Willow International

Financial Report
December 31, 2016 and 2015

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Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Willow International
Orange, California

Report on the Financial Statements
We have audited the accompanying financial statements of Willow International (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and cash flows for the year ended December 31, 2016 and the period from May 19, 2015 (inception) through December 31, 2015, 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 (U.S. GAAP); 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 from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Willow International as of December 31, 2016 and 2015, and the results of its net assets and its cash flows for the year ended December 31, 2016 and the period from May 19, 2015 (inception) through December 31, 2015, in accordance with U.S. GAAP.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Irvine, California
November 28, 2017

Willow International

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Cash	**$ 54,220**	$ 24,535
Prepaid expense	**1,250**	-
Total assets	**$ 55,470**	$ 24,535
Net Assets		
Unrestricted	**$ 50,052**	$ 24,535
Temporarily restricted	**5,418**	-
Total net assets	**$ 55,470**	$ 24,535

See notes to financial statements.

Willow International

Statements of Activities
Year Ended December 31, 2016 and Period From May 19, 2015 (Inception)
Through December 31, 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Unrestricted
Revenue and support:				
Contributions	$ 137,579	$ 57,726	$ 195,305	$ 65,245
In-kind donations (Note 2)	63,437	-	63,437	42,396
Sales	3,293	-	3,293	-
Less cost of sales	(5,000)	-	(5,000)	-
Total revenues	199,309	57,726	257,035	107,641
Expenses:				
Program expenses	106,909	52,308	159,217	39,704
General and administrative	55,807	-	55,807	32,902
Fundraising expenses	11,076	-	11,076	10,500
Total expenses	173,792	52,308	226,100	83,106
Change in net assets	25,517	5,418	30,935	24,535
Net assets, beginning of year	24,535	-	24,535	-
Net assets, end of year	$ 50,052	$ 5,418	$ 55,470	$ 24,535

See notes to financial statements.

Willow International

Statements of Cash Flows
Year Ended December 31, 2016 and Period From May 19, 2015 (Inception)
Through December 31, 2015

	2016	2015
Cash flows from operating activities:		
Cash received from donors	**$ 195,305**	$ 65,245
Cash received from customers	**3,293**	-
Cash paid for services	**(3,446)**	(1,006)
Cash paid to Uganda program participants	**(5,000)**	-
Cash paid for program expenses	**(160,467)**	(39,704)
Net cash provided by operating activities	**29,685**	24,535
Net increase in cash	**29,685**	24,535
Cash, beginning of year	**24,535**	-
Cash, end of year	**$ 54,220**	$ 24,535

See notes to financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: Willow International (the Organization) is an independent, not-for-profit organization established to prevent human trafficking, rescue victims and provide aftercare to survivors. The Organization collaborates with other nonprofit organizations, community leaders and the Ugandan Human Trafficking Task Force to implement prevention programs focused on advocacy, awareness, education and community engagement. The Organization has been funded by grants from various public and private organizations and individual donations.

A summary of significant accounting policies is as follows:

Basis of accounting and reporting: The financial statements for the Organization are prepared using accounting principles generally accepted in the United States of America (U.S. GAAP). The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specified passage of time.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets. Contributions and grants received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

There were $5,418 and $0 temporarily restricted net assets as of December 31, 2016 and 2015, respectively. There were no permanently restricted net assets as of December 31, 2016 or 2015.

Cash: The Organization maintains one account at Union Bank, with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Organization’s account at this institution may, at times, exceed FDIC-insured limits. The Organization has not experienced any losses in such account.

Revenue recognition: Grants awarded for outreach activity and other sponsored activities represent exchange transactions. Grants and contracts awarded for outreach activity and other sponsored activities are recognized to the extent of costs incurred, as provided for in the grants and contracts. Amounts received in excess of expenses would be recorded as deferred revenue, as any unspent amounts are refundable to the grantors. The Organization did not have any deferred revenue at December 31, 2016 or 2015.

Program consultant fees: The Organization hired a program consultant in July 2015 who works directly with the executive director and serves as a liaison to the U.S. headquarters office. The consultant is responsible for management of the Organization’s operations, monitoring and evaluation, and financial management. The consultant will oversee the functions that support the programs, but does not relate directly to program participants.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income taxes: The Organization is a qualified nonprofit organization that is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. This exemption is for all income taxes except for those assessed on unrelated business income (UBI), if any. In order to maintain that status, the Organization is precluded from making certain expenditures, principally in support of political parties. Management believes that no such expenditures have been made.

The Organization adopted accounting guidance relating to accounting for uncertainty in income taxes, which is primarily codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification 740. The Organization files a Form 990 (Return of Organization Exempt From Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to the Organization include such matters as the tax-exempt status of the entity and various positions relative to potential sources of UBI. UBI is reported on Form 990-T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of December 31, 2016 and 2015, the Organization has addressed uncertainty in its income tax position under the guidance and there are no unrecognized/derecognized tax benefits requiring an accrual.

Forms 990 filed by the Organization are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Management believes Forms 990 have been filed appropriately.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows, with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Organization on January 1, 2019. The Organization is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Note 2. In-Kind Donations

During the year ended December 31, 2016 and the period from May 19, 2015 (inception) through December 31, 2015, there were services and supplies donated to the Organization by various parties.

Sean Galaway provides accounting services and Kelsey Galaway provides executive director services on a pro bono basis to the Organization. Sean donated approximately 150 hours and 50 hours of his time during the year ended December 31, 2016 and the period ended December 31, 2015, respectively. Kelsey donated approximately 2,080 hours and 1,200 hours of her time during the year ended December 31, 2016 and the period ended December 31, 2015, respectively. The estimated value of the services received was $52,687 and $30,896 during the year ended December 31, 2016 and the period ended December 31, 2015, respectively.

A fundraising event was organized by American Advisors Group (AAG) in 2015 and the Davenports in 2016 to help bring awareness surrounding the Organization’s goals and strategy. These events were held at the donors’ personal homes and included live music, food, drinks and networking. The estimated value of the services received was $10,000 for each year.

AAG also donated marketing materials such as pamphlets, posters and information cards to be utilized at fundraising events. The estimated value of the marketing materials received was $500 for each year.

During 2016, the Mahoneys hosted a day-long Board of Directors (the Board) meeting at their personal home that included breakfast, lunch and happy hour. The purpose of the retreat was to discuss strategy, financial metrics and long-term goals of the Organization. The estimated value of the services received was $250.

Chelsea Donegan donated her services during 2015 to design a logo, which is used on the Organization’s website. She specializes in print design, brand development, art direction and marketing experience. The estimated value of the services received was $1,000.

Note 3. Concentrations of Credit Risk

Revenues include revenue concentrations from certain grantors (each of which accounted for 10 percent or more of the total revenues of the Organization for the year). The following is a summary of the revenues for the year ended December 31, 2016 and the period ended December 31, 2015:

Grantor	2016 Revenues	2015 Revenues
AAG Foundation	$ 63,855	$ 18,705
Samaritan's Purse	42,726	*
Kwagala Project NFP	*	13,077
OneOC	*	9,000
Other**	88,724	24,463
	$ 195,305	$ 65,245

* Revenues for this grantor did not account for 10 percent or more of total revenues in this year.
** Revenues received by grantors that individually represent less than 10 percent of total contributions.

Note 4. Related Party

Kelsey Galaway, Executive Director of Willow International, is an employee and receives a salary from AAG. In 2015, Reza Jahangiri (chief executive officer of AAG) became a Board member of the Organization. During the year ended December 31, 2016 and the period ended December 31, 2015, donations approximating $64,000 and $19,000, respectively, were received from AAG to help fund the Uganda program.

During 2016, Ann Mahoney became a Board member of the Organization. Jim Mahoney, Ann's husband, is a Board member of Celink, which is ultimately owned by Peer Advisors. During the year ended December 31, 2016, donations approximating $12,500 were received from Ann and Jim Mahoney to help fund the Uganda program.

Willow International—Uganda is a legally separate, sister entity located in Uganda. The Organization sends funds to Willow International—Uganda on a monthly basis to help cover program expenses.

Note 5. Subsequent Events

The Organization has evaluated subsequent events through November 28, 2017, the date on which the financial statements were available to be issued. There were no subsequent events requiring disclosure.

Willow International

Schedules of Functional Expenses
Year Ended December 31, 2016 and Period From May 19, 2015 (Inception)
Through December 31, 2015

	2016			
Description	**Program Expenses**	**General and Administrative**	**Fundraising Expenses**	**Total**
Uganda program grant	**$ 95,827**	**$ -**	**$ -**	**$ 95,827**
Salaries	**-**	**52,687**	**-**	**52,687**
Samaritan's purse project	**37,308**	**-**	**-**	**37,308**
Program consultant	**16,442**	**-**	**-**	**16,442**
Events and marketing materials	**-**	**-**	**10,500**	**10,500**
Travel	**7,129**	**-**	**-**	**7,129**
Uganda staff care	**2,511**	**-**	**-**	**2,511**
Bank charges	**-**	**2,316**	**-**	**2,316**
Other	**-**	**504**	**576**	**1,080**
Legal and professional fees	**-**	**300**	**-**	**300**
Total expenses	**$ 159,217**	**$ 55,807**	**$ 11,076**	**$ 226,100**

	2015			
Description	Program Expenses	General and Administrative	Fundraising Expenses	Total
Uganda program grant	$ 32,065	$ -	$ -	$ 32,065
Salaries	-	30,896	-	30,896
Events and marketing materials	-	-	10,500	10,500
Program consultant	7,250	-	-	7,250
Other	-	1,252	-	1,252
Bank charges	-	754	-	754
Uganda staff care	389	-	-	389
Total expenses	$ 39,704	$ 32,902	$ 10,500	$ 83,106