



FINANCIAL REPORT



For Love of Children
Teach. Empower. Transform.

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

FOR LOVE OF CHILDREN
FINANCIAL REPORT
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
For Love of Children
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of For Love of Children (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors consider 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 For Love of Children as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Thompson Greenspon

Fairfax, Virginia
January 20, 2022

FOR LOVE OF CHILDREN

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 279,151	\$ 591,866
Investments	1,270,443	1,178,772
Contributions and grants receivable, net	298,900	95,000
Prepaid expenses and other assets	47,473	60,709
Property and equipment, net	<u>1,308,014</u>	<u>1,349,205</u>
Total Assets	<u>\$ 3,203,981</u>	<u>\$ 3,275,552</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 77,961	\$ 33,158
Accrued salaries and benefits	28,430	42,264
Scholarships payable	27,269	23,807
Deferred rent	152,547	152,037
Loan - Paycheck Protection Program	<u>-</u>	<u>161,700</u>
Total Liabilities	<u>286,207</u>	<u>412,966</u>
Net Assets		
Without donor restrictions	773,359	953,229
With donor restrictions	<u>2,144,415</u>	<u>1,909,357</u>
Total Net Assets	<u>2,917,774</u>	<u>2,862,586</u>
Total Liabilities and Net Assets	<u>\$ 3,203,981</u>	<u>\$ 3,275,552</u>

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

FOR LOVE OF CHILDREN

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 1,210,555	\$ 343,900	\$ 1,554,455	\$ 1,738,328	\$ 1,370,865	\$ 3,109,193
Program service fees	7,364	-	7,364	-	-	-
Investment income	94,834	61,939	156,773	28,969	24,699	53,668
PPP loan forgiveness income	161,700	-	161,700	-	-	-
Net assets released from restrictions						
Satisfaction of time restrictions	75,000	(75,000)	-	307,129	(307,129)	-
Satisfaction of purpose restrictions	95,781	(95,781)	-	95,707	(95,707)	-
Total Support and Revenue	<u>1,645,234</u>	<u>235,058</u>	<u>1,880,292</u>	<u>2,170,133</u>	<u>992,728</u>	<u>3,162,861</u>
Expenses						
Program services						
Neighborhood Tutoring Program	437,438	-	437,438	369,085	-	369,085
Middle School and High School Scholars	154,005	-	154,005	134,313	-	134,313
Post-Secondary Scholars	205,298	-	205,298	230,459	-	230,459
Fred Taylor Scholarship Program	72,869	-	72,869	113,341	-	113,341
Outdoor Education Center	184,550	-	184,550	81,562	-	81,562
Total Program Services	<u>1,054,160</u>	<u>-</u>	<u>1,054,160</u>	<u>928,760</u>	<u>-</u>	<u>928,760</u>
Supporting services						
Management and general	289,423	-	289,423	309,821	-	309,821
Fundraising	481,521	-	481,521	514,658	-	514,658
Total Supporting Services	<u>770,944</u>	<u>-</u>	<u>770,944</u>	<u>824,479</u>	<u>-</u>	<u>824,479</u>
Total Expenses	<u>1,825,104</u>	<u>-</u>	<u>1,825,104</u>	<u>1,753,239</u>	<u>-</u>	<u>1,753,239</u>
Change in Net Assets	(179,870)	235,058	55,188	416,894	992,728	1,409,622
Net Assets, beginning of year	<u>953,229</u>	<u>1,909,357</u>	<u>2,862,586</u>	<u>536,335</u>	<u>916,629</u>	<u>1,452,964</u>
Net Assets, end of year	<u>\$ 773,359</u>	<u>\$ 2,144,415</u>	<u>\$ 2,917,774</u>	<u>\$ 953,229</u>	<u>\$ 1,909,357</u>	<u>\$ 2,862,586</u>

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

FOR LOVE OF CHILDREN

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	Program Services					Supporting Services				Total Expenses
	Neighborhood Tutoring Program	Middle School and High School Scholars	Post- Secondary Scholars	Fred Taylor Scholarship Program	Outdoor Education Center	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 285,910	\$ 101,365	\$ 101,365	\$ 36,142	\$ 50,524	\$ 575,306	\$ 66,619	\$ 258,301	\$ 324,920	\$ 900,226
Professional and contract services	13,240	6,409	5,259	806	108,911	134,625	53,313	111,427	164,740	299,365
Occupancy	54,875	19,496	19,496	6,930	12,956	113,753	60,717	49,504	110,221	223,974
Insurance	20,154	7,160	7,160	2,545	3,559	40,578	22,300	18,182	40,482	81,060
Bad debt	-	-	-	-	-	-	65,000	-	65,000	65,000
Scholarship and special needs	3,737	250	29,690	24,072	100	57,849	629	1,049	1,678	59,527
Equipment	12,729	2,612	2,478	740	4,686	23,245	6,511	16,085	22,596	45,841
Depreciation and amortization	5,859	2,082	19,709	740	1,034	29,424	6,482	5,285	11,767	41,191
Curriculum	20,791	8,869	8,869	2	3	38,534	17	13	30	38,564
Communications	3,994	1,874	1,874	409	1,778	9,929	3,589	2,924	6,513	16,442
Staff development	8,861	1,997	1,647	161	226	12,892	1,416	2,018	3,434	16,326
Fees	3,100	990	3,066	157	321	7,634	1,370	1,127	2,497	10,131
Events	86	86	86	-	-	258	-	10,486	10,486	10,744
Supplies	2,916	439	957	75	216	4,603	659	986	1,645	6,248
Advertising	502	126	3,400	12	17	4,057	103	2,969	3,072	7,129
Mail services	259	92	92	25	35	503	223	681	904	1,407
Food	209	82	74	26	37	428	233	289	522	950
Travel and transportation	216	76	76	27	52	447	242	195	437	884
Vehicles	-	-	-	-	95	95	-	-	-	95
Total Expenses	\$ 437,438	\$ 154,005	\$ 205,298	\$ 72,869	\$ 184,550	\$ 1,054,160	\$ 289,423	\$ 481,521	\$ 770,944	\$ 1,825,104

The Notes to Financial Statements are an integral part of this statement.

FOR LOVE OF CHILDREN

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services					Supporting Services				Total Expenses
	Neighborhood Tutoring Program	Middle School and High School Scholars	Post- Secondary Scholars	Fred Taylor Scholarship Program	Outdoor Education Center	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 226,838	\$ 83,101	\$ 83,101	\$ 46,912	\$ 47,187	\$ 487,139	\$ 49,821	\$ 266,226	\$ 316,047	\$ 803,186
Professional and contract services	15,899	5,815	84,438	3,286	3,301	112,739	74,298	145,481	219,779	332,518
Occupancy	52,834	19,349	19,796	10,935	16,799	119,713	58,207	62,018	120,225	239,938
Insurance	12,706	4,653	4,653	2,630	4,440	29,082	13,999	14,914	28,913	57,995
Bad debt	-	-	-	-	-	-	96,749	-	96,749	96,749
Scholarship and special needs	389	8,103	29,950	46,220	59	84,721	312	331	643	85,364
Equipment	10,954	6,588	1,287	710	3,787	23,326	3,785	9,464	13,249	36,575
Depreciation and amortization	14,399	2,045	2,045	1,156	1,161	20,806	6,153	6,556	12,709	33,515
Curriculum	12,145	-	-	-	10	12,155	-	-	-	12,155
Communications	6,901	2,549	1,727	312	2,779	14,268	1,658	1,765	3,423	17,691
Staff development	1,130	32	32	19	19	1,232	99	1,502	1,601	2,833
Fees	2,494	353	427	200	370	3,844	1,056	1,196	2,252	6,096
Supplies	3,139	315	1,059	161	928	5,602	856	1,430	2,286	7,888
Advertising	3,733	336	336	190	204	4,799	1,008	1,102	2,110	6,909
Mail services	1,226	120	120	68	68	1,602	359	406	765	2,367
Food	1,476	691	545	393	126	3,231	668	1,422	2,090	5,321
Travel and transportation	2,164	22	702	13	13	2,914	68	72	140	3,054
Vehicles	-	-	-	-	174	174	-	-	-	174
Financing costs	658	241	241	136	137	1,413	725	773	1,498	2,911
Total Expenses	\$ 369,085	\$ 134,313	\$ 230,459	\$ 113,341	\$ 81,562	\$ 928,760	\$ 309,821	\$ 514,658	\$ 824,479	\$ 1,753,239

The Notes to Financial Statements are an integral part of this statement.

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STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 55,188	\$ 1,409,622
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	41,191	33,515
Unrealized and realized gain on operating investments	(84,949)	(13,327)
Reinvested interest and dividends on operating investments	(26,256)	(20,992)
Endowment net investment return	(45,568)	(19,349)
PPP loan forgiveness income	(161,700)	-
Donated property	-	(986,720)
(Increase) Decrease in		
Contributions and grants receivable, net	(203,900)	267,428
Prepaid expenses and other assets	13,236	(24,766)
Increase (Decrease) in		
Accounts payable and accrued expenses	44,803	(38,542)
Accrued salaries and benefits	(13,834)	11,089
Scholarships payable	3,462	23,807
Deferred rent	510	8,357
	<u>(377,817)</u>	<u>650,122</u>
Net Cash (Used) Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchase of investments	(13,316)	(424,104)
Proceeds from sales of investments	78,418	78,989
Purchase of property and equipment	-	(12,460)
	<u>65,102</u>	<u>(357,575)</u>
Net Cash Provided (Used) by Investing Activities		
Cash Flows from Financing Activities		
Borrowings under line of credit	-	60,000
Payments made to line of credit	-	(128,000)
Proceeds from Paycheck Protection Program loan	-	161,700
	<u>-</u>	<u>93,700</u>
Net Cash Provided by Financing Activities		
Net (Decrease) Increase in Cash and Cash Equivalents	(312,715)	386,247
Cash and Cash Equivalents, beginning of year	<u>591,866</u>	<u>205,619</u>
Cash and Cash Equivalents, end of year	<u>\$ 279,151</u>	<u>\$ 591,866</u>
Supplemental Information		
Interest paid	<u>\$ -</u>	<u>\$ 2,911</u>

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

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

For Love of Children (the Organization) is a 501(c)(3) nonprofit community-based organization incorporated under the District of Columbia Non-Profit Corporation Act in November 1965. The Organization'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. For Love of Children 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. For Love of Children founded the District's first Child Advocacy Center and cofounded the Consortium for Child Welfare. The Organization's programs are funded primarily through grants and contributions from foundations and individuals.

The underlying categories represent the major program areas of the Organization.

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 percent mastery in one skill before moving on to the next.

Scholars Program – The Organization's 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, located in West Virginia, 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. On September 30, 2021, For Love of Children donated the West Virginia facilities to another nonprofit organization and discontinued the program service. The ownership of the land in West Virginia was retained by the Organization and subsequent to year-end a contract was entered into for the option to purchase the land as discussed further in Note 14.

Basis of Accounting

The financial statements of For Love of Children have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include demand deposits and all highly liquid debt instruments with original maturities of three months or less.

The Organization maintains cash balances with several financial institutions which, at times, may exceed federally insured limits of \$250,000. The Organization has not experienced any losses from such accounts.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of mutual funds and exchange traded funds and are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment expenses are included in investment income.

Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost). The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Exchange traded funds: Valued at the closing price reported in the active market in which the individual securities are traded.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Contributions and Grants Receivable

Contributions receivable represents amounts which have been promised but not yet received. Various grants received by the Organization periodically require progress reports on the activities of the Organization.

Contributions receivable due within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. In subsequent years, amortization of the discounts is included in contributions revenue in the statements of activities and changes in net assets. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At September 30, 2021 and 2020, the allowance was \$65,000 and \$-0-, respectively.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended September 30, 2021 and 2020.

Property and Equipment

The Organization has a capitalization policy for qualifying assets in excess of \$2,500. Property and equipment are reported at cost and are depreciated using the straight-line method over estimated useful lives of three to seven years. Commercial buildings are depreciated using the straight-line method over an estimated useful life of 40 years. Residential buildings are depreciated using the straight-line method over an estimated useful life of 29.5 years. Tenant improvements are depreciated over the term of the lease.

Expenditures for maintenance and repairs that do not materially extend the useful lives of property and equipment are charged to expense when incurred. When property or equipment is sold or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in earnings.

Paycheck Protection Program Loan

As described in Note 7, the Organization received a Paycheck Protection Program (PPP) loan. The Organization accounted for the loan under FASB ASC Topic 470, *Debt*, whereby the amount was not recognized as a gain on extinguishment until the Organization was legally released as primary obligor during the year ended September 30, 2021.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Scholarships Payable

Scholarships payable are recorded when approved by the Board. All scholarships are payable within one year. All scholarships are unconditional.

Revenue Recognition

The activities of the Organization are primarily financed by contributions and grants. Contributions and grants are recognized as revenue in the year an unconditional promise to give is received and are recorded at fair value. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. The Organization reports gifts of cash and other assets as support with donor restrictions if the contributions have been restricted by donors temporarily due to time, purpose or indefinitely. Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is received are reported as net assets without donor restrictions.

The Organization reports noncash gifts as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are acquired or placed in service.

Gifts and bequests of property are recorded at the earlier of the date received or when the bequest is no longer subject to probate and its value can be reasonably estimated. Gifts and bequests are valued at their estimated fair market value on the date of receipt. The Organization recognized \$986,720 in gifts of property with donor restrictions during the year ended September 30, 2020. The fair market value of the donated property was determined using Washington, D.C.'s assessed property values.

The Organization recognizes revenue from exchange transactions in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Exchange transactions were \$7,364 and \$-0- for the years ended September 30, 2021 and 2020, respectively.

Jan's Tutoring House Donations

During fiscal year 2020, as the result of Jan's Tutoring House (a 501(c)(3) nonprofit organization) dissolution, For Love of Children was transferred the management and administrative operation of Jan's Tutoring House's Eichhorn Scholarship Program. For Love of Children has recognized approximately \$344,000 as a contribution with donor restrictions related to the scholarship fund assignment. The net assets with donor restrictions for this scholarship fund are reported within the Scholars Program net asset category in Notes 9 and 10.

In addition to the scholarship fund, Jan's Tutoring House donated two townhouses to For Love of Children during fiscal year 2020. The Organization recognized the \$986,720 property donation as a contribution with donor restrictions. For Love of Children is to maintain and operate the donated townhouses in furtherance of the Organization's charitable mission. The townhouses or any proceeds therefrom shall be re-distributed to another local nonprofit with a similar or comparable charitable mission upon For Love of Children's dissolution.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jan's Tutoring House Donations (continued)

The donated property consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Buildings, restricted	\$ 520,020	\$ 520,020
Land, restricted	466,700	466,700
Total Restricted Property	<u>986,720</u>	<u>986,720</u>
Less: Accumulated Depreciation on Restricted Property	<u>(29,386)</u>	<u>(11,758)</u>
Restricted Property, net	<u>\$ 957,334</u>	<u>\$ 974,962</u>

Donated Services and In-Kind Contributions

For Love of Children utilizes volunteers who contribute their time and perform a variety of tasks to assist with the Organization's program services. No amounts have been recorded in the accompanying statements of activities and changes in net assets and statements of functional expenses related to these volunteer services because they do not meet the criteria for recognition as donated services under the accounting standards. Contributions of services are recognized if the services received create or enhance non-financial assets or require special skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the years ended September 30, 2021 and 2020, the Organization received \$105,659 and \$78,404 in donated services, respectively. The donated services in 2021 and 2020 were for legal fees.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salary and benefits, depreciation, insurance, occupancy, professional and contract services, and other expenses, which are allocated on the basis of estimates of time and effort. Expenses related to curriculum, scholarships and special needs, and travel are charged to the appropriate program as they are incurred.

FOR LOVE OF CHILDREN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, For Love of Children is exempt from taxes on income related to its exempt purpose.

For Love of Children has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

For Love of Children files Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service. The Organization is not currently under audit by any income tax jurisdiction.

For Love of Children is subject to unrelated business income tax for activities conducted outside its tax-exempt purpose. The Organization did not conduct unrelated business activities during the years ended September 30, 2021 and 2020.

Recent Accounting Pronouncements

ASU 2016-02

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases* (FAS 13). ASU 2016-02 requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

COVID-19

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Organization operates. In December 2020, the U.S. Food and Drug Administration approved the distribution of COVID-19 vaccines that, once widely adopted and utilized, may materially reduce the impact of COVID-19 going forward, although the impact of the virus including certain new strains remains uncertain. The impact, scope and duration of any new strains of the virus, and the ability to successfully distribute the vaccines, remain largely unknown. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Organization operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

Subsequent Events

The date to which events occurring after September 30, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 20, 2022, which is the date on which the financial statements were available to be issued.

FOR LOVE OF CHILDREN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

2. LIQUIDITY AND AVAILABILITY

The financial assets and liquidity resources available within one year of the statement of financial position date for general expenditure were as follows at September 30, 2021:

Cash and cash equivalents	\$ 279,151
Contributions and grants receivable, net	298,900
Investments	1,270,443
Financial assets, at year end	1,848,494
Less those unavailable for general expenditures within one year due to:	
Program restrictions	(936,681)
Board-designated reserve fund	(67,625)
Subtotal unavailable for general expenditures within one year	(1,004,306)
Financial assets available to meet cash needs for general expenditures within one year	\$ 844,188

The Organization has a goal to maintain financial assets on hand to meet normal operating expenses for the current budget year. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$200,000 available to draw upon as of September 30, 2021. The Organization's endowment fund consists of a donor endowment. Income from donor endowment is restricted for specific purposes and, therefore, is not available for general expenditure.

3. INVESTMENTS

The following tables summarize the Organization's assets measured at fair value on a recurring basis as of September 30, aggregated by the fair value hierarchy level in which those measurements were made:

2021	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Growth	\$ 373,716	\$ 373,716	\$ -	\$ -
Value	401,155	401,155	-	-
Bonds	165,043	165,043	-	-
Subtotals	939,914	939,914	-	-
Exchange Traded Funds	330,529	330,529	-	-
Total Investments	\$ 1,270,443	\$ 1,270,443	\$ -	\$ -

FOR LOVE OF CHILDREN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

3. INVESTMENTS (continued)

2020	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Growth	\$ 321,304	\$ 321,304	\$ -	\$ -
Value	341,808	341,808	-	-
Bonds	177,886	177,886	-	-
Subtotals	840,998	840,998	-	-
Exchange Traded Funds	337,774	337,774	-	-
Total Investments	<u>\$ 1,178,772</u>	<u>\$ 1,178,772</u>	<u>\$ -</u>	<u>\$ -</u>

Investment returns from investments, as well as cash and cash equivalents, consisted of the following for the years ended September 30:

	2021	2020
Interest and dividends	\$ 35,554	\$ 31,171
Unrealized and realized gains	121,219	22,497
Total Investment Income	<u>\$ 156,773</u>	<u>\$ 53,668</u>

4. PROPERTY AND EQUIPMENT

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

	2021	2020
Buildings and improvements	\$ -	\$ 329,966
Buildings and improvements, restricted	520,020	520,020
Land	292,532	292,532
Land, restricted	466,700	466,700
Furniture and equipment	49,907	58,282
Leasehold improvements	65,162	65,162
Total Property and Equipment	1,394,321	1,732,662
Less: Accumulated Depreciation and Amortization	(56,921)	(371,699)
Less: Accumulated Depreciation on Restricted Property	(29,386)	(11,758)
Property and Equipment, net	<u>\$ 1,308,014</u>	<u>\$ 1,349,205</u>

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was \$41,191 and \$33,515, respectively.

FOR LOVE OF CHILDREN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

5. LINE OF CREDIT

On May 3, 2018, For Love of Children entered into a \$200,000 line of credit agreement, which had a maturity date of May 3, 2020. The Organization renewed the line of credit through May 3, 2022. Amounts drawn accrue interest at the Wall Street Journal Prime rate plus 1 percent, with a floor of 4.5 percent, and are payable on demand. As of September 30, 2021 and 2020, For Love of Children had an outstanding balance of \$-0-. The line of credit is collateralized by the assets of the Organization.

6. LEASES

On June 26, 2018, For Love of Children 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. Rent expense is recognized on a straight-line basis over the term of the lease resulting in the recording of a deferred rent liability for rent holidays.

Following are the future minimum payments under the lease at September 30, 2021:

<u>Year ending September 30:</u>	
2022	\$ 212,182
2023	220,670
2024	229,496
2025	238,676
2026	248,223
Thereafter	128,221
Total	<u>\$ 1,277,468</u>

On January 31, 2020, For Love of Children entered into a lease agreement expiring December 31, 2020, to rent out certain space in the buildings donated to the Organization during the 2020 fiscal year. Lease receipts were \$2,960 per month. The lease was extended for an additional term of six months, which terminated on June 30, 2021.

Rent expense for the year ended September 30, 2021 amounted to \$207,031, net of lease income of \$27,008, for net rent expense of \$180,023. Rent expense for the year ended September 30, 2020, amounted to \$215,383, net of lease income of \$24,033, for net rent expense of \$191,350.

7. PAYCHECK PROTECTION PROGRAM LOAN

On April 9, 2020, the Organization qualified for and received a loan pursuant to the PPP, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), from a qualified lender (the PPP Lender), for an aggregate principal amount of \$161,700 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0 percent per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization.

The Organization applied for forgiveness of the PPP Loan during the year ended September 30, 2021 and received full forgiveness of \$161,700 from the SBA on July 21, 2021. Accrued interest calculated through this date was also fully forgiven. The amount of loan forgiveness is separately presented on the current year statement of activities and changes in net assets.

FOR LOVE OF CHILDREN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

8. RETIREMENT PLAN

For Love of Children 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 to participate immediately upon being hired. The Plan has an automatic enrollment feature at 3 percent of salary. Employees are given the opportunity to opt out if they choose not to participate. After one year of service, full-time employees are eligible to receive a discretionary matching contribution from the Organization. The Organization's employees were eligible to receive employer matching contributions up to 4 percent of each participant's annual salary to the Plan each year. Effective March 1, 2020, employees are eligible to receive employer matching funds up to 3 percent of participant's annual salary each year. Employees are vested in the employer contributions of the Plan based on years of service and are 33 percent vested after year 1, 67 percent vested after year 2, and fully vested after year 3. For the years ended September 30, 2021 and 2020, the Organization contributed \$15,717 and \$1,613 to the Plan on behalf of its employees, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30:

	2021	2020
Subject to expenditure for specified purpose:		
Fred Taylor Scholarship Program	\$ 205,312	\$ 208,744
Scholars Program	317,869	330,651
Neighborhood Tutoring Program	113,500	-
Contributed property		
Buildings	520,020	520,020
Land	466,700	466,700
Less: Accumulated depreciation	(29,386)	(11,758)
Contributed property, net	957,334	974,962
Subtotal subject to expenditure for specified purpose	1,594,015	1,514,357
Subject to occurrence of specified events/passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	250,400	95,000
Perpetual in nature:		
Fred Taylor Scholarship Endowment Fund	300,000	300,000
Total Net Assets with Donor Restrictions	\$ 2,144,415	\$ 1,909,357

FOR LOVE OF CHILDREN

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors, were as follows at September 30:

	2021	2020
Satisfaction of purpose restrictions		
Fred Taylor Scholarship Program	\$ 49,000	\$ 65,105
Scholars Program	29,153	18,844
Contributed property depreciation	17,628	11,758
Subtotal	95,781	95,707
Expiration of time restrictions	75,000	307,129
Total Net Assets Released from Restrictions	\$ 170,781	\$ 402,836

11. ENDOWMENT AND BOARD-DESIGNATED FUNDS

The Organization’s endowment includes both endowment funds with donor restrictions and funds designated by the Board, the Association’s governing body, to function as Board-designated funds. As required by GAAP, net assets associated with endowment funds – including funds designated by the Board to function as endowments – are classified and reported based on the existence or absence of donor-imposed restrictions.

As of September 30, 2021 and 2020, net assets with donor restrictions included endowment funds of \$300,000 that are required to be maintained permanently, either by explicit donor stipulation or by the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA). The value of the endowment fund was \$300,000 as of September 30, 2021 and 2020. As of September 30, 2021 and 2020, net assets with donor restrictions included \$-0- of endowment fund earnings, which are restricted to be used only for the program purpose specified by the donor, in accordance with spending policies for endowed funds, and are subject to purpose restrictions under UPMIFA.

As of September 30, 2021 and 2020, net assets without donor restrictions included Board-designated funds of \$67,625 and \$48,205, respectively.

The endowment consists of one donor-restricted contribution. For Love of Children has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, For Love of Children classifies the following as net assets with donor restrictions perpetual in nature: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts of the permanent endowment.

The Fund was established in 1999 to provide scholarships for youth enrolled in the Organization'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 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.

FOR LOVE OF CHILDREN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

11. ENDOWMENT AND BOARD-DESIGNATED FUNDS (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the Organization.

The Organization's endowment fund had the following activity for the years ended September 30:

	2021	2020
Endowment net assets, beginning of year	\$ 300,000	\$ 300,000
Investment return, net	45,568	19,349
Amounts appropriated for expenditure	(45,568)	(19,349)
Endowment net assets, end of year	<u>\$ 300,000</u>	<u>\$ 300,000</u>

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. In accordance with generally accepted accounting principles in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. As of September 30, 2021 and 2020, there were no such deficiencies.

As of September 30, 2021 and 2020, the endowment was invested in mutual funds, which are included in investments in the accompanying statements of financial position.

Return Objectives and Risk Parameters

For Love of Children has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments.

Spending Policy

Earnings on the endowment net assets are released from donor restrictions and are used in accordance with donor stipulations when scholarships are awarded annually. Any unexpended earnings are reinvested in the fund.

12. CONCENTRATIONS

Two entities accounted for 37 and 68 percent of the Organization's revenue for the years ended September 30, 2021 and 2020, respectively. Three entities accounted for 95 and 99 percent of total contributions and grants receivable at September 30, 2021 and 2020, respectively.

FOR LOVE OF CHILDREN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

13. CONTINGENCIES

For Love of Children invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's investments and the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

14. SUBSEQUENT EVENTS

On October 22, 2021, For Love of Children entered into an option agreement with another organization to sell a parcel of land For Love of Children owns in Jefferson County, West Virginia. In consideration of payment of \$15,000, For Love of Children granted that organization the exclusive right and option to purchase the land through November 1, 2022.