

**Love146, Inc.**

**Financial Statements  
and  
Reports of Independent  
Certified Public Accountants**

**For the Year Ended  
June 30, 2019 and 2018**

**Love146, Inc.**  
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**As of June 30, 2019 and 2018**

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CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

Board of Directors  
Love146, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Love146, Inc., which comprise the statement of financial position as of June 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.

#### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Love146, Inc. as of June 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.

## **Emphasis of Matters**

### *Prior Period Adjustment*

As part of our audit of the fiscal year 2019 financial statements, we also audited the prior period adjustments described in Note 11. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the fiscal year 2018 financial statements of Love146, Inc. other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole. The financial statements of Love146, Inc. for the year ended June 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on November 26, 2018.

### *New Accounting Principle*

As discussed in Note 1 to the financial statements, in fiscal year 2019 Love146, Inc. adopted new accounting guidance related to the presentation of financial statements for not-for-profit entities (ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*). The amendment has been adopted and applied by Love146, Inc. on a retrospective basis for the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

## **Other Matter**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance, as required by the State of Connecticut Single Audit Act is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of Love146, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Love146, Inc.'s internal control over financial reporting and compliance.



Maletta & Company  
Certified Public Accountants

Bristol, Connecticut  
November 15, 2019

**Love146, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 1,001,476	\$ 1,159,466
Receivables	72,903	143,538
Prepaid Expenses	93,360	48,976
Total Current Assets	1,167,739	1,351,980
Property and Equipment, Net	32,495	80,630
Deposits	5,500	5,500
Total Assets	\$ 1,205,734	\$ 1,438,110
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable	51,627	31,167
Accrued Expenses	46,451	49,592
Deferred Revenue	10,454	49,272
Total Current Liabilities	108,532	130,031
Net Assets		
Without Donor Restrictions	\$ 1,035,098	\$ 1,290,579
With Donor Restrictions	62,104	17,500
Total Net Assets	1,097,202	1,308,079
Total Liabilities and Net Assets	\$ 1,205,734	\$ 1,438,110

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

**Love146, Inc.**  
**Statement of Activities**  
**For the Years Ended June 30, 2019 and 2018**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Without Donor Restrictions	With Donor Restrictions	2018 Total
<b>Revenues and Support</b>						
Contributions	2,679,149	\$ 62,104	\$ 2,741,253	\$ 3,124,327	\$ 17,500	\$ 3,141,827
Federal Grants	734,399	-	734,399	569,879	-	569,879
State Grants	370,573	-	370,573	444,933	-	444,933
Special Events, net of Direct Benefits to Donors	28,071	-	28,071	219,049	-	219,049
Program Service Fees	133,775	-	133,775	119,575	-	119,575
Reimagine Sales	56,523	-	56,523	47,409	-	47,409
Interest	4,510	-	4,510	1,361	-	1,361
Other Income	24,320	-	24,320	251	-	251
Total Revenues Before Net Assets						
Released from Restrictions	4,031,320	62,104	4,093,424	4,526,784	17,500	4,544,284
Net Assets Released from Restrictions	17,500	(17,500)	-	47,500	(47,500)	-
Total Revenues	4,048,820	44,604	4,093,424	4,574,284	(30,000)	4,544,284
<b>Expenses</b>						
<b>Program Services</b>						
Survivor Care	1,689,233	-	1,689,233	1,735,494	-	1,735,494
Prevention Education	492,219	-	492,219	401,143	-	401,143
Africa	105,771	-	105,771	83,652	-	83,652
Mobilization	94,086	-	94,086	161,144	-	161,144
Other Programs	384,711	-	384,711	484,790	-	484,790
Total Program Services	2,766,020	-	2,766,020	2,866,223	-	2,866,223
<b>Supporting Services</b>						
General and Administrative	794,618	-	794,618	648,626	-	648,626
Development and Fundraising	520,765	-	520,765	649,555	-	649,555
Reimagine	222,898	-	222,898	272,729	-	272,729
Total Supporting Services	1,538,281	-	1,538,281	1,570,910	-	1,570,910
Total Expenses	4,304,301	-	4,304,301	4,437,133	-	4,437,133
Change in Net Assets	(255,481)	44,604	(210,877)	137,151	(30,000)	107,151
Net Assets, Beginning of Year	1,290,579	17,500	1,308,079	1,137,528	47,500	1,185,028
Prior Period Adjustment	-	-	-	15,900	-	15,900
Net Assets, End of Year	\$ 1,035,098	\$ 62,104	\$ 1,097,202	\$ 1,290,579	\$ 17,500	\$ 1,308,079

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

**Love146, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program Services					Total Programs	Supporting Services			2019 Total
	Survivor Care	Prevention Education	Africa	Mobilization	Other Programs		General & Administrative	Development & Fundraising	Reimagine	
Personnel Expenses										
Salaries	\$ 808,785	\$ 320,654	\$ 63,245	\$ 51,394	\$ 254,628	\$1,498,706	\$ 464,040	\$ 236,351	\$ 87,017	\$2,286,114
Fringe Benefits	67,460	19,910	9,870	12,361	48,016	157,617	45,660	15,257	10,567	229,101
Payroll Taxes	66,682	26,489	4,692	3,708	16,924	118,495	42,522	19,300	6,944	187,261
Total Personnel Expenses	942,927	367,053	77,807	67,463	319,568	1,774,818	552,222	270,908	104,528	2,702,476
Other Expenses										
Program Expense	93,736	-	-	-	-	93,736	-	-	-	93,736
Grant Expense	291,330	-	1,330	-	-	292,660	-	-	-	292,660
Contract Labor	117,594	7,382	7,830	7,000	15,454	155,260	44,898	75,022	-	275,180
Travel and Related Expenses	74,205	64,837	13,688	4,166	17,661	174,557	33,754	51,066	4,077	263,454
Occupancy	58,751	16,834	3,026	5,885	7,558	92,054	44,528	20,290	72,325	229,197
Bank Fees	3,570	730	60	-	30	4,390	8,182	50,475	1,781	64,828
Professional Fees	13,131	5,057	249	721	1,265	20,423	60,337	6,420	180	87,360
Printing and Reproduction	515	13,726	713	-	2,355	17,309	1,182	11,742	121	30,354
Postage	139	1,113	33	318	5,292	6,895	2,666	11,051	585	21,197
Insurance	60,093	1,355	236	4,286	956	66,926	1,601	8,357	1,431	78,315
Supplies	2,101	6,395	366	582	701	10,145	13,232	2,038	6,188	31,603
Telephone	10,396	1,728	294	494	1,661	14,573	7,006	2,187	3,612	27,378
Staff Development	14,433	1,386	16	21	130	15,986	8,900	6,952	437	32,275
Depreciation Expense	4,420	4,393	-	-	9,886	18,699	12,523	479	23,687	55,388
Office Equipment	27	-	-	1,666	1,417	3,110	2,023	258	-	5,391
Dues and Subscriptions	1,773	50	-	504	-	2,327	433	2,274	145	5,179
Other	92	180	123	980	777	2,152	1,131	1,246	3,801	8,330
Total Other Expenses	746,306	125,166	27,964	26,623	65,143	991,202	242,396	249,857	118,370	1,601,825
Total Expenses	\$1,689,233	\$ 492,219	\$ 105,771	\$ 94,086	\$ 384,711	\$2,766,020	\$ 794,618	\$ 520,765	\$ 222,898	\$4,304,301

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

**Love146, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**

	Program Services					Total Programs	Supporting Services			2018 Total
	Survivor Care	Prevention Education	Africa	Mobilization	Other Programs		General & Administrative	Development & Fundraising	Reimagine	
<b>Personnel Expenses</b>										
Salaries	\$ 791,493	\$ 234,666	\$ 47,667	\$ 101,212	\$ 227,198	\$1,402,236	\$ 366,372	\$ 362,280	\$ 119,874	\$2,250,762
Fringe Benefits	69,991	15,398	6,587	17,461	34,331	143,768	27,205	24,910	12,084	207,967
Payroll Taxes	51,950	29,620	4,374	8,927	17,380	112,251	42,353	30,315	8,327	193,246
<b>Total Personnel Expenses</b>	<b>913,434</b>	<b>279,684</b>	<b>58,628</b>	<b>127,600</b>	<b>278,909</b>	<b>1,658,255</b>	<b>435,930</b>	<b>417,505</b>	<b>140,285</b>	<b>2,651,975</b>
<b>Other Expenses</b>										
Program Expense	108,150	-	-	-	-	108,150	-	-	-	108,150
Grant Expense	387,525	-	2,500	-	12,000	402,025	-	-	-	402,025
Contract Labor	107,049	8,538	2,000	-	45,107	162,694	8,278	273	5,863	177,108
Travel and Related Expenses	65,148	53,012	15,224	16,922	42,371	192,677	33,008	83,599	26,637	335,921
Occupancy	41,796	16,400	3,216	4,773	10,838	77,023	43,477	20,598	46,814	187,912
Bank Fees	733	118	30	89	15	985	4,009	61,776	2,612	69,382
Professional Fees	8,962	6,736	174	592	44,427	60,891	34,914	11,445	1,423	108,673
Printing and Reproduction	527	11,045	37	2,064	6,173	19,846	4,929	19,433	4,611	48,819
Postage	77	1,272	-	371	21	1,741	2,559	3,860	299	8,459
Insurance	49,997	399	63	6,290	14,955	71,704	938	4,308	475	77,425
Supplies	4,499	1,116	857	8	1,066	7,546	13,097	6,798	16,777	44,218
Telephone	11,546	1,858	540	1,083	2,067	17,094	8,162	3,339	3,724	32,319
Staff Developent	16,919	4,252	187	663	1,603	23,624	38,558	9,157	430	71,769
Depreciation Expense	-	-	-	569	4,096	4,665	17,424	-	17,553	39,642
Office Equipment	352	27	-	33	-	412	2,785	193	3,592	6,982
Dues and Subscriptions	2,160	784	-	(24)	1,871	4,791	1,643	861	92	7,387
Other	16,620	15,902	196	111	19,271	52,100	(1,085)	6,410	1,542	58,967
<b>Total Other Expenses</b>	<b>822,060</b>	<b>121,459</b>	<b>25,024</b>	<b>33,544</b>	<b>205,881</b>	<b>1,207,968</b>	<b>212,696</b>	<b>232,050</b>	<b>132,444</b>	<b>1,785,158</b>
<b>Total Expenses</b>	<b>\$1,735,494</b>	<b>\$ 401,143</b>	<b>\$ 83,652</b>	<b>\$ 161,144</b>	<b>\$ 484,790</b>	<b>\$2,866,223</b>	<b>\$ 648,626</b>	<b>\$ 649,555</b>	<b>\$ 272,729</b>	<b>\$4,437,133</b>

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



**Love146, Inc.**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
Cash Flows Provided by Operating Activities		
Change in Net Assets	\$ (210,877)	\$ 107,151
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	55,388	39,642
Decrease/(Increase) in Operating Assets		
Receivables	70,635	133,298
Prepaid Expenses	(44,384)	-
Deposits	-	(19,303)
(Increase)/Decrease in Operating Liabilities		
Accounts Payable	20,461	19,663
Accrued Expenses	(3,141)	(47,317)
Deferred Revenue	(38,818)	(87,578)
Net Cash Provided by Operating Activities	(150,736)	145,556
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(7,254)	(48,507)
Net Cash Used For Investing Activities	(7,254)	(48,507)
Net Increase/(Decrease) in Cash and Cash Equivalents	(157,990)	97,049
Cash and Cash Equivalents - Beginning	1,159,466	1,062,417
Cash and Cash Equivalents - Ending	\$ 1,001,476	\$ 1,159,466
Supplemental Information		
Cash Paid for Income Taxes	\$ -	\$ -
Cash Paid for Interest	\$ -	\$ -

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

**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 1 – Organization**

Founded in 2002, Love146, Inc. is an international human rights organization working to end child trafficking and exploitation. We serve children in the United States, the Philippines, the United Kingdom, and several countries in Africa. Our programmatic goals are:

- decrease children’s risk for exploitation through prevention and community education;
- care for children who have survived trafficking and exploitation with holistic services;
- engage partners and supporters to advance our mission and promote the anti-trafficking movement.

Our Survivor Care serves children whose ages range from less than one-year old to 17. It is grounded in individual care plans that address the biological, psychological, social, financial, and spiritual impacts of victimization, and help youth develop strategies to stay safe. We strive to see survivors become self-sufficient, flourishing adults, free from re-victimization or dependency.

In the United States, our prevention program is based on the five-module prevention program we developed called *Not a Number*, an interactive curriculum designed to teach youth how to protect themselves from human trafficking and exploitation through information, critical thinking, and skill development. *Not a Number* is research based, and grounded in best practices in the field of prevention education. Love146 implements *Not a Number* directly with children in school and community settings, and also scales our impact by training and equipping facilitators to bring these programs to their own communities.

In Asia, Love146 has developed an awareness tool in the form of a flipchart used with children called “My Body is Mine.” This tool is still being used in several Asian countries, and is currently being utilized in a pilot program in three African nations: Madagascar, Liberia, and Sierra Leone.

Finally, Love146 recognizes that a robust community response can play an important role in helping to stop child trafficking and exploitation. Love146’s survivor care, prevention, and mobilization teams engage collaboratively with stakeholders in several communities to ensure we’re building a safer world for children. Through awareness raising, volunteer team outreach, and in-depth trainings, Love146 is empowering professionals, parents, and other adults, businesses, nonprofits, and service providers who can play a role in protecting and supporting children who may be affected by trafficking.

Love146 continually monitors and adjusts our programs based on feedback from youth, survivors, and those responsible for implementing the programs, and is striving to build our knowledge base with more sophisticated tools for results-based accounting. Some of the results we have measured to date in our Survivor Care programs include:

- At the close of FY 2018-19, ending on June 30, 2019, Love146 has provided survivor care services and support a cumulative total of 3,358 children.
- In US Survivor Care, 60% of youth have successfully transitioned from our long-term care to sustained care services.
- While 51% of children in our US Survivor Care program were attending school upon intake, 83% were attending school, graduated, or working at the time of transition to sustained care.
- In the Philippines, 171 children in high-risk communities have been supported.
- 28 young people have been reached by our UK support services.

Some of the results we have measured to date in our Prevention programs include:

- We have reduced the risk for exploitation for 52,518 children through prevention and community education.
- 832 facilitators in 21 states have been trained and certified by our Prevention Education team in the US.
- 277 agencies to date have been licensed with *Not a Number*, our Prevention Education curriculum.
- 18,312 youth have been reached with the “My Body is Mine” flipchart in Liberia, Madagascar, and Sierra Leone.
- 432 facilitators have been certified to reach children in Africa with “My Body is Mine” in Liberia, Madagascar, and Sierra Leone.

**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 1 – Organization (Cont'd)**

Our strategic partnership activities have reached 13,601 professionals, caregivers, and community members to support the vision of Love146 and help establish a community influencers in the anti-trafficking field at large.

Some key collaborators include the FBI, the Twitter Trust and Safety Council, the National Advisory Committee on the Sex Trafficking of Children and Youth in the United States, the Philippines Department of Social Welfare and Development, the State of Texas Office of the Governor, the Connecticut Department of Children and Families, the European Network of Guardianship Institutions, the National Human Trafficking Training and Technical Assistance Center, and the US Department of Health and Human Services, among many other key stakeholders.

Love146, Inc. operates programs in the United States and foreign countries; unforeseen political, economic, or governmental changes in these countries could have an effect on Love146, Inc.'s future activities. Total grant expense to organizations worldwide during the years ended June 30, 2019 and 2018 totaled \$292,660 and \$402,025 respectively.

**Note 2 – Summary of Significant Accounting Policies**

**Financial Statement Presentation**

The accompanying financial statements of Love146, Inc. have been prepared on the accrual basis of accounting. The financial statement presentation follows generally accepted accounting principles for not-for-profit entities. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Love146, Inc. 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.

Revenues, including promises to give, are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor or grantor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decrease in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Cont'd)**

**Income Tax Status**

Love146, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Love146, Inc. is also exempt from state income taxes. Accordingly, no provision for income taxes has been made in the financial statements. Love146, Inc. is subject to tax on unrelated business income, if incurred, as well as certain state filing fees.

Management of Love146, Inc. has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If Love146, Inc. were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties would be reported as income taxes. Love146, Inc.'s conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations and interpretations thereof as well as other factors. Generally, federal and state authorities may examine the Love146, Inc.'s tax returns for three years from the date of filing.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash, Cash Equivalents and Credit Risk**

For purposes of the statement of cash flows, Love146, Inc. considers all short-term investments, with a maturity of three months or less when purchased, and money market mutual funds, to be cash equivalents. Cash deposits in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, amounts of cash and cash equivalents maintained on deposit may be in excess of the FDIC insurance limit. Love146, Inc. has not experienced any losses in such accounts and management believes Love146, Inc. is not exposed to significant risk.

**Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements are capitalized at cost. It is Love146, Inc.'s policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Furniture and office equipment are being depreciated over estimated useful lives of three to seven years, using the straight-line method. Leasehold improvements are being amortized over the shorter of the lease term or useful life using the straight-line method.

**Grant and Contracts**

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred grant revenue (refundable advances). Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred.

**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Cont'd)**

**Contributions**

Contributions are generally available for use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Love146, Inc. does not generally have unconditional promises to give due in subsequent years, but when they occur, they are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the year in which the promises are received to discount the amounts. Promises to give are received from various contributors and not necessarily related to any specific event. An allowance for uncollectable contributions is provided based on management's evaluation of potential uncollectable receivables. The allowance for uncollectable contributions is currently \$-0-.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities of Love146, Inc. have been summarized on a functional basis in the accompanying statement of activities, which includes all expenses incurred for the years. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates the direct costs of its operations to its programs and services based upon the percentage of direct labor costs charged to each program and supporting services by Love146, Inc. staff.

**Donated Services**

Love146, Inc. recognizes donated services if they create or enhance non-financial assets or requires specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statement. However, a substantial number of volunteers have donated significant amounts of their time in Love146, Inc.'s operations and fund-raising campaigns.

**Compensated Absences**

Employees are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future paid sick days and time off. Accordingly, no liabilities for these amounts have been recorded in the accompanying financial statements. The Organizations policy is to recognize the cost of compensated absences when actually paid to employees.

**Date of Management's Review**

Subsequent events were considered through November 15, 2019, which is the date the financial statements were available to be issued.

**New Accounting Pronouncements**

On August 18, 2016, FASB issued 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. Love146, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Reclassifications**

Certain reclassifications have been made to the 2018 financial statements to conform to the current year's presentation. See Note 11 for information regarding prior period adjustments.

**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 3 – Availability and Liquidity**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are as follows:

Cash and Cash Equivalents	\$	939,372
Receivables		72,903
		\$ 1,012,275

Love146, Inc. regularly monitors liquidity required to meet its operational needs. Love146, Inc. forecasts its future cash flows and strives to budget annual revenue to cover general expenditures, and conducts capital campaigns or seeks specific grant assistance for major capital projects.

**Note 4 – Property and Equipment**

The following is a detailed list of property and equipment cost and accumulated depreciation as of June 30, 2019 and 2018:

	2019	2018
Leasehold Improvements	\$ 72,887	\$ 85,419
Furniture, Fixtures, and Equipment	126,692	119,439
Total Property & Equipment	199,579	204,858
Accumulated Depreciation	(167,084)	(124,228)
Net Property and Equipment	\$ 32,495	\$ 80,630

**Note 5 – Leases**

**Operating Leases**

Love146, Inc. leases office space in New Haven, Connecticut under a three-year non-cancelable operating lease, which expires June 2021. The lease requires monthly payments of \$5,389 over the three-year life of the lease. Love146, Inc. also leases office space in Spring, Texas under a two and one half year (30 months) non-cancelable operating lease, which expires December 31, 2021. The lease requires annually increasing monthly payments ranging \$1,352 to \$1,394. Total rent expense for the year ended June 30, 2019 and 2018 was \$188,765 and \$168,406. Future minimum operating lease commitments under lease are as follows:

Years Ending June 30,	2019	2018
2019		\$ 145,213
2020	\$ 90,151	73,488
2021	8,366	16,344
2022	-	-
2023	-	-
2024	-	-
Thereafter	-	-
	\$ 98,517	\$ 235,045

**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 6 – Net Assets With Donor Restrictions**

As of June 30, 2019 and 2018, net assets with donor restrictions that are temporary in nature are available for the following purposes or time periods:

Purpose	2019	2018
U.S. Survivor Care	\$ 31,348	\$ -
Prevention Education	13,256	-
Africa Programs	17,500	17,500
	<u>\$ 62,104</u>	<u>\$ 17,500</u>

Net assets with donor restrictions that were temporary in nature were released from restrictions during the years ended June 30, 2019 and 2018, by incurring expenses satisfying the following restrictions:

Purpose	2019	2018
Africa Programs	\$ 17,500	\$ 47,500
	<u>\$ 17,500</u>	<u>\$ 47,500</u>

There were no net assets with donor restrictions that were permanent in nature for the years ended June 30, 2019 and 2018.

**Note 7 – Related Party Transactions**

**Love146 (Philippines)**

On January 24, 2008, Love146, Inc. (US) entered into an Association Agreement (agreement) with a related party in the Philippines, Love146 (Philippines) to support their mission in the area. The agreement requires, among other things, that Love146 (Philippines) maintain a board of directors and executive director whose appointments must all be ratified by Love146, Inc. (US). The agreement also requires that to ensure coordination with Love146, Inc. (US), Love146 (Philippines) annual proposed budget must be approved by Love146, Inc. (US) prior to adoption. In addition, Love146 (Philippines) shall provide monthly financial reports and quarterly audited financial statements to Love146, Inc.(US).

The initial term of the agreement is five years and has an automatic five-year renewal unless either party provides notice not to renew. The agreement may also terminate if other occurrences occur such as the dissolution of either party, either party submits written cancelation within a certain period of time, loss of tax exempt status by either party or if one party engages in any act that is (1) in violation of the agreement; (2) inconsistent with the ministry of exempt status of any party to this agreement; or (3) which would subject any party to public disrepute.

In addition, the two parties entered into a Trademark License Agreement which grants a non-transferable, exclusive, royalty free license to Love146 (Philippines) to use Trademarks registered with the United States Patent and Trademark Office by Love146, Inc. (US), as long as the Trademark License Agreement and Association Agreement remain in place.

During the years ended June 30, 2019 and 2018 Love146, Inc. provided Love146 (Philippines) with \$250,987 and \$289,000, respectively, in support to fund operations to support their mutual mission.

**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 7 – Related Party Transactions (Cont'd)**

**Love146 (UK)**

On March 24, 2010, Love146, Inc. (US) entered into an Association Agreement (agreement) with a related company in the United Kingdom, Love146 (UK) to support their mission in Europe. The agreement requires, among other things, that Love146 (UK) maintain a board of directors and executive director whose appointments must all be ratified by Love146, Inc. (US). The agreement also requires that to ensure coordination with Love146, Inc. (US). Love146 (UK)'s annual proposed budget must be approved by Love146, Inc. (US) prior to adoption. In addition, Love146 (UK) shall provide monthly financial reports and quarterly audited financial statements to Love146, Inc. (US).

The initial term of the agreement is five years and has an automatic five-year renewal unless either party provides notice not to renew. The agreement may also terminate if other occurrences occur such as the dissolution of either party, either party submits written cancellation within a certain period of time, loss of tax exempt status by either party or if organization engages in any act that is (1) in violation of the agreement; (2) inconsistent with the ministry of exempt status of any party to this agreement; or (3) which would subject any party to public disrepute.

In addition, the two parties entered into a Trademark License Agreement, which grants non-transferable, exclusive royalty free license to Love146 (UK) to use Trademarks registered with the United States Patent and Trademark Office by Love146, Inc. (US), as long as the Trademark License Agreement and Association Agreement remain in place.

During the years ended June 30, 2019 and 2018, Love146, Inc. provided Love146 (UK) with \$15,343 and \$96,500, respectively, in support.

**Note 8 – In-Kind Contributions and Donated Services**

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as both contribution revenue and the appropriate functional and natural expense classifications on the statements of activities and functional expenses. In-kind contributions for the year ended June 30, 2019 were as follow:

	Survivor Care
Program Expenses - Rapid Response Backpacks	\$ 33,061
Contract Labor	15,312
	<u>\$ 48,373</u>



**Love146, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 9 – Concentrations**

Love146, Inc. receives a substantial amount of its support from contributions and grants by a few major contributors. A significant reduction in the level of this support, if this were to occur, would have a material effect on Love146, Inc.'s programs and activities. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

Love146, Inc. also receives a substantial amount of governmental support through grants and contracts. These government grants and contracts accounted for approximately 27% and 24% of total revenue for the years ended June 30, 2019 and 2018, respectively.

**Note 10 – Retirement Plan**

Love146, Inc. sponsors a 403b retirement plan for eligible employees. Love146, Inc. does not contribute to the plan.

**Note 11 – Prior Period Adjustment**

A prior period adjustment to remove vehicle operating leases previously classified as capital leases for fiscal year 2018 has been recorded in the fiscal year 2018 financial statements. The adjustment increases the fiscal year 2018 beginning net assets by \$15,900 and increases the fiscal year 2018 change in net assets by \$62,377, for a total adjustment of \$78,277. A detailed schedule is as follows:

Adjustment to 7/1/2017 Net Assets	
Remove Vehicle Assets and Lease Liability as of 7/1/2017	15,900
Adjustment to Fiscal Year 2018 Activity	
Reverse Vehicle Depreciation and Interest and Record Lease Payment	<u>62,377</u>
Total Prior Period Adjustment	<u><u>\$ 78,277</u></u>



CERTIFIED PUBLIC ACCOUNTANTS

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**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Board of Directors  
Love146, Inc.

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Love146, Inc., which comprise the statement of financial position as of June 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 and have issued our report thereon dated November 15, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Love146, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Love146, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Love146, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Love146, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Love 146, Inc. in a separate letter dated November 15, 2019

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Maletta & Company". The signature is written in a cursive style with a vertical line separating the two parts of the name.

Maletta & Company  
Certified Public Accountants

Bristol, Connecticut  
November 15, 2019



CERTIFIED PUBLIC ACCOUNTANTS

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**Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and  
Report on the Schedule of Expenditures of State Financial Assistance Required by the  
State Single Audit Act**

Independent Auditor's Report

Board of Directors  
Love146, Inc.

**Report on Compliance for Each Major State Program**

We have audited Love146, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Love146, Inc.'s major state programs for the year ended June 30, 2019. Love146, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Love146, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Love146, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Love146, Inc.'s compliance.

***Opinion on Each Major State Program***

In our opinion, Love146, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

Management of Love146, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Love146, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Love146, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of Love146, Inc., as of and for the year ended June 30, 2019 and have issued our report thereon dated November 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



Maletta & Company  
Certified Public Accountants

Bristol, Connecticut  
November 15, 2019

**Love146, Inc.**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2019**

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE GRANT PROGRAM CORE CT NUMBER	EXPENDITURES
Department of Children and Families Board Care for Children - Foster Therapeutic Case Management and Rapid Response Services for Victims of Human Trafficking	11000-DCF91100-16135	\$ 370,574
TOTAL STATE FINANCIAL ASSISTANCE		\$ 370,574

*See notes to schedule.*

**Love146, Inc.**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2019**

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The accompanying schedule of expenditures of state financial assistance included state grant activity of Love146, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including providing case management and therapeutic services for victims of human trafficking and related crimes through survivor care and prevention education.

**1. Summary of Significant Accounting Policies**

The accounting policies of Love146, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit agencies.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

***Basis of Accounting***

The expenditures reported on the Schedule of Expenditures of State Financial Assistance reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Love146, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

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**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified? \_\_\_\_\_ Yes   X   None

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*State Financial Assistance*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified? \_\_\_\_\_ Yes   X   None

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit finding disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? \_\_\_\_\_ Yes   X   No

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
<b>Department of Children and Families</b>		
Board Care for Children - Foster		
Therapeutic Case Management and Rapid Response Services for Victims of Human Trafficking	11000-DCF91100-16135	\$ 370,574

- Dollar threshold used to distinguish between type A and B programs: \$100,000.

**II. FINANCIAL STATEMENT FINDINGS**

There were no current year financial statement findings relating to state financial assistance programs.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

There were no current year findings or questioned costs relating to state financial assistance programs.