

Teen and Family Services

Independent Auditors' Report and
Financial Statements for the Year Ended April 30, 2024
(with comparative totals for 2023 - Reviewed)



Tipton & Company
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Teen and Family Services
Houston, Texas

Opinion

We have audited the accompanying financial statements of Teen and Family Services (a nonprofit organization) which comprise the statement of financial position as of April 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen and Family Services as of April 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. is to express an opinion on these financial statements based on our audit. We are required to be independent of Teen and Family Services 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Teen and Family Service's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Teen and Family Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Teen and Family Service'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

The 2023 financial statements were reviewed by us and our report thereon, dated December 18, 2023, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. The summarized comparative information presented herein as of and for the year ended December 18, 2023, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Tipton & Company LLC

Tipton & Company LLC
Certified Public Accountants
Houston, Texas

October 28, 2024

Teen and Family Services

Statement of Financial Position

<i>As of April 30, (with comparative totals for 2023)</i>	Audited 2024	Reviewed 2023
Assets		
Cash and cash equivalents	\$ 105,497	\$ 44,093
Accounts receivable	198,408	36,880
Other assets	1,492	1,690
Property and equipment, net	14,897	17,880
Total Assets	\$ 320,294	\$ 100,543
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 32,588	\$ 27,729
Line of credit	250,000	144,000
Total Liabilities	282,588	171,729
Net Assets		
Without donor restriction	37,706	(71,186)
With donor restrictions	-	-
Total Net Assets	37,706	(71,186)
Total Liabilities and Net Assets	\$ 320,294	\$ 100,543

Teen and Family Services

Statement of Activities

Year ended April 30, <i>(with comparative totals for 2023)</i>	Without Donor Restrictions	With Donor Restrictions	Audited 2024 Total	Reviewed 2023 Total (Restated)
Public Support and Revenues				
Public Support				
Contributions	\$ 242,032	\$ -	\$ 242,032	\$ 163,970
Grants	368,000	-	368,000	299,800
Federal COVID relief	106,969	-	106,969	-
Revenue				
Counseling income	502,071	-	502,071	488,131
Fundraising income	246,285	-	246,285	87,374
Special events	76,022	-	76,022	37,750
Less: direct donor benefit	(15,339)	-	(15,339)	(19,666)
Other Income	-	-	-	2,175
Total Public Support and Revenues	1,526,040	-	1,526,040	1,059,534
Expenses				
Program Activities				
Counseling	1,099,735	-	1,099,735	929,420
Supporting Activities				
Management and general	184,681	-	184,681	162,120
Fundraising	132,732	-	132,732	108,657
Total Supporting Activities	317,413	-	317,413	270,777
Total Expenses	1,417,148	-	1,417,148	1,200,197
Change in Net Assets	108,892	-	108,892	(140,663)
Net Assets, Beginning of Year				
as restated	(71,186)	-	(71,186)	69,477
Net Assets, End of Year	\$ 37,706	\$ -	\$ 37,706	\$ (71,186)

Teen and Family Services

Statement of Functional Expenses

Year ended April 30, <i>(with comparative totals for 2023)</i>	Program Activities		Supporting Activities		Audited 2024 Total	Reviewed 2023 Total
	Counseling	Management & General	Fundraising	Total Supporting Activities		
Salaries and related expenses						
Salaries and wages	\$ 618,370	\$ 104,113	\$ 89,981	\$ 194,094	\$ 812,464	\$ 744,921
Payroll taxes	51,254	6,605	7,871	14,476	65,730	60,661
Employee benefits	45,865	7,366	13,681	21,047	66,912	59,661
Total salaries and related expenses	715,489	118,084	111,533	229,617	945,106	865,243
Other expenses						
Advertising	413	380	2,558	2,938	3,351	2,779
Auto	9,634	385	-	385	10,019	19,699
Bad debt	31,488	-	-	-	31,488	-
Building repair and maintenance	1,288	-	-	-	1,288	1,532
Computers and software	195	-	101	101	296	3,898
Contract labor	30,573	2,795	-	2,795	33,368	16,832
Depreciation	-	2,983	-	2,983	2,983	2,983
Donations	-	-	-	-	-	1,399
Drug screening and testing	3,658	789	-	789	4,447	2,864
Dues, subscriptions, memberships	2,967	9,375	1,176	10,551	13,518	14,349
Employee recruitment and training	20,151	407	-	407	20,558	9,715
Fundraising events	-	-	27,622	27,622	27,622	21,197
Insurance	35,030	567	-	567	35,597	33,970
Interest	-	13,012	-	13,012	13,012	9,966
Legal and professional fees	29,964	8,450	-	8,450	38,414	32,860
Miscellaneous	3,091	145	-	145	3,236	5,209
Program activities	54,396	-	-	-	54,396	65,727
Rent	28,638	1,492	-	1,492	30,130	17,134
Service fee	85,738	11,622	4,819	16,441	102,179	60,486
Supplies	12,193	3,471	262	3,733	15,926	8,773
Taxes	274	1,845	-	1,845	2,119	2,113
Travel and entertainment	30,118	1,221	-	1,221	31,339	9,327
Utilities	4,437	7,658	-	7,658	12,095	11,808
Total other expenses	384,246	66,597	36,538	103,135	487,381	354,620
Total Expenses, gross	1,099,735	184,681	148,071	332,752	1,432,487	1,219,863
Less: Direct benefit to donor	-	-	(15,339)	(15,339)	(15,339)	(19,666)
Total Expenses, net	\$ 1,099,735	\$ 184,681	\$ 132,732	\$ 317,413	\$ 1,417,148	\$ 1,135,406

See accompanying notes and independent accountants' review report.

Teen and Family Services

Statement of Cash Flows

Year ended April 30, (with comparative totals for 2023)	Audited 2024	Reviewed 2023
Cash Flows from Operating Activities		
Change in Net Assets	\$ 108,892	\$ (140,663)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,983	2,983
Bad debt	31,488	-
Change in operating assets and liabilities:		
Accounts receivable	(193,016)	(31,210)
Other assets	198	(500)
Accounts payable and accrued expenses	4,859	19,601
Total Adjustments	(153,488)	(9,126)
Net Change from Operating Activities	(44,596)	(149,789)
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(1,731)
Net Change from Investing Activities	-	(1,731)
Cash Flows from Financing Activities		
Draws on line of credit	250,000	147,500
Repayments on line of credit	(144,000)	(93,500)
Net Change from Financing Activities	106,000	54,000
Net Change in Cash and Cash Equivalents	61,404	(97,520)
Cash and Cash Equivalents, beginning of year	44,093	141,613
Cash and Cash Equivalents, end of year	\$ 105,497	\$ 44,093
Supplemental Information:		
Interest paid	\$ 13,012	\$ 9,966

Teen and Family Services

Notes to the Financial Statements

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Teen and Family Services was incorporated in 2002 under the Texas Non-profit Corporation Act. Teen and Family Services is a non-profit organization dedicated to education and counseling. Teen and Family Services provides counseling on an individual as well as group basis to provide support to parents and teens who are coping with teen high-risk behavior. The program also includes after school and weekend programs which provide tutoring and free recreation activities. In addition to tutoring and free recreation activities “Outward Bound” style retreats are facilitated to help teens develop self-confidence as well as problem solving skills.

Basis of Accounting – The financial statements of Teen and Family Services have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted endowment earnings are released when those earnings are appropriated with spending policies and are used for the specified purpose.

Cash and Cash Equivalents – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

Property and Equipment – Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold Improvements	5 - 25 years
Equipment	6 years
Vehicles	10 years

Additions and betterments of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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Notes to the Financial Statements

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Grants – Grants are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition.

Donated Assets – Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Property and Equipment – Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Donated Services – The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-25-26.

Counseling Income – Revenue from counseling income is recognized when earned (i.e. when the counseling service is provided).

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

Functional Allocation of Expense – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates these expenses based on time and effort. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification.

Leases – The Organization accounts for leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. Leases are evaluated using the criteria in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and right-of-use (ROU) asset at

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the commencement date of the lease. The Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have an initial lease term of 12 months or less and for leases that management deems immaterial. Lease expense is recognized on a straight-line basis as rent expense in the statement of functional expenses.

Lease liabilities - Lease liabilities are measured based on the present value of future lease payments using the risk-free rate at the start of the lease term

Right of use (ROU) assets - ROU assets are recognized at the present value of the lease payments at inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. ROU assets are amortized over the term of the lease.

Income Taxes – The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Advertising – Advertising costs are expensed as incurred. Advertising expense for the years ended April 30, 2024 and 2023 were \$3,351 and \$2,779, respectively.

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should not be read in conjunction with the Organization's financial statements for the year ended April 30, 2023, from which the summarized information was derived.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of April 30, 2024, comprise the following:

Financial assets:	
Cash	\$105,497
Accounts receivable	198,408
Financial assets available to meet cash needs for general expenditures within one year	\$303,905

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Organization is primarily funded by donations, counseling income and fundraising events. The Organization has a goal to maintain financial assets on hand to meet one months’ operating expenses, which are, on average,

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Notes to the Financial Statements

approximately \$100,000. The majority of the funds needed to meet the operating expenses is maintained in a checking account with Comerica Bank. In the event that the Organization needs additional funding, it is able to draw on its line of credit with Comerica Bank as referenced in Note 6.

NOTE 3 – CONCENTRATIONS

The Organization maintains cash balances at one financial institution located in Texas. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At April 30, 2024 and 2023, the Organization had no uninsured balances.

For the year ended April 30, 2024, the Organization had four funding sources that accounted for ninety-one percent (91%) of total receivables as of the end of the year. For the year ended April 30, 2023, the Organization had one funding source that accounted for fourteen percent (14%) of total public support and revenue and one funding source accounted for sixty-eight percent (68%) of total account receivables as of the end of the year. The Organization also conducts its operations solely in the Houston area, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in grants.

NOTE 4 – PROPERTY AND EQUIPMENT

As of April 30, 2024 and 2023, property and equipment consist of the following:

	2024	2023
Leasehold Improvements	\$46,776	\$46,776
Equipment	33,502	33,502
Vehicles	19,747	19,747
Subtotal property and equipment	100,025	100,025
Less: accumulated depreciation	(85,128)	(82,145)
Total property and equipment, net	\$14,897	\$17,880

Depreciation expense for the years ended April 30, 2024 and 2023 was \$2,983 in both years.

NOTE 5 – LINE OF CREDIT

In June 2020, the Organization obtained a \$150,000 line of credit from Comerica Bank for general operations. The line of credit bears interest at the prime referenced rate and is due on demand. The balance of the line of credit as of April 30, 2024 and 2023 is \$0 and \$144,000 respectively. In April 2024, the Organization obtained another line of credit from Gulf Capital bank. The line of credit bears interest at the prime referenced rate and is due on demand. The balance of the line of credit as of April 30, 2024 is \$150,000. Interest expense for the years ended April 30, 2024 and 2023 was \$13,012 and \$9,966, respectively.

NOTE 6 – OPERATING LEASES

The Organization leases its office space under various month-to-month operating lease agreements at monthly rental payments ranging from \$800 to \$1,000. For the years ended April 30, 2024 and 2023, rent expense was \$30,130 and \$17,134, respectively.

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Notes to the Financial Statements

NOTE 7 – RELATED PARTIES

During the years ended April 30, 2024 and 2023, an entity which employs a member of the Board of Directors provided payroll and retirement processing and record-keeping services to the Organization. The Organization incurred total expenses of approximately \$20,000 for both fiscal years ended April 30, 2024 and 2023.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the year ended April 30, 2024, certain errors were noted in the prior year financial statements; accordingly, a prior period adjustment was recorded to beginning net assets as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning net assets, as originally stated	\$ 3,814	\$ -	\$ 3,814
Promises to give not recorded in proper period	(75,000)	-	(75,000)
Beginning net assets, as restated	(\$71,186)	\$ -	(\$71,186)

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2024, the date the financial statements were available to be issued. No events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.