

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)	320,075	255,927
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	751,811	1,245,037
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, INC. (FORMERLY TEEN CHALLENGE
INTERNATIONAL, 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. (FORMERLY TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
NON PROFIT ACTIVITIES:			
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 released 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-profit activities	<u>980,918</u>	<u>(101,204)</u>	<u>879,714</u>
FOR-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 activities	<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 Statements.

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	(1,180,138)	(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.

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

	<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	\$ 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	<u>0</u>	<u>193,575</u>	<u>122,557</u>	<u>316,132</u>
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	<u>3,858,637</u>	<u>183,518</u>	<u>358,706</u>	<u>4,400,861</u>
Total expenses	<u>\$ 3,858,637</u>	<u>\$ 377,093</u>	<u>\$ 481,263</u>	<u>\$ 4,716,993</u>

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. (FORMERLY TEEN CHALLENGE INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<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	\$ 92,819	\$ 92,818	\$ 185,637
Employee benefits	0	44,921	0	44,921
Payroll taxes	0	13,029	0	13,029
Total compensation and related expenses	<u>0</u>	<u>150,769</u>	<u>92,818</u>	<u>243,587</u>
Other expenses				
Taxes and licenses	26,290	7,049	1,427	34,766
Contract and professional services	24,523	19,912	164,443	208,878
Rent	94,500	0	0	94,500
Travel	89,673	22,359	81,281	193,313
Food	68	648	102	818
Repairs and maintenance	1,989	26,290	5,369	33,648
Insurance	3,266	2,980	0	6,246
Supplies	58,181	10,564	2,149	70,894
Communications	8,952	16,392	27,996	53,340
Missions and giving	1,266,124	0	22,143	1,288,267
Donated services	2,424,975	0	0	2,424,975
Other expenses	115	16,947	3,317	20,379
Total other expenses	<u>3,998,656</u>	<u>123,141</u>	<u>308,227</u>	<u>4,430,024</u>
Total expenses	<u>\$ 3,998,656</u>	<u>\$ 273,910</u>	<u>\$ 401,045</u>	<u>\$ 4,673,611</u>

See Notes to Consolidated Financial Statements.

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 1: Nature of Operations

Global Teen Challenge, Inc. (formerly Teen Challenge International, Inc.)(the “Organization”) 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. The Organization 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. The Organization 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, the Organization 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 Organization workers and promote communication and fellowship between the Organization centers throughout the world.

GTC Solutions Powered by ByoPlanet International, LLC (“ByoPlanet”) was incorporated in September 2014; however, there was no activity until 2015. 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 the Organization. The Board of Directors approved the investment of \$200,000 into ByoPlanet as start-up capital. This investment was eliminated in consolidation.

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 accounts of the Organization and its wholly owned subsidiaries, CBS and ByoPlanet. The Organization maintains separate operating statements for its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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.

Accounts 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 is deemed necessary.

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

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 \$2,195,270 and \$2,424,975 for the years ended September 30, 2016 and 2015, 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 for each missionary's compensation, housing allowance, medical expenses, pension costs, insurance costs, travel expenses, and training expenses.

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 – The Organization 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 2016. Accordingly, no provision for federal or state income taxes has been made. In addition, the Organization and CBS qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as Organizations 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.

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, 2016 and 2015.

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, 2016 and 2015 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 \$7,805 and \$25,660 in 2016 and 2015, respectively.

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 2: Summary of Significant Accounting Policies (Continued)

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.

NOTE 3: Notes Receivable

Notes receivable consists of loans made to Teen Challenge centers and is summarized as follows:

	<u>2016</u>	<u>2015</u>
Teen Challenge of Florida note receivable, principal and interest at a fixed rate of 5.00% payable monthly, paid off in 2016 (Note 7).	\$ 0	\$ 145,371
Teen Challenge Jamaica note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in August 2017.	2,533	5,046
Teen Challenge Delhi note receivable, principal and interest at a fixed rate of 1.00% payable monthly, paid off in 2016.	8,300	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.	9,452	0
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

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
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COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 3: Notes Receivable (Continued)

	2016	2015
Teen Challenge Chile note receivable, principal and interest at a fixed rate of 1.00% payable monthly, with a maturity date in May 2020.	14,000	0
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	25,000
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
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	0
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	0
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).	131,426	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.	42,500	0
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	0
Total notes receivable	404,183	428,143
Less: current maturities	84,108	172,216
Total notes receivable (less current maturities)	\$ 320,075	\$ 255,927

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
INTERNATIONAL, INC.) AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 3: Notes Receivable (Continued)

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

Year ending September 30,		\$	
2017			84,108
2018	\$	69,847	

NOTE 4: Investments

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

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

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

GLOBAL TEEN CHALLENGE, INC. (FORMERLY KNOWN AS TEEN CHALLENGE
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NOTE 4: Investments (Continued)

Net investment income for the year ended September 30, 2016 is summarized as follows:

Gross investment income	\$ 16,631
Investment management fees	<u>(2,971)</u>
Net investment income	<u>\$ 13,660</u>

NOTE 5: Fixed Assets and Accumulated Depreciation

Fixed assets and accumulated depreciation are summarized as follows:

	<u>2016</u>	<u>2015</u>
Vehicles	\$ 24,954	\$ 24,954
Furniture and fixtures	12,426	9,491
Equipment	<u>21,442</u>	<u>21,442</u>
	58,822	55,887
Less: accumulated depreciation	<u>(31,981)</u>	<u>(28,071)</u>
Fixed assets - net	<u>\$ 26,841</u>	<u>\$ 27,816</u>

Depreciation expense was \$3,910 and \$ 3,895 for the years ended September 30, 2016 and 2015, respectively.

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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:

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, 2016 and 2015, 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.

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NOTE 6: Net Assets (Continued)

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

	Temporarily Restricted	Total
Donor restricted	<u>\$ 751,811</u>	<u>\$ 751,811</u>
Total endowment net assets	<u>\$ 751,811</u>	<u>\$ 751,811</u>

Endowment net assets consist of the following at September 30, 2015:

	Temporarily Restricted	Total
Donor restricted	<u>\$ 1,245,037</u>	<u>\$ 1,245,037</u>
Total endowment net assets	<u>\$ 1,245,037</u>	<u>\$ 1,245,037</u>

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

	Temporarily Restricted	Total
Endowment net assets at September 30, 2015	\$ 1,245,037	\$ 1,245,037
Contributions	3,051,032	3,051,032
Investment income and other revenue	3,103	3,103
Net assets released from:		
Purpose restrictions	<u>(3,547,361)</u>	<u>(3,547,361)</u>
Endowment net assets at September 30, 2016	<u>\$ 751,811</u>	<u>\$ 751,811</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.

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NOTE 6: Net Assets (Continued)

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
BGMC	\$ 5,592	\$ 6,792
Capacity Campaign	366,444	1,041,403
Cross/Switchblade	11,705	11,932
Restricted Countries/Missionaries	131,761	110,833
Restricted Operations	228,115	59,119
Light for the Lost Funds	<u>8,194</u>	<u>14,958</u>
Total temporarily restricted net assets	<u>\$ 751,811</u>	<u>\$ 1,245,037</u>

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, 2016 and 2015, 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 \$205,131 and \$216,929 for 2016 and 2015, 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 \$165,557 and \$96,385 for 2016 and 2015, respectively, which is also recorded in the consolidated statements of activities. TC Florida also owes the Organization \$700,000 for advances made in 2016 and approximately \$131,000 for a separate note maturing in 2023 (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 \$48,188 and \$38,776 for the years ended September 30, 2016 and 2015, respectively.

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NOTE 8: Employee Benefits (Continued)

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

NOTE 9: Concentrations

At September 30, 2016 and 2015, the Organization had uninsured cash balances of approximately \$187,000 and \$512,000, 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, 2016 and 2015, the Organization received \$126,964 and \$302,980 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 \$10,318 and \$18,381 to AG during the years ended September 30, 2016 and 2015, respectively.

NOTE 10: Subsequent Events

Management has evaluated subsequent events through January 23, 2017, which is the date the consolidated financial statements were available to be issued. There were no transactions discovered that were required to be disclosed under professional guidance.