



**CLEAN THE WORLD FOUNDATION, INC. AND SUBSIDIARY**  
**Consolidated Financial Statements**  
**December 31, 2017**  
**With Independent Auditors' Report**

**Clean the World Foundation, Inc. and Subsidiary**  
**December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Clean the World Foundation, Inc.  
Orlando, Florida

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Clean the World Foundation, Inc. and Subsidiary (the "Foundation") (a nonprofit 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 auditors' 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 auditors consider internal control relevant to the Foundation'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 Foundation'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.

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

**Emphasis of Matter Regarding Transactions With Clean The World Global, LLC**

As discussed in Note 6, the Foundation has significant transactions with Clean The World Global, LLC. Our opinion is not modified with respect to this matter.

*Withum Smith + Brown, PC*

October 19, 2018

**Clean the World Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Financial Position**  
**December 31, 2017**

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**Assets**

Cash and cash equivalents	\$	898
Contributions receivable, net		135,023
Undistributed hygiene products		2,154,036
Property and equipment, net		6,011
Due from Clean the World Asia, LLC		13,180
Other assets		15,000
		<u>15,000</u>
Total assets	\$	<u>2,324,148</u>

**Liabilities and Net Assets**

Liabilities

Accounts payable and accrued expenses	\$	190,454
Due to Clean The World Global, LLC		869,758
Total liabilities		<u>1,060,212</u>

Net assets

Unrestricted		<u>1,263,936</u>
Total net assets		<u>1,263,936</u>

Total liabilities and net assets	\$	<u>2,324,148</u>
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**Clean the World Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 445,291	\$ 204,704	\$ 649,995
In-kind contributions of hygiene products	3,167,114	-	3,167,114
Hygiene kit distribution fees	418,072	-	418,072
Distribution administration fees	161,245	-	161,245
Royalty and merchandising	24,877	-	24,877
Debt forgiveness	1,150,649	-	1,150,649
Other revenue	9,220	-	9,220
Net assets released from restrictions	204,704	(204,704)	-
	<u>5,581,172</u>	<u>-</u>	<u>5,581,172</u>
Expenses			
Program services			
Recycling and distribution	4,614,879	-	4,614,879
Awareness and education	326,436	-	326,436
	<u>4,941,315</u>	<u>-</u>	<u>4,941,315</u>
Supporting services			
Management and general	277,118	-	277,118
Fundraising	167,282	-	167,282
Total expenses	<u>5,385,715</u>	<u>-</u>	<u>5,385,715</u>
Increase in net assets	195,457	-	195,457
Net assets			
Beginning of year	<u>1,068,479</u>	<u>-</u>	<u>1,068,479</u>
End of year	<u>\$ 1,263,936</u>	<u>\$ -</u>	<u>\$ 1,263,936</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Clean the World Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2017**

	<b>Program Services</b>			<b>Supporting Services</b>		
	<b>Recycling and Distribution</b>	<b>Awareness and Education</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Advertising	\$ 12,000	\$ 24,000	\$ 36,000	\$ -	\$ -	\$ 36,000
Bad debts	17,378	-	17,378	-	-	17,378
Charitable contributions	-	-	-	8,500	-	8,500
Distribution of hygiene products	3,880,204	-	3,880,204	-	-	3,880,204
Equipment	2,781	-	2,781	-	-	2,781
Facilities	122,484	29,596	152,080	8,000	8,000	168,080
Fundraising	-	-	-	-	11,354	11,354
Insurance	-	-	-	2,362	-	2,362
Interest and bank fees	-	-	-	23,211	-	23,211
Logistics	117,942	-	117,942	-	-	117,942
Materials	230,856	-	230,856	7,349	2,460	240,665
Personnel	89,655	213,903	303,558	-	138,871	442,429
Postage	-	-	-	1,980	-	1,980
Printing	-	5,036	5,036	-	-	5,036
Professional fees	-	-	-	195,736	-	195,736
Remanufacturing fee	141,579	-	141,579	-	-	141,579
Transportation	-	53,901	53,901	29,980	6,597	90,478
	<u>\$ 4,614,879</u>	<u>\$ 326,436</u>	<u>\$ 4,941,315</u>	<u>\$ 277,118</u>	<u>\$ 167,282</u>	<u>\$ 5,385,715</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Clean the World Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2017**

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<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 195,457
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	2,781
Forgiveness of debt	(1,150,649)
Bad debts	17,378
In-kind contributions of hygiene products, net	702,466
Changes in	
Contributions receivable	(152,401)
Other assets	(10,740)
Due from Clean the World Asia, LLC	(13,180)
Accounts payable and accrued expenses	(104,445)
Due to Clean The World Global, LLC	908,637
Net cash provided by operating activities	<u>395,304</u>
<b>Cash flows from financing activities</b>	
Payments on note payable	<u>(399,739)</u>
Net cash used in financing activities	<u>(399,739)</u>
<b>Decrease in cash and cash equivalents</b>	(4,435)
<b>Cash and cash equivalents</b>	
Beginning of year	<u>5,333</u>
End of year	<u>\$ 898</u>
<b>Supplemental disclosure of cash flow information</b>	
Cash paid during the year for interest	<u>\$ 10,915</u>



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Clean the World Foundation, Inc. (a nonprofit organization) collects hygiene products such as discarded soaps, shampoos, conditioners, lotions, and gels from hospitality partners and manufacturers, and recycles and distributes the products domestically and internationally for humanitarian aid both directly and through partnering nonprofit organizations. This process takes place primarily at two U.S. recycling operations centers in Orlando, Florida, and Las Vegas, Nevada. Support for providing these services is obtained from both public and private sector contributions as well as administrative fees paid by partnering nonprofit organizations and fees collected for hygiene kits. The base of operations is located in Orlando, Florida.

**Subsidiary**

Mission Transition Support, LLC is a wholly-owned subsidiary of Clean the World Foundation, Inc., and is the sole member of Global Soap Project, Inc. Global Soap Project, Inc. is a nonprofit organization with a mission similar to Clean the World Foundation, Inc.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Clean the World Foundation, Inc. ("CTW") and its subsidiary, (collectively, the "Foundation"). All intercompany accounts and transactions have been eliminated.

**Use of Estimates**

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid, short-term investments purchased with a maturity of three months or less to be cash equivalents.

At December 31, 2017, the Foundation had deposits with several high credit quality financial institutions. The Foundation's accounts were federally insured up to \$250,000 per institution under Federal Deposit Insurance Corporation ("FDIC") protection. The Foundation had no deposits in excess of FDIC protection at December 31, 2017.

**Undistributed Hygiene Products**

Undistributed hygiene products are recorded at the estimated fair value of such products at the date they are collected from hospitality partners.

**Property and Equipment**

Property and equipment is recorded at cost. Depreciation is calculated using the straight-line method over estimated useful lives of five years. Contributed assets are recorded at their estimated fair value at the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Repairs and maintenance are expensed as incurred.

**Contributions and Contributions Receivable**

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as an increase in unrestricted net assets unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At December 31, 2017, the allowance for doubtful accounts totaled \$17,378.

**In-Kind Contributions**

In-kind contributions of hygiene products received from hospitality partners are recorded as support and an increase in undistributed hygiene products at the estimated fair value of those items. In addition, in-kind contributions of property and equipment are recorded as support and increases of property and equipment.

A substantial number of volunteers have contributed significant amounts of their time to the Foundation's programs and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Hygiene Kit Distribution Fees**

Hygiene kit distribution fees are received from Clean The World Global, LLC d/b/a Ventures ("Ventures") for soap, bottles, toothbrushes, and other supplies provided to Ventures for hygiene kit building events. Fees are collected and revenue is recognized at the time of each hygiene kit building event.

**Distribution Administration Fees**

Distribution administration fees are received from partnering nonprofit organizations for supplying the logistics of distribution and delivery for hygiene products provided by the Foundation. Fees are billed and revenue is recognized at the time of distribution of each shipment of hygiene products.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

**Clean the World Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

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Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Foundation in its tax returns. The Foundation's status as an exempt organization and its position that none of its revenue is subject to the unrelated business income tax are defined as income tax positions under these requirements. While management believes it has complied with the IRC, the sustainability of some income tax positions taken by the Foundation in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Foundation has any material uncertain tax positions at December 31, 2017.

In the event interest and penalties were due relating to an unsustainable tax position, they would be treated as a component of income tax expense.

The Foundation's federal income tax returns are subject to examination by the Internal Revenue Service.

**Advertising Costs**

The Foundation advertises its mission primarily through maintaining an internet presence and through print media distributed to potential partner hospitality businesses. The Foundation expenses all advertising costs as incurred. Total advertising expenses incurred were \$36,000 for the year ended December 31, 2017.

**2. PROPERTY AND EQUIPMENT, NET**

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

	<u>Cost</u>	<u>Estimated Useful Life</u>
Office equipment	\$ 15,991	5 years
Less accumulated depreciation	<u>(9,980)</u>	
	<u>\$ 6,011</u>	

Depreciation expense for the year ended December 31, 2017, was \$2,781.

**3. IN-KIND CONTRIBUTIONS OF HYGIENE PRODUCTS**

The Foundation received in-kind contributions of recyclable hygiene products from partner hospitality organizations during the year ended December 31, 2017, totaling \$3,167,114.

The Foundation had undistributed hygiene products available for distribution at December 31, 2017, of the following:

	<u>Pounds</u>	<u>Estimated Price Per Pound</u>	<u>Total</u>
Soap	417,728	\$ 3.09	\$ 1,290,780
Bottled liquid hygiene products	359,690	2.40	<u>863,256</u>
			<u>\$ 2,154,036</u>

**Clean the World Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

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At December 31, 2017, the Foundation held undistributed hygiene products totaling \$519,947 at storage facilities located outside the United States of America. This amount is included in the totals previously described.

**4. TEMPORARILY RESTRICTED NET ASSETS**

There were no temporarily restricted net assets as of December 31, 2017.

**5. DUE FROM CLEAN THE WORLD ASIA, LLC**

The Foundation, in the ordinary course of business, makes various payments for operating expenses on the behalf of Clean the World Asia, LLC, an affiliated company, for which the Foundation is reimbursed. At December 31, 2017, Clean the World Asia, LLC owed the Foundation \$13,180 for expense reimbursements.

**6. DUE TO CLEAN THE WORLD GLOBAL, LLC**

The Foundation has a contract with Clean The World Global, LLC d/b/a Ventures ("Ventures") which expires December 31, 2026, under which Ventures provides legal, human resources, accounting, information technology, marketing, and hygiene product remanufacturing services, as well as access to offices and warehousing facilities. Ventures bills the Foundation on a monthly basis based on the labor requirements to fulfill the mission of the Foundation. Fees charged to the Foundation for these services totaled \$353,849 for the year ended December 31, 2017. Ventures also occasionally pays certain vendors on the behalf of the Foundation, for which it is reimbursed. The Foundation had an outstanding payable balance to Ventures totaling \$869,758 at December 31, 2017. During the year ended December 31, 2017, Ventures forgave amounts due from the Foundation totaling \$857,067. The Chairman of the Board of Directors of the Foundation is the majority owner of Ventures.

**7. SUBSEQUENT EVENTS AND FUTURE OPERATIONS**

The Foundation has evaluated subsequent events through October 19, 2018, the date which the consolidated financial statements were available to be issued.

At December 31, 2017, the Foundation had cash and accounts receivable, net, amounting to \$135,921 with third-party accounts payable of \$190,454 and a liability to Ventures \$869,758. For the year ended December 31, 2017, the Foundation had a net decrease in cash and equivalents of \$5,333 and, as discussed in Note 6, \$1,150,649 in debt forgiveness.

Management has proactively pursued improving the aforementioned conditions, and has made a concerted effort, through collaboration with Ventures and donors, to address its future operations. In addressing future operations, management has revised its strategy for identifying, obtaining, and retaining donors, and has restructured its financial and accounting department. Management intends to utilize the improved cash flows to reduce its accounts payable and liability to Ventures, and to increase its operating cash balance.

As a result of these plans, through September 30, 2018, the Foundation has exceeded \$1,000,000 in unrestricted contributions, exceeding the amount received in all of the year ended December 31, 2017. The Foundation was able to repay \$524,036 of the outstanding balance owed to Ventures at December 31, 2017. In addition, Ventures forgave \$250,000 due from the Foundation, thus substantially reducing the amount owed to Ventures.

**Clean the World Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

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On September 24, 2018, the Foundation established the Clean the World Foundation Endowment (the "Endowment") with an initial contribution of \$50,000. The Endowment was established with the Central Florida Foundation, Inc. to further the mission of improving global health through measurable and sustainable hygiene education programs and emergency relief initiatives.

On September 24, 2018, the Orlando Volleyball Academy, Inc. established the Clean the World Foundation Community Advised Fund (the "Fund") on the behalf of the Foundation with an initial contribution of \$510,215. The Fund was established with the Central Florida Foundation, Inc. to further the mission of improving global health through measurable and sustainable hygiene education programs and emergency relief initiatives.

As a result of the early successes in the implementation of management's plan, it does not appear necessary that these financial statements include any adjustments to reflect the possible future effects, if any, on the recoverability and classification of recorded assets or the amounts and classifications of liabilities that may result from the outcome of the uncertainties arising from the facts described in the second paragraph.