CRISIS TEXT LINE, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

CRISIS TEXT LINE, INC. AND SUBSIDIARY

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Crisis Text Line, Inc.

We have audited the accompanying consolidated financial statements of Crisis Text Line, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

(Continued)

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crisis Text Line, Inc. and Subsidiary as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As described in Note 12 to the consolidated financial statements, the Organization's net assets as of January 1, 2017 have been restated, which increased net assets, due to a correction of errors in the prior year. Our opinion is not modified with respect to this matter.

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

Friedman LLP

September 6, 2018

CRISIS TEXT LINE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS		
Cash and cash equivalents	$	1,391,036
Certificates of deposit		229,410
Program revenue receivable		82,366
Contributions receivable		6,652,200
Prepaid expenses		139,277
Investment, at fair value		12,671,877
Property and equipment, net		5,139
Security deposits		7,584
Total assets	$	21,178,889
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$	209,929
Deferred revenue		145,833
Total liabilities		355,762
Commitments and contingencies		
Net assets		
Unrestricted		13,319,265
Temporarily restricted		7,503,862
Total net assets		20,823,127
Total liabilities and net assets	$	21,178,889

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	$ 886,026	$ 1,700,000	$ 2,586,026
Contributions in-kind	1,323,967	-	1,323,967
Program service revenue	593,554	-	593,554
Investment income	106,216	-	106,216
Miscellaneous	9,816	-	9,816
Net assets released from restrictions	9,169,963	(9,169,963)	-
Total support and revenues	12,089,542	(7,469,963)	4,619,579
Expenses			
Program expenses			
Training	635,118	-	635,118
Supervision	2,741,306	-	2,741,306
Crisis counselor costs	1,762,171	-	1,762,171
Engineering and tech	2,359,405	-	2,359,405
Data	482,535	-	482,535
International expansion	202,639	-	202,639
Other	391,456	-	391,456
Total program expenses	8,574,630	-	8,574,630
Supporting services			
Management and general	2,172,577	-	2,172,577
Fundraising	70,795	-	70,795
Total supporting services	2,243,372	-	2,243,372
Total expenses	10,818,002	-	10,818,002
Change in net assets	1,271,540	(7,469,963)	(6,198,423)
Net assets, beginning of year, as restated	12,047,725	14,973,825	27,021,550
Net assets, end of year	$ 13,319,265	$ 7,503,862	$ 20,823,127

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Expenses								Supporting Services		
	Training	Supervision	Crisis Counselor Costs	Engineering and Tech	Data	International Expansion	Other	Total Program	Management and General	Fundraising	Total Expenses
Personnel costs											
Salaries	$ 521,584	$ 2,017,001	$ 663,416	$ 1,305,547	$ 377,677	$ 89,808	$ 216,353	$ 5,191,386	$ 166,356	$ 59,630	$ 5,417,372
Payroll taxes and benefits	40,028	166,457	38,662	121,464	28,580	6,929	30,027	432,147	951,510	4,944	1,388,601
Outside contractors	10,400	91,225	31,402	134,859	11,200	-	1,420	280,506	20,155	-	300,661
Total personnel costs	572,012	2,274,683	733,480	1,561,870	417,457	96,737	247,800	5,904,039	1,138,021	64,574	7,106,634
Other expenses											
Depreciation	-	-	-	-	-	-	-	-	13,553	-	13,553
Equipment purchases	1,924	5,983	2,204	22,208	2,750	-	2,204	37,273	2,723	-	39,996
Insurance	-	-	-	-	-	-	-	-	18,016	-	18,016
In-kind advertising expenses	-	362,909	362,909	-	-	-	-	725,818	2,800	-	728,618
In-kind legal expenses	-	-	-	-	-	53,440	-	53,440	541,909	-	595,349
Office expenses	3,565	9,927	43,766	4,332	977	4,208	45,256	112,031	18,660	4,648	135,339
Professional fees	-	-	-	-	-	8,273	12,841	21,114	46,375	-	67,489
Recruitment and training	12,354	3,132	16,229	16,241	454	-	25	48,435	1,098	87	49,620
Rent and utilities	8	11,229	12,920	9,447	-	-	12,920	46,524	331,046	-	377,570
Repairs and maintenance	-	-	-	-	-	-	-	-	18,428	-	18,428
Marketing and public relations	-	-	-	-	-	1,897	2,668	4,565	-	-	4,565
Subscriptions	24,982	184	21,976	229,476	32,709	-	18,658	327,985	7,235	459	335,679
Supplies	439	1,323	327	1,905	453	-	140	4,587	4,599	11	9,197
Tech support and hosting	732	800	-	495,759	16,093	1,114	12,920	527,418	990	-	528,408
Travel and meetings	18,702	70,756	35,921	18,167	11,642	36,970	27,384	219,542	25,320	1,016	245,878
Volunteer expenses	400	380	532,439	-	-	-	8,640	541,859	1,804	-	543,663
Total other expenses	63,106	466,623	1,028,691	797,535	65,078	105,902	143,656	2,670,591	1,034,556	6,221	3,711,368
Total expenses	$ 635,118	$ 2,741,306	$ 1,762,171	$ 2,359,405	$ 482,535	$ 202,639	$ 391,456	$ 8,574,630	$ 2,172,577	$ 70,795	$ 10,818,002

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities		
Change in net assets	$	(6,198,423)
Adjustments for non-cash items included in operating activities		
Depreciation		13,553
Net realized and unrealized losses on investments		95,812
Interest income on certificates of deposit		(107)
Changes in assets and liabilities		
Program revenue receivable		51,384
Contributions receivable		7,873,765
Prepaid expenses		(4,800)
Security deposits		(6,549)
Accounts payable and accrued expenses		25,004
Deferred revenue		18,748
Net cash provided by operating activities		1,868,387
Cash flows from investing activities		
Purchase of investments		(6,482,776)
Sale of investments		2,530,000
Net cash used in investing activities		(3,952,776)
Net decrease in cash and cash equivalents		(2,084,389)
Cash and cash equivalents, beginning of year		3,475,425
Cash and cash equivalents, end of year	$	1,391,036

See notes to consolidated financial statements.

1 - ORGANIZATION AND NATURE OF ACTIVITIES

Crisis Text Line, Inc. ("CTL, Inc."), a not-for-profit organization, was incorporated in the State of New York on April 2, 2012. CTL, Inc.'s primary purpose is to use technology and data innovations to pioneer new approaches to support people in need. CTL, Inc.'s major program services include the following:

Training - personnel, content building and refinement and coaching/support involved in preparing volunteers to be Crisis Counselors skilled in taking conversations on the platform with incoming texters;

Supervision - supervision and management of Crisis Counselors and oversight of all texters on the platform;

Crisis Counselor Costs - all costs associated with recruiting and retaining volunteer Crisis Counselors;

Engineering and Tech - coding, refining, and supporting infrastructure and products on CTL, Inc.'s texting platform;

Data - data generation, collection, storage, privacy scrubbing and sharing from CTL, Inc.'s operating activities, including texter conversations and Crisis Counselor volunteer life cycle;

International Expansion - all costs associated with setting up partnerships with organizations outside of the United States to expand texting services globally;

Other - enhancing training and community cultural competency to appropriately communicate with and promote CTL, Inc. as a service to military veterans/active military personnel, the deaf and hard of hearing community, and other minority communities.

On October 20, 2015, CTL, Inc., formed a wholly owned limited liability company organized in New York, called Crisis Text Line International, LLC ("CTLI"). To date, there has been no activity in CTLI.

CTL, Inc. receives its support primarily from contributions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Crisis Text Line, Inc. and its wholly owned subsidiary, Crisis Text Line International, LLC (collectively, the "Organization"). All intercompany transactions and balances have been eliminated in consolidation.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation
The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets
The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations as to their use. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by action of the Organization and/or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2017.

Cash and Cash Equivalents
Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For financial statement purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable
Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and, if material, multiyear receivables are recorded at the present value of their estimated future cash flow. If applicable, amortization of the discount is included in contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. There were no significant contributions that management deemed to be uncollectible as of December 31, 2017.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments are measured at fair value. Donated securities are recorded at their fair market value on the date received. Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

Fair Value

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Under GAAP, the three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that reflect management's own assumptions.

Property and Equipment

Office furniture, equipment and software are carried at cost if purchased, or if acquired in-kind, at their fair market value at the date of the gift. Any expenditure over $1,000 in these categories is capitalized. Fixed assets are depreciated using the straight-line basis over the estimated useful lives of the assets.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Fees

The Organization provides 24/7 crisis counselor services to various communities through partnership agreements. In addition, it provides a premium data dashboard that updates daily and offers the ability to filter, aggregate, and analyze statistical data. Program service fees paid in advance totaled $145,833 at December 31, 2017. Program service fees are recognized at the time such services are performed.

Contribution Revenue

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor.

In-Kind Contributions

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded.

Subsequent Events

These consolidated financial statements were approved by management and available for issuance on September 6, 2018. Management has evaluated subsequent events through this date.

3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31, 2017:

Amount due in less than one year	$ 5,510,533
Amount due from one to five years	1,141,667
	$ 6,652,200

4 - INVESTMENTS

Investments at fair value consisted of fixed income securities at December 31, 2017, all of which are classified as Level 1, in accordance with the fair value hierarchy discussed in Note 2.

Net investment income (including interest income from the certificate of deposit) consisted of the following for the year ended December 31, 2017:

Interest and dividends	$ 202,028
Net unrealized and realized losses	(95,812)
Net investment income	$ 106,216

5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017:

Equipment	$ 38,580
Furniture and fixtures	5,823
	44,403
Less - Accumulated depreciation	39,264
	$ 5,139

Depreciation expense amounted to $13,553 for the year ended December 31, 2017.

6 - RELATED PARTY TRANSACTIONS

At December 31, 2017, contributions receivable included $1,000,000 from a member of the Organization’s board of directors.

A Board member of CTL, Inc. is a partner with the law firm that provides pro-bono legal professional services. These pro-bono services totaled $541,909 for the year ended December 31, 2017.

On July 14, 2017, a Board member of CTL, Inc. donated securities valued at $252,735.

7 - IN-KIND CONTRIBUTIONS

Contributions in-kind that are included in the consolidated financial statements consisted of the following during 2017:

Type of Service Received	Value of Services
Advertising	$ 517,144
Technology	211,473
Legal	595,350
	$ 1,323,967

8 - COMMITMENTS AND CONTINGENCIES

Leases

The Organization leases 5,500 sq. ft. of office space under a noncancelable operating lease set to expire on January 31, 2023. As of December 31, 2017, the minimum aggregate annual rental commitments are approximately as follows:

Year Ending December 31,	
2018	$ 317,958
2019	337,702
2020	346,988
2021	356,531
2022	366,335
2023	31,083

In lieu of a security deposit for the office lease, the Organization was required to provide the landlord with a standby letter of credit issued by a bank in the amount of $229,167. The letter of credit expires annually and requires an annual renewal fee.

On April 12, 2018, CTL, Inc. signed an amended lease agreement with Unizo Real Estate NY Two to acquire an additional 5,500 sq. ft. of office space at its New York location for approximately $3,300,000 over an eight-year term.

Total rent expense for 2017 was $331,694.

8 - COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The Organization is currently a defendant in a lawsuit filed by one of its competitors. Outside counsel for the Organization has advised that at this stage in the proceedings an opinion as to the probable outcome cannot be provided. The Organization believes the suit is without merit and is vigorously defending its position.

9 - RETIREMENT PLAN

The Organization established a defined contribution pension plan covering substantially all of its employees. Pension expenses under this plan was $132,263 for the year ended December 31, 2017.

10 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets:

Program	Balance, January 1, 2017, as Restated	Contributions	Released from Restrictions	Balance, December 31, 2017
Data	$ 536,480	$ -	$ (536,480)	$ -
International expansion	-	100,000	-	100,000
Time restriction	13,783,483	1,600,000	(8,633,483)	6,750,000
Other	653,862	-	-	653,862
Total	$ 14,973,825	$ 1,700,000	$ (9,169,963)	$ 7,503,862

11 - SUBSEQUENT EVENTS

Effective January 12, 2018, CTL, Inc. acquired a 53% interest in Loris.ai, Inc. ("Loris AI"). Additionally, CTL, Inc. and Loris AI entered into a resource sharing agreement, which governs Loris AI's desire to retain CTL, Inc. to provide certain management resources and administrative and professional services.

In addition, on January 10, 2018, CTL, Inc. and Loris AI entered into a non-exclusive, non-transferable, non-sub-licensable, license agreement to use the CTL, Inc. materials for Loris AI's internal business operations. The license includes the right to modify and create derivative works of the CTL, Inc. materials, and governs limitations on Loris AI's access to CTL, Inc.'s training modules for use in developing their product. Loris AI will pay to CTL, Inc. an annual license fee of 1% of its net annual revenues in excess of $2,000,000 earned by Loris AI during each fiscal year.

12 - CORRECTION OF ERRORS

In reviewing its net assets at January 1, 2017, the Organization realized that incorrect accounting treatment was applied to the recognition of contribution revenue. Management had previously determined that a number of contributions were conditional due to reporting requirements associated with them and, accordingly, did not recognize the full amount of contribution revenue. Upon further review, management determined that the possibility that such conditions will not be met are remote, and the full amount of contribution revenue should have been recognized. Accordingly, the Organization's net assets at January 1, 2017 have been restated and increased as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets at January 1, 2017, as previously reported	$ 10,028,855	$ 2,072,912	$ 12,101,767
Adjustments:			
To recognize contributions previously deemed conditional	-	13,925,965	13,925,965
To adjust deferred revenue for unconditional contributions	595,956	397,862	993,818
To adjust classification of net assets	1,422,914	(1,422,914)	-
Net assets, January 1, 2017, as restated	$ 12,047,725	$ 14,973,825	$ 27,021,550