

GLOBAL TEEN CHALLENGE, INC.
AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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Independent Auditor's Report

The Board of Directors
Global Teen Challenge, Inc. (formerly Teen Challenge International, Inc.) and Subsidiaries
Columbus, Georgia

We have audited the accompanying consolidated financial statements of Global Teen Challenge, Inc. (formerly Teen Challenge International, Inc.) (a non-profit corporation) and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, 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 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 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, 2016 and 2015, 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 23, 2017

GLOBAL TEEN CHALLENGE, INC. (FORMERLY TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 177,432	\$ 223,864
Temporarily restricted cash and cash equivalents	737,184	1,105,858
Accounts receivable - Assemblies of God	138,348	146,119
Accounts receivable - Teen Challenge of Florida	700,000	0
Current maturities of notes receivable	84,108	172,216
Investments	515,137	0
Prepaid expenses and other assets	6,994	6,751
Inventory	3,994	7,005
Total current assets	<u>2,363,197</u>	<u>1,661,813</u>
Fixed assets (net of accumulated depreciation)	26,841	27,816
Notes receivable (net of current portion)	<u>320,075</u>	<u>255,927</u>
Total noncurrent assets	<u>346,916</u>	<u>283,743</u>
Total assets	<u>\$ 2,710,113</u>	<u>\$ 1,945,556</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 104,591	\$ 728
Total current liabilities	<u>104,591</u>	<u>728</u>

<u>NET ASSETS</u>		
UNRESTRICTED	1,853,711	699,791
TEMPORARILY RESTRICTED	<u>751,811</u>	<u>1,245,037</u>
Total net assets	<u>2,605,522</u>	<u>1,944,828</u>
Total liabilities and net assets	<u>\$ 2,710,113</u>	<u>\$ 1,945,556</u>

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, rNC. (FORMERLY TEEN CHALLENGE
INTERNATIONAL, rNC.) AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
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	699,791	1,245,037	1,944,828
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, fNC. (FORMERLY TEEN C HALLENG E
fNTERNATIONAL, fNC.) AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR EN DED SEPTEMBER 30, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
NON PROFIT ACTIV ITIES:			
OPERATING REVENUE			
Support	\$ 2,792,136	\$ 2,735,447	\$ 5,527,583
Other revenue	9,552	471	10,023
Net investment income	12,836	2,883	15,719
Net assets relea sed from purpose restrictions	2,840,005	(2,840,005)	0
Total support and revenue	<u>5,654,529</u>	<u>(101,204)</u>	<u>5,553,325</u>
OPERATING EXPENSES			
Program services	3,998,656	0	3,998,656
Management and general	273,910	0	273,910
Fundraising	401,045	0	401,045
Total operating expenses	<u>4,673,611</u>	<u>0</u>	<u>4,673,611</u>
Change in net assets from non-p rofit ac tivities	<u>980,918</u>	<u>(101,204)</u>	<u>879,714</u>
FO R-PROFIT ACTIVITIES:			
OPERATING REVENUE			
Sales	24,267	0	24,267
Cost of sales	14,495	0	14,495
Gross profit	<u>9,772</u>	<u>0</u>	<u>9,772</u>
OPERATING EXPENSES			
General and administrative	141,007	0	141,007
Salaries and wages	48,249	0	48,249
Other	3,331	0	3,331
Total operating expenses	<u>192,587</u>	<u>0</u>	<u>192,587</u>
Change in net assets from for-profit activ ities	<u>(182,815)</u>	<u>0</u>	<u>(182,815)</u>
Net change in net assets	798,103	(101,204)	696,899
Net assets, beginning	<u>(98,312)</u>	<u>1,346,241</u>	<u>1,247,929</u>
Net assets, ending	<u>\$ 699,791</u>	<u>\$ 1,245,037</u>	<u>\$ 1,944,828</u>

See Notes to Consolidated Financial Statement s.

GLOBAL TEEN CHALLENGE, INC. (FORMERLY TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 660,694	\$ 696,899
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	3,910	3,895
Net unrealized gain on marketable securities	(13,974)	0
Changes in:		
Accounts receivable	7,771	(19,060)
Inventory	3,011	2,718
Prepaid expenses and other assets	(243)	(2,658)
Accrued expenses	103,863	579
Total adjustments	104,338	(14,526)
Net cash provided by operating activities	765,032	682,373
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(501,163)	0
Loans to affiliated organizations - net	(676,040)	(398,143)
Purchase of fixed assets	(2,935)	0
Net cash used in investing activities	(J,180,138)	(398,143)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit - net	0	(199,000)
Net cash used in financing activities	0	(199,000)
Net increase (decrease) in cash and cash equivalents	(415,106)	85,230
Cash and cash equivalents, beginning	1,329,722	1,244,492
Cash and cash equivalents, ending	\$ 914,616	\$ 1,329,722

See Notes to Consolidated Financial Statements.