



For Love of Children
Teach. Empower. Transform.

Financial Statements

For the Year Ended September 30, 2015

(With Summarized Financial Information for the Year Ended September 30, 2014)



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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, 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 28, 2016

FOR LOVE OF CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2015
(With Summarized Financial Information as of September 30, 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 35,350	\$ 39,847
Investments	846,900	977,486
Accounts receivable, net	8,667	11,869
Pledges and grants receivable, net	405,611	323,422
Prepaid expenses and security deposits	45,943	46,491
Property and equipment, net	294,131	297,097
TOTAL ASSETS	\$ 1,636,602	\$ 1,696,212
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 11,936	\$ 18,998
Accrued salaries and benefits	111,194	116,954
Deferred rent	2,945	4,130
Line of credit	70,000	-
TOTAL LIABILITIES	196,075	140,082
Net Assets		
Unrestricted	409,263	548,440
Temporarily restricted	731,264	707,690
Permanently restricted	300,000	300,000
TOTAL NET ASSETS	1,440,527	1,556,130
TOTAL LIABILITIES AND NET ASSETS	\$ 1,636,602	\$ 1,696,212

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, 2015

(With Summarized Financial Information for the Year Ended September 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
OPERATING REVENUE, GAINS AND SUPPORT					
Grants and contributions	\$ 1,593,463	\$ 323,541	\$ -	\$ 1,917,004	\$ 1,734,175
Program service fees	95,662	-	-	95,662	86,614
Net realized and unrealized (losses) gains on investments	(51,936)	(28,490)	-	(80,426)	38,255
Interest and dividends	19,547	10,688	-	30,235	23,788
Net assets released from restrictions:					
Satisfaction of time restrictions	224,179	(224,179)	-	-	-
Satisfaction of purpose restrictions	57,986	(57,986)	-	-	-
TOTAL OPERATING REVENUE, GAINS AND SUPPORT	1,938,901	23,574	-	1,962,475	1,882,832
EXPENSES					
Program Services:					
Neighborhood Tutoring Program	511,337	-	-	511,337	508,024
High School Scholars	265,822	-	-	265,822	277,234
Post-Secondary Scholars	159,989	-	-	159,989	158,890
Middle School Scholars	207,871	-	-	207,871	197,878
Fred Taylor Scholarship	54,686	-	-	54,686	39,573
Outdoor Education Center	399,500	-	-	399,500	352,241
Total Program Services	1,599,205	-	-	1,599,205	1,533,840
Supporting Services:					
Management and general	108,794	-	-	108,794	106,131
Fundraising	370,079	-	-	370,079	308,641
Total Supporting Services	478,873	-	-	478,873	414,772
TOTAL EXPENSES	2,078,078	-	-	2,078,078	1,948,612
CHANGE IN NET ASSETS FROM OPERATIONS	(139,177)	23,574	-	(115,603)	(65,780)
NON-OPERATING ACTIVITIES					
Loss on uncollectible pledge	-	-	-	-	(38,150)
CHANGE IN NET ASSETS	(139,177)	23,574	-	(115,603)	(103,930)
NET ASSETS, BEGINNING OF YEAR	548,440	707,690	300,000	1,556,130	1,660,060
NET ASSETS, END OF YEAR	\$ 409,263	\$ 731,264	\$ 300,000	\$ 1,440,527	\$ 1,556,130

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, 2015
(With Summarized Financial Information for the Year Ended September 30, 2014)

	Program Services						Supporting Services			2015 Total	2014 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	\$ 303,665	\$ 161,769	\$ 125,087	\$ 142,016	\$ -	\$ 288,059	\$ 1,020,596	\$ 68,112	\$ 201,630	\$ 269,742	\$ 1,290,338	\$ 1,212,775
Professional and contract services	64,554	26,476	16,070	16,786	-	23,083	146,969	41,351	80,402	121,753	268,722	246,591
Occupancy	87,604	40,425	-	24,860	-	14,644	167,533	10,215	17,132	27,347	194,880	201,731
Scholarships and special needs	990	83	3,360	83	54,686	90	59,292	-	21	21	59,313	45,352
Insurance	13,918	3,639	-	3,639	-	21,717	42,913	10,008	-	10,008	52,921	50,433
Travel and transportation	5,449	7,284	2,533	4,128	-	5,572	24,966	1,490	4,845	6,335	31,301	27,678
Equipment	9,175	3,821	1,496	2,828	-	6,450	23,770	2,024	3,319	5,343	29,113	30,461
Bad debt	-	-	-	-	-	-	-	-	26,321	26,321	26,321	25,000
Staff development	463	1,846	2,737	1,331	-	1,578	7,955	283	17,187	17,470	25,425	9,679
Communications	5,852	3,120	2,098	2,800	-	4,128	17,998	2,575	3,238	5,813	23,811	22,343
Fees	3,767	4,445	1,730	1,741	-	4,511	16,194	2,918	4,364	7,282	23,476	16,540
Food	1,878	742	394	399	-	16,740	20,153	772	322	1,094	21,247	21,376
Supplies	1,363	612	292	469	-	1,108	3,844	4,403	880	5,283	9,127	11,649
Recreation	85	4,635	-	1,625	-	-	6,345	-	-	-	6,345	11,263
Mail services	432	556	446	364	-	583	2,381	391	1,916	2,307	4,688	2,973
Financing costs	871	471	275	418	-	953	2,988	130	607	737	3,725	1,237
Depreciation and amortization	514	207	118	185	-	1,559	2,583	97	286	383	2,966	2,945
Curriculum	833	526	306	120	-	-	1,785	-	-	-	1,785	2,352
Advertising	224	82	8	30	-	749	1,093	-	530	530	1,623	3,604
Vehicles	-	-	-	-	-	951	951	-	-	-	951	130
Board care	-	-	-	-	-	-	-	-	-	-	-	2,500
Overhead	9,700	5,083	3,039	4,049	-	7,025	28,896	(35,975)	7,079	(28,896)	-	-
TOTAL EXPENSES	\$ 511,337	\$ 265,822	\$ 159,989	\$ 207,871	\$ 54,686	\$ 399,500	\$ 1,599,205	\$ 108,794	\$ 370,079	\$ 478,873	\$ 2,078,078	\$ 1,948,612

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, 2015

(With Summarized Financial Information for the Year Ended September 30, 2014)

Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (115,603)	\$ (103,930)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for doubtful accounts	16,321	25,000
Net realized and unrealized losses (gains) on investments	80,426	(38,255)
Depreciation and amortization	2,966	2,945
Changes in assets and liabilities:		
Accounts receivable	3,202	(2,730)
Pledges and grants receivable	(98,510)	(81,665)
Prepaid expenses and security deposits	548	(1,900)
Accounts payable and accrued expenses	(7,062)	10,009
Accrued salaries and benefits	(5,760)	20,430
Deferred rent	(1,185)	(539)
NET CASH USED IN OPERATING ACTIVITIES	(124,657)	(170,635)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(30,174)	(23,720)
Proceeds from sales of investments	80,334	39,874
Purchases of property and equipment	-	(3,314)
NET CASH PROVIDED BY INVESTING ACTIVITIES	50,160	12,840
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	300,000	220,000
Payments made to line of credit	(230,000)	(220,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	70,000	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,497)	(157,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	39,847	197,642
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 35,350	\$ 39,847
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 3,725	\$ 1,237

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, 2015**

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, 2015**

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

Fair Value Measurements (continued)

As of and for the year ended September 30, 2015, 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 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 the award is received. When a donor restriction

FOR LOVE OF CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015**

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

Revenue Recognition (continued)

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.

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, 2015. 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 statement of activities 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.

Non-Operating Activities

FLOC reports all activities as operating activities except for losses on uncollectible pledges.

2. Investments

As of September 30, 2015, FLOC's investments consist 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, 2015

2. Investments (continued)

FLOC has used the following fair value measurements as of September 30, 2015:

	<u>Fair Value Total</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	\$ 305,836	\$ 305,836	\$ -	\$ -
Blend	205,589	205,589	-	-
Growth	117,308	117,308	-	-
Fixed income:				
World bonds	<u>218,167</u>	<u>218,167</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 846,900</u>	<u>\$ 846,900</u>	<u>\$ -</u>	<u>\$ -</u>

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

Investment returns, including interest of \$62 earned on cash and cash equivalents, were comprised of the following for the year ended September 30, 2015:

Interest and dividends	\$ 30,235
Net realized and unrealized losses on investments	<u>(80,426)</u>
Total	<u>\$ (50,191)</u>

3. Pledges and Grants Receivable

Pledges and grants receivable represent amounts due from individual donors and foundations. As of September 30, 2015, the promised contributions are due to be received as follows:

Less than one year	\$ 181,735
One to five years	<u>302,696</u>
Subtotal	484,431
Less: Allowance for Uncollectible Pledges	(76,321)
Less: Present value component (average of 0.99%)	<u>(2,499)</u>
Net Pledges and Grants Receivable	<u>\$ 405,611</u>

Continued

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

4. Property and Equipment and Accumulated Depreciation

Property and equipment consisted of the following as of September 30, 2015:

Buildings and improvements	\$ 329,966
Furniture and equipment	200,864
Land	<u>292,532</u>
Total	823,362
Less: Accumulated depreciation and amortization	<u>(529,231)</u>
Property and Equipment, Net	<u>\$ 294,131</u>

Depreciation and amortization expense was \$2,966 for the year ended September 30, 2015.

5. Line of Credit

FLOC held a \$100,000 line of credit with a financial institution which matured May, 3 2015. On April 24, 2015, a new line of credit agreement was entered into which has a maturity date of May 30, 2016. The new agreement increased the available line of credit from \$100,000 to \$150,000. Amounts drawn on this line accrue interest at the prime rate plus 1.00%, with a floor of 4.25%, and are payable on demand. As of September 30, 2015, the prime rate was 3.25%. At September 30, 2015, FLOC had an outstanding balance of \$70,000 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, 36-month operating lease for its office space. The lease expires November 30, 2015. The lease agreement contains a provision for an increase in rent of 3% per annum beginning on the first anniversary date. In addition, as an incentive to enter into the lease agreement, FLOC receives the first month's rent in each lease year at no cost.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

Rent expense for the year ended September 30, 2015, was \$181,645. The future minimum lease payments required under this lease as of September 30, 2015 are \$32,969 for the year ending September 30, 2016. Subsequent to year-end, FLOC entered into a month-to-month agreement for its office space.

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

7. Net Assets

Temporarily Restricted Net Assets

As of September 30, 2015, temporarily restricted net assets were for the support of future periods or specific programs as follows:

Time restricted for future periods	\$ 301,781
Scholarship program	<u>429,483</u>
Total	<u><u>\$ 731,264</u></u>

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, 2015, 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	\$ -	\$ 42,633	\$ 300,000	\$ 342,633
Investment returns:				
Interest and dividends	-	10,688	-	10,688
Unrealized losses	-	(28,490)	-	(28,490)
Amounts appropriated for expenditure	<u>-</u>	<u>(20,295)</u>	<u>-</u>	<u>(20,295)</u>
Endowment Net Assets, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 4,536</u></u>	<u><u>\$ 300,000</u></u>	<u><u>\$ 304,536</u></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.

FOR LOVE OF CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015**

7. Net Assets (continued)

Endowment Funds (continued)

Interpretation of Relevant Law (continued)

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.

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, 2015, 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, 2015**

8. Program Services

During the fiscal year ended September 30, 2015, 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 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, 2015, FLOC contributed \$27,731 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, 2015.

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, 2015, management did not identify any uncertain tax positions that would require recognition or disclosure in these financial statements. As of September 30, 2015, the statute of limitations for fiscal years ending September 30, 2012 through 2014, 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, 2015, FLOC had no accrued interest and/or penalties.

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

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, 2014, from which the summarized information was derived.

12. Subsequent Events

FLOC's management has evaluated subsequent events through January 28, 2016, the date the financial statements were available to be issued. Except as disclosed in Note 6 related to the operating lease, there were no subsequent events that require recognition or disclosure in these financial statements.