

CRISIS TEXT LINE, INC.
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
DECEMBER 31, 2016 AND 2015

CRISIS TEXT LINE, INC.

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Crisis Text Line, Inc.

We have audited the accompanying financial statements of Crisis Text Line, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crisis Text Line, Inc. as of December 31, 2016 and 2015, 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.

New York, NY
March 28, 2017

Skody Scot & Company, CPAs, P.C.

**CRISIS TEXT LINE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 3,475,425	\$ 2,395,918
Certificates of deposit	229,303	229,186
Program revenue receivable	133,750	25,000
Contributions receivable	600,000	1,200,000
Prepaid expenses	134,477	103,495
Investment, net	8,814,913	-
Property and equipment, net	18,693	32,248
Security deposits	1,035	1,035
Total assets	\$ 13,407,596	\$ 3,986,882

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 184,926	\$ 163,916
Deferred revenue	1,120,903	255,000
Total liabilities	1,305,829	418,916
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	10,028,855	2,367,966
Temporarily restricted	2,072,912	1,200,000
Permanently restricted	-	-
Total net assets	12,101,767	3,567,966
Total liabilities and net assets	\$ 13,407,596	\$ 3,986,882

See accompanying notes to financial statements.

**CRISIS TEXT LINE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Support and Revenues:		
Unrestricted:		
Program service revenue	\$ 381,667	\$ 115,700
Contributions	12,769,131	2,806,758
Contributions in-kind	970,425	337,558
Rental income	1,889	11,400
Investment income	(62,135)	857
Release of prior year's restricted contributions	600,000	-
Temporarily restricted:		
Contributions	1,472,912	1,200,000
Release of prior year's restricted contributions	(600,000)	-
Total support and revenues	<u>15,533,889</u>	<u>4,472,273</u>
Expenses:		
Program expenses:		
Training	957,652	1,791,977
Supervision	2,085,793	55,138
Crisis counselor costs	658,554	-
Engineering & tech	1,148,220	551,378
Data	345,296	358,395
Other	1,207,812	-
Total program expenses	<u>6,403,327</u>	<u>2,756,888</u>
Supporting services:		
Management and general	466,505	426,491
Fundraising	130,256	44,527
Total expenses	<u>7,000,088</u>	<u>3,227,906</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	7,660,889	44,367
Temporarily restricted	872,912	1,200,000
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>8,533,801</u>	<u>1,244,367</u>
Net assets, beginning of year	<u>3,567,966</u>	<u>2,323,599</u>
Net assets, end of year	<u>\$ 12,101,767</u>	<u>\$ 3,567,966</u>

See accompanying notes to financial statements.

CRISIS TEXT LINE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 8,533,801	\$ 1,244,367
Adjustments for non-cash items included in operating activities:		
Depreciation	13,555	12,155
Losses/(gains) on investments	87,467	-
Donation of investments	(496,394)	-
Changes in assets and liabilities:		
Program revenue receivable	(108,750)	67,999
Contributions receivable	600,000	(1,014,583)
Prepaid expenses	(30,982)	(95,118)
Security deposits	-	(1,035)
Accounts payable and accrued expenses	21,010	59,634
Deferred revenue	865,903	255,000
Net cash provided/(used) by operating activities	9,485,610	528,419
Cash flows from investing activities:		
Renewal of certificates of deposit	(117)	-
Purchase of certificates of deposit	-	(229,186)
Purchase of investments	(9,702,380)	-
Sale of investments	1,296,394	-
Purchase of property and equipment	-	(44,403)
Net cash provided/(used) by investing activities	(8,406,103)	(273,589)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	1,079,507	254,830
Cash and cash equivalents at beginning of year	2,395,918	2,141,088
Cash and cash equivalents at end of year	\$ 3,475,425	\$ 2,395,918

See accompanying notes to financial statements.

CRISIS TEXT LINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

	2016								2015	
	Program Expenses						Supporting Services		Total Expenses	Total Expenses
	Training	Supervision	Crisis Counselor Costs	Engineering & Tech	Data	Other	Management & General	Fundraising		
Personnel costs:										
Salaries	\$ 566,765	\$ 1,580,221	\$ 173,725	\$ 502,532	\$ 199,695	\$ 270,528	\$ 162,426	\$ 88,058	\$ 3,543,950	\$ 1,288,352
Payroll taxes and benefits	127,478	355,428	39,075	113,031	75,548	30,217	52,121	19,806	812,704	257,775
Outside contractors	13,446	8,885	83,165	49,115	26,065	16,397	28,789	-	225,862	288,342
Program partners	-	-	-	-	-	-	-	-	-	559,405
Total personnel costs	707,689	1,944,534	295,965	664,678	301,308	317,142	243,336	107,864	4,582,516	2,393,874
Direct expenses:										
Depreciation	-	-	-	-	-	-	13,555	-	13,555	12,155
Equipment purchases	10,143	26,743	24	15,095	8,244	1,468	17,097	29	78,843	41,093
Insurance	-	1,171	-	-	-	-	17,516	-	18,687	16,938
In-kind expenses	-	883	98,179	102,959	883	754,170	13,351	-	970,425	337,558
Office expenses	6,091	13,050	6,090	2,992	566	51,345	38,617	7,228	125,979	35,087
Professional fees	-	-	-	-	-	32,975	10,250	-	43,225	10,000
Recruitment and training	8,626	3,431	37,881	5,271	598	2,107	7,837	-	65,751	50,777
Rent and utilities	138,798	21,276	-	105,538	-	-	34,237	8,832	308,681	99,254
Repairs and maintenance	-	-	-	-	-	-	20,450	-	20,450	10,625
SMS aggregator	-	-	-	3,150	-	-	-	-	3,150	13,650
Subscriptions	52,954	-	4,981	107,774	1,864	5,798	2,010	229	175,610	6,596
Supplies	310	371	120	377	-	81	8,922	-	10,181	29,486
Tech support and hosting	1,120	-	-	96,412	22,769	-	34	-	120,335	69,073
Telephone & communications	844	1,970	-	758	-	716	11,162	121	15,571	4,056
Travel and meetings	31,077	72,264	25,640	42,407	9,064	41,350	28,131	5,953	255,886	80,004
Volunteer expenses	-	100	189,674	809	-	660	-	-	191,243	17,680
Total direct expenses	249,963	141,259	362,589	483,542	43,988	890,670	223,169	22,392	2,417,572	834,032
Total expenses	\$ 957,652	\$ 2,085,793	\$ 658,554	\$ 1,148,220	\$ 345,296	\$ 1,207,812	\$ 466,505	\$ 130,256	\$ 7,000,088	\$ 3,227,906

See accompanying notes to financial statements.

CRISIS TEXT LINE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Crisis Text Line, Inc. (Organization), a not-for-profit organization, was incorporated in the State of New York on April 2, 2012. 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. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from program service revenue and contributions.

The Organization's primary purpose is to use technology and data innovations to pioneer new approaches to support people in need. The Organization's six major program services include the following: Training – personnel, content build 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 recruitment and retaining volunteer crisis counselors; Engineering & Tech – coding, refining, and supporting infrastructure and products on Crisis Text Line's texting platform; Data – data generation, collection, storage, privacy scrubbing and sharing from Crisis Text Line's operating activities, including texter conversations and Crisis Counselor volunteer life cycle; Other - enhancing training and community cultural competency to appropriately communicate with and promote Crisis Text Line as a service to military veterans/active military personnel, the deaf and hard of hearing community, and other minority communities.

On October 20, 2015, the Organization formed a wholly owned limited liability company which was organized in the State of New York. The subsidiary is named Crisis Text Line International, LLC and did not have any activity in 2015 and 2016.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

CRISIS TEXT LINE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity of three months or less.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization received pledges totaling \$11,739,333, at December 31, 2016, that contained donor conditions. Since these pledges represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Revenues received from the fiscal sponsor are recorded as program service revenue. Any revenue received which has not been earned is recorded as deferred income.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

CRISIS TEXT LINE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

All investments are measured at fair value on a recurring basis and are reported at their fair values as of December 31, 2016 and 2015 in the statements of financial position.

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.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of equipment and furniture is computed by the straight-line method over estimated useful lives ranging from three to seven years. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Note 2 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 38,580	\$ 38,580
Furniture & fixtures	5,823	5,823
Less: Accumulated depreciation	<u>(25,710)</u>	<u>(12,155)</u>
	<u>\$ 18,693</u>	<u>\$ 32,248</u>

CRISIS TEXT LINE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3 - Related Party

Crisis Text Line, Inc. shared office/facility space and employees with Do Something, Inc. up until October 2015 which is when Crisis Text Line, Inc. leased its own office space. Do Something, Inc. was reimbursed a total of \$0 and \$48,420 in 2016 and 2015, respectively, for the shared expenses. Do Something, Inc. and Crisis Text Line, Inc. share one common board member. In addition, during a part of 2015, the two organizations share a common CEO.

For the year ended December 31, 2016, a board member of the Organization was a partner in a law firm for which the Organization paid \$27,509 in services.

Note 4 - Donated Services and Facilities

Significant services and facilities were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported in the accompanying statements of activities for the years ended December 31, 2016 and 2015 amounted to \$970,425 and \$337,558, respectively. Additional contributions in-kind were received by the Organization during the years ended December 31, 2016 and 2015; however, the value of those contributions in-kind could not be determined and are not included in the financial statements. Contributions in-kind that are included in the financial statements consisted the following:

	<u>2016</u>	<u>2015</u>
Legal services	\$ 448,566	\$ 300,000
Recruiting and marketing services	473,187	22,558
Travel services	-	15,000
IT Support and hosting	<u>48,672</u>	<u>-</u>
	<u>\$ 970,425</u>	<u>\$ 337,558</u>

In addition, volunteer time which did not meet the criteria for being recognized as contributions in accordance with GAAP was donated to the Organization. These values are not included in the accompanying statements of activities.

CRISIS TEXT LINE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Commitments and Contingencies

The Organization leases office space under a noncancellable operating lease set to expire on June 30, 2022. As of December 31, 2016 the minimum aggregate annual rental commitments are as follows:

Year ended December 31, 2017	\$ 309,620
2018	334,634
2019	343,837
2020	353,292
2021	363,008
2022 and thereafter	186,495

In lieu of a security deposit for the office lease, the Organization was required to provide the landlord with a standby letter of credit issue by a bank in the amount of \$229,167. The letter of credit, which was originally issued in October 2015, expires annually and requires an annual renew fee.

Note 6 - Concentrations

The Organization maintains its cash, cash equivalents, and investments in various accounts. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts exceeded the insured limits during the years ended December 31, 2016 and 2015.

Note 7 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

CRISIS TEXT LINE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 7 - Fair Value Measurement of Investments (continued)

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Level 1	\$ -	\$ -
Level 2	8,814,913	-
Level 3	-	-
	<u>\$ 8,814,913</u>	<u>\$ -</u>

Note 8 - Investments

Investments consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Debt securities	\$ 8,814,914	-
Less: Cost	<u>8,902,381</u>	-
Unrealized appreciation/(depreciation)	<u>\$ (87,467)</u>	<u>\$ -</u>

The components of investment income for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 25,332	\$ 857
Realized & unrealized gains/(losses)	<u>(87,467)</u>	<u>-</u>
Net investment return	<u>\$ (62,135)</u>	<u>\$ 857</u>

CRISIS TEXT LINE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2016 and 2015:

	2016	2015
Checking and savings	\$ 3,471,230	\$ 2,395,918
Money market funds	4,195	-
Total held	\$ 3,475,425	\$ 2,395,918

Note 10 - Restrictions on Net Assets

As of December 31, 2016 and 2015, temporarily restricted net assets are available in future years for the following purposes:

	2016	2015
2016 activities	\$ -	\$ 600,000
2017 activities	650,000	600,000
Growth Plan	1,422,912	-
	\$ 2,072,912	\$ 1,200,000

Note 11 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through March 28, 2017, which is the date the financial statements were available to be issued.