

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2018 AND 2017
AND
INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]
ACCOUNTANTS AND ADVISORS

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

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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 Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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)

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 Subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years 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 a 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information shown on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



July 31, 2019

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 11,399,386	\$ 1,391,036
Certificates of deposit	366,903	229,410
Program revenue receivable	60,537	82,366
Contributions receivable	6,194,020	6,652,200
Prepaid expenses and other assets	102,326	139,277
Investment, at fair value	19,217,411	12,671,877
Inventory	28,619	-
Property and equipment, net	26,484	5,139
Security deposits	7,584	7,584
Total assets	\$ 37,403,270	\$ 21,178,889
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 352,363	\$ 209,929
Deferred revenue	258,789	145,833
Deferred rent	95,800	-
Total liabilities	706,952	355,762
Commitments and contingencies		
Net assets		
Without donor restrictions	28,894,038	13,319,265
With donor restrictions	6,816,102	7,503,862
Noncontrolling interest	986,178	-
Total net assets	36,696,318	20,823,127
Total liabilities and net assets	\$ 37,403,270	\$ 21,178,889

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Noncontrolling interest	Total
Support and revenues				
Contributions	\$ 19,262,225	\$ 5,774,435	\$ -	\$ 25,036,660
Contributions in-kind	1,033,266	-	-	1,033,266
Program service revenue	1,787,510	-	-	1,787,510
Investment income	277,443	-	-	277,443
Miscellaneous	15,026	-	-	15,026
Net assets released from restrictions	6,462,195	(6,462,195)	-	-
Total support and revenues	28,837,665	(687,760)	-	28,149,905
Expenses				
Program expenses				
Crisis Counselor Community	2,211,251	-	-	2,211,251
Supervision	3,519,073	-	-	3,519,073
Engineering and Tech	3,086,213	-	-	3,086,213
Data	761,211	-	-	761,211
International Expansion	943,852	-	-	943,852
Total program expenses	10,521,600	-	-	10,521,600
Supporting services				
Management and general	2,490,312	-	-	2,490,312
Fundraising	250,980	-	-	250,980
Total supporting services	2,741,292	-	-	2,741,292
Total expenses	13,262,892	-	-	13,262,892
Loris.ai				
Operating costs	-	-	(1,013,829)	(1,013,829)
Change in net assets	15,574,773	(687,760)	(1,013,829)	13,873,184
Issuance of common and preferred stock	-	-	2,000,007	2,000,007
Net assets, beginning of year	13,319,265	7,503,862	-	20,823,127
Net assets, end of year	\$ 28,894,038	\$ 6,816,102	\$ 986,178	\$ 36,696,318

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	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			
Crisis Counselor Community	2,788,745	-	2,788,745
Supervision	2,741,306	-	2,741,306
Engineering and Tech	2,359,405	-	2,359,405
Data	482,535	-	482,535
International Expansion	202,639	-	202,639
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 SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Expenses						Supporting Services			
	Crisis Counselor Community	Supervision	Engineering and Tech	Data	International Expansion	Total Program	Management and General	Fundraising	Total Supporting	Total Expenses
Personnel costs										
Salaries	\$ 1,108,811	\$ 2,578,035	\$ 1,874,715	\$ 436,878	\$ 480,688	\$ 6,479,127	\$ 671,972	\$ 169,986	\$ 841,958	\$ 7,321,085
Payroll taxes and benefits	413,161	750,164	361,925	96,545	151,558	1,773,353	374,484	53,128	427,612	2,200,965
Total personnel costs	1,521,972	3,328,199	2,236,640	533,423	632,246	8,252,480	1,046,456	223,114	1,269,570	9,522,050
Other expenses										
Depreciation	-	-	-	-	-	-	25,093	-	25,093	25,093
Equipment purchases	216	4,615	1,494	1,797	17	8,139	1,967	-	1,967	10,106
Insurance	-	-	-	-	5,434	5,434	24,123	-	24,123	29,557
In-kind advertising expenses	220,616	-	-	-	-	220,616	-	5,075	5,075	225,691
In-kind technology expenses	-	-	370,606	-	29,781	400,387	-	-	-	400,387
In-kind legal expenses	-	-	-	-	34,875	34,875	372,313	-	372,313	407,188
Office expenses	10,343	7,330	6,249	1,333	439	25,694	39,521	12,385	51,906	77,600
Professional fees	80,306	103,554	201,218	112,444	68,554	566,076	247,338	700	248,038	814,114
Rent and utilities	13,314	6,985	2,541	-	-	22,840	527,305	-	527,305	550,145
Repairs and maintenance	-	-	311	-	-	311	23,532	-	23,532	23,843
Marketing and public relations	15,234	268	-	29,966	1,606	47,074	9,277	3,414	12,691	59,765
Subscriptions	61,767	11,066	101,789	79,391	15,301	269,314	19,958	2,314	22,272	291,586
Tech support and hosting	12,265	-	123,384	1,080	139,679	276,408	9,456	-	9,456	285,864
Travel and meetings	44,467	57,019	41,981	1,777	15,920	161,164	140,588	3,978	144,566	305,730
Volunteer expenses	230,751	37	-	-	-	230,788	3,385	-	3,385	234,173
Total other expenses	689,279	190,874	849,573	227,788	311,606	2,269,120	1,443,856	27,866	1,471,722	3,740,842
Total expenses	\$ 2,211,251	\$ 3,519,073	\$ 3,086,213	\$ 761,211	\$ 943,852	\$ 10,521,600	\$ 2,490,312	\$ 250,980	\$ 2,741,292	\$ 13,262,892

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Expenses						Supporting Services			Total Expenses
	Crisis Counselor Community	Supervision	Engineering and Tech	Data	International Expansion	Total Program	Management and General	Fundraising	Total Supporting	
Personnel costs										
Salaries	\$ 1,401,353	\$ 2,017,001	\$ 1,305,547	\$ 377,677	\$ 89,808	\$ 5,191,386	\$ 166,356	\$ 59,630	\$ 225,986	\$ 5,417,372
Payroll taxes and benefits	108,717	166,457	121,464	28,580	6,929	432,147	951,510	4,944	956,454	1,388,601
Total personnel costs	1,510,070	2,183,458	1,427,011	406,257	96,737	5,623,533	1,117,866	64,574	1,182,440	6,805,973
Other expenses										
Depreciation	-	-	-	-	-	-	13,553	-	13,553	13,553
Equipment purchases	6,332	5,983	22,208	2,750	-	37,273	2,723	-	2,723	39,996
Insurance	-	-	-	-	-	-	18,016	-	18,016	18,016
In-kind advertising expenses	257,172	257,172	-	-	-	514,344	2,800	-	2,800	517,144
In-kind technology expenses	105,737	105,737	-	-	-	211,474	-	-	-	211,474
In-kind legal expenses	-	-	-	-	53,440	53,440	541,909	-	541,909	595,349
Office expenses	93,493	11,250	4,332	977	4,208	114,260	23,259	4,659	27,918	142,178
Professional fees	56,063	91,225	134,859	11,200	8,273	301,620	66,530	-	66,530	368,150
Recruitment and training	28,608	3,132	16,241	454	-	48,435	1,098	87	1,185	49,620
Rent and utilities	25,848	11,229	9,447	-	-	46,524	331,046	-	331,046	377,570
Repairs and maintenance	-	-	-	-	-	-	18,428	-	18,428	18,428
Marketing and public relations	2,668	-	1,905	453	1,897	6,923	-	-	-	6,923
Subscriptions	65,616	184	229,476	32,709	-	327,985	7,235	459	7,694	335,679
Tech support and hosting	13,652	800	495,759	16,093	1,114	527,418	990	-	990	528,408
Travel and meetings	82,007	70,756	18,167	11,642	36,970	219,542	25,320	1,016	26,336	245,878
Volunteer expenses	541,479	380	-	-	-	541,859	1,804	-	1,804	543,663
Total other expenses	1,278,675	557,848	932,394	76,278	105,902	2,951,097	1,054,711	6,221	1,060,932	4,012,029
Total expenses	\$ 2,788,745	\$ 2,741,306	\$ 2,359,405	\$ 482,535	\$ 202,639	\$ 8,574,630	\$ 2,172,577	\$ 70,795	\$ 2,243,372	\$ 10,818,002

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 13,873,184	\$ (6,198,423)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	25,093	13,553
Net realized and unrealized (gain) losses on investments	(4,378)	95,812
Changes in assets and liabilities		
Program revenue receivable	21,829	51,384
Contributions receivable	458,180	7,873,765
Prepaid expenses and other assets	36,958	(4,800)
Inventory	(28,619)	-
Security deposits	-	(6,549)
Accounts payable and accrued expenses	142,434	25,004
Deferred revenue	112,956	18,748
Deferred rent	95,800	-
Net cash provided by operating activities	14,733,437	1,868,494
Cash flows from investing activities		
Purchase of property and equipment	(46,438)	-
Certificates of deposit	(137,493)	(107)
Purchase of investments	(11,986,288)	(6,482,776)
Proceeds from sale of investments	5,445,132	2,530,000
Net cash used in investing activities	(6,725,087)	(3,952,883)
Cash flows from financing activities		
Proceeds from issuance of preferred stock	2,000,000	-
Net increase (decrease) in cash and cash equivalents	10,008,350	(2,084,389)
Cash and cash equivalents, beginning of year	1,391,036	3,475,425
Cash and cash equivalents, end of year	\$ 11,399,386	\$ 1,391,036
Noncash investing and financing activities		
Common stock receivable	\$ 7	-

See notes to consolidated financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
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:

Crisis Counselor Community - all costs associated with recruiting and retaining volunteers; development and training and cultural competencies in the community to appropriately communicate with and promote CTL, Inc. as a service to all communities.

Supervision - a dedicated group of paid supervisors that service and manage crisis counselors and oversee all texters on the CTL, Inc. platform.

Engineering and Tech - coding, refining, and supporting the CTL, Inc. texting platform.

Data – a dedicated group of data scientists that collect and share statistical data and develop metrics from texting activity and crisis counselor demographics.

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

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. On October 18, 2018, final paperwork was submitted to the New York State Department of State to dissolve CTLI.

Effective January 9, 2018, CTL, Inc. acquired all of the 5,300,000 authorized shares of the Class B common stock of Loris.ai, Inc. (“Loris.ai”), a for-profit company incorporated in the state of Delaware. Loris ai’s purpose is to leverage CTL, Inc.’s de-escalation techniques, emotional intelligence strategies, and training experience to develop real-time training software for customer service agents.

CTL, Inc. receives its support primarily from donations from foundations and individuals.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of CTL, Inc., its wholly owned subsidiary, CTLL, and its majority owned subsidiary, Loris.ai (collectively, the “Organization”). All intercompany transactions and balances have been eliminated in consolidation

Basis of Presentation

The accompanying consolidated 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”).

The consolidated financial statement presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958, “Not-for-Profit Entities,” as amended by Accounting Standards Update (“ASU”) No. 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities”. The Organization adopted ASU 2016-14 for the year ended December 31, 2018 and has applied the amendments retrospectively to the 2017 consolidated financial statements and related footnotes. There have been no reclassifications in the accompanying financial statements as a result of this adoption.

Under ASC 958, as amended, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions which either expire by the passage of time or when used for specified purposes.

Other major changes resulting from ASU 2016-14 include (a) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (c) presenting investment return net of external and direct internal investment expenses, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncontrolling Interests

GAAP requires that noncontrolling interests in subsidiaries be reported in the net asset section of a company's consolidated statements of financial position.

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.

Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For consolidated 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, 2018 and 2017.

Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are reflected in the consolidated statement of activities. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization purchases fixed income securities and Treasury bonds to achieve its long-term and short-term return objectives, while maintaining portfolio stability and preserving capital. Donated securities are recorded at their fair market value on the date received.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$198,789 and \$145,833 at December 31, 2018 and 2017, respectively. 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, provided by individuals possessing those skills and typically required to be purchased if not provided by donation, are recorded at fair value in the period received.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one supporting function. As such, some expenses require allocation that properly reflects shared costs at a reasonable basis that is consistently applied. The Organization, uses a direct allocation of personnel costs that include eligible employee benefits, taxes and salaries, etc. based upon the time spent on functional areas. Specific expenses related to technology, professional fees, and travel are directly charged to the function they are related. Administrative costs including general liability and business operations are directly charged as management overhead.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Income Taxes

CTL, Inc. 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.

Loris.ai accounts for deferred taxes using the asset and liability method as specified by ASC 740, "Income Taxes". Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and the tax basis of assets and liabilities, operating losses and tax credit carryforwards. Deferred income taxes are measured using the enacted tax rates and laws that are anticipated to be in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits which are not expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

Reclassifications

Certain amounts relating to the prior year have been reclassified to conform to the current year's presentation. The reclassifications had no effect on net assets.

Subsequent Events

These consolidated financial statements were approved by management and available for issuance on July 31, 2019. Management has evaluated subsequent events through this date.

3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	December 31,	
	2018	2017
Amount due in less than one year	\$ 5,444,020	\$ 5,510,533
Amount due from one to five years	750,000	1,141,667
	<u>\$ 6,194,020</u>	<u>\$ 6,652,200</u>

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 - INVESTMENTS

Investments at fair value consisted of fixed income securities at December 31, 2018 and 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:

	Year Ended December 31,	
	2018	2017
Interest and dividends	\$ 273,065	\$ 202,028
Net unrealized and realized gains (losses)	4,378	(95,812)
Net investment income	\$ 277,443	\$ 106,216

5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2018	2017
Equipment	\$ 71,611	\$ 38,580
Furniture and fixtures	19,230	5,823
	90,841	44,403
Less - Accumulated depreciation	64,357	39,264
	\$ 26,484	\$ 5,139

Depreciation expense amounted to \$25,093 and \$13,553 for the years ended December 31, 2018 and 2017, respectively.

6 - CONCENTRATIONS

For the year ended December 31, 2018, three donors accounted for 68% of total support and revenues.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 - IN-KIND CONTRIBUTIONS

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

Type of Service Received	Year Ended December 31,	
	2018	2017
	Value of Services	
Advertising	\$ 225,691	\$ 517,144
Technology	400,387	211,474
Legal:		
Gibson, Dunn and Crutcher LLP*	318,872	541,909
Steptoe and Johnson LLP	53,441	53,440
Kestenberg Siegal Lipkus LLP	34,875	-
	<u>\$ 1,033,266</u>	<u>\$ 1,323,967</u>

*A Board member of CTL, Inc. is a partner with this law firm.

8 - COMMITMENTS AND CONTINGENCIES

Leases

The Organization leases 11,000 sq. ft. of office space under a noncancelable operating lease set to expire on September 30 2026. As of December 31, 2018, the minimum aggregate annual rental commitments are approximately as follows:

Year Ending December 31,	
2019	\$ 660,357
2020	678,517
2021	697,176
2022	716,348
2023	739,063
Thereafter	2,970,692

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 - COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

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. As part of the amended lease agreement for the 7th floor office space, the landlord required an increase in the amount of \$137,500 for a total of \$366,667. The letter of credit is currently in the process of renewal with the Bank of America.

Total rent expense was \$525,168 and \$331,694 for the years ended December 31, 2018 and 2017, respectively.

Litigation

The Organization was a plaintiff (and defendant by counterclaim) in a lawsuit in Canada, involving a trademark dispute. On June 12, 2019, the parties signed a confidential conditional settlement agreement resolving the matter. The settlement is immaterial in relation to the consolidated financial statements taken as a whole.

9 - RETIREMENT PLAN

The Organization established a defined contribution pension plan covering substantially all of its employees. Pension expenses under this plan were \$174,690 and \$132,263 for the years ended December 31, 2018 and 2017, respectively.

10 - NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes the changes in temporarily restricted net assets:

Program	Balance, January 1, 2018,	Contributions	Released from Restrictions	Balance, December 31, 2018
Data	\$ -	\$ 699,435	\$ -	\$ 699,435
International expansion	100,000	-	(50,000)	50,000
Time restriction	6,750,000	5,000,000	(5,858,333)	5,891,667
Other	653,862	75,000	(553,862)	175,000
Total	\$ 7,503,862	\$ 5,774,435	\$ (6,462,195)	\$ 6,816,102

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets due within one year of the date of these financial statements that are available for general expenditures, including grant funded activities, are as follows:

Cash and cash equivalents	\$ 11,399,386
Certificates of deposit	366,903
Program revenue receivable	60,537
Contributions receivable	6,194,020
Investments, at fair value	19,217,411
Total financial assets as of December 31, 2018	\$ 37,238,257
Less - amounts due in one to five years	750,000
Total financial assets available within one year	\$ 36,488,257

The Organization's goal is to maintain liquidity to meet operational and strategic needs. Ongoing liquidity needs of the Organization are monitored to ensure that minimum cash flow requirements are met. A liquidity account is also established within the investment portfolio that is not less than three months of working capital. This amount was approximately \$3.6 million for the year ended December 31, 2018 to assure same-day availability of money necessary to fund daily operations on a planned or as-needed basis.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

13 - LORIS.AI

Common and Preferred Stock

Upon inception in 2018, Loris.ai authorized and issued various shares. Total authorized Class A voting shares are 4,700,000 with a par value of \$0.00001 per share, of which 700,000 are issued to the CEO of CTL, Inc. and outstanding at December 31, 2018. Total authorized Class B voting shares are 5,300,000 with a par value of \$0.00001 per share, of which 5,300,000 are issued to CTL, Inc. and outstanding at December 31, 2018. Total authorized Preferred shares are 2,500,000 with a par value of \$0.00001 per share, of which 2,500,000 are issued and outstanding at December 31, 2018. Total capital of \$2,000,000 was raised by the Preferred shareholders during the year ended December 31, 2018.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 - LORIS.AI (Continued)

Deferred Tax Asset

Deferred tax assets have been provided for deductible temporary differences related to net operating losses. Management has determined that these deferred tax assets have no net realizable value until realization is assured. Management believes this net realizable value at December 31, 2018 is deemed appropriate due to the uncertainty of future taxable income of Loris.ai.

Due to the United States tax legislation enacted in December 2017, the corporate tax rate was reduced to 21% from 35%. This revised tax rate was used by management in calculating the net deferred tax assets and the effect on the deferred tax balances for the federal and state taxes applicable to Loris.ai.

At December 31, 2018, Loris.ai had a net operating loss carryforward of approximately \$1 million which may be utilized to offset any future taxable income through 2038.

Subsequent Events

In February 2019, Loris.ai's Board of Directors approved the 2018 Incentive Compensation Plan (the "2018 Plan") enabling Loris.ai to grant stock-based awards to employees, directors and consultants. The 2018 Plan provides for the awards of incentive stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other stock-based awards. Awards generally vest equally over a period of four years from the grant date. Vesting is accelerated under a change in control of Loris.ai or in the event of death or disability to the recipient. In the event of termination, any unvested shares or options are forfeited. Loris.ai has reserved and made available 1,500,000 shares of common stock for issuance under the 2018 Plan.

CONSOLIDATING SUPPLEMENTARY INFORMATION

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	Crisis Text Line, Inc.	Loris.ai, Inc.	Crisis Text Line International, LLC	Adjustments/ Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 10,375,420	\$ 1,023,966	\$ -	\$ -	\$ 11,399,386
Certificates of deposit	366,903	-	-	-	366,903
Program revenue receivable	60,537	-	-	-	60,537
Contributions receivable	6,203,763	-	-	(9,743)	6,194,020
Prepaid expenses and other assets	91,533	10,846	-	(53)	102,326
Investment, at fair value	19,217,411	-	-	-	19,217,411
Investment in Loris.ai, Inc.	53	-	-	(53)	-
Inventory	28,619	-	-	-	28,619
Property and equipment, net	26,484	-	-	-	26,484
Security deposits	7,584	-	-	-	7,584
Total assets	\$ 36,378,307	\$ 1,034,812	\$ -0-	\$ (9,849)	\$ 37,403,270
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 348,535	\$ 13,624	\$ -	\$ (9,796)	\$ 352,363
Deferred revenue	198,789	60,000	-	-	258,789
Deferred rent	95,800	-	-	-	95,800
Total liabilities	643,124	73,624	-	(9,796)	706,952
Net assets					
Without donor restrictions	28,919,081	-	-	(25,043)	28,894,038
With donor restrictions	6,816,102	-	-	-	6,816,102
Noncontrolling interest	-	961,188	-	24,990	986,178
Total net assets	35,735,183	961,188	-	(53)	36,696,318
Total liabilities and net assets	\$ 36,378,307	\$ 1,034,812	\$ -0-	\$ (9,849)	\$ 37,403,270

See Independent Auditors' Report.

CRISIS TEXT LINE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Crisis Text Line, Inc.	Loris.ai, Inc.	Crisis Text Line International, LLC	Adjustments/ Eliminations	Consolidated
Support and revenues					
Contributions	\$ 25,036,660	\$ -	\$ -	\$ -	25,036,660
Contributions in-kind	1,033,266	-	-	-	1,033,266
Program service revenue	1,787,510	-	-	-	1,787,510
Investment income	277,443	-	-	-	277,443
Miscellaneous	40,069	-	-	(25,043)	15,026
	28,174,948	-	-	(25,043)	28,149,905
Expenses					
Program expenses					
Crisis Counselor Community	2,211,251	-	-	-	2,211,251
Supervision	3,519,073	-	-	-	3,519,073
Engineering and Tech	3,086,213	-	-	-	3,086,213
Data	761,211	-	-	-	761,211
International Expansion	943,852	-	-	-	943,852
Total program expenses	10,521,600	-	-	-	10,521,600
Supporting services					
Management and general	2,490,312	-	-	-	2,490,312
Fundraising	250,980	-	-	-	250,980
Total supporting services	2,741,292	-	-	-	2,741,292
Total expenses	13,262,892	-	-	-	13,262,892
Loris.ai					
Operating costs	-	(1,038,872)	-	25,043	(1,013,829)
Change in net assets	14,912,056	(1,038,872)	-	-	13,873,184
Issuance of common and preferred stock	-	2,000,060	-	(53)	2,000,007
Net assets, beginning of year	20,823,127	-	-	-	20,823,127
Net assets, end of year	\$ 35,735,183	\$ 961,188	\$ -0-	\$ (53)	\$ 36,696,318

See Independent Auditors' Report.