

TWLOHA, Inc.

Financial Statements

December 31, 2017
and 2016

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WHITTAKER COOPERSM
FINANCIAL GROUP

*Certified Public Accountants and Consultants
A Professional Association*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
TWLOHA, Inc.
Melbourne, Florida

We have audited the accompanying financial statements of TWLOHA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TWLOHA, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittaker Cooper Financial Group

Whittaker Cooper Financial Group

Melbourne, Florida

June 8, 2018

TWLOHA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 467,508	\$ 477,377
Accounts receivable, net	4,140	-
Promises to give, net	62,347	-
Inventory	128,181	131,644
Prepaid expenses	15,400	15,902
Other current assets	214	314
	677,790	625,237
PROPERTY AND EQUIPMENT, net	39,650	55,148
OTHER ASSETS	10,296	9,207
	\$ 727,736	\$ 689,592
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payables, trade	\$ 63,387	\$ 51,658
Grants payable	305	-
Accrued expenses	5,078	6,800
	68,770	58,458
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	637,532	620,109
Temporarily restricted	21,434	11,025
	658,966	631,134
	\$ 727,736	\$ 689,592

See accompanying notes.

TWLOHA, INC.
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues, gains and other support:		
Contributions:		
Cash	\$ 944,578	\$ 605,672
Goods and services	-	53,382
Events	11,677	6,748
Grants	-	29,500
Merchandise sales	1,506,881	1,830,049
Speaking engagements	61,371	133,912
Fundraising		
Cash	126,057	116,448
Other	3,770	4,133
Interest	139	148
Net assets released from restrictions:	1,500	300
Total revenues, gains and other support	2,655,973	2,780,292
 Expenses:		
Program services	2,273,441	2,652,103
Management and general	320,284	243,776
Fundraising	44,825	34,368
Loss on sale of asset	-	3,498
	2,638,550	2,933,745
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	17,423	(153,453)
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	11,909	5,025
Reclassifications	(1,500)	(300)
 INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	10,409	4,725
 INCREASE (DECREASE) IN NET ASSETS	27,832	(148,728)
 NET ASSETS, beginning of year	631,134	779,862
 NET ASSETS, end of year	\$ 658,966	\$ 631,134

See accompanying notes.

TWLOHA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services						Total	Fundraising	Total Expenses
	Events and Tours	Awareness and Education	Supporter Engagement	Treatment and Recovery	Management and General				
DIRECT ASSISTANCE:									
Grants	\$ -	\$ 305	\$ -	\$ 141,068	\$ 73	\$ 141,373	\$ -	\$ 141,446	
OTHER EXPENSES:									
Cost of sales	150,766	667,228	5,736	-	3,482	823,730	-	827,212	
Salaries	165,613	328,880	174,634	-	196,917	669,127	11,785	877,829	
Travel	105,543	5,424	9,042	3,109	7,504	123,118	407	131,029	
Contract services	25,159	77,283	5,816	-	6,790	108,258	280	115,328	
Office expenses	24,166	51,390	15,660	5,049	47,034	96,265	4,801	148,100	
Occupancy	11,764	37,929	38,666	-	12,702	88,359	-	101,061	
Event expenses	51,705	127	503	74	798	52,409	25,690	78,897	
Taxes and licenses	12,716	24,728	13,145	-	21,953	50,589	891	73,433	
Insurance	18,784	25,791	11,705	-	10,796	56,280	960	68,036	
Promotion	464	31,872	-	-	526	32,336	11	32,873	
Professional fees	-	2,369	117	-	8,861	2,486	-	11,347	
Staff and intern development	790	448	9,379	-	2,848	10,617	-	13,465	
	<u>567,470</u>	<u>1,253,469</u>	<u>284,403</u>	<u>8,232</u>	<u>320,211</u>	<u>2,113,574</u>	<u>44,825</u>	<u>2,478,610</u>	
Total expenses before depreciation	567,470	1,253,774	284,403	149,300	320,284	2,254,947	44,825	2,620,056	
Depreciation and amortization	9,247	9,247	-	-	-	18,494	-	18,494	
TOTAL EXPENSES	<u>\$ 576,717</u>	<u>\$ 1,263,021</u>	<u>\$ 284,403</u>	<u>\$ 149,300</u>	<u>\$ 320,284</u>	<u>\$ 2,273,441</u>	<u>\$ 44,825</u>	<u>\$ 2,638,550</u>	

TWLOHA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Program Services						Total	Management and General	Fundraising	Total Expenses
	Events and Tours	Awareness and Education	Supporter Engagement	Treatment and Recovery						
DIRECT ASSISTANCE:										
Grants	\$ -	\$ -	\$ -	\$ 233,445	\$ -	\$ 233,445	\$ -	\$ -	\$ -	\$ 233,445
OTHER EXPENSES:										
Cost of sales	172,469	819,158	7,477	-	-	999,104	3,246	-	-	1,002,350
Salaries	170,113	376,977	126,109	-	-	673,199	147,600	8,687	-	829,486
Travel	107,107	14,452	53,283	1,001	-	175,843	4,885	160	-	180,888
Contract services	46,191	104,402	11,650	-	-	162,243	6,315	549	-	169,107
Office expenses	17,709	56,542	16,498	5,953	-	96,702	20,346	5,022	-	122,070
Occupancy	6,643	46,610	35,903	-	-	89,156	15,598	-	-	104,754
Event expenses	58,438	13	1,917	-	-	60,368	387	18,606	-	79,361
Taxes and licenses	13,267	28,477	9,475	-	-	51,219	17,933	657	-	69,809
Insurance	19,457	27,667	9,279	-	-	56,403	4,858	337	-	61,598
Promotion	-	22,209	655	-	-	22,864	-	350	-	23,214
Professional fees	-	-	-	-	-	-	21,263	-	-	21,263
Staff and intern development	156	2,825	13,469	-	-	16,450	957	-	-	17,407
	<u>611,550</u>	<u>1,499,332</u>	<u>285,715</u>	<u>6,954</u>	<u>-</u>	<u>2,403,551</u>	<u>243,388</u>	<u>34,368</u>	<u>-</u>	<u>2,681,307</u>
Total expenses before depreciation	611,550	1,499,332	285,715	240,399	-	2,636,996	243,388	34,368	-	2,914,752
Depreciation and amortization	9,564	4,478	1,065	-	-	15,107	388	-	-	15,495
TOTAL EXPENSES	<u>\$ 621,114</u>	<u>\$ 1,503,810</u>	<u>\$ 286,780</u>	<u>\$ 240,399</u>	<u>\$ -</u>	<u>\$ 2,652,103</u>	<u>\$ 243,776</u>	<u>\$ 34,368</u>	<u>\$ -</u>	<u>\$ 2,930,247</u>

See accompanying notes.
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TWLOHA, INC.
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 27,832	\$ (148,728)
Adjustments to reconcile the increase (decrease) in net assets to net cash used by operating activities:		
Depreciation and amortization	18,494	15,495
Loss on sale of property and equipment	-	3,498
(Increase) decrease in assets:		
Accounts receivable	(4,140)	-
Promises to give	(62,347)	3,190
Prepaid expenses	502	(2,425)
Inventories	3,463	7,814
Other current assets	100	231
Deposits	(1,500)	-
Increase (decrease) in liabilities:		
Payables, trade	11,729	20,990
Grants payable	305	(2,750)
Accrued expenses	(1,722)	(2,855)
NET CASH USED IN OPERATING ACTIVITIES	(7,284)	(105,540)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,584)	(37,059)
Proceeds from sale of property and equipment	-	1,950
NET CASH USED IN INVESTING ACTIVITIES	(2,584)	(35,109)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,868)	(140,649)
CASH AND CASH EQUIVALENTS, beginning of year	477,377	618,026
CASH AND CASH EQUIVALENTS, end of year	\$ 467,509	\$ 477,377
 SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
In-kind contributions of goods and services	\$ -	\$ 53,382

See accompanying notes.

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

TWLOHA, Inc. (Organization) is a not-for-profit corporation formed in August 2007. The Organization is dedicated to presenting hope and finding help for people struggling with depression, addiction, self-injury, and suicide. The Organization exists to encourage, inform, inspire, and also invest directly in treatment and recovery. It's headquartered in Melbourne, Florida and assistance is available world-wide.

The Organization is supported by various grants, private donations and revenues from events, tours, speaking engagements, and merchandise sales.

Financial Statement Presentation

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the purpose has been fulfilled or upon the expiration of time restrictions, temporarily restricted net assets are reclassified to unrestricted net assets. As permitted by the Standard, the Organization does not use fund accounting. The Organization had no permanently restricted net assets in 2017 and 2016.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization considered all promises to give collectible, therefore, the allowance for uncollectible accounts was \$-0- (2017 and 2016).

Contributed Goods and Services

During the years ended December 31, 2017 and 2016, the Organization was the recipient of contributed goods and services. Contributed goods are recorded at their estimated fair market value on the date of receipt. The value of contributed goods was \$-0- (2017) and \$2,383 (2016). Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been paid for if not provided by donation. The value of contributed services meeting the requirements for recognition in the financial statements was \$-0- (2017) and \$50,999 (2016). In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments and certificates of deposits purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded when invoices are issued and are presented in the statement of financial position net of allowance for doubtful accounts. Accounts receivable consisted of amounts due from the sale of merchandise which management considered fully collectible at year-end. Based on this factor and management's experience, the Organization considered all accounts receivable collectible, therefore, the allowance for doubtful accounts was \$-0- (2017 and 2016).

Inventory

Inventory consists of apparel and other branded merchandise purchased for resale via the Organization's online store and is stated at average cost or market, whichever is lower.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. It is the Organization's policy to capitalize assets for items in excess of \$1,000 when their useful life exceeds one year. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives of the assets, which are generally from three to seven years.

Contributions

Contributions received, including unconditional promises to give, are recognized as revenue at fair value upon the receipt of the earlier of either: (i) unconditional pledges or commitments or (ii) cash or other assets. Contributions are considered available for unrestricted use unless the donors restrict the use thereof, either on a temporary or permanent basis. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. Bequests are recognized at fair value at the time the will is declared valid.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction and/or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue includes events, grants, merchandise sales, and speaking engagements. All revenues are recognized when received, with the exception of merchandise sales. The Organization recognizes revenue from merchandise sales when the merchandise is sold.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting service benefited.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision has been made for income taxes for the years ended December 31, 2017 and 2016.

FASB ASC 740, *Accounting for Income Taxes*, prescribes a recognition threshold and measurement attribute of the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management evaluates the Organization's tax positions on an annual basis, both past and current. If management determines that a past or current tax position is uncertain then a tax liability is calculated to represent the increase in taxes anticipated upon examination. As of December 31, 2017, management has determined that all past and current tax positions were likely to be realizable and sustainable upon examination and that the calculation of a tax liability was not necessary.

Tax years ended December 31, 2014 through 2017 remain subject to possible examination by the Internal Revenue Service.

Compensated Absences

Employees of the Organization are entitled to paid vacations, paid sick days, and personal days off, depending on the job classification, length of service, and other factors. The accrual cannot be reasonably estimated, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

Advertising Costs

The Organization expenses advertising and promotional costs as they are incurred. Advertising and promotional costs expensed to program services and fundraising was \$32,873 (2017) and \$23,214 (2016).

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Cash Balance

The Organization maintains cash and cash equivalents at several financial institutions. Accounts at certain institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017, the Organization had uninsured cash balances of \$191,722. Bank balances differ from the cash balances reflected on the financial statements due to reconciling items.

Major Supplier

One supplier accounted for approximately 54% of TWLOHA’s merchandise purchases in 2017. Management does not feel there is any material credit risk as there are many other available suppliers for the same materials.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

At December 31, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Furniture and equipment	\$ 81,466	\$ 85,512
Vehicles	55,719	55,719
	137,185	141,231
Less accumulated depreciation	97,535	86,083
	\$ 39,650	\$ 55,148

Depreciation expense was \$18,082 (2017) and \$14,539 (2016).

NOTE 4 – OTHER ASSETS

At December 31, 2017 and 2016, other assets consisted of the following:

	2017	2016
Trademark costs, net	\$ 3,293	\$ 3,704
Deposits	7,003	5,503
	\$ 10,296	\$ 9,207

The Organization’s policy is to amortize its trademark costs over fifteen years. As of December 31, 2017 and 2016, the accumulated amortization was \$2,882 and \$2,471 , respectively. Amortization expense was \$412 (2017 and 2016).

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets consist of unexpended contributions received by the Organization for specified events that are intended to occur in the following year. As of December 31, temporarily restricted net assets totaled \$21,434 (2017) and 11,025 (2016).

NOTE 6 – RELATED PARTY TRANSACTIONS

During 2016, the Organization purchased merchandise from two vendors that are considered related parties. The first vendor employs a family member of some of the officers of the Organization as a sales representative through whom merchandise is purchased for the online store, and in the second an employee of the Organization, who is an author, acts as an intermediary with the publisher so the Organization can receive books at a discounted author's price.

Purchases of merchandise from these vendors totaled approximately \$43,000 during 2016 with no amounts unpaid and included in payables as of December 31, 2016.

During 2017, there were no significant transactions with these vendors.

NOTE 7 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 8, 2018 the date on which the financial statements were available to be issued, and is unaware of any subsequent events requiring disclosure.