

Teen Health Connection, Inc.

Financial Statements

December 31, 2023

Teen Health Connection, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Teen Health Connection, Inc.
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Teen Health Connection, Inc. (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen Health Connection, Inc. as of December 31, 2023, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Teen Health Connection, Inc. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Health Connection, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditors' 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.

Teen Health Connection, Inc.
Charlotte, North Carolina

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 purposes of expressing an opinion on the effectiveness of Teen Health Connection, Inc.'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 Health Connection, Inc.'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

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.

April 25, 2024

Teen Health Connection, Inc.
Statement of Financial Position
December 31, 2023, With Prior Year Comparative Totals

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 442,999	\$ 456,441
Receivables:		
Unconditional promises	240,773	172,297
Accounts	144,649	139,803
Sales tax	8,498	10,757
Prepaid expenses	17,392	10,473
Beneficial interest in assets held in trust by a third party:		
Atrium Health Foundation	317,509	280,277
Foundation for the Carolinas	996,879	872,206
Property and equipment, net of accumulated depreciation	783,560	678,423
Operating lease right-of-use asset	873,220	152,208
<u>TOTAL ASSETS</u>	<u>\$ 3,825,479</u>	<u>\$ 2,772,885</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 24,139	\$ 23,419
Due to Atrium Health	327,026	402,692
Right-of-use operating lease liability	889,916	159,496
Total Liabilities	1,241,081	585,607
Net Assets:		
Without donor restrictions:		
Undesignated	2,022,085	1,659,645
Designated	391,663	391,663
Total Without Donor Restrictions	2,413,748	2,051,308
With donor restrictions	170,650	135,970
Total Net Assets	2,584,398	2,187,278
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,825,479</u>	<u>\$ 2,772,885</u>

Teen Health Connection, Inc.**Statement of Activities****Year Ended December 31, 2023, With Prior Year Comparative Totals**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
<u>SUPPORT AND REVENUE</u>				
Contributions and grants:				
Contributions from individuals, companies, and foundations	\$ 107,635	\$ 94,755	\$ 202,390	\$ 153,078
Mecklenburg County	1,387,617	-	1,387,617	1,147,985
Other governmental grants	157,401	-	157,401	191,266
Nongovernmental program grants	66,010	-	66,010	93,440
In-kind	690,832	-	690,832	685,411
Change in value of assets held in trust	161,904	-	161,904	(209,695)
Patient fees and other revenue	1,298,779	-	1,298,779	1,003,099
Loss on disposal of property and equipment	(57,677)	-	(57,677)	-
Forgiveness of Due to Atrium Health	-	-	-	79,920
Net assets released from restrictions:				
Satisfaction of program restrictions	60,075	(60,075)	-	-
<i>TOTAL SUPPORT AND REVENUE</i>	<i>3,872,576</i>	<i>34,680</i>	<i>3,907,256</i>	<i>3,144,504</i>
<u>EXPENSES</u>				
Program services	3,091,430	-	3,091,430	2,968,033
Management and general	204,239	-	204,239	182,427
Fund raising	214,467	-	214,467	147,506
<i>TOTAL EXPENSES</i>	<i>3,510,136</i>	<i>-</i>	<i>3,510,136</i>	<i>3,297,966</i>
<i>CHANGE IN NET ASSETS</i>	<i>362,440</i>	<i>34,680</i>	<i>397,120</i>	<i>(153,462)</i>
<i>NET ASSETS, BEGINNING</i>	<i>2,051,308</i>	<i>135,970</i>	<i>2,187,278</i>	<i>2,340,740</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 2,413,748</i>	<i>\$ 170,650</i>	<i>\$ 2,584,398</i>	<i>\$ 2,187,278</i>

Teen Health Connection, Inc.**Statement of Functional Expenses****Year Ended December 31, 2023, With Prior Year Comparative Totals**

	Program Services			Supporting Services		Totals	
	Clinic and Mental Health Support	Advocacy and Education	Totals	Management and General	Fund Raising	2023	2022
Salaries and benefits	\$ 1,934,909	\$ 248,734	\$ 2,183,643	\$ 158,085	\$ 160,741	\$ 2,502,469	\$ 2,400,041
Fees and services	258,842	1,312	260,154	18,635	25,654	304,443	270,699
Occupancy	163,155	53,184	216,339	4,280	2,854	223,473	210,447
Other operating expenses	7,752	1,225	8,977	12,030	24,493	45,500	55,039
Programs	21,284	335,806	357,090	-	-	357,090	311,236
Depreciation	39,136	26,091	65,227	11,209	725	77,161	50,504
<i>TOTAL EXPENSES</i>	\$ 2,425,078	\$ 666,352	\$ 3,091,430	\$ 204,239	\$ 214,467	\$ 3,510,136	\$ 3,297,966

Teen Health Connection, Inc.**Statement of Cash Flows****Year Ended December 31, 2023, With Prior Year Comparative Totals**

	<u>2023</u>	<u>2022</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 397,120	\$ (153,462)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Change in value of assets held in trust	(169,297)	209,695
Depreciation	77,161	50,504
Loss on disposal of property and equipment	57,677	-
Operating lease assets and liabilities	9,408	(5,238)
(Increase) decrease in operating assets:		
Unconditional promises receivable	(68,476)	(40,059)
Accounts receivable	(4,846)	199
Sales tax receivable	2,259	(5,605)
Prepaid expenses	(6,919)	(1,429)
Increase (decrease) in operating liabilities:		
Accounts payable	720	(7,954)
Due to Atrium Health	(75,666)	(237,610)
<u>Cash Flows From Operating Activities</u>	<u>219,141</u>	<u>(190,959)</u>
<u>INVESTING ACTIVITIES</u>		
Distributions from assets held in trust	7,392	-
Purchases of property and equipment	(239,975)	(200,573)
<u>Cash Flows From Investing Activities</u>	<u>(232,583)</u>	<u>(200,573)</u>
<u>CHANGE IN CASH</u>	<u>(13,442)</u>	<u>(391,532)</u>
<u>CASH, BEGINNING</u>	<u>456,441</u>	<u>847,973</u>
<u>CASH, ENDING</u>	<u>\$ 442,999</u>	<u>\$ 456,441</u>

Teen Health Connection, Inc.

Notes to Financial Statements

December 31, 2023

NOTE A - NATURE OF ORGANIZATION AND ACTIVITIES

Nature of Activities

Teen Health Connection, Inc. (the Organization) was established as a North Carolina not-for-profit corporation to provide health services and health education to adolescents and to foster advocacy and research for teen health issues. The Organization has a mutually agreed-upon affiliation with Atrium Health (Atrium) to effectively provide its services to the community. Atrium provides the Organization's clinical operations. The members of the staff of the Organization are employees of Atrium. This affiliation is for an indefinite time period.

The Organization receives support from Mecklenburg County Area Mental Health, from the U.S. Department of Health and Human Services, and contributions from the general public.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to U.S. generally accepted accounting principles (GAAP).

Basis of Presentation

Under GAAP the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those currently available for use in the day-to-day operations of the Organization and those resources invested in equipment. Designated net assets represent amounts designated by the Board of Directors for purposes other than operations.

Net assets with donor restrictions are those which are subject to donor-imposed stipulations. These restrictions may be temporary in nature, with the restriction being met either by the actions of the Organization or the passage of time, or permanent, such that the net assets must be held in perpetuity by the Organization. At year-end, the Organization had donor restricted net assets of \$110,650 with purpose restrictions and \$60,000 with time restrictions. During the year, the Organization had no net assets required to be held in perpetuity.

Grants and Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with stipulations that limit the use of the donated assets. Restricted support received is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Teen Health Connection, Inc.

Notes to Financial Statements

December 31, 2023

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of cash and other assets are considered to be available for unrestricted use unless specifically restricted by the donor. Dues, fees, and other revenues are recorded when earned. Amounts billed or collected in advance of being earned, such as special events, are recorded as deferred revenue and are recognized as revenue at the time of the event.

Unconditional Promises Receivable

The Organization records support at the time a promise is made rather than when received. As such, \$240,773 of support promised as of December 31, 2023 is recorded as a receivable on the accompanying statement of financial position and is included in support on the accompanying statement of activities. All unconditional promises receivable are expected to be collected within one year, except for \$30,000 expected to be received in 2025. Management has determined that no allowance for doubtful accounts is necessary. Management's assessment of the collectability of unconditional promises receivable is based on a review of individual accounts and historical experience.

Conditional promises of support are recognized when the conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable consist of amounts due from reimbursement-basis contracts with two governmental agencies and is expected to be collected shortly after year-end. Management has determined that no allowance for doubtful accounts is necessary. Management's assessment of the collectability of accounts receivable is based on a review of individual accounts and historical experience.

Beneficial Interest in Assets Held in Trust

Beneficial interest in assets held in trust by a third party are reported at fair value.

Property and Equipment

Property and equipment with a cost of \$500 or greater is capitalized. The Organization records donated property and equipment at estimated fair value and purchased property and equipment at cost. Computers and computer software are depreciated over a three-year life. Furniture, fixtures and equipment are depreciated over a five-year or seven-year life, and leasehold improvements are depreciated over a fifteen-year life. The Organization uses the straight-line method of depreciation.

Leases

In accordance with ASU 2016-02, *Leases* (Topic 842) The Organization determines whether to account for its leases as operating or finance leases depending on the underlying terms of the lease agreement. This determination of classification requires significant judgment relating to certain information, including the estimated fair value and remaining economic life of the leased assets, minimum lease payments, and other lease terms.

Teen Health Connection, Inc.

Notes to Financial Statements

December 31, 2023

Donated Services, Goods, and Facilities

Donated services are reported as contributions when the services (a) create or enhance non-financial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods and the use of facilities, if significant, are included in support at fair value. During the year, the Organization recorded \$681,320 of donated services (primarily donated salaries and benefits), \$9,512 of donated facilities, and no donated goods. All donated services and facilities were utilized by the Organization for its programs and supporting services.

Volunteers, including officers and directors, donate their time in program services, management and general, and fundraising. However, no amount has been reflected in the financial statements for these services as they do not meet the requirement for recognition.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation. The Organization is exempt from state franchise and income tax under Sections 105-125 and 105-130.11(3), respectively, of the General Statutes of North Carolina.

Functional Allocation of Expenses

The Organization's activities are focused in three functional areas. Program services represent the primary focus of the Organization's activities. Supporting services are fundraising activities and general and administrative activities. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort. Fees and services, other operating expenses, and depreciation are allocated on a direct usage basis, except that insurance, which is included in other operating expenses, is fully allocated to management and general. Occupancy is allocated based on square footage utilized by activity areas. Program expenses are fully allocated to the relevant program services category. The costs of providing the various programs and other activities are summarized in the accompanying financial statements.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior-Year Comparative Totals

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's 2022 financial statements from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

Teen Health Connection, Inc.**Notes to Financial Statements****December 31, 2023**

NOTE C – BENEFICIAL INTEREST IN ASSETS HELD IN TRUSTHeld at Atrium Health Foundation

The Atrium Health Foundation (the Foundation) holds funds for the benefit of the Organization. These funds are held in a separate account within the Foundation. Funds are pooled with other Foundation investments, and investment income and gains/losses generated by investments attributable to the funds are credited monthly in a manner consistent with other like funds within the Foundation. The Foundation does not assess any charges for administration other than an allocated portion of outside investment management/trustee fees. The fair value of the Organization's pooled investments as reported by the Foundation was \$317,509 as of year-end.

Held at Foundation for the Carolinas

The Foundation for the Carolinas (FFTC) holds funds in trust accounts for the benefit of the Organization. The Organization may request annual distributions of accumulated income from these accounts. Recommendations for distribution of principal, as considered necessary by the Board of Directors of the Organization may be made to FFTC. Annual spendable income is calculated and available for distribution, and the entire balance may be made available for distribution. Assets at FFTC with a year-end fair value of \$996,879 are held in an investment pool with a fund type of *Quasi-Endowed Designated* with an asset investment strategy of *Moderate Growth Pool*.

NOTE D - FAIR VALUE MEASUREMENTS

Current accounting standards require fair value to be determined based on the exchange price that would be received for an asset in the most advantageous market. Assets are classified utilizing a three-level valuation hierarchy based upon observable and unobservable inputs. Level 1 assets are those assets for which unadjusted quoted prices for identical instruments in active markets are available as of the measurement date. Level 2 assets are those assets which do not have quoted market prices but have values that are observable either directly or indirectly. Level 3 assets do not have observable values.

The Organization's assets held in trust are classified as Level 3 assets. Values of assets held by the Foundation are determined by the Foundation based on the market value of the underlying assets, which generally consist of publicly-traded securities. Values of the Organization's assets held at FFTC are determined by FFTC based on the fair value of the underlying assets, which consists of assets some of which are publicly traded and some of which are not publicly traded.

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year.

Balance, beginning of year	\$ 1,152,483
Sales	(7,392)
Net increase in value	<u>169,297</u>
Balance, end of year	<u>\$ 1,314,388</u>

Teen Health Connection, Inc.
Notes to Financial Statements
December 31, 2023

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at year-end consist of the following:

Furniture, fixtures and equipment	\$ 109,255
Computers and computer software	42,447
Leasehold improvements	915,549
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	1,067,251
Less - accumulated depreciation	283,691
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	<u>\$ 783,560</u>

NOTE F - DUE TO ATRIUM HEALTH

As described in Note A above, Atrium provides the Organization's clinical operations. Atrium also provides administrative services related to the processing of certain expenses of the Organization. The Organization owed Atrium \$327,026 at December 31, 2023, for clinical operations and reimbursement of expenses paid on its behalf. From time to time, Atrium has forgiven debt owed to it by the Organization, but it may or may not do so in the future.

NOTE G - NET ASSETS

Designated Net Assets

Designated net assets at year-end include \$344,000 designated by the Organization's Board of Directors for investment, and \$47,663 designated for a health education program.

Net Assets Restricted by Donors

Net assets restricted by donors at December 31, 2023 are as follows:

Restricted for time – unconditional promise to give receivable in future years	\$ 60,000
Restricted for purpose:	
Scholarships	102,367
Teen Advisory Board	4,535
SAMHSA Town Hall meeting	1,531
The Big Picture medical presentation	974
Patient assistance	665
Other (less than \$600 each)	578
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	<u>\$ 170,650</u>

Teen Health Connection, Inc.
Notes to Financial Statements
December 31, 2023

NOTE H - LEASE COMMITMENTS

During the year, the Organization leased office space from Atrium on an informal arrangement. No lease payments were made during the year. Lease payments for the year totaling \$9,512 were forgiven by Atrium and are included in in-kind contributions and occupancy expense.

Also during the year, Atrium paid the Organization rent for the space used by certain Atrium employees who work in space leased by the Organization. Atrium paid the Organization \$55,254 in other income in 2023.

The Organization leased office space from an unrelated party during the year under a long-term non-cancelable operating lease arrangement originally entered into in 2018 and renewed in 2023. The lease expires November 30, 2028. The lease contains no significant restrictions. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate of 4.14% represents the risk-free discount rate using a period comparable with that of the individual lease term of five years.

At December 31, 2023, the operating lease right-of-use asset balance was \$873,220, and the operating lease liability was \$889,916. The Organization did not have any operating leases with a term of 12 months or less.

Total lease costs for the year ended December 31, 2023 were \$213,961.

Future minimum lease payments required under the operating lease are as follows:

Year ended December 31,	
2024	\$ 200,357
2025	200,357
2026	200,357
2027	200,357
2028	183,660
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Total lease payment	985,088
Less: present value discount	95,172
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Present value of liability	<u><u>\$ 889,916</u></u>

Teen Health Connection, Inc.
Notes to Financial Statements
December 31, 2023

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$806,919 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of cash of \$442,999, unconditional promises receivable of \$210,773, and sales tax and accounts receivable of \$153,147. The receivables are expected to be collected during the following year. Of this total \$110,650 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash and receivables expected to be collected in one year, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$500,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Organization invests cash in excess of daily requirements in various investments, including equities and fixed income securities.

NOTE J - CONCENTRATIONS OF CREDIT RISK

Cash

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization at year-end includes approximately \$312,880 in excess of insured limits covered by the FDIC.

Support and Receivables

The Organization receives a substantial amount of its total support and related receivables from a limited number of funding sources. During the year, the Organization received 33 percent of its total support and revenue from Mecklenburg County. Receivables at year-end include \$293,764 due from Mecklenburg County and \$31,109 due from the Centers for Disease Control and Prevention.

Affiliation

As described above, the staff of the Organization are all employees of Atrium. Atrium also provides the Organization's clinical operations and certain administrative services. This represents a significant concentration of risk that operations could be affected if the affiliation with Atrium should be discontinued.

Geographic Area

The Organization's operations are conducted in a small geographical area. Any changes in the local economy could have an impact on the Organization's operations.

NOTE K - CONTINGENCIES

Financial awards from governmental entities in the form of grants are subject to special audits by the funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Teen Health Connection, Inc.**Notes to Financial Statements****December 31, 2023**

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.