

TWLOHA, Inc.

Financial Statements

December 31, 2015
and 2014

**★ TO
WRITE
LOVE
ON HER
ARMS.★**

rescue is possible

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12



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, 2015 and 2014, 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, 2015 and 2014, 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 7, 2016

TWLOHA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 618,026	\$ 464,954
Accounts receivable	-	5,238
Promises to give	3,190	-
Inventory	139,458	146,018
Prepaid expenses	13,477	35,763
Other current assets	545	2,717
	774,696	654,690
PROPERTY AND EQUIPMENT, net	38,620	53,160
OTHER ASSETS	9,619	10,456
	\$ 822,935	\$ 718,306
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payables, trade	\$ 30,668	\$ 68,923
Grants payable	2,750	5,950
Accrued expenses	9,655	7,229
	43,073	82,102
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	773,562	636,204
Temporarily restricted	6,300	-
	779,862	636,204
	\$ 822,935	\$ 718,306

See accompanying notes.

TWLOHA, INC.
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2015 and 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues, gains and other support:		
Contributions:		
Cash	\$ 805,785	\$ 411,152
Goods and services	3,500	8,400
Events	11,792	14,219
Grants	17,789	25,205
Merchandise sales	1,722,441	1,707,321
Speaking engagements	131,541	139,176
Fundraising		
Cash	93,393	114,537
Goods and services	9,246	3,157
Other	7,056	242,756
Interest	195	166
Total revenues, gains and other support	2,802,738	2,666,089
Expenses:		
Program services	2,410,746	2,178,152
Management and general	217,103	268,123
Fundraising	37,531	26,281
Loss on sale of asset	-	1,543
	2,665,380	2,474,099
INCREASE IN UNRESTRICTED NET ASSETS	137,358	191,990
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	6,300	-
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	6,300	-
INCREASE IN NET ASSETS	143,658	191,990
NET ASSETS, beginning of year	636,204	444,214
NET ASSETS, end of year	\$ 779,862	\$ 636,204

See accompanying notes.

TWLOHA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program Services				Total	Management and General	Fundraising	Total Expenses
	Events and Tours	Awareness and Education	Supporter Engagement	Treatment and Recovery				
DIRECT ASSISTANCE:								
Grants	\$ 250	\$ -	\$ -	\$ 132,395	\$ 132,645	\$ -	\$ -	\$ 132,645
OTHER EXPENSES:								
Cost of sales	135,740	826,575	5,526	-	967,841	3,366	12,348	983,555
Salaries	193,923	341,062	88,976	-	623,961	133,210	6,717	763,888
Travel	133,612	16,592	3,652	513	154,369	4,235	616	159,220
Contract services	48,988	85,307	6,000	-	140,295	7,558	210	148,063
Office expenses	35,530	54,791	9,035	3,617	102,973	19,606	3,271	125,850
Occupancy	4,296	41,727	33,351	-	79,374	8,473	-	87,847
Event expenses	58,585	2,581	580	51	61,797	-	10,600	72,397
Insurance	18,837	28,516	7,403	-	54,756	7,649	298	62,703
Taxes and licenses	15,145	26,453	6,541	-	48,139	14,456	508	63,103
Promotion	908	21,696	-	-	22,604	-	2,963	25,567
Professional fees	-	-	-	-	-	14,571	-	14,571
Staff and intern development	398	536	6,346	-	7,280	3,740	-	11,020
	<u>645,962</u>	<u>1,445,836</u>	<u>167,410</u>	<u>4,181</u>	<u>2,263,389</u>	<u>216,864</u>	<u>37,531</u>	<u>2,517,784</u>
Total expenses before depreciation	646,212	1,445,836	167,410	136,576	2,396,034	216,864	37,531	2,650,429
Depreciation and amortization	<u>9,798</u>	<u>3,864</u>	<u>1,050</u>	<u>-</u>	<u>14,712</u>	<u>239</u>	<u>-</u>	<u>14,951</u>
TOTAL EXPENSES	<u>\$ 656,010</u>	<u>\$ 1,449,700</u>	<u>\$ 168,460</u>	<u>\$ 136,576</u>	<u>\$ 2,410,746</u>	<u>\$ 217,103</u>	<u>\$ 37,531</u>	<u>\$ 2,665,380</u>

See accompanying notes.

TWLOHA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services				Total	Management and General	Fundraising	Total Expenses
	Events and Tours	Awareness and Education	Supporter Engagement	Treatment and Recovery				
DIRECT ASSISTANCE:								
Grants	\$ -	\$ -	\$ -	\$ 107,913	\$ 107,913	\$ -	\$ -	\$ 107,913
OTHER EXPENSES:								
Cost of sales	148,011	714,091	7,323	-	869,425	2,626	7,995	880,046
Salaries	199,709	286,628	106,222	-	592,559	138,974	4,957	736,490
Travel	105,032	15,559	38,229	956	159,776	4,524	578	164,878
Contract services	46,270	33,178	17,437	-	96,885	6,000	280	103,165
Occupancy	9,172	34,575	37,281	-	81,028	6,759	-	87,787
Professional fees	-	13,536	-	-	13,536	67,676	-	81,212
Office expenses	14,237	33,439	10,139	2,046	59,861	15,240	3,353	78,454
Event expenses	41,104	-	8,840	-	49,944	-	8,055	57,999
Taxes and licenses	15,823	21,979	7,950	-	45,752	15,108	371	61,231
Insurance	18,081	21,939	6,741	-	46,761	7,564	106	54,431
Promotion	1,127	26,719	-	-	27,846	-	586	28,432
Staff and intern development	-	255	7,909	-	8,164	3,071	-	11,235
	<u>598,566</u>	<u>1,201,898</u>	<u>248,071</u>	<u>3,002</u>	<u>2,051,537</u>	<u>267,542</u>	<u>26,281</u>	<u>2,345,360</u>
Total expenses before depreciation	598,566	1,201,898	248,071	110,915	2,159,450	267,542	26,281	2,453,273
Depreciation and amortization	<u>12,875</u>	<u>4,151</u>	<u>1,676</u>	<u>-</u>	<u>18,702</u>	<u>581</u>	<u>-</u>	<u>19,283</u>
TOTAL EXPENSES	<u>\$ 611,441</u>	<u>\$ 1,206,049</u>	<u>\$ 249,747</u>	<u>\$ 110,915</u>	<u>\$ 2,178,152</u>	<u>\$ 268,123</u>	<u>\$ 26,281</u>	<u>\$ 2,472,556</u>

See accompanying notes.

TWLOHA, INC.
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 143,658	\$ 191,990
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,951	19,283
Loss on sale of property and equipment	-	1,543
(Increase) decrease in assets:		
Accounts receivable	5,238	537
Promises to give	(3,190)	38,941
Prepaid expenses	22,286	(13,360)
Inventories	6,560	(36,147)
Other current assets	2,172	(2,716)
Deposits	426	(2,425)
Increase (decrease) in liabilities:		
Payables, trade	(38,255)	(101,434)
Grants payable	(3,200)	(2,165)
Accrued expenses	2,426	321
Unearned event revenue	-	(2,980)
NET CASH PROVIDED BY OPERATING ACTIVITIES	153,072	91,388
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(17,705)
NET CASH USED IN INVESTING ACTIVITIES	-	(17,705)
NET CHANGE IN CASH AND CASH EQUIVALENTS	153,072	73,683
CASH AND CASH EQUIVALENTS, beginning of year	464,954	391,271
CASH AND CASH EQUIVALENTS, end of year	\$ 618,026	\$ 464,954
 SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
In-kind contribution of merchandise	\$ 12,746	\$ 11,557

See accompanying notes.

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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. The office facilities are located 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 2015 and 2014.

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.

Contributed Goods and Services

During the years ended December 31, 2015 and 2014, 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. 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 \$5,413 (2015) and \$3,500 (2014). 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, 2015

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- (2015 and 2014).

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, 2015

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, 2015 and 2014.

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, 2015, 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, 2012 through 2015 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 was \$25,567 (2015) and \$28,432 (2014).

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015, the Organization had uninsured cash balances of \$266,512. Bank balances differ from the cash balances reflected on the financial statements due to reconciling items.

Major Supplier

One supplier accounted for more than 41% of TWLOHA’s materials purchases in 2015. 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, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 76,270	\$ 78,237
Vehicles	<u>51,670</u>	<u>51,670</u>
	127,940	129,907
Less accumulated depreciation	<u>89,320</u>	<u>76,747</u>
	<u>\$ 38,620</u>	<u>\$ 53,160</u>

Depreciation expense was \$14,539 (2015) and \$18,871 (2014).

NOTE 4 – OTHER ASSETS

At December 31, 2015 and 2014, other assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Trademark costs, net	\$ 4,116	\$ 4,528
Deposits	<u>5,503</u>	<u>5,928</u>
	<u>\$ 9,619</u>	<u>\$ 10,456</u>

The Organization’s policy is to amortize its trademark costs over fifteen years. As of December 31, 2015 and 2014, the accumulated amortization was \$2,059 and \$1,647, respectively. Amortization expense was \$412 (2015 and 2014).

TWLOHA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets consist of unexpended contributions received by the Organization for a specific program event that will occur in 2016. As of December 31, 2015, temporarily restricted net assets totaled \$6,300.

NOTE 6 – RELATED PARTY TRANSACTIONS

During 2015, 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 acts as an intermediary to purchase merchandise directly from a publisher in order to receive a discounted price.

Purchases of merchandise from these vendors totaled approximately \$47,000 during 2015 with no amounts unpaid and included in payables as of December 31, 2015.

NOTE 7 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 7, 2016, the date which the financial statements were available to be issued, and is unaware of any subsequent events requiring disclosure.