

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS GEORGIA
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses, 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 audits. 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, 2019 and 2018, 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

June 11, 2020

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS, GEORGIA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 469,609	\$ 1,347,276
Cash and cash equivalents - restricted	1,870,160	644,973
Accounts receivable - Assemblies of God	88,728	220,035
Accounts receivable - Teen Challenge Southeast	563,173	580,493
Current maturities of notes receivable	19,623	18,825
Investments	571,230	545,512
Prepaid expenses and other assets	10,362	10,362
Total current assets	<u>3,592,885</u>	<u>3,367,476</u>
NONCURRENT ASSETS		
License agreement (in progress)	640,000	0
Notes receivable (net of current maturities and allowance for doubtful accounts)	75,498	93,240
Total noncurrent assets	<u>715,498</u>	<u>93,240</u>
Total assets	<u>\$ 4,308,383</u>	<u>\$ 3,460,716</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 15,207	\$ 23,800
Total current liabilities	<u>15,207</u>	<u>23,800</u>
 <u>NET ASSETS</u>		
NET ASSETS WITHOUT DONOR RESTRICTIONS	2,423,016	2,791,943
NET ASSETS WITH DONOR RESTRICTIONS	1,870,160	644,973
Total net assets	<u>4,293,176</u>	<u>3,436,916</u>
Total liabilities and net assets	<u>\$ 4,308,383</u>	<u>\$ 3,460,716</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, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
NON-PROFIT ACTIVITIES:			
OPERATING REVENUE			
Support	\$ 3,634,570	\$ 3,018,197	\$ 6,652,767
Other revenue	25,102	0	25,102
Net investment income	40,606	16,090	56,696
Net unrealized gain on marketable securities	11,398	0	11,398
Net realized gain on marketable securities	0	3,230	3,230
Net assets released from purpose restrictions	1,812,330	(1,812,330)	0
Total support and revenue	<u>5,524,006</u>	<u>1,225,187</u>	<u>6,749,193</u>
OPERATING EXPENSES			
Program services	4,256,786	0	4,256,786
Management and general	1,166,648	0	1,166,648
Fundraising	469,499	0	469,499
Total operating expenses	<u>5,892,933</u>	<u>0</u>	<u>5,892,933</u>
Net change in net assets	(368,927)	1,225,187	856,260
Net assets, beginning	<u>2,791,943</u>	<u>644,973</u>	<u>3,436,916</u>
Net assets, ending	<u>\$ 2,423,016</u>	<u>\$ 1,870,160</u>	<u>\$ 4,293,176</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, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
NON PROFIT ACTIVITIES:			
OPERATING REVENUE			
Support	\$ 4,197,848	\$ 1,999,006	\$ 6,196,854
Other revenue	12,948	0	12,948
Net investment income	39,602	11,957	51,559
Net unrealized loss on marketable securities	(2,366)	0	(2,366)
Net realized gain on marketable securities	0	5,380	5,380
Net assets released from purpose restrictions	1,762,503	(1,762,503)	0
Total support and revenue	<u>6,010,535</u>	<u>253,840</u>	<u>6,264,375</u>
OPERATING EXPENSES			
Program services	4,804,579	0	4,804,579
Management and general	835,210	0	835,210
Fundraising	712,699	0	712,699
Total operating expenses	<u>6,352,488</u>	<u>0</u>	<u>6,352,488</u>
Net change in net assets	(341,953)	253,840	(88,113)
Net assets, beginning	<u>3,133,896</u>	<u>391,133</u>	<u>3,525,029</u>
Net assets, ending	<u>\$ 2,791,943</u>	<u>\$ 644,973</u>	<u>\$ 3,436,916</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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 856,260	\$ (88,113)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	0	2,527
Net unrealized (gain) loss on marketable securities	(11,398)	2,703
Net realized gain on sale of marketable securities	(3,230)	(5,380)
Loss on disposal of fixed assets	0	4,234
Changes in:		
Accounts receivable	148,627	98,103
Prepaid expenses and other assets	0	(299)
Accounts payable	(8,593)	(85,549)
Total adjustments	125,406	16,339
Net cash provided by (used in) operating activities	981,666	(71,774)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible asset - Sober Peer	(640,000)	0
Purchase of investments	(11,090)	(6,957)
Loans to affiliated organizations - net	16,944	17,909
Net cash provided by (used in) investing activities	(634,146)	10,952
Net increase (decrease) in cash and cash equivalents	347,520	(60,822)
Cash and cash equivalents, beginning	1,992,249	2,053,071
Cash and cash equivalents, ending	\$ 2,339,769	\$ 1,992,249
<u>PRESENTATION OF CASH AND CASH EQUIVALENTS ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:</u>		
Cash and cash equivalents	\$ 469,609	\$ 1,347,276
Cash and cash equivalents - restricted	1,870,160	644,973
Total cash and cash equivalents	\$ 2,339,769	\$ 1,992,249

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, 2019

	<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	\$ 324,756	\$ 583,811	\$ 209,337	\$ 1,117,904
Employee benefits	23,381	153,288	15,071	191,740
Payroll taxes	17,602	31,641	11,345	60,588
Total compensation and related expenses	<u>365,739</u>	<u>768,740</u>	<u>235,753</u>	<u>1,370,232</u>
Other expenses				
Taxes and licenses	19,556	8,898	0	28,454
Contract and professional services	178,226	41,875	206,851	426,952
Rent	0	94,817	0	94,817
Travel	548,705	106,798	26,895	682,398
Food	4,611	5,627	0	10,238
Repairs and maintenance	0	3,923	0	3,923
Insurance	779	4,281	0	5,060
Supplies	81,003	53,354	0	134,357
Communications	0	70,071	0	70,071
Utilities	0	6,033	0	6,033
Missions and giving	1,555,146	0	0	1,555,146
Donated services	1,503,021	0	0	1,503,021
Other expenses	0	2,231	0	2,231
Total other expenses	<u>3,891,047</u>	<u>397,908</u>	<u>233,746</u>	<u>4,522,701</u>
Total expenses	<u>\$ 4,256,786</u>	<u>\$ 1,166,648</u>	<u>\$ 469,499</u>	<u>\$ 5,892,933</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, 2018

	<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	\$ 215,500	\$ 318,109	\$ 427,609	\$ 961,218
Employee benefits	17,389	25,670	34,506	77,565
Payroll taxes	10,512	15,518	20,860	46,890
Total compensation and related expenses	<u>243,401</u>	<u>359,297</u>	<u>482,975</u>	<u>1,085,673</u>
Other expenses				
Taxes and licenses	35,886	8,284	0	44,170
Contract and professional services	275,198	162,153	200,128	637,479
Rent	0	96,740	0	96,740
Travel	454,330	88,690	29,596	572,616
Food	7,706	5,100	0	12,806
Depreciation	0	2,527	0	2,527
Repairs and maintenance	0	4,071	0	4,071
Insurance	1,743	4,807	0	6,550
Supplies	125,815	21,695	0	147,510
Communications	0	74,540	0	74,540
Missions and giving	2,190,098	0	0	2,190,098
Donated services	1,467,991	0	0	1,467,991
Other expenses	2,411	7,306	0	9,717
Total other expenses	<u>4,561,178</u>	<u>475,913</u>	<u>229,724</u>	<u>5,266,815</u>
Total expenses	<u>\$ 4,804,579</u>	<u>\$ 835,210</u>	<u>\$ 712,699</u>	<u>\$ 6,352,488</u>

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, 2019 AND 2018

NOTE 1: Nature of Operations

Global Teen Challenge, Inc. (“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.

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

NOTE 2: Summary of Significant Accounting Policies

New Accounting Standard – Effective October 1, 2018, GTC adopted Accounting Standards Update No. 2016-14: *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances the required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring the presentation of an analysis of expenses by function and nature and disclose the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2: Summary of Significant Accounting Policies (Continued)

Certain changes resulting from the implementation of ASU 2016-14 require retrospective application, and thus certain prior year balances were reclassified. GTC's net assets previously reported as unrestricted are now reported as net assets without donor restrictions, and the net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions.

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. 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:

Net assets without donor restrictions: Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that are to either be maintained (1) in perpetuity by the Organization, or (2) until the Organization satisfies certain purpose or time restrictions. Net assets with donor restrictions represent net assets restricted for the funding and development of various Teen Challenge Centers globally and for other various projects. The restriction is a result of donors specifically identifying the Center(s) or project they intend to fund.

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.
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GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2: Summary of Significant Accounting Policies (Continued)

Level 2 Inputs to the valuation methodology include:

- 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 and Notes Receivables – Accounts and notes receivable consist 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.

Inventory – Inventory is recorded at cost and is made up of books held for resale. Inventory is included in prepaid expenses and other assets on the Statements of Financial Position.

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.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 \$1,503,021 and \$1,467,991 for the years ended September 30, 2019 and 2018, 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. Compensation and payroll related costs are allocated to the various program and supporting services of the Organization based on estimates of time incurred for the services by full-time equivalent staff. All other program costs not specifically identified are allocated based on estimates by management. These allocations are reviewed annually and changed as applicable to reflect changes in the activities of the Organization.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2: Summary of Significant Accounting Policies (Continued)

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 2019. 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).

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, 2019 and 2018.

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, 2019 and 2018 and has been recorded as part of unrestricted "support" and "management and general expenses" in the accompanying Consolidated Statements of Activities. See Note 8 for disclosure of this related party transaction.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expenses totaled \$104,070 and \$79,162 in 2019 and 2018, 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.

Reclassifications – Certain items in the 2018 consolidated financial statements have been reclassified in order to be in conformity with the 2019 statement presentation.

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
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NOTE 2: Summary of Significant Accounting Policies (Continued)

Subsequent Events – Management has evaluated subsequent events through June 11, 2020, which is the date the consolidated financial statements were available to be issued. An additional \$700,000 had been paid for the right to receive commissions as part of the Sober Peer license agreement.

During March 2020, in response to the coronavirus pandemic, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted. The Organization is evaluating the implications of the CARES Act and the economic outlook.

NOTE 3: Investments

Investments at September 30, 2019 and 2018 are stated at fair market value and are summarized as follows:

	2019		
	Cost	FMV	Unrealized Gain
Mutual funds	\$ 81,679	\$ 107,075	\$ 25,396
Government obligations	53,422	53,422	0
Fixed income funds	404,929	410,733	5,804
Total investments	\$ 540,030	\$ 571,230	\$ 31,200
	2018		
	Cost	FMV	Unrealized Gain (Loss)
Mutual funds	\$ 83,085	\$ 110,866	\$ 27,781
Government obligations	42,311	42,311	0
Fixed income funds	400,314	392,335	(7,979)
Total investments	\$ 525,710	\$ 545,512	\$ 19,802

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
COLUMBUS , GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: Investments (Continued)

At September 30, 2019 and 2018, the investments above were measured at fair value using Level 1 inputs.

Net investment income for the years ended September 30, 2019 and 2018 are summarized as follows:

	2019	2018
Gross investment income	\$ 61,696	\$ 56,559
Investment management fees	(5,000)	(5,000)
Net investment income	\$ 56,696	\$ 51,559

NOTE 4: Licensing Agreement

During 2019, the Organization became involved with a new program titled “Sober Peer”. The project itself is a website-based initiative to promote addiction recovery. The Organization serves as a fiscal sponsor for the project, receiving contributions restricted for the project and accepting the role as guardian of such funds, which are spent at the Organization’s discretion for the construction of the website and other related costs. The Organization developed a license agreement with Sober Peer whereby operational data will be provided in exchange for a ten percent commission from future revenues earned by the project. The license agreement dated April 30, 2020 was purchased for \$1,575,000. As of September 30, 2019, the following funds were received and spend on the agreement:

Restricted contributions received	\$ 1,861,720
Less:	
License agreement (in progress)	(640,000)
Net restricted net assets (Note 7)	\$ 1,221,720

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 5: Notes Receivable

Notes receivable consists of an unsecured loan made to Teen Challenge Southeast. Principal and interest are due monthly at a rate of 5% with a maturity date of April 2023.

	<u>2019</u>	<u>2018</u>
Total notes receivable	\$ 95,121	\$ 112,065
Less: current maturities	<u>(19,623)</u>	<u>(18,825)</u>
Total notes receivable (less current maturities)	<u>\$ 75,498</u>	<u>\$ 93,240</u>

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

Year ending September 30,		
2020		\$ 19,623
2021	\$ 20,800	
2022	21,864	
2023	22,982	
2023	<u>9,852</u>	<u>75,498</u>
Totals		<u>\$ 95,121</u>

NOTE 6: Fixed Assets and Accumulated Depreciation

Fixed assets and accumulated depreciation are summarized as follows:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 9,491	\$ 9,491
Equipment	<u>21,442</u>	<u>21,442</u>
	30,933	30,933
Less: accumulated depreciation	<u>(30,933)</u>	<u>(30,933)</u>
Fixed assets - net	<u>\$ 0</u>	<u>\$ 0</u>

Depreciation expense was \$0 and \$2,527 for the years ended September 30, 2019 and 2018, respectively.

GLOBAL TEEN CHALLENGE, INC. AND SUBSIDIARIES
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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 7: Net Assets

With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Restricted countries/missionaries	\$ 531,519	\$ 528,052
Sober Peer project	1,221,720	0
Restricted operations	85,365	85,365
Other programs	<u>31,556</u>	<u>31,556</u>
Total net assets with donor restrictions	<u>\$ 1,870,160</u>	<u>\$ 644,973</u>

NOTE 8: Availability of Financial Assets:

The following reflects GTC's financial assets consisting of cash, receivables, and investments as of September 30, 2019, reduced by amounts unavailable due to donor-imposed restrictions for general expenditures within one year of September 30, 2019:

Financial assets, at September 30, 2019	\$ 3,582,523
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	<u>(1,870,160)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,712,363</u>

The Organization is substantially supported by contributions. The Organization believes it has sufficient financial assets to meet expected cash flow needs for its general expenditures within one year and plans to fund those cash needs with its cash on hand, collection of receivables due within one year, as well as the above mentioned revenue source. As part of the Organization's cash management, its financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization could borrow funds on its existing credit lines.

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NOTE 9: 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, 2019 and 2018, 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 \$80,598 and \$122,296 for 2019 and 2018, 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 \$163,967 and \$28,264 for 2019 and 2018, respectively, which is also recorded in the Consolidated Statements of Activities. TC Florida also owes the Organization \$563,173 and \$580,493 for advances made in 2019 and 2018, respectively, as reflected on the Consolidated Statements of Financial Position. In addition, TC Florida also owes the Organization \$95,121 and \$112,065 as of September 30, 2019 and 2018, respectively (see Note 3).

NOTE 10: 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 \$83,307 and \$72,548 for the years ended September 30, 2019 and 2018, 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 11: Concentrations

At September 30, 2019, the Organization had uninsured cash balances of approximately \$1,740,000.

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, 2019 and 2018, the Organization received \$91,944 and \$78,565 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 \$3,912 and \$3,298 to AG during the years ended September 30, 2019 and 2018, respectively.