

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

FINANCIAL STATEMENTS
Together with
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

Tang & Lee, LLP

Certified Public Accountants

TEEN CHALLENGE OF NEVADA, INC.
(A Nonprofit Corporation)
FOR THE YEAR ENDED DECEMBER 31, 2021

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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)**, a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, 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 Teen Challenge of Nevada, Inc. as of December 31, 2021, 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 Teen Challenge of Nevada, Inc. 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 Teen Challenge of Nevada, Inc.'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 Teen Challenge of Nevada, Inc.'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 Teen Challenge of Nevada, Inc.'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 the Teen Challenge of Nevada, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2021. 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 pages 16 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
September 26, 2022

TEEN CHALLENGE OF NEVADA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(With Comparative Totals for December 31, 2020)

| ASSETS | Without donor restrictions | With donor restrictions | Total 2021 | Summarized 2020 |
|--------------------------------|---|------------------------------------|-----------------------|----------------------------|
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 549,190 | \$ - | \$ 549,190 | \$ 486,867 |
| Prepaid expenses and deposits | 17,214 | - | 17,214 | 22,175 |
| Total current assets | <u>566,404</u> | <u>-</u> | <u>566,404</u> | <u>509,042</u> |
| PROPERTY AND EQUIPMENT: | | | | |
| Buildings and improvements | 2,142,006 | - | 2,142,006 | 2,120,006 |
| Furniture and equipment | 96,704 | - | 96,704 | 86,963 |
| Vehicles | 121,882 | - | 121,882 | 125,122 |
| | <u>2,360,592</u> | <u>-</u> | <u>2,360,592</u> | <u>2,332,091</u> |
| Less accumulated depreciation | <u>(683,540)</u> | <u>-</u> | <u>(683,540)</u> | <u>(621,795)</u> |
| | 1,677,052 | - | 1,677,052 | 1,710,296 |
| Construction in progress | 13,841 | - | 13,841 | 10,620 |
| Total property and equipment | <u>1,690,893</u> | <u>-</u> | <u>1,690,893</u> | <u>1,720,916</u> |
| OTHER ASSETS: | | | | |
| Advance to Employee | - | - | - | 800 |
| Total other assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>800</u> |
| Total assets | <u>\$ 2,257,297</u> | <u>\$ -</u> | <u>\$ 2,257,297</u> | <u>\$ 2,230,758</u> |

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

TEEN CHALLENGE OF NEVADA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(Continued)
(With Comparative Totals for December 31, 2020)

| LIABILITIES AND NET ASSETS | Without donor restrictions | With donor restrictions | Total 2021 | Summarized 2020 |
|---------------------------------------|---|------------------------------------|-----------------------|----------------------------|
| CURRENT LIABILITIES: | | | | |
| Accounts payable | \$ 29,880 | \$ - | \$ 29,880 | \$ 21,659 |
| Accounts payable-related parties | 420,903 | - | 420,903 | 436,436 |
| Accrued expenses | 25,727 | - | 25,727 | 37,281 |
| Deposit held | 68,564 | - | 68,564 | 110,155 |
| Paycheck protection program loan | - | - | - | 100,000 |
| Current portion of notes payable | 33,235 | - | 33,235 | 31,515 |
| Total current liabilities | 578,309 | - | 578,309 | 737,046 |
| Long-term liabilities: | | | | |
| Notes payable-related parties | 580,420 | - | 580,420 | 594,580 |
| Notes payable, net of current portion | 299,193 | - | 299,193 | 334,004 |
| | 879,613 | - | 879,613 | 928,584 |
| Total liabilities | 1,457,922 | - | 1,457,922 | 1,665,630 |
| COMMITMENTS AND CONTINGENCIES | | | | |
| NET ASSETS: | | | | |
| With donor restrictions | - | - | - | - |
| Without donor restrictions | 799,375 | - | 799,375 | 565,128 |
| Total net assets | 799,375 | - | 799,375 | 565,128 |
| Total liabilities and net assets | <u>\$ 2,257,297</u> | <u>\$ -</u> | <u>\$ 2,257,297</u> | <u>\$ 2,230,758</u> |

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, 2021
(With Comparative Totals for December 31, 2020)

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total 2021</u> | <u>Summarized 2020</u> |
|---|---|------------------------------------|-----------------------|----------------------------|
| SUPPORT AND REVENUE: | | | | |
| General contributions | \$ 556,974 | \$ - | \$ 556,974 | \$ 347,777 |
| Non-cash donations | 54,551 | - | 54,551 | 16,866 |
| Special events contributions | 205,912 | - | 205,912 | 220,288 |
| Special events direct benefits cost | (15,364) | - | (15,364) | (13,762) |
| Total support | <u>802,073</u> | <u>-</u> | <u>802,073</u> | <u>571,169</u> |
| | | | | |
| Interest income and miscellaneous income | 22,493 | - | 22,493 | 15,455 |
| Program fees | 713,856 | - | 713,856 | 601,200 |
| Sale of assets and donated items | 15,995 | - | 15,995 | 21,625 |
| Total revenue | <u>752,344</u> | <u>-</u> | <u>752,344</u> | <u>638,280</u> |
| | | | | |
| Total support and revenue | <u>1,554,417</u> | <u>-</u> | <u>1,554,417</u> | <u>1,209,449</u> |
| | | | | |
| EXPENSES: | | | | |
| Program services | 1,056,412 | - | 1,056,412 | 1,048,372 |
| Supporting services - | | | | |
| General and administrative | 163,620 | - | 163,620 | 47,484 |
| Fundraising | 97,111 | - | 97,111 | 86,150 |
| Total supporting services | <u>260,731</u> | <u>-</u> | <u>260,731</u> | <u>1,182,006</u> |
| Total expenses | <u>1,317,143</u> | <u>-</u> | <u>1,317,143</u> | <u>1,182,006</u> |
| | | | | |
| Changes in net assets- increase/(decrease) | 237,274 | - | 237,274 | 27,443 |
| | | | | |
| NET ASSETS, beginning of year | 565,128 | - | 565,128 | 537,801 |
| | | | | |
| Prior period adjustments | <u>(3,027)</u> | <u>-</u> | <u>(3,027)</u> | <u>(116)</u> |
| | | | | |
| Restated net assets, beginning of year | 562,101 | - | 562,101 | 537,685 |
| | | | | |
| NET ASSETS, end of year | <u>\$ 799,375</u> | <u>\$ -</u> | <u>\$ 799,375</u> | <u>\$ 565,128</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, 2021
(With Comparative Totals for December 31, 2020)

| | Total 2021 | Summarized 2020 |
|---|-----------------------|----------------------------|
| Cash flows from operating activities: | | |
| Increase (Decrease) in net assets | \$ 237,274 | \$ 27,443 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation and amortization | 70,178 | 65,483 |
| Changes (increase)/decrease in assets and liabilities: | | |
| Prepaid expenses and deposits | 4,961 | (4,026) |
| Other current assets | 800 | 1,200 |
| Accounts payables and accrued expenses | (18,866) | 66,143 |
| Insurance and other payables | - | (10) |
| Deposits held | (41,591) | 9,708 |
| Prior period adjustments | (3,027) | (116) |
| | 249,729 | 165,825 |
| Net cash flows provided by operating activities | | |
| Cash flows for investing activities: | | |
| Acquisition of property and equipment | (37,349) | (236,986) |
| Disposal of property and equipment | 415 | - |
| Construction in progress | (3,221) | (326) |
| | (40,155) | (237,312) |
| Net cash flows used by investing activities | | |
| Cash flows for financing activities: | | |
| Tax exempt income-PPP loan forgiven | (100,000) | 100,000 |
| (Debt reduction)/increase on long-term debt | (47,251) | 94,695 |
| | (147,251) | 194,695 |
| Net cash flows used in financing activities | | |
| Net increase in cash | 62,323 | 123,208 |
| Cash, beginning of year | 486,867 | 363,659 |
| Cash, end of year | 549,190 | 486,867 |
| Supplementary information: | | |
| Interest paid during the year | \$22,539 | \$18,300 |

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

TEEN CHALLENGE OF NEVADA, INC.
Notes to Financial Statements
December 31, 2021

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 election, it should recognize lease expense for such leases generally on a straight-line basis

TEEN CHALLENGE OF NEVADA, INC.
Notes to Financial Statements (Continued)
December 31, 2021

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

Without donor restricted contributions are recognized when cash is received or ownership of donated assets is transferred to TCNV.

With donor restricted contributions are recognized as contribution income in the statement of activities when cash or ownership of donated assets is transferred to TCNV. These contributions are subsequently transferred to the net assets without donor restrictions to cover expenses that are incurred to satisfy those restrictions.

TCNV believes that motivation for giving results 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.

2) Program fees

TCNV recognizes program fees income based on the hours worked. Work-study programs vary in qualifications and responsibilities, so the pay will depend on the job that students are hired to

TEEN CHALLENGE OF NEVADA, INC.
Notes to Financial Statements (Continued)
December 31, 2021

do. Pay may also depend the policies and/or the minimum wage requirements in the state. How many hours students work each week will depend on the type of job students get and employer's expectations.

3) Sales of assets and donated items

TCNV recognizes sales revenue when it is realized or realizable and earned. TCNV considers revenue realized or realizable and earned when there is persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonable certain.

d. **Property and Equipment**

Land, buildings, and equipment valued at \$1,000 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 | 5 |
| 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.

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 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 percent 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

TEEN CHALLENGE OF NEVADA, INC.
Notes to Financial Statements (Continued)
December 31, 2021

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.

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 2020 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, 2021 was \$91,537.
- 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 TCN 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

TEEN CHALLENGE OF NEVADA, INC.
Notes to Financial Statements (Continued)
December 31, 2021

over 10 years. Starting August 1, 2017, the monthly payment is \$2,073. The outstanding balance on December 31, 2021 was \$122,601.

- c. The TCN 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, 2021 was \$118,290.

Summaries of long-term debts secured by real properties at December 31, 2021 are presented below:

| <u>Lender</u> | <u>Monthly Payments</u> | <u>Interest Rate</u> | <u>Balance</u> |
|------------------------|-------------------------|----------------------|------------------|
| AG Financial Solutions | 712 | 7.00% | \$91,537 |
| Joyner | 1,316 | 4.00% | 118,290 |
| Leota Johnson | 2,073 | 4.50% | <u>122,601</u> |
| | | Total | <u>\$332,428</u> |

As of December 31, 2021, the principal which is required to be paid over the next five years for all mortgages, is as follows:

| <u>Year Ending December 31</u> | <u>Amount</u> |
|--------------------------------|-------------------|
| 2022 | \$ 33,235 |
| 2023 | 34,693 |
| 2024 | 36,288 |
| 2025 | 37,959 |
| 2026 | 39,786 |
| Thereafter | <u>150,467</u> |
| Total | 332,428 |
| Current portion | <u>(33,235)</u> |
| Long-term portion | <u>\$ 299,193</u> |

NOTE 4 Special Events

During 2021, TCNV conducted events to acknowledge supporter 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 fund raising expenses.

NOTE 5 Commitments.

TCNV had numerous short-term monthly leases for storages and equipment.

TEEN CHALLENGE OF NEVADA, INC.
Notes to Financial Statements (Continued)
December 31, 2021

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 2021, 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, 2021, TCNV has incurred accounts payable in the amount of \$420,903 and notes payable in the amount of \$580,420 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, 2021, 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). 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, 2021, the unpaid balance was \$110,327.
- c. TCNV continues to borrow fund from TCSB for Las Vegas center. As of December 31, 2021, the unpaid balance was \$40,093.

Note 8 Prior Year Adjustments

These prior year adjustments are to correct the posting errors of general entries.

Note 9 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, 2021 through September 26, 2022, 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 10 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

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Notes to Financial Statements (Continued)
December 31, 2021

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.

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.

TCNV's financial assets measured at fair value have been categorized based upon a fair value hierarchy.

Note 11 Non-Cash Donations (Contributed Nonfinancial Assets)

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

Contributed household goods, clothing 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 vehicle and contributed building improvement were used in general and administrative activities. Contributed vehicle and patio improvement are valued and are reported at the estimated fair value in the financial statements.

Contributed services recognized comprise with 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, 2021, TCNV recognized contributed nonfinancial assets as following:

TEEN CHALLENGE OF NEVADA, INC.
Notes to Financial Statements (Continued)
December 31, 2021

| | <u>Revenue Recognized</u> | <u>Utilization in Programs</u> | <u>Donor Restriction</u> | <u>Valuation Techniques</u> |
|----------------------|-------------------------------|------------------------------------|------------------------------|---------------------------------|
| Household goods | \$ 23,840 | Program Services | None | Fair value |
| Food | 7,808 | Program Services | None | Fair value |
| Clothing | 310 | Program Services | None | Fair value |
| Vehicle | 2,408 | General and Administrative | None | Fair value |
| Building improvement | 17,000 | General and Administrative | None | Fair value |
| Services | <u>3,185</u> | Program Services | None | Fair value |
| Total | <u><u>\$ 54,551</u></u> | | | |

Note 12 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, 2021:

| | | |
|--|--|--------------------------|
| Financial assets at year end: | | |
| Cash | | \$ 549,190 |
| Total financial assets | | 549,190 |
| 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><u>\$ 549,190</u></u> |

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, 2021, the management believes that TCNV has sufficient fund to meet the current year obligation.

TEEN CHALLENGE OF NEVADA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

| Nature | Program expenses | General and Administration | Fundraising | Total 2021 | Summaried 2020 |
|---|-------------------------|---------------------------------------|--------------------|-----------------------|---------------------------|
| Salaries and wages | \$ 395,462 | \$ 24,263 | \$ 45,015 | \$ 464,740 | \$ 403,839 |
| Employee benefits | (2,091) | 11,088 | 534 | 9,531 | 15,230 |
| Payroll taxes | 30,900 | | 1,882 | 32,782 | 30,122 |
| Hiring Costs | | | | - | 800 |
| Per Diem Expense | 38,050 | - | - | 38,050 | 44,627 |
| Bank Service Charges | 1,697 | - | 91 | 1,788 | 1,933 |
| Merchant Card Services | 13,637 | - | - | 13,637 | - |
| School Fees | 1,047 | - | - | 1,047 | - |
| Permits & Licenses | (675) | - | - | (675) | 50 |
| Background Checks | 2,030 | - | - | 2,030 | - |
| Corporation Costs | 3,537 | - | - | 3,537 | 2,965 |
| Accounting Fees | - | 860 | - | 860 | 1,750 |
| Property Taxes | 134 | - | - | 134 | 332 |
| General Supplies | 107,897 | 106 | 884 | 108,887 | 97,367 |
| Telephones | 27,033 | 1,500 | - | 28,533 | 26,624 |
| Postage and Delivery | 9,265 | 44 | 21,219 | 30,528 | 29,943 |
| Utilities | 50,641 | - | - | 50,641 | 55,482 |
| Rent | 29,756 | - | - | 29,756 | 23,644 |
| Building Repair&Maintenance | 6,883 | - | - | 6,883 | 10,092 |
| Liability Insurance | 26,035 | - | - | 26,035 | 16,966 |
| Equipment | 26,273 | 1,203 | 1,090 | 28,566 | 14,141 |
| Printing and Reproduction | 7,420 | - | 21,295 | 28,715 | 30,380 |
| Travel | 103,092 | - | 2,654 | 105,746 | 87,014 |
| Interest Expense | 22,364 | 175 | - | 22,539 | 18,300 |
| Depreciation, depletion, and amortization | 70,178 | - | - | 70,178 | 65,483 |
| Loss, Theft, Disposal | 780 | - | - | 780 | 3,140 |
| Affiliates | 8,100 | - | - | 8,100 | 7,425 |
| Dues and Subscriptions | 952 | - | - | 952 | 1,589 |
| Promotions & Advertising | 17,248 | - | 47 | 17,295 | 5,711 |
| Training | 4,166 | 20 | - | 4,186 | 963 |
| Professional Services | 52,381 | - | - | 52,381 | 51,477 |
| Administration Expenses | 1,169 | 124,361 | - | 125,530 | 116,983 |
| Other expenses | 1,051 | - | 2,400 | 3,451 | 17,633 |
| Total | \$ 1,056,412 | \$ 163,620 | \$ 97,111 | \$ 1,317,143 | \$ 1,182,006 |