

TWLOHA, Inc.

Financial Statements

December 31, 2023
and 2022

**TO
WRITE
LOVE
ON HER
ARMS★**

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 16

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of TWLOHA, Inc. (a not for profit corporation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for 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 TWLOHA, 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 TWLOHA 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

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 purpose of expressing an opinion on the effectiveness of TWLOHA, 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 TWLOHA 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.

H&CO, LLP

H&CO, LLP
Orlando, Florida
August 13, 2024

TWLOHA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,015,004	\$ -	\$ 1,015,004
Certificate of deposit	300,000	-	300,000
Accounts receivable	10,609	-	10,609
Promises to give	55,028	-	55,028
Inventory	265,066	-	265,066
Prepaid expenses	109,999	-	109,999
	<u>1,755,706</u>	<u>-</u>	<u>1,755,706</u>
PROPERTY AND EQUIPMENT, net	1,209,157	-	1,209,157
OTHER ASSETS	<u>164,469</u>	<u>-</u>	<u>164,469</u>
	<u>\$ 3,129,332</u>	<u>\$ -</u>	<u>\$ 3,129,332</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Payables, trade	\$ 150,408	\$ -	\$ 150,408
Grants payable	11,405	-	11,405
Accrued expenses	80,331	-	80,331
Current portion of long-term debt	26,194	-	26,194
	<u>268,338</u>	<u>-</u>	<u>268,338</u>
LONG-TERM DEBT, net	748,261	-	748,261
NET ASSETS	<u>2,112,733</u>	<u>-</u>	<u>2,112,733</u>
	<u>\$ 3,129,332</u>	<u>\$ -</u>	<u>\$ 3,129,332</u>

See independent auditor's report and accompanying notes to financial statements.

TWLOHA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,989,919	\$ -	\$ 1,989,919
Accounts receivable	30,240	-	30,240
Promises to give	125,249	-	125,249
Inventory	208,629	-	208,629
Prepaid expenses	108,675	-	108,675
	<u>2,462,712</u>	<u>-</u>	<u>2,462,712</u>
PROPERTY AND EQUIPMENT, net	1,249,370	-	1,249,370
OTHER ASSETS	181,744	-	181,744
	<u>\$ 3,893,826</u>	<u>\$ -</u>	<u>\$ 3,893,826</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Payables, trade	\$ 150,931	\$ -	\$ 150,931
Grants payable	15,820	-	15,820
Accrued expenses	102,292	-	102,292
Current portion of long-term debt	59,220	-	59,220
	<u>328,263</u>	<u>-</u>	<u>328,263</u>
LONG-TERM DEBT, net	774,535	-	774,535
NET ASSETS	<u>2,791,028</u>	<u>-</u>	<u>2,791,028</u>
	<u>\$ 3,893,826</u>	<u>\$ -</u>	<u>\$ 3,893,826</u>

See independent auditor's report and accompanying notes to financial statements.

TWLOHA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Without Donor	With Donor	
	Restrictions	Restrictions	Total
CHANGES IN NET ASSETS:			
Revenues, gains and other support:			
Contributions:			
Cash	\$ 2,780,340	\$ 228,963	\$ 3,009,303
Goods and services	90,000	-	90,000
Grants	145,869	105,000	250,869
Merchandise sales	1,429,653	-	1,429,653
Fundraising	5,000	-	5,000
Speaking engagements	12,509	-	12,509
Other	26,724	-	26,724
Interest	2,798	-	2,798
Net assets released from restrictions	333,963	(333,963)	-
Total revenues, gains and other support	4,826,856	-	4,826,856
Expenses:			
Program services	4,076,572	-	4,076,572
Management and general	1,425,627	-	1,425,627
Fundraising	2,952	-	2,952
	5,505,151	-	5,505,151
CHANGE IN NET ASSETS	(678,295)	-	(678,295)
NET ASSETS, beginning of year	2,791,028	-	2,791,028
NET ASSETS, end of year	\$ 2,112,733	\$ -	\$ 2,112,733

See independent auditor's report and accompanying notes to financial statements.

TWLOHA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS:			
Revenues, gains and other support:			
Contributions:			
Cash	\$ 2,005,687	\$ 273,388	\$ 2,279,075
Goods and services	20,689	-	20,689
Merchandise sales	1,305,720	-	1,305,720
Fundraising	193,069	-	193,069
Speaking engagements	11,666	-	11,666
Other	15,636	-	15,636
Interest	1,558	-	1,558
Gain on sale of assets	280	-	280
Net assets released from restrictions	<u>273,388</u>	<u>(273,388)</u>	<u>-</u>
Total revenues, gains and other support	<u>3,827,693</u>	<u>-</u>	<u>3,827,693</u>
Expenses:			
Program services	3,743,287	-	3,743,287
Management and general	846,144	-	846,144
Fundraising	<u>24,378</u>	<u>-</u>	<u>24,378</u>
	<u>4,613,809</u>	<u>-</u>	<u>4,613,809</u>
CHANGE IN NET ASSETS	(786,116)	-	(786,116)
NET ASSETS, beginning of year	<u>3,577,144</u>	<u>-</u>	<u>3,577,144</u>
NET ASSETS, end of year	<u><u>\$ 2,791,028</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,791,028</u></u>

See independent auditor's report and accompanying notes to financial statements.

TWLOHA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program Services				Management and General	Fundraising	Total Expenses
	Events and Tours	Awareness and Education	Supporter Engagement	Treatment and Recovery	Total		
DIRECT ASSISTANCE:							
Grants	\$ -	\$ -	\$ -	\$ 213,687	\$ 213,687	\$ -	\$ 213,687
OTHER EXPENSES:							
Salaries and wages	205,109	836,143	273,390	70,016	1,384,658	493,611	1,878,269
Cost of sales	119,665	850,685	1,792	-	972,142	644	972,786
Advertising and promotion	20,018	168,642	7,805	1,632	198,097	422,898	620,995
Information technology	4,834	102,814	16,310	18,177	142,135	189,998	332,133
Contract services	14,388	163,289	59,065	19,014	255,756	40,881	296,637
Employee benefits	26,286	87,785	28,700	5,721	148,492	53,875	202,367
Office expenses	20,408	34,121	8,118	2,570	65,217	130,085	195,302
Professional fees	867	37,097	1,152	90,173	129,289	16,222	145,511
Payroll taxes	15,465	64,482	21,906	5,572	107,425	36,578	144,003
Event expenses	83,331	22,746	20,922	-	126,999	227	128,412
Travel	78,116	24,469	20,111	-	122,696	2,147	126,609
Insurance	25,579	24,508	4,275	533	54,895	7,318	62,213
Occupancy	13,064	18,152	1,907	35.00	33,158	2,450	35,608
Interest	12,744	16,259	1,865	-	30,868	2,129	32,997
Program supplies	-	-	27,936	-	27,936	-	27,936
Staff and intern development	1,636	6,516	2,269	201	10,622	2,930	13,552
Taxes and licenses	564	1,340	32	-	1,936	7,882	9,818
Conferences	44.00	157	5,098	-	5,299	160	5,459
Repairs and maintenance	-	-	99	-	99	-	99
	<u>642,118</u>	<u>2,459,205</u>	<u>502,752</u>	<u>213,644</u>	<u>3,817,719</u>	<u>1,410,035</u>	<u>5,230,706</u>
Total expenses before depreciation and amortization	642,118	2,459,205	502,752	427,331	4,031,406	1,410,035	5,444,393
Depreciation and amortization	-	25,064	20,102	-	45,166	15,592	60,758
TOTAL EXPENSES	<u>\$ 642,118</u>	<u>\$ 2,484,269</u>	<u>\$ 522,854</u>	<u>\$ 427,331</u>	<u>\$ 4,076,572</u>	<u>\$ 1,425,627</u>	<u>\$ 5,505,151</u>

See independent auditor's report and accompanying notes to financial statements.

TWLOHA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services							
	Events and Tours	Awareness and Education	Supporter Engagement	Treatment and Recovery	Total	Management and General	Fundraising	Total Expenses
DIRECT ASSISTANCE:								
Grants	\$ -	\$ -	\$ -	\$ 265,461	\$ 265,461	\$ 228	\$ -	\$ 265,689
OTHER EXPENSES:								
Salaries and wages	172,883	698,575	303,647	49,811	1,224,916	436,593	-	1,661,509
Cost of sales	130,862	749,365	-	-	880,227	-	10,102	890,329
Contract services	50,387	173,293	50,532	15,060	289,272	33,415	6,853	329,540
Information technology	6,248	107,235	24,645	24,608	162,736	48,148	2,495	213,379
Advertising and promotion	21,387	76,011	5,913	5,527	108,838	101,341	465	210,644
Travel	140,208	11,708	25,731	246	177,893	13,971	20	191,884
Employee benefits	20,947	71,804	31,636	5,425	129,812	31,909	-	161,721
Event expenses	108,244	45	25,609	-	133,898	624.00	-	134,522
Payroll taxes	12,922	53,828	23,858	3,717	94,325	33,632	-	127,957
Office expenses	26,663	24,729	12,847	10,117	74,356	37,334	3,986	115,676
Professional fees	1,095	3,097	964	-	5,156	77,940	-	83,096
Interest	8,034	20,961	7,070	-	36,065	3,885	-	39,950
Insurance	12,240	14,217	6,513	-	32,970	4,385	-	37,355
Occupancy	7,319	15,863	9,171	-	32,353	2,911	-	35,264
Program supplies	-	-	25,372	-	25,372	-	-	25,372
Staff and intern development	1,255	3,087	5,118	510	9,970	5,289	245	15,504
Taxes and licenses	359	2,797	159	-	3,315	6,814	212	10,341
Conferences	-	269	351	-	620	2,649	-	3,269
Repairs and maintenance	-	-	-	-	-	110	-	110
	<u>721,053</u>	<u>2,026,884</u>	<u>559,136</u>	<u>115,021</u>	<u>3,422,094</u>	<u>840,950</u>	<u>24,378</u>	<u>4,287,422</u>
Total expenses before depreciation and amortization	721,053	2,026,884	559,136	380,482	3,687,555	841,178	24,378	4,553,111
Depreciation and amortization	<u>15,676</u>	<u>31,670</u>	<u>8,386</u>	<u>-</u>	<u>55,732</u>	<u>4,966</u>	<u>-</u>	<u>60,698</u>
TOTAL EXPENSES	\$ 736,729	\$ 2,058,554	\$ 567,522	\$ 380,482	\$ 3,743,287	\$ 846,144	\$ 24,378	\$ 4,613,809

See independent auditor's report and accompanying notes to financial statements.

TWLOHA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (678,295)	\$ (786,116)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	60,758	60,698
Amortization of loan costs reported as interest expense	-	993
Gain on sale of property and equipment	-	(280)
Cash provided by (used in) changes in operating assets and liabilities		
Accounts receivable	19,631	(28,607)
Promises to give	70,221	108,435
Prepaid expenses	(1,324)	(77,572)
Inventory	(56,437)	(62,054)
Other assets	2,073	2,815
Payables, trade	(523)	91,786
Grants payable	(4,415)	(4,474)
Accrued expenses	(21,961)	30,718
NET CASH USED IN OPERATING ACTIVITIES	<u>(610,272)</u>	<u>(663,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Certificate of deposit	(300,000)	-
Purchases of property and equipment	(5,343)	(21,127)
Cash payments for software development	-	(1,950)
Proceeds from sale of property and equipment	-	660
NET CASH USED IN INVESTING ACTIVITIES	<u>(305,343)</u>	<u>(22,417)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(59,300)	(91,199)
NET CASH USED IN FINANCING ACTIVITIES	<u>(59,300)</u>	<u>(91,199)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(974,915)	(777,274)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,989,919</u>	<u>2,767,193</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,015,004</u>	<u>\$ 1,989,919</u>
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
In-kind contributions of goods and services	<u>\$ 90,000</u>	<u>\$ 20,689</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW		
Cash paid for interest	<u>\$ 32,997</u>	<u>\$ 38,957</u>

See independent auditor's report and accompanying notes to financial statements.

TWLOHA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

TWLOHA, Inc. (the 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 is headquartered in Melbourne, Florida and assistance is available worldwide.

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

Financial Statement Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-profit Entities, as amended by Accounting Standard Update (ASU) No. 2016-14. ASU 2016-14 was effective for fiscal years beginning after December 15, 2017.

FASB ASC 958 requires a not-for-profit entity to present on the face of the statement of financial position amounts for two classes of net assets; net assets without donor restrictions and net assets with donor restrictions, and on the face of the statement of activities the amount of change in each of the two classes. In addition, the Organization is required to present:

- The amounts of expenses by both their natural classification and their functional classification, including disclosures concerning the methods used for cost allocation between functional classifications.
- Qualitative and quantitative disclosure information on liquidity and availability of financial assets to meet the Organization's cash needs for general expenditure within one year.
- The composition of donor restricted net assets at period-end.
- Self-imposed limits on use of resources without donor restrictions at the end of the period, including designations and reserves.
- Investment returns net of external and direct internal investment expenses and no longer require the disclosure of those netted expenses.

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 net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Reclassification

Certain items in the 2022 financial statements have been reclassified to conform to the 2023 treatment and presentation.

TWLOHA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Goods and Services

During the years ended December 31, 2023 and 2022, the Organization was the recipient of contributed services. 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 for the years ended December 31, 2023 and 2022 totaled \$90,000 and \$20,689, respectively. 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.

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.

Certificate of Deposit

The Organization, at certain times throughout the year, obtains certificates of deposits with maturity dates greater than 3 months but less than 12 months.

Accounts Receivable

Accounts receivable consist of amounts due from the sale of merchandise, and are recorded when invoices are issued, at the time of sale.

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 forty years.

Intangible Assets

Intangible assets are stated at cost. Trademarks are being amortized over their licensed terms. Copyrights have been determined to have an indefinite life and therefore are not amortized. The Organization periodically reviews the carrying value of its copyright rights to determine whether an impairment exists. If an impairment is identified, the carrying value will be reduced to the determined fair market value.

Revenue Recognition

Revenue includes events, grants, contributions, 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.

TWLOHA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

In May 2014 the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers.

In June 2018 the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU 2018-08 provide guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction, determining whether a contribution is conditional, and modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

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. 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.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and statements of functional expenses. Therefore, certain costs have been consistently allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is a not-for-profit corporation 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, 2023 and 2022.

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, 2023, 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, 2020 through 2023 remain subject to possible examination by the Internal Revenue Service.

TWLOHA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Promotion Costs

The Organization expenses advertising and promotional costs as they are incurred. Advertising and promotional costs expensed to program services and fundraising totaled \$620,995 and \$210,644 for the years ended December 31, 2023 and 2022, respectively.

Recently Adopted Accounting Standard

The Organization has adopted the FASB ASC Topic 326, Financial Instruments - Credit Losses, commonly referred to as CECL, effective January 1, 2023. This standard significantly changes how the Organization accounts for credit losses on financial instruments, including accounts receivable, loans receivable, promises to give, and other financial assets measured at amortized cost.

Under CECL, the Organization is required to estimate lifetime expected credit losses at the time of origination or acquisition of a financial asset and to record an allowance for credit losses that represents the amount expected to be uncollectible. This represents a shift from the previous incurred loss model, which delayed recognition of credit losses until it was probable a loss had been incurred.

The Organization measures credit losses on financial assets by considering a broad range of information, including historical credit loss experience, current conditions, and reasonable and supportable forecasts about the future. The Organization utilizes a variety of models and analytical tools to estimate credit losses and adjusts historical loss information for differences in current asset-specific risk characteristics and environmental factors.

The Organization determines reasonable and supportable forecasts of future economic conditions over the relevant forecast period. These forecasts are based on a combination of internally developed and externally sourced economic data and projections. The Organization regularly reviews and updates its forecasts to reflect the most current available information.

Management has evaluated the potential for credit losses related to accounts receivable and promises to give and has deemed any provision for losses to be immaterial to the financial statements as a whole.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Cash Balances

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, 2023, the Organization had uninsured cash balances of \$91,695. Bank balances differ from the cash balances reflected on the financial statements due to reconciling items.

Major Supplier

One supplier accounted for approximately 60% of TWLOHA's merchandise purchases in 2023. As of December 31, 2023, approximately 31% of accounts payable were owed to this vendor. The same vendor accounted for 62% of merchandise purchases in 2022 and approximately 29% of accounts payable as of December 31, 2022.

TWLOHA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 3 – PROPERTY AND EQUIPMENT, NET

At December 31, 2023 and 2022, property and equipment consisted of the following:

	2023	2022
Building and land	\$ 1,332,426	\$ 1,331,106
Furniture and equipment	102,952	98,929
Vehicles	56,328	56,327
	1,491,706	1,486,362
Less: accumulated depreciation	(282,549)	(236,993)
	<u>\$ 1,209,157</u>	<u>\$ 1,249,369</u>

Depreciation expense totaled \$45,556 and \$45,692 for the years ended December 31, 2023 and 2022, respectively.

NOTE 4 – OTHER ASSETS

At December 31, 2023 and 2022, other assets consisted of the following:

	2023	2022
Copyrights of essential written works	\$ 128,931	\$ 128,931
Software development costs, net	48,554	61,200
Trademark costs, net	1,234	1,646
Deposits	951	3,025
	<u>\$ 179,670</u>	<u>\$ 194,802</u>

Copyrights of essential written works

In 2021, the Organization acquired ownership of the copyrights of essential written works utilized to further the Organizations mission (see Note 8).

Management has evaluated the copyrights and does not consider them impaired as of December 31, 2023.

Trademark costs, net

The Organization's policy is to amortize its trademark costs over fifteen years. Amortization expense related to the trademark totaled \$412 for the years ended December 31, 2023 and 2022.

Software development costs, net

Software development costs consist of costs to develop an application for mobile devices. Costs are capitalized only when the organization believes the development will result in new or additional functionality. In April of 2021, the application was released for use on mobile devices and placed into service. In July of 2022, the Organization incurred additional costs to add functionality and features to the app which were capitalized. Amortization expense associated with the software development costs totaled \$14,790 and \$14,595 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the accumulated amortization related to the software development totaled \$40,185 and \$25,395, respectively.

TWLOHA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 5 – LONG-TERM DEBT

In 2018 the Organization purchased a building and signed a promissory note with a bank for \$880,000. In October 2021, the Organization refinanced the note with the same bank for a total of \$827,231, payable in monthly payments of \$4,691, including interest at an annual rate of 3.90%. A final balloon payment of approximately \$640,817 is due at maturity on October 1, 2028. The loan is secured by the Organization's land and building.

In 2021, the Organization entered into an agreement to purchase the copyright of essential written works from an author for a purchase price of \$137,790 (See Note 8). The agreement called for payments to be made over 36 months, with the final payment due June 2024; however, the Organization paid the balance in full during 2023. As the terms of the agreement were silent with respect to an interest rate, management imputed interest at a rate of 5.5% per annum when determining the capitalized cost of the copyrights.

The current and long-term balances as of December 31, 2023 and 2022 for these loans are as follows:

	2023	2022
Building note payable	\$ 774,455	\$ 799,716
Copyright note payable	<u>-</u>	<u>34,039</u>
	774,455	833,755
Less: current portion	<u>(26,194)</u>	<u>(59,220)</u>
	<u>\$ 748,261</u>	<u>\$ 774,535</u>

Interest expense related to long-term debt totaled \$38,957 and \$48,707, for the years ended December 31, 2023 and 2022, respectively.

Future scheduled maturities of long-term debt are as follows:

2024	\$ 26,194
2025	27,249
2026	28,347
2027	29,489
2028	<u>663,176</u>
	<u>\$ 774,455</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization periodically receives donations restricted to a specific use. All restricted funds were utilized for their donor-identified purposes during the years they were received. As such, there were no net assets with donor restrictions at December 31, 2023 or 2022.

NOTE 7 – RETIREMENT PLAN

Effective September 2019, the Organization sponsored a 401(k) plan (the "Plan") that covers substantially all employees who have met certain age and service requirements. Employees may elect to defer a portion of their compensation, within prescribed limits, to the Plan. The Organization is required to make matching contributions of up to 3% of the active participants' compensation, within certain prescribed limits. Retirement plan contributions totaled \$33,752 and \$26,254, for the years ended December 31, 2023 and 2022, respectively.

TWLOHA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 8 – RELATED PARTY TRANSACTIONS

In 2021, TWLOHA acquired ownership of the copyrights of essential written works that had previously been utilized by TWLOHA pursuant to a license from an author, a related party. This acquisition of rights ensures that TWLOHA can continue to utilize these written works indefinitely, in furtherance of the TWLOHA mission (see Note 4). The purchase price of \$137,790 was to be spread out over 36 months ending June 2024, however the Organization paid the balance in full as of December 31, 2023. The capitalized cost of \$128,931 recorded for the copyright of essential written works represented the present value of the stream of future payments discounted by 5.5% per annum, which the Organization considered its implicit borrowing rate (see Note 5).

NOTE 9 – LIQUIDITY

The Organization's board of directors adopts a budget annually based on program requirements and anticipated revenue and expenditures for the year in an effort to manage working capital and cash flows that vary due to the timing of its awareness and fundraising events.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Financial assets, at December 31, 2023	\$ 1,380,641
Less: those unavailable for general expenditures within one year due to donor-imposed restrictions	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,380,641</u>

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date which the financial statements were available to be issued, noting none requiring disclosure.