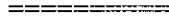


TEEN CHALLENGE OF ARKANSAS, INC.



HOT SPRINGS VILLAGE, ARKANSAS

SEPTEMBER 30, 2010

TEEN CHALLENGE OF ARKANSAS, INC.
HOT SPRINGS VILLAGE, ARKANSAS

AUDIT REPORT - TABLE OF CONTENTS
SEPTEMBER 30, 2010

		<u>PAGE NO.</u>
	Independent Auditors' Report	1
EXHIBIT A	Statements of Financial Position - September 30, 2010 and 2009	2 - 3
EXHIBIT B	Statements of Activities - For Years Ended September 30, 2010 and 2009	4
EXHIBIT C	Statements of Cash Flows - For Years Ended September 30, 2010 and 2009	5 - 6
EXHIBIT D	Statements of Functional Expenses - For Years Ended September 30, 2010 and 2009	7
	Notes to Financial Statements	8 - 11

TAYLOR, RODGERS, TURNER & MANNING, PLLC

Certified Public Accountants

Page 1

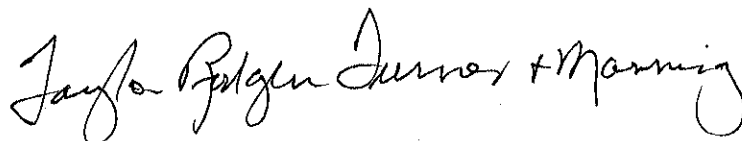
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Teen Challenge of Arkansas, Inc.

We have audited the accompanying statements of financial position of Teen Challenge of Arkansas, Inc. as of September 30, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen Challenge of Arkansas, Inc. as of September 30, 2010 and 2009 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



February 19, 2011

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2010 AND 2009

EXHIBIT A
 Page 2

ASSETS

	2010	2009
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 51,552	\$ 53,519
Money Market Account	13,963	23,305
Pledges Receivable Less Allowance for Uncollectibles (\$1,993 for 2010; \$10,867 for 2009)	7,673	31,051
Prepaid Insurance	4,709	7,112
TOTAL CURRENT ASSETS	77,897	114,987
 LAND, BUILDINGS AND EQUIPMENT:		
Land	96,137	96,137
Buildings and Improvements	953,828	946,985
Furniture and Equipment	164,533	150,862
Vehicles	166,555	158,280
	1,381,053	1,352,264
Less Accumulated Depreciation	(756,195)	(706,673)
TOTAL LAND, BUILDINGS AND EQUIPMENT	624,858	645,591
 OTHER ASSETS:		
Residential Lot and Other Real Estate	21,411	21,411
Utility Deposits	300	300
TOTAL OTHER ASSETS	21,711	21,711
 TOTAL ASSETS	 \$ 724,466	 \$ 782,289

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2010 AND 2009

EXHIBIT A-1
 Page 3

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES:		
Accounts Payable	\$ 11,146	\$ 15,531
Payroll Taxes	3,791	3,651
Student Deposits	1,815	5,772
Notes Payable	15,447	14,818
TOTAL CURRENT LIABILITIES	32,199	39,772
LONG-TERM LIABILITIES:		
Notes Payable	269,329	288,559
TOTAL LONG-TERM LIABILITIES	269,329	288,559
TOTAL LIABILITIES	301,528	328,331
NET ASSETS:		
Unrestricted:		
Undesignated	61,673	90,561
Net Investment in Fixed Assets	340,082	342,214
Board Designated	21,183	21,183
TOTAL NET ASSETS	422,938	453,958
TOTAL LIABILITIES AND NET ASSETS	\$ 724,466	\$ 782,289

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF ACTIVITIES
 FOR YEARS ENDED SEPTEMBER 30, 2010 AND 2009

EXHIBIT B
 Page 4

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
SUPPORT AND REVENUE:				
Contributions	\$ 528,592	\$ 9,132	\$ 537,724	\$ 536,582
Contract Services	69,794	-	69,794	78,690
Induction Fees	58,182	-	58,182	53,226
Sale of Items	42,919	-	42,919	41,246
Student Re-entry Income	800	-	800	1,295
Miscellaneous Income	150	19,690	19,840	13,091
Interest and Dividend Income	138	-	138	229
TOTAL	700,575	28,822	729,397	724,359
 NET ASSETS RELEASED FROM RESTRICTIONS:				
Satisfaction of Usage Restriction	28,822	(28,822)	-	-
TOTAL SUPPORT AND REVENUE	729,397	-	729,397	724,359
 EXPENSES:				
Program Services	660,932	-	660,932	647,852
Management and General	59,375	-	59,375	61,650
Fund Raising	40,110	-	40,110	56,383
TOTAL EXPENSES	760,417	-	760,417	765,885
 CHANGE IN NET ASSETS	 (31,020)	 -	 (31,020)	 (41,526)
 NET ASSETS, BEGINNING OF YEAR	 453,958	 -	 453,958	 495,484
 NET ASSETS, END OF YEAR	 \$ 422,938	 \$ -	 \$ 422,938	 \$ 453,958

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED SEPTEMBER 30, 2010 AND 2009

EXHIBIT C
 Page 5

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Donors	\$ 681,522	\$ 627,118
Cash Received from Contract Services	69,794	78,690
Interest and Dividends Received	138	229
Cash Paid to Employees and Suppliers	(696,540)	(692,762)
Interest Paid	(18,833)	(22,604)
NET CASH FLOW FROM OPERATING ACTIVITIES	36,081	(9,329)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Building and Equipment	(28,789)	(18,018)
NET CASH FLOW FROM INVESTING ACTIVITIES	(28,789)	(18,018)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Paid on Debt	(18,601)	(10,636)
NET CASH FLOW FROM FINANCING ACTIVITIES	(18,601)	(10,636)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,309)	(37,983)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	76,824	114,807
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 65,515	\$ 76,824

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED SEPTEMBER 30, 2010 AND 2009

EXHIBIT C-1
 Page 6

Reconciliation of net change in net assets to net cash flow from operating activities:

	2010	2009
CHANGE IN NET ASSETS	\$ (31,020)	\$ (41,526)
ADJUSTMENTS TO CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	49,522	48,664
Bad Debts	1,321	6,701
Change in Assets and Liabilities:		
Pledges Receivable / Accounts Receivable	22,057	(18,322)
Prepaid Insurance	2,403	782
Accounts Payable	(4,385)	(5,934)
Accrued Liabilities	(3,817)	306
TOTAL ADJUSTMENTS	67,101	32,197
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 36,081	\$ (9,329)

SCHEDULE OF NONCASH INVESTING AND FINANCING
 ACTIVITIES:

None

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR YEARS ENDED SEPTEMBER 30, 2010 AND 2009

EXHIBIT D
 Page 7

	Program Services	Supporting Services		2010 Total	2009 Total
		Management and General	Fund Raising		
EXPENSES:					
Salaries and Related Expenses:					
Salaries and Executive Director	\$ 180,593	\$ 21,935	\$ 12,970	\$215,498	\$ 199,837
Payroll Taxes	14,384	1,692	846	16,922	16,184
Employee Benefits	7,186	1,089	814	9,089	19,413
Total Salaries and Related Expenses	<u>202,163</u>	<u>24,716</u>	<u>14,630</u>	<u>241,509</u>	<u>235,434</u>
Fund Raising	16,005	-	9,069	25,074	25,253
Regional Conference	1,850	-	-	1,850	3,579
Street Reach Program	21	-	-	21	592
VFD Program	-	-	-	-	2,383
Thrift Store	15,573	-	-	15,573	11,839
Staff Development	9,539	1,122	561	11,222	7,009
Utilities and Telephone	89,939	4,734	-	94,673	101,150
Office Expense	31,277	6,979	1,323	39,579	34,454
Printing	1,621	1,621	3,243	6,485	13,727
Postage	2,094	2,093	9,769	13,956	16,191
Transportation	18,155	2,015	-	20,170	19,051
Food and Kitchen Expense	18,423	-	-	18,423	31,070
Home Maintenance	30,819	-	-	30,819	30,506
Cost of Contract Services	44,142	-	-	44,142	26,262
Bad Debts	1,321	-	-	1,321	6,701
Home Supplies and Equipment	21,083	-	-	21,083	26,803
Education	2,785	-	-	2,785	3,080
Travel	6,469	-	1,515	7,984	7,516
Outreach	5,455	-	-	5,455	5,274
Student Assistance	12,988	-	-	12,988	9,535
Missions	11,800	-	-	11,800	13,925
Insurance	43,386	2,124	-	45,510	42,482
Rent and Storage	2,142	-	-	2,142	2,099
Depreciation	37,142	12,380	-	49,522	48,664
Professional Fees	6,363	1,591	-	7,954	7,667
Interest	18,833	-	-	18,833	22,604
Donation - Committed to Freedom Ministries, Inc.	1,301	-	-	1,301	-
Miscellaneous	8,243	-	-	8,243	11,035
TOTAL EXPENSES (To Exhibit B)	<u>\$ 660,932</u>	<u>\$ 59,375</u>	<u>\$ 40,110</u>	<u>\$760,417</u>	<u>\$765,885</u>

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Page 8

Note 1. Summary of Significant Accounting Policies:

Teen Challenge of Arkansas, Inc. is a non-profit corporation with a primary purpose to evangelize and win young people to Jesus Christ and for the religious and educational rehabilitation of young people who may benefit from its specialized ministry. The program targets young male adults. The beneficiaries' participation in the program is voluntary, and they must abide by rules established by the Organization to participate in the program.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The major portion of revenues is derived from contributions received from Assembly of God churches and their members. The Organization also conducts various work projects to earn revenue. The work projects consist of providing labor for businesses and individuals in the Hot Springs area on a fee and hourly basis.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Unconditional promises to give have been recorded under SFAS 116 based on pledges outstanding as of September 30, 2010. An allowance for uncollectibles has been established.

Note 2. Land, Buildings and Equipment:

The Organization follows the practice of capitalizing expenditures for land, buildings, and equipment with an estimated useful life of three years or more; the fair value of donated fixed assets are similarly capitalized. Depreciation is computed on a straight-line basis over the estimated lives generally as follows:

Buildings and Improvements	10 – 39 Years
Furniture and Equipment	3 – 10 Years
Vehicles	3 – 5 Years

TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Note 3. Capital Assets:

Capital Asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
CAPITAL ASSETS AT HISTORICAL COST:				
Land	\$ 96,137	\$ -	\$ -	\$ 96,137
Buildings and Improvements	946,985	6,843	-	953,828
Furniture and Equipment	150,862	13,671	-	164,533
Vehicles	158,280	8,275	-	166,555
TOTAL CAPITAL ASSETS AT HISTORICAL COST	<u>1,352,264</u>	<u>28,789</u>	<u>-</u>	<u>1,381,053</u>
Less: Accumulated Depreciation	(706,673)	(49,522)		(756,195)
TOTALS	<u>\$ 645,591</u>	<u>\$ (20,733)</u>	<u>\$ -</u>	<u>\$ 624,858</u>

Note 4. Long Term Debt:

Long Term Debt consists of:

	Current Maturity	Long-Term Maturity	Total	Collateral
Simmons First Bank (Payable \$2,482 Monthly Including 5.75% Interest)	\$ 14,144	\$ 264,375	\$ 278,519	Real Estate/ Building
Gary Jennings/Greentree Financial (Payable \$197 Monthly Including 8.75% Interest)	1,303	4,954	6,257	Mobile Home
TOTALS	<u>\$ 15,447</u>	<u>\$ 269,329</u>	<u>\$ 284,776</u>	

TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Page 10

Note 4. Long Term Debt: (Continued)

The debt service requirements for the next five years are:

<u>Year</u>	<u>Amount</u>
2010-11	\$ 15,447
2011-12	16,994
2012-13	18,062
2013-14	17,539
2014-15	17,792

Note 5. Donated Use of Space, Materials, and Services:

No amounts have been reflected in the statements for donated materials and services at date of receipt inasmuch as no objective basis is available to measure the value of such donations. Donated items which are sold at auction are recorded as sales at the date of sale. The Organization is allowed free use of a cabin located at a nearby campground. No amounts are reflected in the statements for the use of this asset.

Note 6. FDIC Coverage:

Teen Challenge of Arkansas, Inc. has a total of three demand accounts in three separate financial institutions. These three financial institutions are FDIC Insured, and offer \$250,000 insurance on bank deposits. Teen Challenge of Arkansas, Inc.'s accounts do not exceed this coverage offered.

Note 7. Leases:

The Organization rents a house from the Assemblies of God for \$100 per month on a month-to-month basis. A storage building is rented also on a month-to-month basis at a cost of \$90 per month.

Note 8. Fair Value of Financial Instruments:

The Organization's financial instruments include cash and notes payable. The Organization estimates that the fair value of all financial instruments at September 30, 2010, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Page 11

Note 9. Functional Allocation of Expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Note 10. General Comments:

Teen Challenge of Arkansas, Inc. is a non-profit organization within the meaning of Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes and is not a private foundation within the meaning of Section 509(A) of the Internal Revenue Code. There was no unrelated business income for 2010 or 2009.