

**SACRAMENTO VALLEY TEEN CHALLENGE, 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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**SAACRAMENTO VALLEY TEEN CHALLENGE, INC.**  
**(A Nonprofit Corporation)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Teen Challenge  
Sacramento Valley Teen Challenge, Inc.  
Sacramento, California

### ***Opinion***

We have audited the accompanying financial statements of **Sacramento Valley Teen Challenge, Inc.** (TCSV) (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 Sacramento Valley Teen Challenge, Inc. 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 TCSV 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 TCSV'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 TCSV'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 TCSV'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 TCSV'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 is 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

**SACRAMENTO VALLEY TEEN CHALLENGE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**  
**(With Comparative Totals for December 31, 2021)**

<b>ASSETS</b>	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total 2022</b>	<b>Summarized 2021</b>
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 683,343	\$ -	\$ 683,343	\$ 447,862
Prepaid expenses and deposits	21,549	-	21,549	25,251
Inventory	-	-	-	5,363
Other current assets	-	-	-	134
Total current assets	704,892	-	704,892	478,610
<b>PROPERTY AND EQUIPMENT:</b>				
Land	296,000	529,000	825,000	825,000
Buildings and improvements	3,606,520	589,329	4,195,849	4,117,240
Furniture and equipment	150,169	-	150,169	144,826
Vehicles	190,001	-	190,001	172,731
	4,242,690	1,118,329	5,361,019	5,259,797
Accumulated depreciation	(2,305,518)	-	(2,305,518)	(2,128,943)
Total property and equipment	1,937,172	1,118,329	3,055,501	3,130,854
<b>RIGHT-OF-USE ASSETS:</b>				
Right-of-use asset-copiers	17,603	-	17,603	-
Total right-of-use assets	17,603	-	17,603	-
<b>OTHER ASSETS:</b>				
Cash held for endowment	-	10,000	10,000	10,000
Rent deposit	1,267	-	1,267	1,265
Total other assets	1,267	10,000	11,267	11,266
Total assets	\$ 2,660,934	\$ 1,128,329	\$ 3,789,263	\$ 3,620,730

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

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2022</u>	<u>Summarized 2021</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 13,767	\$ -	\$ 13,767	\$ 15,155
Accounts payable-related parties	42,808	-	42,808	3,356
Accrued expenses	30,133	-	30,133	19,465
Lease liability - current portion	5,578	-	5,578	-
Total current liabilities	92,286	-	92,286	37,976
<b>LONG-TERM LIABILITIES:</b>				
Lease liability	12,025	-	12,025	-
Total long-term liabilities	12,025	-	12,025	-
Total liabilities	104,311	-	104,311	37,976
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>NET ASSETS:</b>				
With donor restrictions	-	1,128,329	1,128,329	1,128,329
Without donor restrictions	2,556,623	-	2,556,623	2,454,425
Total net assets	2,556,623	1,128,329	3,684,952	3,582,754
Total liabilities and net assets	<u>\$ 2,660,934</u>	<u>\$ 1,128,329</u>	<u>\$ 3,789,263</u>	<u>\$ 3,620,730</u>

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

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2022</u>	<u>Summarized 2021</u>
<b>SUPPORT AND REVENUE:</b>				
General contributions	\$ 967,656	\$ -	\$ 967,656	\$ 890,154
Non-cash donations	133,252	-	133,252	403,046
Special events contributions	105,734	-	105,734	93,968
Special events direct benefits cost	(27,361)	-	(27,361)	(9,713)
Total support	<u>1,179,281</u>	<u>-</u>	<u>1,179,281</u>	<u>1,377,455</u>
Interest income and miscellaneous income	1,941	-	1,941	75
Program fees	396,437	-	396,437	392,213
Sale of assets and donated items	8,740	-	8,740	6,075
Total revenue	<u>407,118</u>	<u>-</u>	<u>407,118</u>	<u>398,363</u>
Total support and revenue	<u>1,586,399</u>	<u>-</u>	<u>1,586,399</u>	<u>1,775,818</u>
<b>EXPENSES:</b>				
Program services	1,173,919	-	1,173,919	1,014,558
Supporting services				
General and administrative	88,418	-	88,418	150,935
Fundraising	219,364	-	219,364	103,179
Total supporting services	<u>307,782</u>	<u>-</u>	<u>307,782</u>	<u>254,114</u>
Total expenses	<u>1,481,701</u>	<u>-</u>	<u>1,481,701</u>	<u>1,268,672</u>
<b>Changes in net assets- increase/(decrease)</b>	104,698	-	104,698	507,146
NET ASSETS, beginning of year	2,454,425	1,128,329	3,582,754	3,075,734
Prior period adjustment	(2,500)	-	(2,500)	(126)
Restated net assets, beginning of year	2,451,925	1,128,329	3,580,254	3,075,608
NET ASSETS, end of year	<u>\$ 2,556,623</u>	<u>\$ 1,128,329</u>	<u>\$ 3,684,952</u>	<u>\$ 3,582,754</u>

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



**SACRAMENTO VALLEY TEEN CHALLENGE  
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	\$ 104,698	\$ 507,146
<b>Adjustments to reconcile change in net assets to net cash from operating activities:</b>		
Depreciation and amortization	179,746	171,642
<b>Changes (increase)/decrease in assets and liabilities:</b>		
Prepaid expenses and deposits	3,702	(25,251)
Inventory	5,363	-
Other current assets	134	-
Deposits in long-term	(2)	1,481
Right-of-use asset-copiers	(17,603)	-
Accounts payable and accrued expenses	9,281	14,126
Accounts payable-related parties	39,452	(57,416)
Lease liability	17,603	-
Prior period adjustment	(2,500)	(126)
	<b>339,874</b>	<b>611,602</b>
<b>Net cash flows provided by operating activities</b>		
Cash flows for investing activities:		
Acquisition of property and equipment	(104,622)	(315,000)
Disposal of property and equipment	229	-
	<b>(104,393)</b>	<b>(315,000)</b>
<b>Net cash flows used by investing activities</b>		
Cash flows for financing activities:		
Tax exempt income-PPP loan forgiven	-	(91,659)
	<b>-</b>	<b>(91,659)</b>
<b>Net cash flows used in financing activities</b>		
<b>Net increase in cash</b>	<b>235,481</b>	<b>204,943</b>
Cash, beginning of year	447,862	242,919
Cash, end of year	683,343	447,862
Supplementary information:		
Interest paid during the year	\$ 2	\$ -

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

# SACRAMENTO VALLEY TEEN CHALLENGE

(A Nonprofit Corporation)  
Notes to Financial Statements  
December 31, 2022

## 1. DESCRIPTION OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

### *The Organization*

Sacramento Valley Teen Challenge, Inc. (TCSV) (the Organization) is a nonprofit corporation organized to provide non-residential and residential care for men, women, and children with life-controlling problems. TCSV provides services for individuals in the Sacramento region and beyond. It is an accredited member of Teen Challenge International, U.S.A., a Christian organization that endeavors to help people become mentally sound, emotionally balanced, socially adjusted, physically well, and spiritually alive.

On December 1, 2018, the Board approved the plan of reorganization to merge with the operation of Teen Challenge NorWestCal Nevada.

### *Accounting Standards 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 the previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under the 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 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.

## SACRAMENTO VALLEY TEEN CHALLENGE

(A Nonprofit Corporation)  
Notes to Financial Statements  
December 31, 2022

### ***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 TCSV. These net assets may be used at the discretion of TCSV's management and the board of directors.

**Net assets with donor restrictions:** Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TCSV or by the passage of time. Other donor restrictions are perpetual in nature, where 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.

In addition, the accompanying financial statements include the assets, liabilities, and operations of auxiliaries for which TCSV is a fiscal sponsor.

### ***Property and Equipment***

Property and equipment are stated at cost. Donated assets are reported at the estimated fair value on the date of giving(donation).

TCSV capitalized all property and equipment with a cost basis in excess of \$2,500. Normal repairs and maintenance are expensed as incurred. Depreciation is computed on the straight-line method over estimated useful lives as follows:

Vehicles	5 years
Equipment	3 – 5 years
Website development costs	3 years
Building	27.5 – 39 years
Building improvements	5 – 10 years
Leasehold improvement	Lower of life of lease or ten years

## **SACRAMENTO VALLEY TEEN CHALLENGE**

(A Nonprofit Corporation)  
Notes to Financial Statements  
December 31, 2022

### ***Cash held for Endowment***

TCSV maintains \$10,000 cash in an investment account with AG Foundation through Teen Challenge International, U.S.A. Such an amount is not available for operating purposes and has been classified as net assets with donor restriction in the accompanying financial statements.

### ***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.

TCSV 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 TCSV 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***

TCSV 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. TCSV 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. TCSV recognizes program fee revenue for services provided by students when the service specified by the customer is performed and satisfied.

#### ***3) Sale of assets and donated items***

TCSV 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.

## SACRAMENTO VALLEY TEEN CHALLENGE

(A Nonprofit Corporation)  
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December 31, 2022

This means that revenue is recognized on the income statement in the period when realized and earned not necessarily when cash is received. TCSV 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. TCSV recognizes inventory and donated items sales revenue when inventory sale is performed and satisfied and inventory is delivered to customers.

### ***Functional Allocation of Expenses***

The costs of providing the 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 administrative and fundraising expenses are those not directly identifiable with any specific function but provide for the overall support and direction of TCSV.

### ***Tax-Exempt Status***

TCSV has been granted exemption from federal income taxes under Internal Revenue Code Section 501 (c)(3) and from California franchise taxes as a charitable organization. Income, net of expenses, that is unrelated to their exempt purpose, is subject to tax.

U.S. GAAP requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including the year ended December 31, 2022, and earlier are subject to examinations by tax authorities. Areas that IRS and state tax authorities consider when examining the tax return of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. TCSV does not believe that it has any uncertain tax positions for these or other matters, and has not recorded any unrecognized tax benefits or liabilities for penalties or interest.

### ***Use of Estimates***

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

### ***Risks and Uncertainties***

Financial instruments, which potentially subject TCSV to concentrations of risk as defined by generally accepted accounting principles, consist primarily of cash and cash equivalents. TCSV maintains its cash and cash equivalents in various bank deposit accounts, which, at times, may exceed the federally insured limit. TCSV has not experienced any losses in such accounts.

## SACRAMENTO VALLEY TEEN CHALLENGE

(A Nonprofit Corporation)  
Notes to Financial Statements  
December 31, 2022

TCSV's programs are primarily funded through contributions of cash, other goods and services.

### ***Fair Value of Financial Instruments***

The Organization's financial instruments include cash and cash equivalents. The carrying amounts of these items are a reasonable estimate of their fair values.

The Organization measures 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 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 prioritizes 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.

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.

## SACRAMENTO VALLEY TEEN CHALLENGE

(A Nonprofit Corporation)  
Notes to Financial Statements  
December 31, 2022

### 2. PROPERTY AND EQUIPMENT

As of December 31, 2022, property and equipment is summarized as follows:

	2022
Land and improvements	\$825,000
Buildings and improvements	4,195,849
Vehicles	190,001
Furniture, equipment and software	150,169
Total property and equipment	5,361,019
Accumulated depreciation	(2,305,518)
Net property and equipment	\$3,055,501

Depreciation and amortization expense for the year ended December 31, 2022, was \$179,746.

### 3. NET ASSETS WITH DONOR RESTRICTIONS

- a. As of December 31, 2022, net assets with donor restrictions are available for the following purposes:

Time or purpose restriction:	2022
Buildings with reversionary interests	\$589,329
Land	529,000
Cash held for endowment	10,000
Total net assets with donor-restricted	\$1,128,329

- b. As of December 31, 2022, land with a historical cost of \$529,000 was classified as net assets with donor restrictions in the accompanying statements of financial position. Such land has a reversionary interest to the funder as described below.

On March 1, 2003, the Assemblies of God, Northern California and Nevada District Council, Inc. (AOG) contributed three homes to TCSV that had been used in their ministry. The properties were recorded as contribution revenue at fair market value as of the date of donation. In order to protect the AOG's investment in the donated properties, TCSV was required to sign a promissory note secured by a deed of trust with restrictions and covenants that will be enforced only in the event that TCSV ceases operation as an AOG affiliate. In the event TCSV ceases to be affiliated with the AOG, the three notes would be immediately due and payable. The three notes total \$2,223,579 and bear interest at 10 percent per annum, accumulated and compounded annually. Such liabilities are not recorded in the accompanying financial statements as TCSV is in full compliance with all restrictions, and it is not probable that this liability will ever be incurred.

- c. Net assets with donor restrictions also include \$10,000 in investments that are subject to donor-imposed restrictions requiring the principal to be invested in perpetuity. The investment income from such investments is to be used for the general purpose of TCSV.

## SACRAMENTO VALLEY TEEN CHALLENGE

(A Nonprofit Corporation)  
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December 31, 2022

### 4. EMPLOYEE BENEFIT PLAN

TCSV has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both TCSV and its employees. In 2022, TCSV has not made any pension contribution to any officers. TCSV 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.

### 5. LEASE COMMITMENTS

- 1) TCSV rents space under four lease agreements, all of which are month-to-month leases as of December 31, 2023. In addition, TCSV leases some short-term equipment. Total rent expense for the year ended December 31, 2022, was \$70,210, including short-term lease equipment and donated rent for three locations.
- 2) In October 2020, TCSV entered into a 63-month lease agreement for copiers under which the Organization is the lessee. Specifically, this lease is subject to operating leases. The lease begins on October 1, 2020, and will expire on December 31, 2025. This lease includes fixed rental payments, the monthly rent is \$521.

Based on the financial statement provided by the management, TCSV 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, TCSV recognized lease expenses associated with the lease in the amount of \$6,252.

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 asset and lease liability related to this operating lease were as follows:

<b>Lease Accounting Under GAAP (Operating lease)</b>	
<b>Balance sheet</b>	<b>2022</b>
<b>Asset</b>	
Right-of-use Asset (ROU)	\$ 17,603
<b>Liability</b>	
Lease liability	\$ 17,603



## SACRAMENTO VALLEY TEEN CHALLENGE

(A Nonprofit Corporation)  
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December 31, 2022

As of December 31, 2022, the remaining lease term for this operating lease is 3 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 4.5%.

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

Year Ending December 31	Amount
2023	6,252
2024	6,252
2025	<u>6,252</u>
Total	\$18,756

### 6. PRIOR PERIOD ADJUSTMENT

This adjustment is on appraisal expenses for the prior year.

### 7. PREPAID EXPENSES

Prepaid expenses consist primarily of prepaid insurance. As of December 31, 2022, prepaid expenses were \$21,549.

### 8. RELATED PARTY TRANSACTIONS

There are intercompany transactions among TCSB, TCSV, TCNV, and TCSV. These transactions are accounts receivable, accounts payable, notes receivable, administration income, and expense. All these intercompany transactions would be eliminated in the consolidated financial statements. As of December 31, 2022, TCSV has incurred accounts payable in the amount of \$42,808 with TCSB.

### 9. NON-CASH DONATIONS (CONTRIBUTED NONFINANCIAL ASSETS)

TCSV recognized contributed nonfinancial assets within revenue, including contributed household goods, food, vehicles, building improvements, and service. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed household goods and food were utilized and used in the program services. In valuing household goods and food, TCSV 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 car and building improvement will be used for general and administrative activities. In valuing the contributed car and building improvement, which is located in

## SACRAMENTO VALLEY TEEN CHALLENGE

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Redding, California, TCSV estimated the fair value on the basis of recent comparable sales prices in Redding, California's real estate market.

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

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

	<u>Revenue Recognized</u>	<u>Utilization in Programs</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Household goods	\$ 17,121	Program Services	None	Fair value
Food	95,265	Program Services	None	Fair value
Vehicles	15,670	Program Services	None	Fair value
Building improvements	4,124	Program Services	None	Fair value
Service	1,072	General and Administrative	None	Fair value
Total	<u>\$ 133,252</u>			

### 10. 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 TCSV's financial assets as of December 31, 2022:

Financial assets at year end:	
Cash	\$ 683,343
Cash restricted	<u>10,000</u>
Total financial assets	693,343
Less amounts not available to be used within one year:	
Cash restricted	<u>10,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 683,343</u>

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TCSV'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 TCSV has sufficient funds to meet the current year obligation.

### **11. SUBSEQUENT EVENTS**

The management of TCSV reviewed the results of operations and evaluated subsequent events for the period 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.

**SACRAMENTO VALLEY TEEN CHALLENGE  
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	\$ 274,292	\$ 82,661	\$ 46,939	\$ 403,892	\$ 311,094
Employee benefits	48,056	2,380	-	50,436	30,962
Payroll taxes	20,009	3,376	-	23,386	36,576
Hiring Costs	506	-	-	506	66
Per Diem Expense	20,476	-	-	20,476	27,167
Bank Service Charges	4,125	-	356	4,481	4,300
Late Charges	40	-	-	40	-
Permits & Licenses	972	-	83	1,055	963
Corporation Costs	9,663	-	-	9,663	12,230
Accounting Fees	-	-	-	-	860
Student Accident Insurance	1,289	-	-	1,289	1,289
Property and Sales Taxes	7,959	-	204	8,163	3,505
General Supplies	118,874	-	-	118,874	89,925
Telephones	32,254	-	-	32,254	28,916
Postage and Delivery	7,063	-	69,282	76,346	73,013
Utilities	93,381	-	-	93,381	78,181
Rent	70,210	-	-	70,210	68,104
Building Repair&Maintenance	12,363	-	-	12,363	11,851
Liability Insurance	48,811	-	-	48,811	30,794
Equipment	23,077	-	-	23,077	17,788
Printing and Reproduction	6,481	-	86,118	92,599	59,744
Travel	109,738	-	4	109,741	88,660
Interest Expense	2	-	-	2	427
Depreciation, depletion, and amortization	179,746	-	-	179,746	171,642
Affiliates	5,400	-	-	5,400	5,500
Dues and Subscriptions	1,095	-	-	1,095	1,170
Loss, Theft, Disposasl	5,594	-	-	5,594	-
Promotions & Advertising	7,272	-	537	7,809	9,224
Training	2,774	-	-	2,774	3,249
Professional Services	32,573	-	-	32,573	23,073
Administration Expenses	27,779	-	-	27,779	60,094
Other expenses	2,047	-	15,840	17,887	18,305
<b>Total</b>	<b>\$ 1,173,919</b>	<b>\$ 88,418</b>	<b>\$ 219,364</b>	<b>\$ 1,481,701</b>	<b>\$ 1,268,672</b>