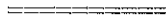


TEEN CHALLENGE OF ARKANSAS, INC.



HOT SPRINGS VILLAGE, ARKANSAS

SEPTEMBER 30, 2009

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

AUDIT REPORT - TABLE OF CONTENTS
SEPTEMBER 30, 2009

		<u>PAGE NO.</u>
	Independent Auditors' Report	1
EXHIBIT A	Statements of Financial Position - September 30, 2009 and 2008	2 - 3
EXHIBIT B	Statements of Activities - For Years Ended September 30, 2009 and 2008	4
EXHIBIT C	Statements of Cash Flows - For Years Ended September 30, 2009 and 2008	5 - 6
EXHIBIT D	Statements of Functional Expenses - For Years Ended September 30, 2009 and 2008	7
	Notes to Financial Statements	8 - 11

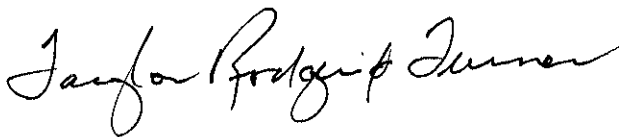
INDEPENDENT AUDITORS' REPORT

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, 2009 and 2008, 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, 2009 and 2008 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.



March 2, 2010

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2009 AND 2008

EXHIBIT A
 Page 2

ASSETS

	2009	2008
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 53,519	\$ 81,904
Money Market Account	23,305	32,903
Pledges Receivable Less Allowance for Uncollectibles (\$10,867 for 2009; \$13,888 for 2008)	31,051	19,430
Prepaid Insurance	7,112	7,894
TOTAL CURRENT ASSETS	114,987	142,131
 LAND, BUILDINGS AND EQUIPMENT:		
Land	96,137	96,137
Buildings and Improvements	946,985	911,115
Furniture and Equipment	150,862	149,205
Vehicles	158,280	158,280
	1,352,264	1,314,737
Less Accumulated Depreciation	(706,673)	(658,009)
TOTAL LAND, BUILDINGS AND EQUIPMENT	645,591	656,728
 OTHER ASSETS:		
Residential Lot and Other Real Estate	21,411	21,411
Utility Deposits	300	300
Buildings - Construction in Progress	-	19,509
TOTAL OTHER ASSETS	21,711	41,220
 TOTAL ASSETS	 \$ 782,289	 \$ 840,079

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2009 AND 2008

EXHIBIT A-1
 Page 3

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES:		
Accounts Payable	\$ 15,531	\$ 21,465
Payroll Taxes	3,651	4,437
Student Deposits	5,772	4,680
Notes Payable	14,818	300,601
Lease Payable	-	217
TOTAL CURRENT LIABILITIES	39,772	331,400
LONG-TERM LIABILITIES:		
Notes Payable	288,559	13,195
TOTAL LONG-TERM LIABILITIES	288,559	13,195
TOTAL LIABILITIES	328,331	344,595
NET ASSETS:		
Unrestricted:		
Undesignated	90,561	112,077
Net Investment in Fixed Assets	342,214	362,224
Board Designated	21,183	21,183
TOTAL NET ASSETS	453,958	495,484
TOTAL LIABILITIES AND NET ASSETS	\$ 782,289	\$ 840,079

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF ACTIVITIES
 FOR YEARS ENDED SEPTEMBER 30, 2009 AND 2008

EXHIBIT B
 Page 4

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
SUPPORT AND REVENUE:				
Contributions	\$ 520,682	\$ 15,900	\$ 536,582	\$ 749,528
Contract Services	78,690	-	78,690	62,564
Induction Fees	53,226	-	53,226	29,115
Sale of Items	41,246	-	41,246	23,044
Student Re-entry Income	1,295	-	1,295	2,964
Miscellaneous Income	150	12,941	13,091	37,220
Interest and Dividend Income	229	-	229	399
TOTAL	695,518	28,841	724,359	904,834
NET ASSETS RELEASED FROM RESTRICTIONS:				
Satisfaction of Usage Restriction	38,832	(38,832)	-	-
TOTAL SUPPORT AND REVENUE	734,350	(9,991)	724,359	904,834
EXPENSES:				
Program Services	647,852	-	647,852	659,434
Management and General	61,650	-	61,650	67,461
Fund Raising	56,383	-	56,383	62,435
TOTAL EXPENSES	765,885	-	765,885	789,330
CHANGE IN NET ASSETS	(31,535)	(9,991)	(41,526)	115,504
NET ASSETS, BEGINNING OF YEAR	485,493	9,991	495,484	379,980
NET ASSETS, END OF YEAR	\$ 453,958	\$ -	\$ 453,958	\$ 495,484

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED SEPTEMBER 30, 2009 AND 2008

EXHIBIT C
 Page 5

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Donors	\$ 627,118	\$ 828,338
Cash Received from Contract Services	78,690	62,564
Interest and Dividends Received	229	399
Cash Paid to Employees and Suppliers	(692,762)	(726,756)
Interest Paid	(22,604)	(25,267)
NET CASH FLOW FROM OPERATING ACTIVITIES	(9,329)	139,278
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Building and Equipment	(18,018)	(128,335)
Cash Paid for Construction in Progress	-	(19,509)
Received on Notes Receivable	-	80
NET CASH FLOW FROM INVESTING ACTIVITIES	(18,018)	(147,764)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Debt	-	35,093
Cash Paid on Debt	(10,636)	(8,206)
NET CASH FLOW FROM FINANCING ACTIVITIES	(10,636)	26,887
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,983)	18,401
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	114,807	96,406
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 76,824	\$ 114,807

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED SEPTEMBER 30, 2009 AND 2008

EXHIBIT C-1
 Page 6

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

	2009	2008
CHANGE IN NET ASSETS	\$ (41,526)	\$ 115,504
ADJUSTMENTS TO CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Depreciation	48,664	38,687
Bad Debts	6,701	6,048
Change in Assets and Liabilities:		
Pledges Receivable / Accounts Receivable	(18,322)	(13,533)
Prepaid Insurance	782	(483)
Accounts Payable	(5,934)	(6,248)
Accrued Liabilities	306	(697)
TOTAL ADJUSTMENTS	32,197	23,774
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ (9,329)	\$ 139,278
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Donated Mobile Home	\$ -	\$ 2,000

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR YEARS ENDED SEPTEMBER 30, 2009 AND 2008

EXHIBIT D
 Page 7

	Program Services	Supporting Services		2009 Total	2008 Total
		Management and General	Fund Raising		
EXPENSES:					
Salaries and Related Expenses:					
Salaries and Executive Director	\$ 165,526	\$ 21,428	\$ 12,883	\$199,837	\$ 215,853
Payroll Taxes	13,560	1,639	985	16,184	16,317
Employee Benefits	16,834	1,469	1,110	19,413	18,211
Total Salaries and Related Expenses	195,920	24,536	14,978	235,434	250,381
Fund Raising	2,525	-	22,728	25,253	34,052
Regional Conference	3,579	-	-	3,579	8,643
Street Reach Program	592	-	-	592	1,279
VFD Program	2,383	-	-	2,383	-
Thrift Store	11,839	-	-	11,839	-
Staff Development	5,959	700	350	7,009	10,602
Utilities and Telephone	96,092	5,058	-	101,150	97,683
Office Expense	27,460	5,149	1,845	34,454	38,157
Printing	3,432	3,432	6,863	13,727	11,845
Postage	4,048	4,048	8,095	16,191	15,438
Transportation	17,146	1,905	-	19,051	39,959
Food and Kitchen Expense	31,070	-	-	31,070	27,587
Home Maintenance	30,506	-	-	30,506	23,416
Cost of Contract Services	26,262	-	-	26,262	23,362
Bad Debts	6,701	-	-	6,701	6,048
Home Supplies and Equipment	26,803	-	-	26,803	27,788
Education	3,080	-	-	3,080	3,579
Travel	5,545	447	1,524	7,516	11,079
Outreach	5,274	-	-	5,274	5,349
Student Assistance	9,535	-	-	9,535	11,455
Missions	13,925	-	-	13,925	12,810
Insurance	40,358	2,124	-	42,482	41,493
Rent and Storage	2,099	-	-	2,099	5,645
Depreciation	36,498	12,166	-	48,664	38,687
Professional Fees	6,134	1,533	-	7,667	7,375
Interest	22,604	-	-	22,604	25,267
Donation - Committed to Freedom Ministries, Inc.	-	-	-	-	156
Miscellaneous	10,483	552	-	11,035	10,195
TOTAL EXPENSES (To Exhibit B)	\$ 647,852	\$ 61,650	\$ 56,383	\$765,885	\$ 789,330

See accompanying Notes to Financial Statements.

TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009. 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, 2009

Note 3. Capital Assets:

Capital Asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
CAPITAL ASSETS AT HISTORICAL COST:				
Land	\$ 96,137	\$ -	\$ -	\$ 96,137
Buildings and Improvements	911,115	35,870	-	946,985
Furniture and Equipment	149,205	1,657	-	150,862
Vehicles	158,280	-	-	158,280
TOTAL CAPITAL ASSETS AT HISTORICAL COST	<u>1,314,737</u>	<u>37,527</u>	<u>-</u>	<u>1,352,264</u>
Less: Accumulated Depreciation	(658,009)	(48,664)		(706,673)
TOTALS	<u><u>\$ 656,728</u></u>	<u><u>\$ (11,137)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 645,591</u></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)	\$ 13,275	\$ 279,966	\$ 293,241	Real Estate/ Building
Gary Jennings/Greentree Financial (Payable \$197 Monthly Including 8.75% Interest)	1,543	8,593	10,136	Mobile Home
TOTALS	<u><u>\$ 14,818</u></u>	<u><u>\$ 288,559</u></u>	<u><u>\$ 303,377</u></u>	

TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note 4. Long Term Debt: (Continued)

The debt service requirements for the next five years are:

<u>Year</u>	<u>Amount</u>
2009-10	\$ 14,818
2010-11	15,742
2011-12	16,726
2012-13	17,772
2013-14	18,886

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, 2009, 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, 2009

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 2009 or 2008.