment is \$1,316. The outstanding balance on December 31, 2022 was \$107,023.
- d. In December 2022, TCNV obtained another loan of \$122,500 from Leota Johnson. The interest rate is 4% per annum, and the term of the note is over 10 years. Starting January 1, 2023, the monthly payment is \$1,240. The outstanding balance on December 31, 2022 was \$122,500.

Summaries of long-term debts secured by real properties at December 31, 2022 are presented below:

<u>Lender</u>	<u>Monthly Payments</u>	<u>Interest Rate</u>	<u>Balance</u>
AG Financial Solutions	712	7.00%	\$41,674
Joyner	1,316	4.00%	107,023
Leota Johnson's first loan	2,073	4.50%	102,840
Leota Johnson's second loan	1,240	4.00%	<u>122,500</u>
		Total	<u>\$374,037</u>

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

As of December 31, 2022, the principal which is required to be paid over the next five years for all mortgages, is as follows:

Year Ending December 31	Amount
2023	\$ 48,374
2024	50,636
2025	53,008
2026	37,959
2027	55,495
Thereafter	128,565
Total	374,037
Current portion	(48,374)
Long-term portion	\$ 325,663

**NOTE 4 Special Events**

During 2022, TCNV conducted events to acknowledge supporters about current operations and to expose potential new donors to TCNV. Support received from these events and the costs for the direct benefits provided are summarized by each event. All costs related to publicity, travel, related salaries, and administration of the event have been included in fundraising expenses.

**NOTE 5 Lease Commitments.**

- a) TCNV had numerous short-term monthly leases for storage and equipment.
- b) In May 2022, TCNV entered into a 60-month lease agreement for copiers under which the Organization is the lessee. Specifically, this lease is subject to operating leases. The lease begins on May 16, 2022, and will expire on May 16, 2027. This lease includes fixed rental payments, the monthly rent is \$179.

Based on the financial statement provided by the management, TCNV has adopted ASC 842 - Lease under U.S. generally accepted accounting principles (GAAP). Leased assets and corresponding liabilities are recognized based on the present value of the lease payments over the lease term.

During 2022, TCNV recognized lease expenses associated with the lease in the amount of \$1,432.

Amounts recognized as right-of-use assets related to operating leases are included in the accompanying balance sheet, while related lease liability is reported on the current portion and long-term portion of lease liability. As of December 31, 2022, right-of-use assets and lease liabilities related to this operating lease were as follows:

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

<b>Lease Accounting Under GAAP (Operating lease)</b>	
<b>Balance sheet</b>	<b>2022</b>
<b>Asset</b>	
Right-of-use Asset (ROU)	\$ 8,391
<b>Liability</b>	
Lease liability	\$ 8,391

As of December 31, 2022, the remaining lease term for this operating lease is 4.46 years.

Because we generally do not have access to the rate implicit in the lease, we utilize the incremental borrowing rate as the discount rate. The annual weighted average discount rate associated with operating leases as of December 31, 2022, is 5.1%.

Future minimum lease payments under those long-term leases are as follows:

Year Ending December 31	Amount
2023	2,148
2024	2,148
2025	2,148
2026	2,148
2027	<u>716</u>
Total	\$9,308

**NOTE 6 Employee Retirement Plan**

TCNV has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both TCNV and its employees. In 2022, TCNV has not made any pension contribution to any officers. TCNV has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected on these financial statements.

**NOTE 7 Related Party Transactions**

There are intercompany transactions among TCSB, TCEB, TCNV and TCSV. These transactions are accounts receivable, accounts payable, note receivable, administration income and expense. All these intercompany transactions would be eliminated in the consolidated financial statements. As of December 31, 2022, TCNV has incurred accounts payable in the amount of \$411,654 and notes payable in the amount of \$698,746 with TCSB.

- a. On June 1, 2017, TCNV obtained a promissory note of \$430,000 from TCSB for Girl's Center with no interest. The loan is secured by a deed of trust and will be due on April 30, 2037. As of December 31, 2022, the unpaid balance was \$430,000.
- b. TCNV purchased the property in Las Vegas for the Men's Center on July 25, 2014. The total cost of the property is \$590,898. TCNV paid \$52,898 and an individual donated \$278,000 to TCNV. The remaining amount of \$300,000 was financed through the Henderson Capital Group LLC (HCGLLC).



**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

The note is secured by the Deed of Trust and is a non-interest bearing. On July 18, 2018, TCNV obtained a loan of \$157,000 from TCSB to payoff loan with principle balance of \$100,000 from HCGLLC and loan with principle balance of \$57,000 from TCSB. The loan is secured by a deed of trust. As of December 31, 2022, the unpaid balance was \$95,878.

- c. TCNV continues to borrow funds from TCSB for Las Vegas center. As of December 31, 2022, the unpaid balance was \$40,093.
- d. TCNV continues to borrow funds from TCSB for Girl's Center. As of December 31, 2022, the unpaid balance was \$132,775.

**Note 8 Prior Year Adjustments**

The prior year's adjustment is an adjustment on rental expenses.

**Note 9 Prepaid Expenses and Deposits**

Prepaid expenses and deposits consist primarily of prepaid insurance and prepaid rent. As of December 31, 2022, prepaid expenses and deposits were \$16,622.

**Note 10 Subsequent Events**

The management of TCNV reviewed the results of operations and evaluated subsequent events for the period of time from its year-end December 31, 2022 through November 10, 2023, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**Note 11 Fair Value Measurements**

TCNV measure fair value in accordance with Statement of Financial Accounting Standards No. 157, Fair Value Measurements, (FAS 157) which was subsequently included In the FASB Codification as ASC 820. ASC 820 which applies to all financial instruments that are being measured and reported on a fair value basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that priorities the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted market prices (unadjusted) in active markets for identical assets or Liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

**TEEN CHALLENGE OF NEVADA, INC.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2022**

Level 3 - Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discontinued cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions.

The Organization's financial assets measured at fair value on a recurring basis on December 31, 2022, are classified within Level 1 of the fair value hierarchy.

**Note 12 Non-Cash Donations (Contributed Nonfinancial Assets)**

TCNV recognized contributed nonfinancial assets within revenue, including contributed household goods, food, books, clothing, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed household goods, clothing, books, and food were utilized and used in the program services. In valuing household goods and food, TCNV estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed services recognized comprise costs of labor for painting and tutoring services. Contributed services are valued and are reported at the estimated fair value in the financial statements.

For the year ended December 31, 2022, TCNV recognized contributed nonfinancial assets as follows:

	Revenue Recognized	Utilization in Programs	Donor Restrictions	Valuation Techniques
Household goods	\$ 401	Program Services	None	Fair value
Food	11,894	Program Services	None	Fair value
Clothing and Books	31	Program Services	None	Fair value
Services	2,920	Program Services	None	Fair value
Total	<u>\$ 15,246</u>			

**Note 13 Availability and Liquidity**

This presentation is required by the newly adopted ASU 2016-14 which is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The following represents TCNV's financial assets as of December 31, 2022:

Financial assets at year end:		
Cash	\$	289,642
Total financial assets		289,642
Less amounts not available to be used within one year:		
Restricted cash-Certificates of deposit		-
Net assets with donor restrictions		-
		<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>289,642</u>

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TCNV's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in certificates of deposit over one year. As of December 31, 2022, the management believes that TCNV has sufficient funds to meet the current year obligation.

**TEEN CHALLENGE OF NEVADA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>Nature</b>	<b>Program expenses</b>	<b>General and Administration</b>	<b>Fundraising</b>	<b>Total 2022</b>	<b>Summaried 2021</b>
Salaries and wages	\$ 402,370	\$ 33,181	\$ 40,905	\$ 476,456	\$ 464,740
Employee benefits	18,337	11,875	3,598	33,810	9,531
Payroll taxes	31,151	-	2,166	33,317	32,782
Hiring Costs	1,965	-	-	1,965	-
Per Diem Expense	23,229	-	-	23,229	38,050
Bank Service Charges	1,257	175	62	1,493	1,788
Bad Checks	4,000	-	-	4,000	-
Merchant Card Services	16,010	-	-	16,010	13,637
School Fees	1,194	-	-	1,194	1,047
Permits & Licenses	250	-	-	250	(675)
Legal Fees	499	-	-	499	-
Background Checks	1,534	-	-	1,534	2,030
Corporation Costs	4,012	-	-	4,012	3,537
Accounting Fees	-	-	-	-	860
Property Taxes	526	-	-	526	134
Penalties	319	-	-	319	-
General Supplies	55,234	-	1,069	56,303	108,887
Telephones	26,497	19	-	26,515	28,533
Postage and Delivery	10,926	6	16,132	27,064	30,528
Utilities	58,653	-	-	58,653	50,641
Rent	29,976	63	-	30,039	29,756
Building Repair&Maintenance	8,424	-	-	8,424	6,883
Liability Insurance	23,984	-	-	23,984	26,035
Student Accident Insurance	780	-	-	780	-
Equipment	20,576	-	-	20,576	28,566
Printing and Reproduction	5,703	-	26,145	31,848	28,715
Travel	100,699	-	4,963	105,662	105,746
Interest Expense	18,125	-	-	18,125	22,539
Depreciation, depletion, and amortization	65,950	-	-	65,950	70,178
Loss, Theft, Disposal	-	-	-	-	780
Affiliates	8,100	-	-	8,100	8,100
Dues and Subscriptions	1,096	-	-	1,096	952
Promotions & Advertising	7,885	-	958	8,843	17,295
Training	3,969	199	-	4,168	4,186
Professional Services	62,216	-	-	62,216	52,381
Administration Expenses	10	111,070	-	111,080	125,530
Other expenses	2,517	-	6,208	8,725	3,451
<b>Total</b>	<b>\$ 1,017,972</b>	<b>\$ 156,589</b>	<b>\$ 102,204</b>	<b>\$ 1,276,765</b>	<b>\$ 1,317,143</b>