TWLOHA, Inc.

Financial Statements

December 31, 2013
and 2012

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WHITTAKER COOPER
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, 2013 and 2012, 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.

1692 W. Hibiscus Blvd. | Melbourne, Florida 32901 | Phone: (321) 723-3352 | Fax: (321) 722-4460 | www.whittaker-cooper.com

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, 2013 and 2012, 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
September 5, 2014

TWLOHA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 391,271	$ 598,845
Accounts receivable	5,775	132,761
Promises to give	38,941	-
Inventory	109,871	144,274
Prepaid expenses	22,403	66,282
	568,261	942,162
PROPERTY AND EQUIPMENT, net	55,870	44,161
OTHER ASSETS	8,443	8,854
	$ 632,574	$ 995,177

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Payables, trade	$ 170,357	$ 5,024
Grants payable	8,115	-
Accrued expenses	6,908	3,019
Unearned Event Revenue	2,980	-
	188,360	8,043
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	444,214	452,064
Temporarily restricted	-	535,070
	444,214	987,134
	$ 632,574	$ 995,177

See accompanying notes.

TWLOHA, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2013 and 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues, gains and other support:		
Contributions:		
Cash	$ 419,758	$ 389,151
Goods and services	6,183	10,234
Events	77,488	10,219
Grants	-	3,000
Merchandise sales	1,472,092	1,539,584
Speaking engagments	162,487	196,510
Fundraising	19,290	-
Other	518	-
Interest income	6,635	2,261
Total revenues, gains and other support	2,164,451	2,150,959
Net assets released from restrictions:		
Reclassifications	535,070	464,930
Total net assets released from restrictions	535,070	464,930
Total unrestricted revenues, gains and other support	2,699,521	2,615,889
Expenses:		
Program services	2,462,280	2,545,603
Management and general	229,295	234,003
Fundraising	15,796	-
	2,707,371	2,779,606
DECREASE IN UNRESTRICTED NET ASSETS	(7,850)	(163,717)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	-	1,000,000
Reclassifications	(535,070)	(464,930)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(535,070)	535,070
INCREASE (DECREASE) IN NET ASSETS	(542,920)	371,353
NET ASSETS, beginning of year	987,134	615,781
NET ASSETS, end of year	$ 444,214	$ 987,134

See accompanying notes.

TWLOHA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

	Program Services									
	Events and Tours	Awareness and Education	MOVE Storytellers UChapters	Treatment and Recovery	Heavy and Light Tour	Interns	Total	Management and General	Fundraisng	Total Expenses
DIRECT ASSISTANCE:										
Grants	$ -	$ -	$ -	$ 128,429	$ -	$ -	$ 128,429	$ -	$ -	$ 128,429
OTHER EXPENSES:										
Cost of sales	202,903	618,908	12,211	-	27,031	-	861,053	1,651	2,374	865,078
Salaries	167,005	222,617	79,855	-	31,473	42,604	543,554	137,384	4,883	685,821
Contract services	68,400	50,955	9,140	-	207,500	-	335,995	6,000	525	342,520
Travel	121,023	5,889	34,198	1,521	132,777	1,098	296,506	2,438	191	299,135
Office expenses	12,092	25,240	7,867	1,143	3,241	4,253	53,836	12,193	251	66,280
Occupancy	9,285	8,546	4,993	-	-	31,031	53,855	4,638	23	58,516
Taxes and licenses	13,188	17,214	6,174	-	2,783	3,345	42,704	11,044	369	54,117
Insurance	17,985	18,432	4,603	-	2,602	4,068	47,690	5,473	250	53,413
Professional fees	-	-	-	-	-	-	-	47,585	-	47,585
Event expenses	31,721	5,400	309	-	3,601	-	41,031	-	5,525	46,556
Promotion	-	23,728	440	-	7,129	-	31,297	-	1,405	32,702
Staff and intern development	26	75	96	-	-	6,744	6,941	314	-	7,255
Interest	-	-	-	-	-	-	-	5	-	5
	643,628	997,004	159,886	2,664	418,137	93,143	2,314,462	228,725	15,796	2,558,983
Total expenses before depreciation	643,628	997,004	159,886	131,093	418,137	93,143	2,442,891	228,725	15,796	2,687,412
DEPRECIATION AND AMORTIZATION	10,862	3,296	961	-	-	4,270	19,389	-	-	19,389
LOSS ON SALE OF ASSETS	-	-	-	-	-	-	-	570	-	570
TOTAL EXPENSES	$ 654,490	$ 1,000,300	$ 160,847	$ 131,093	$ 418,137	$ 97,413	$ 2,462,280	$ 229,295	$ 15,796	$ 2,707,371

See accompanying notes.

TWLOHA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Program Services								
	Events and Tours	Awareness and Education	MOVE Storytellers UChapters	Treatment and Recovery	Hope Goes Surfing	Interns	Total	Management and General	Total Expenses
DIRECT ASSISTANCE:									
Grants	$ -	$ -	$ -	$ 182,674	$ -	$ -	$ 182,674	$ -	$ 182,674
OTHER EXPENSES:									
Cost of sales	254,317	642,841	601	-	533	-	898,292	-	898,292
Salaries	203,263	194,840	105,993	-	18,750	33,911	556,757	127,597	684,354
Travel	181,720	24,899	59,091	4,244	5,591	3,848	279,393	3,626	283,019
Contract services	55,457	36,719	12,245	6,700	115,650	17,966	244,737	6,150	250,887
Promotion	4,748	29,889	-	-	38,763	-	73,400	-	73,400
Office expenses	20,682	22,758	11,392	78	869	6,263	62,042	9,070	71,112
Event expenses	44,122	11,842	12,797	-	601	-	69,362	39	69,401
Professional fees	-	-	-	-	-	-	-	64,624	64,624
Occupancy	8,779	8,882	5,836	-	-	29,935	53,432	7,138	60,570
Insurance	21,375	21,698	8,338	-	928	3,794	56,133	8,007	64,140
Taxes and licenses	16,349	15,838	8,436	-	1,414	2,918	44,955	7,121	52,076
Staff and intern development	590	-	-	-	-	6,012	6,602	245	6,847
Interest	-	-	-	-	-	-	-	126	126
	811,402	1,010,206	224,729	11,022	183,099	104,647	2,345,105	233,743	2,578,848
Total expenses before depreciation	811,402	1,010,206	224,729	193,696	183,099	104,647	2,527,779	233,743	2,761,522
DEPRECIATION AND AMORTIZATION	10,207	3,044	537	-	-	4,119	17,907	-	17,907
(GAIN) LOSS ON SALE OF ASSETS	-	-	-	-	-	(83)	(83)	260	177
TOTAL EXPENSES	$ 821,609	$ 1,013,250	$ 225,266	$ 193,696	$ 183,099	$ 108,683	$ 2,545,603	$ 234,003	$ 2,779,606

See accompanying notes.

TWLOHA, INC.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from contributions	$ 380,817	$ 389,151
Cash receipts from events	80,468	10,219
Cash receipts from grants	-	1,003,000
Cash receipts from merchandise sales	1,599,078	1,592,984
Cash receipts from speaking engagements	162,487	196,510
Cash receipts from fundraising	19,290	-
Cash receipts from other income	518	-
Cash receipts from interest	6,635	2,261
Cash payments for program services	(2,184,978)	(2,555,782)
Cash payments for management and general	(224,836)	(233,503)
Cash payments for fundraising	(15,796)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(176,317)	404,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(31,257)	(17,233)
Proceeds from sale of property and equipment	-	60
NET CASH USED IN INVESTING ACTIVITIES	(31,257)	(17,173)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(207,574)	387,667
CASH AND CASH EQUIVALENTS, beginning of year	598,845	211,178
CASH AND CASH EQUIVALENTS, end of year	$ 391,271	$ 598,845
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
In-kind contribution of merchandise	$ 6,183	$ 10,234

See accompanying notes.

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 2013 and 2012.

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, 2013 and 2012, 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 not material and has not been recorded. 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.

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 monthly 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 online merchandise store 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- (2013 and 2012).

Inventory

Inventories are stated at lower of cost or market.

Property and Equipment

Property and equipment are stated at cost. 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.

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 goods are 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, 2013 and 2012.

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, 2013, 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, 2010 through 2013 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 $32,702 (2013) and $73,400 (2012).

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

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, 2013, the Organization had no uninsured cash balances. Bank balances differ from the cash balances reflected on the financial statements due to reconciling items.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

At December 31, 2013 and 2012, property and equipment consisted of the following:

	2013	2012
Furniture and equipment	$ 79,379	$ 83,984
Vehicles	51,670	20,414
	131,049	104,398
Less accumulated depreciation	75,179	60,237
	$ 55,870	$ 44,161

NOTE 4 – OTHER ASSETS

At December 31, 2013 and 2012, other assets consisted of the following:

	2013	2012
Trademark costs, net	$ 4,940	$ 5,351
Deposits	3,503	3,503
	$ 8,443	$ 8,854

The trademark is amortized over fifteen years. As of December 31, 2013 and 2012, the accumulated amortization was $1,235 and $824, respectively. Amortization expense charged to operations was $411(2013) and $412 (2012).

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are revenues from a grant that provided funds for program services. The grant funds are subject to restrictions on spending in accordance with an implementation plan included in the grant agreement. Reporting of expended funds and program narratives were required as part of the grant agreement. As of December 31, 2013, the Organization expended all of the remaining temporary restricted grant funds.

NOTE 6 – COMMITMENTS

The Organization has exercised an option to extend a non-cancellable lease agreement for a building that serves as the Organization's headquarters. The extended agreement expires in September 2015. The amount charged to operations for the original and exercised lease option was approximately $28,000 (2013 and 2012).

Future minimum payments are as follows:

2014	$ 28,152
2015	21,114
	$ 49,266

NOTE 7 – CASH FLOW DISCLOSURES

Pursuant to FASB ASC 230, *Statement of Cash Flows,* if the direct method of cash flows is used the following reconciliation must be presented showing a reconciliation of excess revenues over expenses:

	2013	2012
Increase (decrease) in net assets	$ (542,920)	$ 371,353
Adjustments to reconcile the increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,389	17,907
Loss on sale of property and equipment	570	177
(Increase) decrease in assets:		
Accounts receivable	126,986	53,400
Promises to give	(38,941)	-
Prepaid expenses	43,879	(51,433)
Inventories	34,403	17,294
Deposits	-	240
Increase (decrease) in liabilities:		
Payables	165,333	(4,098)
Grants payable	8,115	-
Accrued expenses	3,889	-
Unearned event revenue	2,980	-
Net cash provided by (used in) operating activities	$ (176,317)	$ 404,840

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 5, 2014, the date which the financial statements were available to be issued, and determined that the following subsequent events required disclosure in the financial statements:

- In February 2014, the Organization entered into a twelve month lease agreement for warehouse space in Melbourne, Florida. The warehouse space will enable the Organization's management to better manage its merchandise.

- In February 2014, the Organization entered into a month-by-month lease agreement for office space in Oldsmar, Florida. This new space will serve as the Organization's graphic art studio.