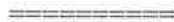


ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.



HOT SPRINGS VILLAGE, ARKANSAS

SEPTEMBER 30, 2019

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

COMPILATION REPORT - TABLE OF CONTENTS
SEPTEMBER 30, 2019

| | <u>PAGE</u> <u>NO.</u> |
|--|---------------------------|
| Accountant's Compilation Report | 1 |
| Statements of Financial Position - September 30, 2019 and 2018 | 2 - 3 |
| Statements of Activities - For Years Ended September 30, 2019 and 2018 | 4 |
| Statements of Functional Expenses - For Years Ended September 30, 2019 and 2018 | 5 |
| Statements of Cash Flows - For Years Ended September 30, 2019 and 2018 | 6 - 7 |
| Notes to Financial Statements | 8 - 11 |

TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

Page 1

ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of Adult and Teen Challenge of Arkansas, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, 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 accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The September 30, 2018 financial statements were audited by us, and we expressed an unqualified opinion on them in our report dated February 13, 2019. We have not performed any auditing procedures since that date.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
January 17, 2020

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2019 AND 2018

Page 2

| | <u>ASSETS</u> | |
|--|--------------------------------|--------------------------------|
| | <u>2019</u> | <u>2018</u> |
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 131,614 | \$ 158,367 |
| Pledges Receivable Less Allowance for Uncollectibles (\$6,852 for 2019; \$3,375 for 2018) | 7,530 | 11,192 |
| Prepaid Insurance | 4,826 | 11,328 |
| TOTAL CURRENT ASSETS | <u>143,970</u> | <u>180,887</u> |
| LAND, BUILDINGS AND EQUIPMENT: | | |
| Land | 148,047 | 148,047 |
| Buildings and Improvements | 1,675,573 | 1,658,899 |
| Furniture and Equipment | 270,676 | 260,613 |
| Vehicles | 230,829 | 199,271 |
| | <u>2,325,125</u> | <u>2,266,830</u> |
| Less Accumulated Depreciation | (1,166,907) | (1,103,950) |
| TOTAL LAND, BUILDINGS AND EQUIPMENT | <u>1,158,218</u> | <u>1,162,880</u> |
| OTHER ASSETS: | | |
| Residential Lot and Other Real Estate | 6,501 | 6,501 |
| Utility Deposits | 300 | 300 |
| TOTAL OTHER ASSETS | <u>6,801</u> | <u>6,801</u> |
| TOTAL ASSETS | <u><u>\$ 1,308,989</u></u> | <u><u>\$ 1,350,568</u></u> |

The accompanying Notes are an integral part of these Financial Statements.

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| CURRENT LIABILITIES: | | |
| Accounts Payable | \$ 12,201 | \$ 8,271 |
| Payroll Taxes | 686 | 662 |
| Student Deposits | 1,720 | 5,700 |
| Note Payable - Current | 31,297 | 28,023 |
| TOTAL CURRENT LIABILITIES | <u>45,904</u> | <u>42,656</u> |
| LONG-TERM LIABILITIES: | | |
| Notes Payable | 402,033 | 433,998 |
| TOTAL LONG-TERM LIABILITIES | <u>402,033</u> | <u>433,998</u> |
| TOTAL LIABILITIES | <u>447,937</u> | <u>476,654</u> |
| NET ASSETS: | | |
| Without Door Restrictions | 861,052 | 873,914 |
| TOTAL NET ASSETS | <u>861,052</u> | <u>873,914</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,308,989</u></u> | <u><u>\$ 1,350,568</u></u> |

The accompanying Notes are an integral part of these Financial Statements.

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED SEPTEMBER 30, 2019 AND 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2019 Total</u> | <u>2018 Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| SUPPORT AND REVENUE: | | | | |
| Contributions | \$ 488,501 | \$ 67,679 | \$ 556,180 | \$ 526,776 |
| Contract Services | 146,500 | - | 146,500 | 102,143 |
| Induction Fees | 26,415 | - | 26,415 | 37,901 |
| Sale of Items | 187,123 | - | 187,123 | 171,716 |
| Miscellaneous Income | 10,604 | 56,919 | 67,523 | 67,626 |
| Interest and Dividend Income | 311 | - | 311 | 74 |
| TOTAL | <u>859,454</u> | <u>124,598</u> | <u>984,052</u> | <u>906,236</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS: | | | | |
| Satisfaction of Usage Restriction | 124,598 | (124,598) | - | - |
| TOTAL SUPPORT AND REVENUE | <u>984,052</u> | <u>-</u> | <u>984,052</u> | <u>906,236</u> |
| EXPENSES: | | | | |
| Program Services | 882,385 | - | 882,385 | 821,181 |
| Management and General | 63,096 | - | 63,096 | 60,713 |
| Fund Raising | 51,433 | - | 51,433 | 48,022 |
| TOTAL EXPENSES | <u>996,914</u> | <u>-</u> | <u>996,914</u> | <u>929,916</u> |
| CHANGE IN NET ASSETS | <u>(12,862)</u> | <u>-</u> | <u>(12,862)</u> | <u>(23,680)</u> |
| NET ASSETS, BEGINNING OF YEAR | 873,914 | - | 873,914 | 897,594 |
| NET ASSETS, END OF YEAR | <u>\$ 861,052</u> | <u>\$ -</u> | <u>\$ 861,052</u> | <u>\$ 873,914</u> |

The accompanying Notes are an integral part of these Financial Statements.

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Page 6

| | 2019 | 2018 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Donors and Sales | \$ 837,425 | \$ 804,975 |
| Cash Received from Contract Services | 146,500 | 102,143 |
| Interest and Dividends Received | 311 | 74 |
| Cash Paid to Employees and Suppliers | (898,248) | (847,229) |
| Interest Paid | (25,755) | (19,958) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 60,233 | 40,005 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash Paid for Building and Equipment | (58,295) | (28,183) |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (58,295) | (28,183) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash Paid on Debt | (28,691) | (30,028) |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (28,691) | (30,028) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (26,753) | (18,206) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 158,367 | 176,573 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 131,614 | \$ 158,367 |

The accompanying Notes are an integral part of these Financial Statements.

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF CASH FLOWS
 FOR YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

| | 2019 | 2018 |
|---|-------------|-------------|
| CHANGE IN NET ASSETS | \$ (12,862) | \$ (23,680) |
| ADJUSTMENTS TO CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Depreciation | 62,957 | 61,848 |
| Bad Debts | 3,478 | - |
| Change in Assets and Liabilities: | | |
| Pledges Receivable / Accounts Receivable | 184 | 956 |
| Prepaid Expenses | 6,502 | (4,060) |
| Accounts Payable | 3,930 | 2,440 |
| Accrued Liabilities | (3,956) | 2,501 |
| TOTAL ADJUSTMENTS | 73,095 | 63,685 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | \$ 60,233 | \$ 40,005 |

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

The accompanying Notes are an integral part of these Financial Statements.

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR YEARS ENDED SEPTEMBER 30, 2019 AND 2018

| | Program Services | Supporting Services | | 2019 Total | 2018 Total |
|-------------------------------------|---------------------|---------------------------|------------------|------------------|-------------------|
| | | Management and General | Fund Raising | | |
| EXPENSES: | | | | | |
| Salaries and Related Expenses: | | | | | |
| Salaries and Executive Director | \$ 277,236 | \$ 35,123 | \$ 20,427 | \$332,786 | \$ 300,134 |
| Payroll Taxes | 22,811 | 2,684 | 1,342 | 26,837 | 24,055 |
| Employee Benefits | 2,562 | - | - | 2,562 | 1,087 |
| Total Salaries and Related Expenses | 302,609 | 37,807 | 21,769 | 362,185 | 325,276 |
| Fund Raising | 17,824 | - | 20,089 | 37,913 | 30,797 |
| Regional Conference | 617 | - | - | 617 | 649 |
| Thrift Store | 51,655 | - | - | 51,655 | 42,636 |
| Staff Development | 10,510 | 1,237 | 618 | 12,365 | 12,481 |
| Utilities and Telephone | 88,407 | 4,653 | - | 93,060 | 88,948 |
| Office Expense | 23,189 | 9,381 | 1,062 | 33,632 | 40,473 |
| Printing | 1,488 | 1,488 | 2,976 | 5,952 | 4,919 |
| Postage | 5,478 | 2,348 | - | 7,826 | 9,912 |
| Transportation | 25,655 | 2,851 | - | 28,506 | 29,846 |
| Food and Kitchen Expense | 31,049 | - | - | 31,049 | 30,885 |
| Home Maintenance | 25,821 | - | - | 25,821 | 26,255 |
| Cost of Contract Services | 36,533 | - | - | 36,533 | 28,180 |
| Home Supplies and Equipment | 13,457 | - | - | 13,457 | 7,698 |
| Education | 7,025 | - | - | 7,025 | 18,267 |
| Travel | 18,479 | - | 4,919 | 23,398 | 20,669 |
| Outreach | 9,019 | - | - | 9,019 | 4,734 |
| Student Assistance | 11,949 | - | - | 11,949 | 19,664 |
| Missions | 11,580 | - | - | 11,580 | 11,330 |
| Insurance | 66,479 | - | - | 66,479 | 64,630 |
| Rent and Storage | 240 | - | - | 240 | 462 |
| Depreciation | 62,957 | - | - | 62,957 | 61,848 |
| Professional Fees | 13,323 | 3,331 | - | 16,654 | 15,146 |
| Interest | 25,755 | - | - | 25,755 | 19,958 |
| Bad Debts | 3,478 | - | - | 3,478 | - |
| Miscellaneous | 17,809 | - | - | 17,809 | 14,253 |
| TOTAL EXPENSES | \$ 882,385 | \$ 63,096 | \$ 51,433 | \$996,914 | \$ 929,916 |

The accompanying Notes are an integral part of these Financial Statements.

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Page 8

Note 1. Summary of Significant Accounting Policies:

Adult and 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 ASC topic 958-310 based on pledges outstanding as of September 30, 2019. An allowance for uncollectible amounts has been established.

Management has evaluated subsequent events through January 17, 2020, the date the financial statements were available for issuance.

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 | 2 – 10 Years |
| Vehicles | 3 – 5 Years |

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

Note 3. Capital Assets:

Capital Asset activity for the year ended September 30, 2019 was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|-------------------|-------------|--------------------|
| CAPITAL ASSETS AT HISTORICAL COST: | | | | |
| Land | \$ 148,047 | \$ - | \$ - | \$ 148,047 |
| Buildings and Improvements | 1,658,899 | 16,674 | - | 1,675,573 |
| Furniture and Equipment | 260,613 | 10,063 | - | 270,676 |
| Vehicles | 199,271 | 31,558 | - | 230,829 |
| TOTAL CAPITAL ASSETS AT HISTORICAL COST | 2,266,830 | 58,295 | - | 2,325,125 |
| Less: Accumulated Depreciation | (1,103,950) | (62,957) | - | (1,166,907) |
| TOTALS | \$ 1,162,880 | \$ (4,662) | \$ - | \$1,158,218 |

Capital Asset activity for the year ended September 30, 2018 was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|--------------------|-------------|--------------------|
| CAPITAL ASSETS AT HISTORICAL COST: | | | | |
| Land | \$ 148,047 | \$ - | \$ - | \$ 148,047 |
| Buildings and Improvements | 1,649,994 | 8,905 | - | 1,658,899 |
| Furniture and Equipment | 241,335 | 19,278 | - | 260,613 |
| Vehicles | 199,271 | - | - | 199,271 |
| TOTAL CAPITAL ASSETS AT HISTORICAL COST | 2,238,647 | 28,183 | - | 2,266,830 |
| Less: Accumulated Depreciation | (1,042,102) | (61,848) | - | (1,103,950) |
| TOTALS | \$ 1,196,545 | \$ (33,665) | \$ - | \$1,162,880 |

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Page 10

Note 4. 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 5. FDIC Coverage:

Adult and 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. Adult and Teen Challenge of Arkansas, Inc.'s accounts were fully insured on September 30, 2019.

Note 6. Leases:

The Organization rents a storage building on a month-to-month basis (as needed) at a cost of \$90 per month.

Note 7. 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 8. Income Taxes:

Adult and 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 2018. The organization held no uncertain tax positions as of September 30, 2019. Accordingly, no provision or liability for income taxes or related interest or penalties is included in the accompanying financial statements. Such amounts, if incurred, would be recognized in accrued income taxes and income tax expense. Tax periods for all years ending after September 30, 2015 remain open to examination by the federal and state taxing jurisdictions to which the organization is subject.

Note 9. Note Payable:

In May of 2014 the organization entered into an interest only note payable with Simmons First Bank. In May of 2015 the interest only note was converted to an ordinary mortgage (principal and interest). Payments, including interest (6.12%) are made for \$4,745.73, due on the 15th day of each month.

ADULT AND TEEN CHALLENGE OF ARKANSAS, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

Note 9. Note Payable (continued):

Note Payable as of September 30, 2019 and 2018 was as follows:

| | 9/30/2019 | 9/30/2018 |
|---|------------|------------|
| Simmons First Bank, Original Amount \$550,000, Due in Monthly Installments of \$4,746, Including Interest at 6.12%, Secured by Building and Land | 433,330 | 462,021 |
| Total | 433,330 | 462,021 |
| Less Portion Considered Current | (31,297) | (28,023) |
| TOTAL LONG-TERM NOTES PAYABLE | \$ 402,033 | \$ 433,998 |

Required principal payments for the next five years are as follows:

| | | |
|------------|----|---------|
| 9/30/2020 | \$ | 31,297 |
| 9/30/2021 | | 33,267 |
| 9/30/2022 | | 35,361 |
| 9/30/2023 | | 37,587 |
| 9/30/2024 | | 39,953 |
| Thereafter | | 255,865 |
| TOTAL | \$ | 433,330 |