

**GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS GEORGIA
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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Independent Auditor's Report

The Board of Directors
Global Teen Challenge, Inc. and Subsidiaries
Columbus, Georgia

We have audited the accompanying consolidated financial statements of Global Teen Challenge, Inc. (a non-profit corporation) and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements 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 the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Board of Directors
Global Teen Challenge, Inc. and Subsidiaries
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Teen Challenge, Inc. and Subsidiaries as of September 30, 2017 and 2016, and the 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.

Robinson, Grimes + Company, P.C.

Certified Public Accountants

January 8, 2018

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	<u>ASSETS</u>	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,676,720	\$ 177,432
Temporarily restricted cash and cash equivalents	376,351	737,184
Accounts receivable - Assemblies of God	200,091	138,348
Accounts receivable - Teen Challenge of Florida	698,540	700,000
Current maturities of notes receivable	11,839	84,108
Investments	535,878	515,137
Prepaid expenses and other assets	7,234	6,994
Inventory	2,829	3,994
Total current assets	3,509,482	2,363,197
NONCURRENT ASSETS		
Fixed assets (net of accumulated depreciation)	6,761	26,841
Notes receivable (net of current maturities)	118,135	320,075
Total noncurrent assets	124,896	346,916
Total assets	\$ 3,634,378	\$ 2,710,113

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 109,349	\$ 104,591
Total current liabilities	109,349	104,591
 <u>NET ASSETS</u>		
UNRESTRICTED	2,994,273	1,853,711
TEMPORARILY RESTRICTED	530,756	751,811
Total net assets	3,525,029	2,605,522
Total liabilities and net assets	\$ 3,634,378	\$ 2,710,113

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
NON-PROFIT ACTIVITIES:			
OPERATING REVENUE			
Support	\$ 4,034,343	\$ 2,563,521	\$ 6,597,864
Other revenue	11,159	0	11,159
Net investment income	37,966	13,213	51,179
Net unrealized gain on marketable securities	14,190	0	14,190
Net assets released from purpose restrictions	2,797,789	(2,797,789)	0
Total support and revenue	<u>6,895,447</u>	<u>(221,055)</u>	<u>6,674,392</u>
OPERATING EXPENSES			
Program services	4,281,586	0	4,281,586
Management and general	859,046	0	859,046
Fundraising	574,105	0	574,105
Total operating expenses	<u>5,714,737</u>	<u>0</u>	<u>5,714,737</u>
Change in net assets from non-profit operating activities	<u>1,180,710</u>	<u>(221,055)</u>	<u>959,655</u>
NON-OPERATING SUPPORT AND RECLASSIFICATIONS			
Loss on disposal of fixed assets	<u>(6,677)</u>	<u>0</u>	<u>(6,677)</u>
Change in net assets from non-profit non-operating activities	<u>1,174,033</u>	<u>(221,055)</u>	<u>952,978</u>
FOR-PROFIT ACTIVITIES:			
OPERATING REVENUE			
Sales	12,722	0	12,722
Cost of sales	(718)	0	(718)
Gross profit	<u>12,004</u>	<u>0</u>	<u>12,004</u>
OPERATING EXPENSES			
General and administrative	26,671	0	26,671
Salaries and wages	17,231	0	17,231
Other	1,573	0	1,573
Total operating expenses	<u>45,475</u>	<u>0</u>	<u>45,475</u>
Change in net assets from for-profit activities	<u>(33,471)</u>	<u>0</u>	<u>(33,471)</u>
Net change in net assets	1,140,562	(221,055)	919,507
Net assets, beginning	<u>1,853,711</u>	<u>751,811</u>	<u>2,605,522</u>
Net assets, ending	<u>\$ 2,994,273</u>	<u>\$ 530,756</u>	<u>\$ 3,525,029</u>

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
NON PROFIT ACTIVITIES:			
OPERATING REVENUE			
Support	\$ 2,374,225	\$ 3,051,032	\$ 5,425,257
Other revenue	10,381	350	10,731
Net investment income	10,907	2,753	13,660
Net unrealized gain on marketable securities	13,974	0	13,974
Net assets released from purpose restrictions	3,547,361	(3,547,361)	0
Total support and revenue	<u>5,956,848</u>	<u>(493,226)</u>	<u>5,463,622</u>
OPERATING EXPENSES			
Program services	3,858,637	0	3,858,637
Management and general	377,093	0	377,093
Fundraising	481,263	0	481,263
Total operating expenses	<u>4,716,993</u>	<u>0</u>	<u>4,716,993</u>
Change in net assets from non-profit activities	<u>1,239,855</u>	<u>(493,226)</u>	<u>746,629</u>
FOR-PROFIT ACTIVITIES:			
OPERATING REVENUE			
Sales	70,082	0	70,082
Cost of sales	81,673	0	81,673
Gross profit	<u>(11,591)</u>	<u>0</u>	<u>(11,591)</u>
OPERATING EXPENSES			
General and administrative	44,833	0	44,833
Salaries and wages	23,875	0	23,875
Other	5,636	0	5,636
Total operating expenses	<u>74,344</u>	<u>0</u>	<u>74,344</u>
Change in net assets from for-profit activities	<u>(85,935)</u>	<u>0</u>	<u>(85,935)</u>
Net change in net assets	1,153,920	(493,226)	660,694
Net assets, beginning	<u>699,791</u>	<u>1,245,037</u>	<u>1,944,828</u>
Net assets, ending	<u>\$ 1,853,711</u>	<u>\$ 751,811</u>	<u>\$ 2,605,522</u>

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 919,507	\$ 660,694
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	3,702	3,910
Microloan bad debt expense	273,990	0
Net unrealized gain on marketable securities	(14,190)	(13,974)
Loss on disposal of fixed assets	6,677	0
Changes in:		
Accounts receivable	(60,283)	7,771
Inventory	1,165	3,011
Prepaid expenses and other assets	(240)	(243)
Accrued expenses	4,758	103,863
Total adjustments	215,579	104,338
Net cash provided by operating activities	1,135,086	765,032
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,551)	(501,163)
Loans to affiliated organizations - net	219	(676,040)
Purchase of fixed assets	(1,299)	(2,935)
Net proceeds from sale of fixed assets	11,000	0
Net cash provided by (used in) investing activities	3,369	(1,180,138)
Net increase (decrease) in cash and cash equivalents	1,138,455	(415,106)
Cash and cash equivalents, beginning	914,616	1,329,722
Cash and cash equivalents, ending	\$ 2,053,071	\$ 914,616
<u>PRESENTATION OF CASH AND CASH EQUIVALENTS ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:</u>		
Cash and cash equivalents	\$ 1,676,720	\$ 177,432
Temporarily restricted cash and cash equivalents	376,351	737,184
Total cash and cash equivalents	\$ 2,053,071	\$ 914,616

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation and related expenses				
Salaries	\$ 0	\$ 304,948	\$ 304,948	\$ 609,896
Employee benefits	0	64,442	0	64,442
Payroll taxes	0	36,432	0	36,432
Total compensation and related expenses	<u>0</u>	<u>405,822</u>	<u>304,948</u>	<u>710,770</u>
Other expenses				
Taxes and licenses	34,340	1,697	25	36,062
Contract and professional services	276,391	114,188	162,571	553,150
Rent	0	94,500	0	94,500
Travel	490,747	49,092	64,342	604,181
Food	13,785	3,091	0	16,876
Repairs and maintenance	6,758	16,958	1,385	25,101
Insurance	3,334	2,544	898	6,776
Supplies	99,203	22,733	9,223	131,159
Communications	29,286	27,072	30,713	87,071
Missions and giving	1,173,474	113,294	0	1,286,768
Donated services	1,857,475	0	0	1,857,475
Microloan bad debt expense	273,990	0	0	273,990
Other expenses	22,803	8,055	0	30,858
Total other expenses	<u>4,281,586</u>	<u>453,224</u>	<u>269,157</u>	<u>5,003,967</u>
Total expenses	<u>\$ 4,281,586</u>	<u>\$ 859,046</u>	<u>\$ 574,105</u>	<u>\$ 5,714,737</u>

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Supporting Services		Total
	Program Activities	Management and General	Fundraising	
Compensation and related expenses				
Salaries	\$ 0	\$ 122,558	\$ 122,557	\$ 245,115
Employee benefits	0	51,517	0	51,517
Payroll taxes	0	19,500	0	19,500
Total compensation and related expenses	0	193,575	122,557	316,132
Other expenses				
Taxes and licenses	23,222	2,239	138	25,599
Contract and professional services	6,565	14,689	201,437	222,691
Rent	0	94,500	0	94,500
Travel	343,882	30,432	101,478	475,792
Food	2,986	109	1,815	4,910
Repairs and maintenance	24,495	13,271	11,000	48,766
Insurance	1,923	2,918	0	4,841
Supplies	81,612	6,647	3,169	91,428
Communications	10,088	10,276	39,562	59,926
Missions and giving	1,166,356	2,630	107	1,169,093
Donated services	2,196,270	0	0	2,196,270
Other expenses	1,238	5,807	0	7,045
Total other expenses	3,858,637	183,518	358,706	4,400,861
Total expenses	\$ 3,858,637	\$ 377,093	\$ 481,263	\$ 4,716,993

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 1): Nature of Operations

Global Teen Challenge, Inc. (“GTC”) was incorporated in March 1995 under the name Teen Challenge International, Inc. dba Global Teen Challenge. The name was officially changed to Global Teen Challenge, Inc. in May of 2016. GTC is a not-for-profit corporation with the purpose of receiving and administering funds and operating exclusively for religious, charitable, scientific, literary, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Among these purposes are pioneering new Teen Challenge Centers globally, training Teen Challenge workers, and promoting communication and fellowship between Teen Challenge Centers throughout the world. GTC is committed to serving a wide variety of people in diverse cultural and economic settings who suffer emotional, spiritual, and physical needs that result from conditions beyond their personal control. Recognizing this diversity of conditions, GTC will respect the cultural and religious preferences of the peoples and countries it assists, and will never use religious persuasion or a profession of faith as a factor in distributing aid to needy people.

Teen Challenge Business Solutions, Inc. (“CBS”) was incorporated in September 2014. CBS is a not-for-profit entity with the purpose of conducting future fundraising activities to train GTC workers and promote communication and fellowship between GTC centers throughout the world.

GTC Solutions Powered by ByoPlanet International, LLC (“ByoPlanet”) was incorporated in September 2014. ByoPlanet is a total solution company that provides surface treatments for mold remediation and odor elimination. ByoPlanet was formed with the expectation of making profits and being able to contribute allowable funds to GTC. ByoPlanet ceased operations during 2017.

Hereafter, GTC, CBS and ByoPlanet will collectively be referred to as the “Organization”.

NOTE 2): Summary of Significant Accounting Policies

Basis of Accounting and Consolidation – The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the parent and subsidiaries’ accounts of the Organization. The Organization maintains separate operating statements for its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements – GAAP related to *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

- | | |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. All investments in the current year are Level 1 investments.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 2: Summary of Significant Accounting Policies (Continued)

Accounts and Notes Receivables – Accounts receivable consists of amounts due from an affiliate and from a contributing organization. Due to the nature of these receivables, management has determined no allowance for uncollectible accounts is deemed necessary.

Notes receivable consists of unsecured loans made to Teen Challenge centers abroad for operating purposes. Management has determined an allowance for uncollectible notes totaling \$273,990 and \$0 for 2017 and 2016, respectively.

Inventory – Inventory is recorded at cost and is made up of books held for resale.

Fixed Assets and Depreciation – Fixed assets are generally stated at cost, if purchased, or if donated, at the estimated fair value on the date contributed, and are depreciated over the estimated useful lives of the various assets using principally the straight-line method for consolidated financial statement purposes.

The various classifications of fixed assets and the estimated useful lives employed for the classes are summarized as follows:

Vehicles	5 - 10 years
Furniture and fixtures	5 - 10 years
Equipment	5 - 10 years

Maintenance, repairs and minor renewals are charged against income when incurred, while additions and major renewals are capitalized.

The Organization's policy is to capitalize fixed assets purchased or donated with a cost or fair market value in excess of \$1,500.

Contributions – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 2: Summary of Significant Accounting Policies (Continued)

Contributed Services – Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements, as there is no objective basis of deriving their value. Contributed services received by the Organization that met this criteria totaled \$1,857,475 and \$2,196,270 for the years ended September 30, 2017 and 2016, respectively. These amounts have been recorded as part of "support" and "program services" in the accompanying consolidated statements of activities. The amount recorded as donated services is derived from the amounts paid by Assembly of God World Missions on behalf of the Organization for each missionary's compensation, housing allowance, medical expenses, pension costs, insurance costs, travel expenses, and training expenses.

Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – GTC and CBS are not-for-profit organizations exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and did not conduct any unrelated business activities during 2017. Accordingly, no provision for federal or state income taxes has been made. In addition, GTC and CBS qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as non-profit entities that are not private foundations under Section 509(a)(2).

ByoPlanet is taxed under the provisions of Subchapter S of the Internal Revenue Code ("IRC"). Under those provisions and similar provisions of state law, ByoPlanet pays no federal or most state income taxes on its taxable income. Instead, the stockholder is liable for federal and state taxes on taxable income. Reporting for income tax purposes is on substantially the same basis as for financial statement purposes except for depreciation expense, inventory valuation, and bad debt expense.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 2: Summary of Significant Accounting Policies (Continued)

GAAP requires recognition of a liability for the benefit resulting from any uncertain tax positions taken by the Organization. The income tax returns of the Organization are subject to examination by the Internal Revenue Service (“IRS”) and state taxing authorities within standard statute of limitation periods. There are currently no audits for any tax periods in progress. Based on evaluation of the Organization’s tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effect of uncertain tax positions has been recorded for the years ended September 30, 2017 and 2016.

Donated Property – The Organization recognizes donations of real and personal property at their estimated fair values. The Organization receives assistance in the form of rent free usage of facilities. This rent free usage totaled \$94,500 for both the years ended September 30, 2017 and 2016 and has been recorded as part of unrestricted "support" and "program services expenses" in the accompanying Consolidated Statements of Activities. See Note 7 for disclosure of this related party transaction.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expenses totaled \$16,508 and \$7,805 in 2017 and 2016, respectively.

Consolidated Statements of Cash Flows – For purposes of the consolidated statements of cash flows, the Organization considers all unrestricted debt instruments with a maturity of three months or less to be cash equivalents.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 3: Notes Receivable

Notes receivable consist of unsecured loans made to Teen Challenge centers and are summarized as follows:

	<u>2017</u>	<u>2016</u>
Teen Challenge Jamaica note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in August 2017.	\$ 688	\$ 2,533
Teen Challenge Delhi note receivable, principal and interest at a fixed rate of 1.00% payable monthly, collected in full in 2017.	0	8,300
Teen Challenge Kenya note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in December 2018.	4,000	4,000
Teen Challenge Argentina note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in May 2019.	6,696	9,452
Teen Challenge Peru note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in January 2020.	14,000	14,000
Teen Challenge Chile note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in May 2020.	13,134	14,000
Teen Challenge Siberia note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in August 2020.	23,372	23,372
Teen Challenge Kyrgystan 1 note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in May 2021.	30,000	30,000

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 3: Notes Receivable (Continued)

	<u>2017</u>	<u>2016</u>
Teen Challenge Russia note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in September 2021.	25,000	25,000
Teen Challenge Lipetsk note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in December 2021.	25,000	25,000
Teen Challenge Russia-guest house note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in December 2021.	9,600	9,600
Teen Challenge Kyrgystan 2 note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in May 2022.	40,000	40,000
Teen Challenge of Florida note receivable, principal and interest at a fixed rate of 5.00% payable monthly, with a maturity date in April 2023 (Note 7).	129,974	131,426
Teen Challenge Tajikistan note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in December 2026.	47,500	42,500
Teen Challenge Tartarstan note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in December 2026.	25,000	25,000
Pure Nard	10,000	0
Total notes receivable	403,964	404,183
Less: reserve for bad debt	(273,990)	0
Total notes receivable - net	129,974	404,183
Less: current maturities	(11,839)	(84,108)
Total notes receivable (less current maturities)	\$ 118,135	\$ 320,075

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 3: Notes Receivable (Continued)

Maturities of notes receivable for each of the next five years are as follows:

2018		\$	11,839
2019	\$	18,514	
2020		19,461	
2021		20,456	
2022		21,503	
Thereafter		38,201	118,135
Totals		38,201	\$ 129,974

NOTE 4: Investments

The Organization established an investment account during 2016 with deposits totaling \$500,000. Investments at September 30, 2017 and 2016 are stated at fair market value and are summarized as follows:

	2017		
	Cost	FMV	Unrealized Appreciation
Mutual funds	\$ 89,873	\$ 107,644	\$ 17,771
Government obligations	34,457	34,457	0
Fixed income funds	390,808	393,777	2,969
Total investments	\$ 515,138	\$ 535,878	\$ 20,741

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 4: Investments (Continued)

	2016		
	Cost	FMV	Unrealized Appreciation
Mutual funds	\$ 91,450	\$ 99,114	\$ 7,664
Government obligations	121,256	121,256	0
Fixed income funds	288,457	294,767	6,310
Total investments	\$ 501,163	\$ 515,137	\$ 13,974

At September 30, 2017 and 2016, the investments above were measured at fair value using Level 1 inputs.

Net investment income for the years ended September 30, 2017 and 2016 are summarized as follows:

	2017	2016
Gross investment income	\$ 56,179	\$ 16,631
Investment management fees	(5,000)	(2,971)
Net investment income	\$ 51,179	\$ 13,660

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NOTE 5: Fixed Assets and Accumulated Depreciation

Fixed assets and accumulated depreciation are summarized as follows:

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 0	\$ 24,954
Furniture and fixtures	13,725	12,426
Equipment	<u>21,442</u>	<u>21,442</u>
	35,167	58,822
Less: accumulated depreciation	<u>(28,406)</u>	<u>(31,981)</u>
 Fixed assets - net	 <u>\$ 6,761</u>	 <u>\$ 26,841</u>

Depreciation expense was \$3,702 and \$ 3,910 for the years ended September 30, 2017 and 2016, respectively.

NOTE 6: Net Assets

The Organization's endowment consists of various cash and cash equivalents established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board of Directors classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts and other additions to the permanent endowment, and (c) accumulations to the permanent endowment.

The Organization classifies net assets and revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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NOTE 6: Net Assets (Continued)

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization does not have any net assets of this type.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that are to be met by actions of the Organization and/or the passage of time. At September 30, 2017 and 2016, temporarily restricted net assets represent net assets restricted for the funding of Teen Challenge Centers and for the development of Teen Challenge Centers globally. The restriction is a result of donors specifically identifying the Center(s) they intend to fund.

Unrestricted net assets: Net assets not subject to donor-imposed stipulations.

Endowment net assets consist of the following at September 30, 2017:

	Temporarily Restricted	Total
Donor restricted	\$ 530,756	\$ 530,756
Total endowment net assets	\$ 530,756	\$ 530,756

Endowment net assets consist of the following at September 30, 2016:

	Temporarily Restricted	Total
Donor restricted	\$ 751,811	\$ 751,811
Total endowment net assets	\$ 751,811	\$ 751,811

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NOTE 6: Net Assets (Continued)

Changes in endowment net assets for the year ended September 30, 2017 are as follows:

	Temporarily Restricted	Total
Endowment net assets at September 30, 2016	\$ 751,811	\$ 751,811
Contributions	2,563,521	2,563,521
Investment income and other revenue	13,213	13,213
Net assets released from:		
Purpose restrictions	<u>(2,797,789)</u>	<u>(2,797,789)</u>
Endowment net assets at September 30, 2017	<u>\$ 530,756</u>	<u>\$ 530,756</u>

Temporarily restricted net assets consists of funds donated for the purpose of supporting specific countries or regions in which the Organization conducts its ministry or for the support of specific missionaries within the Organization.

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
BGMC	\$ 3,082	\$ 5,592
Capacity Campaign	139,623	366,444
Cross/Switchblade	12,281	11,705
Restricted Countries/Missionaries	271,789	131,761
Restricted Operations	87,858	228,115
Light for the Lost Funds	<u>16,124</u>	<u>8,194</u>
Total temporarily restricted net assets	<u>\$ 530,756</u>	<u>\$ 751,811</u>

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NOTE 7: Related Party Transactions

The Organization's president currently serves as the president of Teen Challenge of Florida, Inc. ("TC Florida"), an affiliated non-profit organization. During the years ended September 30, 2017 and 2016, TC Florida donated usage of its facilities to the Organization at a fair market value of \$94,500 annually. The fair value of donated facilities is recorded as part of unrestricted "program services" in the accompanying Consolidated Statements of Activities. In addition, TC Florida provided operational support of \$47,002 and \$205,131 for 2017 and 2016, respectively. This support is recorded in the Consolidated Statements of Activities.

In an unrelated series of transactions, the Organization provided TC Florida operational support of \$63,321 and \$165,557 for 2017 and 2016, respectively, which is also recorded in the Consolidated Statements of Activities. TC Florida also owes the Organization \$698,540 and \$700,000 for advances made in 2016, as reflected on the Consolidated Statements of Financial Position. In addition, TC Florida also owes the Organization \$129,974 and \$131,426 as of September 30, 2017 and 2016, respectively (see Note 3).

NOTE 8: Employee Benefits

The Organization provides health insurance for exempt and nonexempt employees after six months of service. Employees must work at least thirty hours per week. Dependent coverage is available for exempt employees. If elected by the employee, the premium is paid by the employee through payroll deduction. The Organization's portion of the cost of employee insurance amounted to \$60,166 and \$48,188 for the years ended September 30, 2017 and 2016, respectively.

The Organization also has a 403(b) contributory retirement plan covering all eligible employees. Currently the Organization does not make a matching contribution.

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NOTE 9: Concentrations

At September 30, 2017 and 2016, the Organization had uninsured cash balances of approximately \$1,545,000 and \$187,000, respectively.

The Organization receives contributions from a major contributor, the Assemblies of God ("AG"), and other ministries affiliated with AG ("AG Affiliates"). During the years ended September 30, 2017 and 2016, the Organization received \$111,794 and \$126,964 in donations from AG and AG Affiliates, combined, respectively. The Organization also has an agreement with AG whereby the Organization makes contributions to AG equal to 5% of donations received by the organization from AG Affiliates. The Organization made contributions totaling \$5,661 and \$10,318 to AG during the years ended September 30, 2017 and 2016, respectively.

NOTE 10: Subsequent Events

Management has evaluated subsequent events through January 8, 2018, which is the date the consolidated financial statements were available to be issued. There were no transactions that were required to be disclosed under professional guidance.