



For Love of Children
Teach. Empower. Transform.

Financial Statements

For the Year Ended September 30, 2016

(With Summarized Financial Information for the Year Ended September 30, 2015)



and
Report Thereon





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
For Love of Children, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of For Love of Children, Inc. (FLOC), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 FLOC as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited FLOC's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
January 11, 2017

FOR LOVE OF CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2016
(With Summarized Financial Information as of September 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 27,096	\$ 35,350
Investments	810,459	846,900
Accounts receivable, net	774	8,667
Pledges and grants receivable, net	385,875	405,611
Prepaid expenses and security deposits	77,032	45,943
Property and equipment, net	292,533	294,131
TOTAL ASSETS	\$ 1,593,769	\$ 1,636,602
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 7,120	\$ 11,936
Accrued salaries and benefits	72,636	111,194
Deferred rent	-	2,945
Line of credit	50,000	70,000
TOTAL LIABILITIES	129,756	196,075
Net Assets		
Unrestricted	531,955	409,263
Temporarily restricted	632,058	731,264
Permanently restricted	300,000	300,000
TOTAL NET ASSETS	1,464,013	1,440,527
TOTAL LIABILITIES AND NET ASSETS	\$ 1,593,769	\$ 1,636,602

The accompanying notes are an integral part of these financial statements.

FOR LOVE OF CHILDREN, INC.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

(With Summarized Financial Information for the Year Ended September 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
OPERATING REVENUE, GAINS AND SUPPORT					
Grants and contributions	\$ 1,505,798	\$ 175,250	\$ -	\$ 1,681,048	\$ 1,917,004
Program service fees	54,203	-	-	54,203	95,662
Net assets released from restrictions:					
Satisfaction of time restrictions	246,891	(246,891)	-	-	-
Satisfaction of purpose restrictions	56,374	(56,374)	-	-	-
TOTAL OPERATING REVENUE, GAINS AND SUPPORT	1,863,266	(128,015)	-	1,735,251	2,012,666
OPERATING EXPENSES					
Program Services:					
Neighborhood Tutoring Program	463,615	-	-	463,615	511,337
High School Scholars	234,593	-	-	234,593	265,822
Post-Secondary Scholars	113,228	-	-	113,228	159,989
Middle School Scholars	179,448	-	-	179,448	207,871
Fred Taylor Scholarship	56,707	-	-	56,707	54,686
Outdoor Education Center	332,204	-	-	332,204	399,500
Total Program Services	1,379,795	-	-	1,379,795	1,599,205
Supporting Services:					
Management and general	74,820	-	-	74,820	108,794
Fundraising	335,016	-	-	335,016	370,079
Total Supporting Services	409,836	-	-	409,836	478,873
TOTAL OPERATING EXPENSES	1,789,631	-	-	1,789,631	2,078,078
CHANGE IN NET ASSETS FROM OPERATIONS	73,635	(128,015)	-	(54,380)	(65,412)
NONOPERATING ACTIVITIES					
Net realized and unrealized gains (losses) on investments	36,201	21,275	-	57,476	(80,426)
Interest and dividends	12,856	7,534	-	20,390	30,235
CHANGE IN NET ASSETS	122,692	(99,206)	-	23,486	(115,603)
NET ASSETS, BEGINNING OF YEAR	409,263	731,264	300,000	1,440,527	1,556,130
NET ASSETS, END OF YEAR	\$ 531,955	\$ 632,058	\$ 300,000	\$ 1,464,013	\$ 1,440,527

The accompanying notes are an integral part of these financial statements.

FOR LOVE OF CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2016
(With Summarized Financial Information for the Year Ended September 30, 2015)

	Program Services						Supporting Services			2016 Total	2015 Total	
	Neighborhood Tutoring Program	High School Scholars	Post- Secondary Scholars	Middle School Scholars	Fred Taylor Scholarship	Outdoor Education Center	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 264,723	\$ 139,204	\$ 88,747	\$ 111,573	\$ -	\$ 239,492	\$ 843,739	\$ 65,109	\$ 200,459	\$ 265,568	\$ 1,109,307	\$ 1,290,338
Professional and contract services	40,511	22,930	10,749	18,822	225	5,761	98,998	40,926	69,117	110,043	209,041	268,722
Occupancy	94,814	43,762	14	27,120	-	11,133	176,843	10,990	18,353	29,343	206,186	194,880
Scholarships and special needs	1,934	189	(96)	189	56,470	28	58,714	-	488	488	59,202	59,313
Insurance	13,833	3,706	-	3,706	-	21,971	43,216	9,711	-	9,711	52,927	52,921
Equipment	9,283	3,472	1,644	2,631	-	9,400	26,430	2,062	11,729	13,791	40,221	29,113
Communications	6,235	2,901	2,036	2,597	-	3,967	17,736	2,679	2,532	5,211	22,947	23,811
Travel and transportation	3,235	2,652	2,079	1,592	-	3,090	12,648	1,721	4,710	6,431	19,079	31,301
Fees	2,972	1,720	1,168	1,368	12	3,511	10,751	1,991	3,702	5,693	16,444	23,476
Food	2,494	1,431	466	496	-	9,327	14,214	718	937	1,655	15,869	21,247
Supplies	1,170	486	150	318	-	3,983	6,107	3,574	1,517	5,091	11,198	9,127
Staff development	285	904	1,035	556	-	1,821	4,601	44	4,091	4,135	8,736	25,425
Financing costs	1,584	736	460	640	-	1,596	5,016	229	810	1,039	6,055	3,725
Mail services	582	283	149	200	-	563	1,777	397	2,158	2,555	4,332	4,688
Advertising	484	448	9	11	-	1,279	2,231	-	80	80	2,311	1,623
Curriculum	804	150	-	195	-	637	1,786	-	-	-	1,786	1,785
Depreciation and amortization	144	58	33	52	-	1,204	1,491	27	80	107	1,598	2,966
Furnishings	-	-	-	-	-	-	-	-	1,315	1,315	1,315	-
Vehicles	-	-	-	-	-	1,077	1,077	-	-	-	1,077	951
Bad debt	-	-	-	-	-	-	-	-	-	-	-	26,321
Recreation	-	-	-	-	-	-	-	-	-	-	-	6,345
Overhead	18,528	9,561	4,585	7,382	-	12,364	52,420	(65,358)	12,938	(52,420)	-	-
TOTAL EXPENSES	\$ 463,615	\$ 234,593	\$ 113,228	\$ 179,448	\$ 56,707	\$ 332,204	\$ 1,379,795	\$ 74,820	\$ 335,016	\$ 409,836	\$ 1,789,631	\$ 2,078,078

The accompanying notes are an integral part of these financial statements.

FOR LOVE OF CHILDREN, INC.

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2016

(With Summarized Financial Information for the Year Ended September 30, 2015)

Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,486	\$ (115,603)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for doubtful accounts	(53,254)	16,321
Net realized and unrealized losses (gains) on investments	(57,476)	80,426
Depreciation and amortization	1,598	2,966
Changes in assets and liabilities:		
Accounts receivable	7,893	3,202
Pledges and grants receivable	72,990	(98,510)
Prepaid expenses and security deposits	(31,089)	548
Accounts payable and accrued expenses	(4,816)	(7,062)
Accrued salaries and benefits	(38,558)	(5,760)
Deferred rent	(2,945)	(1,185)
NET CASH USED IN OPERATING ACTIVITIES	(82,171)	(124,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(20,352)	(30,174)
Proceeds from sales of investments	114,269	80,334
NET CASH PROVIDED BY INVESTING ACTIVITIES	93,917	50,160
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	325,000	300,000
Payments made to line of credit	(345,000)	(230,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(20,000)	70,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,254)	(4,497)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	35,350	39,847
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 27,096	\$ 35,350
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 6,055	\$ 3,725

The accompanying notes are an integral part of these financial statements.

FOR LOVE OF CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016**

1. Organization and Summary of Significant Accounting Policies

Organization

For Love of Children, Inc. (FLOC) is a 501(c)(3) nonprofit community-based organization incorporated under the District of Columbia Non-Profit Corporation Act in November 1965. FLOC's mission is to provide young children and high-risk youth with the resources to achieve educational and personal success through a continuum of educational services that prepare them to become confident, life-long learners and contributing members of their communities. FLOC was founded by a consortium of churches and concerned citizens to act on behalf of the abandoned, abused and neglected children of the District of Columbia. FLOC founded the District's first Child Advocacy Center and cofounded the Consortium for Child Welfare. FLOC's programs are funded primarily through grants and contributions from foundations and individuals.

Cash Equivalents

FLOC considers all money market funds to be cash equivalents.

Investments

Investments consist of mutual funds and are recorded at fair value. All investment earnings or losses, including unrealized gains and losses resulting from fluctuations in the fair value of the investments, are recognized in the accompanying statement of activities.

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, FLOC has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that FLOC has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Continued

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

As of and for the year ended September 30, 2016, only FLOC's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis.

Pledges, Grants and Accounts Receivable

Pledges and grants receivable represent contributions from foundations and individuals. Accounts receivable consist of amounts due as reimbursements for expenses incurred under contract terms. FLOC uses the allowance method to record potentially uncollectible accounts.

Property and Equipment and Related Depreciation and Amortization

Furniture and equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to seven years, with no salvage value. Buildings and building improvements are depreciated using the straight-line method over an estimated useful life of forty years, with no salvage value. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in the accompanying statement of activities.

Classification of Net Assets

FLOC's net assets are reported as follows:

- Unrestricted net assets represent amounts expendable for the support of FLOC's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors for various programs or future time periods.
- Permanently restricted net assets represent funds designated by donors for the Fred Taylor Scholarship Endowment Fund (the Fund), wherein the principal must remain in perpetuity and the investment earnings, including any net gains or losses, must be used for the purposes specified by the donors.

Revenue Recognition

Unconditional contributions are recognized as support when they are received or promised, whichever occurs first. FLOC reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets as unrestricted contributions if all such donor restrictions are met in the year in which the award is received. FLOC reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for a particular purpose or time period if such donor stipulations are not fully met in the year in which the award is received. When a donor restriction expires through the fulfillment of the intended purpose or the expiration of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Continued

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Program service fees are recognized as revenue when earned.

Donated Goods and Services

FLOC received approximately \$5,000 of donated professional services during the year ended September 30, 2016. This amount is included in grants and contributions in the accompanying statement of activities and in professional and contract services in the accompanying statement of functional expenses.

FLOC also utilizes volunteers who contribute their time and perform a variety of tasks to assist with FLOC's program services. No amounts have been recorded in the accompanying statements of activities and functional expenses related to these volunteer services because they do not meet the criteria for recognition as donated services under accounting standards.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated based upon various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Nonoperating Activities

FLOC reports all activities as operating activities except for investment gains (losses) and interest and dividends.

2. Investments

As of September 30, 2016, FLOC's investments consisted of an investment reserve, the original gift of the Fund and cumulative unspent earnings on the Fund's investments.

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

2. Investments (continued)

The following table summarizes FLOC's investments measured at fair value as of September 30, 2016:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Equity:				
Value	\$ 309,748	\$ 309,748	\$ -	\$ -
Growth	294,881	294,881	-	-
Fixed income:				
World bonds	<u>205,830</u>	<u>205,830</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 810,459</u>	<u>\$ 810,459</u>	<u>\$ -</u>	<u>\$ -</u>

The mutual funds were valued based on quoted prices in an active market.

Investment returns, including interest of \$37 earned on cash and cash equivalents, were comprised of the following for the year ended September 30, 2016:

Interest and dividends	\$ 20,390
Net realized and unrealized gains on investments	<u>57,476</u>
Total Investment Returns	<u>\$ 77,866</u>

3. Pledges and Grants Receivable

Pledges and grants receivable represent amounts due from individual donors and foundations. As of September 30, 2016, the promised contributions were due to be received as follows:

Less than one year	\$ 352,640
One to five years	<u>58,800</u>
Subtotal	411,440
Less: Allowance for Uncollectible Pledges	(23,066)
Less: Present Value Component (average of 0.99%)	<u>(2,499)</u>
Pledges and Grants Receivable, Net	<u>\$ 385,875</u>

Continued

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

4. Property and Equipment and Accumulated Depreciation

Property and equipment consisted of the following as of September 30, 2016:

Buildings and improvements	\$ 329,967
Furniture and equipment	200,864
Land	<u>292,533</u>
Total Property and Equipment	823,364
Less: Accumulated Depreciation and Amortization	<u>(530,831)</u>
Property and Equipment, Net	<u>\$ 292,533</u>

Depreciation and amortization expense was \$1,598 for the year ended September 30, 2016.

5. Line of Credit

FLOC held a \$150,000 line of credit with a financial institution which matured May 30, 2016. On May 10, 2016, FLOC entered into a new line of credit agreement, which has a maturity date of May 3, 2018. The new agreement increased the available line of credit from \$150,000 to \$200,000. Amounts drawn on this line accrue interest at the prime rate plus 1.00%, with a floor of 4.50%, and are payable on demand. As of September 30, 2016, the prime rate was 3.50%. At September 30, 2016, FLOC had an outstanding balance of \$50,000 on this line of credit. The line of credit is guaranteed by the assets of FLOC.

6. Operating Lease

On April 20, 2012, FLOC entered into a non cancelable operating lease for its office space. The lease expired on November 30, 2015, and FLOC continued renting the office space on a month-to-month basis.

Rent expense for the year ended September 30, 2016, was \$197,370.

7. Net Assets

Temporarily Restricted Net Assets

As of September 30, 2016, temporarily restricted net assets were for the support of future periods or specific programs as follows:

Time-restricted for future periods	\$ 230,140
Scholarship program	<u>401,918</u>
Total	<u>\$ 632,058</u>

Continued

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

7. Net Assets (continued)

Endowment Funds

The Fund was established in 1999 to provide scholarships for youth enrolled in FLOC's programs to attend college or trade school equivalents. The donor's original gift of appreciated securities, in the amount of \$478,000, was required to be invested in perpetuity, with the investment returns to be used to fund scholarships. If the dollar amount of the scholarships awarded is less than the investment returns for a particular year, the investment returns are to be reinvested in the Fund until such time as additional scholarships are awarded. During the year ended September 30, 2004, the donor lifted the permanent restriction on \$178,000, making this amount available for an integrated educational guidance and scholarship program.

Earnings on this fund are considered temporarily restricted, as such earnings may be used only for the program purpose specified by the donor.

For the year ended September 30, 2016, FLOC's endowment fund had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 4,536	\$ 300,000	\$ 304,536
Investment returns:				
Interest and dividends	-	7,534	-	7,534
Unrealized gains	-	21,275	-	21,275
Amounts appropriated for expenditure	<u>-</u>	<u>(23,183)</u>	<u>-</u>	<u>(23,183)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 10,162</u>	<u>\$ 300,000</u>	<u>\$ 310,162</u>

Interpretation of Relevant Law

FLOC classifies as permanently restricted net assets the original value of all gifts donated to the permanent endowment. FLOC's policy is to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary.

The Board of Directors of FLOC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing FLOC to appropriate for expenditure or accumulate so much of an endowment fund as FLOC determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

7. Net Assets (continued)

Endowment Funds (continued)

Interpretation of Relevant Law (continued)

Investment returns on permanently restricted endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings on the permanently restricted and the temporarily restricted net assets arising from earnings thereon are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by FLOC.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor requires an organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported as part of unrestricted net assets. As of September 30, 2016, there were no such deficiencies.

Return Objectives and Risk Parameters

FLOC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, FLOC 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). FLOC targets a diversified asset allocation which is reviewed as necessary by the Board of Directors.

Spending Policy

The earnings on the permanently restricted net assets are released from temporary restricted funds and are used in accordance with donor stipulations when scholarships are awarded annually.

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

8. Program Services

During the fiscal year ended September 30, 2016, FLOC's programs included the following:

- *Neighborhood Tutoring Program* – This one-on-one tutoring program helps students in grades 1-12 achieve grade-level competency in reading and math by ensuring that they achieve 100% mastery in one skill before moving on to the next.
- *Scholars Program* – The FLOC Scholars Program helps students in grades 6-12 and beyond gain the skills they need to graduate from high school, pursue higher education, and achieve college and career success.
- *Fred Taylor Scholarship Program* – This program supports economically disadvantaged youth on the path to successful completion of a post-secondary education.
- *Outdoor Education Center* – The Outdoor Education Center facilitates healthy character development for youth and adults in a powerful outdoor classroom. The facility and its staff also provide custom-designed retreats for outside groups.

9. Tax-Deferred Annuity Plan

FLOC offers a tax-deferred annuity plan (the Plan) organized under Internal Revenue Code (IRC) Section 403(b). Under the Plan, eligible employees may elect to contribute up to the federal tax limitation. Employees are eligible immediately upon hire and are immediately fully vested. The employer contributes an amount equal to 4% of each participant's annual salary to the Plan. For the year ended September 30, 2016, FLOC contributed \$12,538 to the Plan on behalf of its employees.

10. Income Taxes

FLOC is exempt from the payment of taxes on income other than unrelated business income under IRC Section 501(c)(3) and has been classified as a public charity. No provision for income taxes has been made, as FLOC had no unrelated business income for the year ended September 30, 2016.

FLOC reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the year ended September 30, 2016, management did not identify any uncertain tax positions that would require recognition or disclosure in these financial statements. As of September 30, 2016, the statute of limitations for fiscal years ending September 30, 2013 through 2015, remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which FLOC files tax returns. It is FLOC's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of September 30, 2016, FLOC had no accrued interest and/or penalties.

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

11. Comparative Prior Year Summarized Data

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with FLOC's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

12. Subsequent Events

FLOC's management has evaluated subsequent events through January 11, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.