



**For Love of Children**  
Teach. Empower. Transform.

## **Financial Statements**

*For the Year Ended September 30, 2019*

*(With Summarized Financial Information for the Year Ended September 30, 2018)*



**and**  
**Report Thereon**



**FOR LOVE OF CHILDREN, INC.**

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**For the Year Ended September 30, 2019**

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## INDEPENDENT AUDITORS' 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, 2019, 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.

### ***Auditors' 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 auditors' 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.

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***Opinion***

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of For Love of Children, Inc. as of September 30, 2019, 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.

**Report on Summarized Comparative Information**

We have previously audited FLOC's 2018 financial statements, and in our report dated February 1, 2019, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
June 19, 2020

**FOR LOVE OF CHILDREN, INC.**

**STATEMENT OF FINANCIAL POSITION**

**September 30, 2019**

**(With Summarized Financial Information as of September 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 205,619	\$ 31,000
Investments	779,989	796,768
Pledges and grants receivable, net	362,428	601,053
Prepaid expenses and security deposits	35,943	86,077
Property and equipment, net	383,540	348,875
<b>TOTAL ASSETS</b>	<b>\$ 1,767,519</b>	<b>\$ 1,863,773</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 71,700	\$ 122,240
Accrued salaries and benefits	31,175	72,366
Deferred rent	143,680	34,088
Line of credit	68,000	200,000
<b>TOTAL LIABILITIES</b>	314,555	428,694
<b>Net Assets</b>		
Without donor restrictions	536,335	500,620
With donor restrictions	916,629	934,459
<b>TOTAL NET ASSETS</b>	1,452,964	1,435,079
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,767,519</b>	<b>\$ 1,863,773</b>

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, 2019**  
**(With Summarized Financial Information for the Year Ended September 30, 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<b>OPERATING REVENUE, GAINS AND SUPPORT</b>				
Grants and contributions	\$ 1,646,297	\$ 176,380	\$ 1,822,677	\$ 1,857,459
Program service fees	20,375	-	20,375	109,411
Net assets released from restrictions:				
Satisfaction of time restrictions	163,930	(163,930)	-	-
Satisfaction of purpose restrictions	44,125	(44,125)	-	-
<b>TOTAL OPERATING REVENUE, GAINS AND SUPPORT</b>	<b>1,874,727</b>	<b>(31,675)</b>	<b>1,843,052</b>	<b>1,966,870</b>
<b>OPERATING EXPENSES</b>				
Program Services:				
Neighborhood Tutoring Program	445,704	-	445,704	508,136
High School and Middle School Scholars	373,501	-	373,501	498,748
Post-Secondary Scholars	109,895	-	109,895	116,152
Fred Taylor Scholarship	62,516	-	62,516	81,220
Outdoor Education Center	234,989	-	234,989	396,991
Total Program Services	1,226,605	-	1,226,605	1,601,247
Supporting Services:				
Management and general	261,517	-	261,517	72,620
Fundraising	373,206	-	373,206	328,088
Total Supporting Services	634,723	-	634,723	400,708
<b>TOTAL OPERATING EXPENSES</b>	<b>1,861,328</b>	<b>-</b>	<b>1,861,328</b>	<b>2,001,955</b>
Change in net assets from operations	13,399	(31,675)	(18,276)	(35,085)
<b>NONOPERATING ACTIVITIES</b>				
Investment income	22,316	13,845	36,161	4,164
<b>CHANGE IN NET ASSETS</b>	<b>35,715</b>	<b>(17,830)</b>	<b>17,885</b>	<b>(30,921)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>500,620</b>	<b>934,459</b>	<b>1,435,079</b>	<b>1,466,000</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 536,335</b>	<b>\$ 916,629</b>	<b>\$ 1,452,964</b>	<b>\$ 1,435,079</b>

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, 2019  
(With Summarized Financial Information for the Year Ended September 30, 2018)

	Program Services					Supporting Services				2019 Total	2018 Total
	Neighborhood Tutoring Program	Middle School & High School Scholars	Post- Secondary Scholars	Fred Taylor Scholarship	Outdoor Education Center	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and benefits	\$ 207,338	\$ 189,610	\$ 61,175	\$ 38,186	\$ 158,901	\$ 655,210	\$ 113,693	\$ 193,048	\$ 306,741	\$ 961,951	\$ 1,224,742
Occupancy	90,003	81,535	24,175	-	14,741	210,454	3,204	43,379	46,583	257,037	239,443
Professional and contract services	55,905	50,715	16,040	-	21,224	143,884	50,726	101,873	152,599	296,483	214,873
Bad debt	-	-	-	-	-	-	85,436	-	85,436	85,436	13,480
Equipment	10,389	13,517	2,385	-	7,107	33,398	2,340	13,606	15,946	49,344	46,836
Insurance	12,207	7,680	694	-	18,244	38,825	2,076	2,383	4,459	43,284	50,374
Travel and transportation	33,508	1,405	361	-	755	36,029	600	1,081	1,681	37,710	15,844
Scholarships and special needs	3,855	3,195	706	24,250	211	32,217	19	239	258	32,475	83,666
Communications	5,156	5,661	1,632	-	3,192	15,641	681	2,383	3,064	18,705	25,055
Curriculum	6,532	9,257	23	-	51	15,863	71	80	151	16,014	615
Fees	3,212	1,711	339	-	1,813	7,075	897	5,792	6,689	13,764	20,709
Supplies	6,532	1,892	732	-	2,110	11,266	639	1,726	2,365	13,631	11,767
Food	2,879	1,397	109	80	984	5,449	135	1,085	1,220	6,669	29,984
Financing costs	1,969	1,798	565	-	1,366	5,698	74	1,012	1,086	6,784	8,514
Depreciation and amortization	2,954	2,506	754	-	445	6,659	615	1,649	2,264	8,923	-
Advertising	331	28	-	-	1,409	1,768	31	2,918	2,949	4,717	2,623
Staff development	2,274	956	26	-	10	3,266	14	71	85	3,351	6,894
Mail services	637	620	174	-	667	2,098	250	863	1,113	3,211	3,617
Vehicles	23	18	5	-	1,759	1,805	16	18	34	1,839	2,919
<b>TOTAL EXPENSES</b>	<b>\$ 445,704</b>	<b>\$ 373,501</b>	<b>\$ 109,895</b>	<b>\$ 62,516</b>	<b>\$ 234,989</b>	<b>\$ 1,226,605</b>	<b>\$ 261,517</b>	<b>\$ 373,206</b>	<b>\$ 634,723</b>	<b>\$ 1,861,328</b>	<b>\$ 2,001,955</b>

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, 2019**

**(With Summarized Financial Information for the Year Ended September 30, 2018)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 17,885	\$ (30,921)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	-	13,480
Net realized and unrealized (gains) losses on investments	(14,868)	29,415
Depreciation and amortization	8,923	-
Changes in assets and liabilities:		
Pledges and grants receivable	238,625	(281,155)
Prepaid expenses and security deposits	50,134	(39,701)
Accounts payable and accrued expenses	(50,540)	102,872
Accrued salaries and benefits	(41,191)	(4,672)
Deferred rent	109,592	34,088
	<u>318,560</u>	<u>(176,594)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(21,114)	(33,530)
Proceeds from sales of investments	52,761	71,116
Payment on leasehold improvements	(43,588)	(56,342)
	<u>(11,941)</u>	<u>(18,756)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings under line of credit	-	492,000
Payments made to line of credit	(132,000)	(312,000)
	<u>(132,000)</u>	<u>180,000</u>
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>174,619</u>	<u>(15,350)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>31,000</u>	<u>46,350</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 205,619</u>	<u>\$ 31,000</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 6,784</u>	<u>\$ 8,514</u>

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, 2019

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#### 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 as nonoperating activities.

##### **Fair Value Measurement**

In accordance with the accounting standards for fair value measurement 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.

## FOR LOVE OF CHILDREN, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

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

##### **Fair Value Measurement (continued)**

*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.

As of and for the year ended September 30, 2019, only FLOC's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis.

##### **Pledges and Grants Receivable**

Pledges and grants receivable represent contributions from foundations and individuals. FLOC uses the allowance method to record potentially uncollectible receivables. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows if significant. The discounts on those amounts are computed using risk-adjusted interest rates appropriate for the expected term of the promise to give. Amortization of the discount is included in grants and contributions in the accompanying statement of activities.

##### **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 40 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:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of FLOC at the discretion of FLOC's management and the Board of Directors.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of FLOC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of September 30, 2019, FLOC had 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.

Continued

## FOR LOVE OF CHILDREN, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019

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

##### **Revenue Recognition**

FLOC reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Program service fees are recognized as revenue when earned.

##### **Impairment of Long-Lived Assets**

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*, FLOC reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of September 30, 2019, FLOC had not recognized an impairment loss.

##### **Donated Goods and Services**

FLOC 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 the 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 statement of functional expenses. Expenses directly attributed to a specific functional area of FLOC are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Occupancy and depreciation expenses are allocated by the square footage used by the related department. All other shared costs are allocated based on a percentage of total direct costs.

##### **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 and interest and dividends.

Continued

**FOR LOVE OF CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2019**

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

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. FLOC has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended September 30, 2018.

2. Investments

As of September 30, 2019, FLOC's investments consisted of an investment reserve, the original gift of the Fund and cumulative unspent earnings on the Fund's investments.

The following table summarizes FLOC's investments measured at fair value as of September 30, 2019:

	<u>Total Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Equity:				
Growth	\$ 499,722	\$ 499,722	\$ -	\$ -
Value	176,725	176,725	-	-
Fixed income:				
World bonds	<u>103,542</u>	<u>103,542</u>	<u>-</u>	<u>-</u>
Total				
Investments	<u>\$ 779,989</u>	<u>\$ 779,989</u>	<u>\$ -</u>	<u>\$ -</u>

The mutual funds were valued on the basis of quoted prices in an active market.

**FOR LOVE OF CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2019**

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3. Pledges and Grants Receivable

Pledges and grants receivable represent amounts due from individual donors and foundations. As of September 30, 2019, the promised contributions were due to be received as follows:

Less than one year	\$ 335,348
One to five years	<u>66,125</u>
Total Pledges and Grants Receivable	401,473
Less: Allowance for Uncollectible Pledges	(36,546)
Less: Present Value Component (average of 1%)	<u>(2,499)</u>
Pledges and Grants Receivable, Net	<u>\$ 362,428</u>

4. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of September 30, 2019:

Buildings and improvements	\$ 329,967
Land	292,532
Furniture and equipment	173,892
Leasehold improvements	<u>65,162</u>
Total Property and Equipment	861,553
Less: Accumulated Depreciation and Amortization	<u>(478,013)</u>
Property and Equipment, Net	<u>\$ 383,540</u>

Depreciation and amortization expense was \$8,923 for the year ended September 30, 2019.

5. Line of Credit

On May 3, 2018, FLOC entered into a \$200,000 line of credit agreement, which has a maturity date of May 3, 2020. Subsequent to year-end, FLOC renewed the line of credit through May 3, 2022. Amounts drawn on this line accrue interest at the prime rate plus 1%, with a floor of 6%, and are payable on demand. As of September 30, 2019, the prime rate was 5%. As of September 30, 2019, FLOC had an outstanding balance of \$68,000 on this line of credit. The line of credit is guaranteed by the assets of FLOC.

6. Commitments

**Operating Lease**

On June 26, 2018, FLOC entered into a noncancelable operating lease for its office space. The lease term is August 1, 2018, through March 31, 2027, with abatement of the full monthly rent from August 1, 2018, through March 31, 2019. Under GAAP, all rental payments,

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2019

6. Commitments (continued)

**Operating Lease (continued)**

including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position. FLOC is responsible for its proportionate share of the real estate taxes and operating and maintenance costs of the landlord. Rent expense for the year ended September 30, 2019, was \$257,037. Future minimum lease payments are as follows:

For the Year Ending <u>September 31,</u>	
2020	\$ 196,174
2021	204,021
2022	212,182
2023	220,670
2024	229,496
Thereafter	<u>615,121</u>
Total	<u>\$ 1,677,664</u>

**Concentration of Revenue**

FLOC recognized approximately \$750,000, representing 40% of FLOC's total operating revenue, gains and support, from two donors for the year ended September 30, 2019.

7. Net Assets

**Net Assets With Donor Restrictions**

As of September 30, 2019, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose: Scholarship program	\$ 254,500
Subject to occurrence of specified events/passage of time: Restricted for future periods	362,129
Perpetual in nature: Fred Taylor Scholarship Endowment Fund	<u>300,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 916,629</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,

**FOR LOVE OF CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2019**

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7. Net Assets (continued)

**Endowment Funds (continued)**

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 remaining 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 donor restricted, as such earnings may be used only for the program purpose specified by the donor.

For the year ended September 30, 2019, FLOC's endowment fund had the following activity:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 300,000
Investment return, net	13,845
Amounts appropriated for expenditure	<u>(13,845)</u>
Endowment Net Assets, End of Year	<u>\$ 300,000</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.

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 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, 2019, there were no such deficiencies.

FOR LOVE OF CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2019

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7. Net Assets (continued)

**Endowment Funds (continued)**

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.

8. Availability and Liquidity

FLOC regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. FLOC's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2019, were as follows:

Cash and cash equivalents	\$ 205,619
Pledges and grants receivable	362,428
Investments	<u>779,989</u>
Total Financial Assets Available Within One Year	1,348,036
Less:	
Amounts unavailable for general expenditures within one year due to purpose restrictions	<u>(554,500)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 793,536</u>

Continued



**FOR LOVE OF CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2019**

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8. Availability and Liquidity (continued)

FLOC has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of FLOC throughout the year. This is done through monitoring and reviewing FLOC's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of FLOC's cash flow related to FLOC's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds, or to support organizational initiatives. FLOC can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, FLOC has a committed line of credit of \$200,000, of which approximately \$132,000 was unused and available to draw upon as of September 30, 2019. FLOC's used line of credit is secured by FLOC's assets.

9. Program Services

During the fiscal year ended September 30, 2019, 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.

10. 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 being hired 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, 2019, FLOC contributed \$1,982 to the Plan on behalf of its employees.

**FOR LOVE OF CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2019**

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11. Income Taxes

Under Section 501(c)(3) of the IRC, FLOC is exempt from the payment of taxes on income other than net unrelated business income. FLOC reviews and assesses all activities annually to identify any changes in the scope of its activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the year ended September 30, 2019, no provision for income taxes was made, as FLOC had no net unrelated business income and did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. FLOC's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. There are currently no examinations pending or in progress regarding FLOC's tax returns.

12. Comparative Prior Year Summarized Information

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, 2018, from which the summarized information was derived.

13. Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. FLOC has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact FLOC's financial condition or results of operations cannot be predicted.

On April 9, 2020, FLOC's Small Business Administration loan application for the amount of \$161,700 has been approved by a financial institution. The loan will mature in April 2022 with a fixed interest rate at 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained.

FLOC's management has evaluated subsequent events through June 19, 2020, the date the financial statements were available to be issued. Except Note 5 and as disclosed above, there were no other subsequent events that require recognition or disclosure in these financial statements.