



LOVE A CHILD, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Love A Child, Inc.
Fort Myers, Florida

We have audited the accompanying consolidated financial statements of Love A Child, Inc. ("the Organization"), which consist of the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Love A Child, Inc. as of December 31, 2020, the consolidated changes in its net assets, and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
July 7, 2021

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LOVE A CHILD, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

ASSETS

Cash and cash equivalents	\$ 14,770,896
Cash restricted for long-term purposes	832,137
Investments	462,179
Prepaid expenses and other assets	89,058
Property and equipment, net	<u>5,873,893</u>

Total assets \$ 22,028,163

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 234,243</u>
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Total liabilities 234,243

NET ASSETS

Without donor restrictions	20,961,783
With donor restrictions	<u>832,137</u>

Total net assets 21,793,920

Total liabilities and net assets \$ 22,028,163

LOVE A CHILD, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Noncash contributions	\$ 20,228,097	\$ —	\$ 20,228,097
Contributions	18,340,632	781,520	19,122,152
Other revenue	133,136	—	133,136
Investment income	69,955	—	69,955
Net assets released from time and use restrictions	51,271	(51,271)	—
Total public support and revenue and net assets released from restrictions	38,823,091	730,249	39,553,340
EXPENSES			
Program services			
Humanitarian	28,369,613	—	28,369,613
Supporting activities			
Fundraising	2,976,504	—	2,976,504
Management and general	1,634,968	—	1,634,968
Total supporting activities	4,611,472	—	4,611,472
Total expenses	32,981,085	—	32,981,085
CHANGE IN NET ASSETS	5,842,006	730,249	6,572,255
NET ASSETS - Beginning of year	15,119,777	101,888	15,221,665
NET ASSETS - End of year	\$ 20,961,783	\$ 832,137	\$ 21,793,920

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

LOVE A CHILD, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020

OPERATING CASH FLOWS	
Cash received from contributors	\$ 18,340,632
Cash received from other sources	134,079
Cash paid for operating activities and costs	(12,204,307)
Interest paid	<u>(32,143)</u>
Net operating cash flows	<u>6,238,261</u>
INVESTING CASH FLOWS	
Net purchases of investments	(13,335)
Purchases of and improvements to property and equipment	<u>(900,003)</u>
Net investing cash flows	<u>(913,338)</u>
FINANCING CASH FLOWS	
Contributions restricted for long-term purposes	781,520
Principal payments on note payable	<u>(895,537)</u>
Net investing cash flows	<u>(114,017)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	5,210,906
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	<u>10,392,127</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	<u>\$ 15,603,033</u>
REPORTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
AS FOLLOWS	
Cash and cash equivalents	\$ 14,770,896
Cash restricted for long-term purposes	<u>832,137</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 15,603,033</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS	
Change in net assets	\$ 6,572,255
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation	519,730
Contributions restricted for long-term purposes	(781,520)
Net gain on investments	(69,012)
Change in prepaid expenses and other assets	(4,222)
Change in accounts payable and accrued expenses	<u>1,030</u>
Net operating cash flows	<u>\$ 6,238,261</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

LOVE A CHILD, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2020

	Program services	Supporting activities			Total expenses
	Humanitarian	Fundraising	Management and general	Total supporting activities	
Goods distributed	\$ 20,205,232	\$ —	\$ —	\$ —	\$ 20,205,232
Salaries and benefits	2,121,125	79,400	994,110	1,073,510	3,194,635
Airtime	—	2,098,970	—	2,098,970	2,098,970
Childcare food, education, and medicine	2,089,772	—	—	—	2,089,772
Shipping	1,009,816	—	8,457	8,457	1,018,273
Print and supplies	267,063	652,660	—	652,660	919,723
Project development	741,311	—	—	—	741,311
Occupancy	469,797	123,019	57,072	180,091	649,888
Maintenance and repairs	539,045	—	35,893	35,893	574,938
Depreciation	504,754	—	14,976	14,976	519,730
Office	167,335	269	305,267	305,536	472,871
Professional services	17,933	18,576	172,323	190,899	208,832
Other	102,865	3,610	27,030	30,640	133,505
Travel	109,136	—	12,126	12,126	121,262
Interest	24,429	—	7,714	7,714	32,143
Total	\$ 28,369,613	\$ 2,976,504	\$ 1,634,968	\$ 4,611,472	\$ 32,981,085

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

LOVE A CHILD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE A – NATURE OF ACTIVITIES AND BASIS OF CONSOLIDATION

Love A Child, Inc. (“the Organization”) was established in 1985 as a Florida not-for-profit corporation. The Organization’s purpose is to support children and needy individuals in Haiti through humanitarian care. The Organization is supported by contributions from the general public.

The Organization’s programs include:

Food Distribution – Reaching the poor, homeless, and hungry children and families in Haiti through the distribution of nutritious meals.

Medical Outreach – Providing quality health care for the most vulnerable populations in Haiti, including children, the elderly, pregnant women, and those that are chronically ill. This is accomplished through a regional medical center, remote medical clinics, a malnutrition center, a birthing center, and a dental and eye care clinic.

Education – Providing education, nutrition, and healthcare to schools operated by the Organization throughout Haiti.

Orphanage care – Operation of a full care orphanage for children in Fond Parisien, Haiti.

Sustainability – Helping Haitians help themselves through sustainable agricultural and poultry courses. The Organization also supports the local Haitian community through the operation of a marketplace, slaughterhouse, Tilapia farm, and chicken farm.

Building programs – Construction of new buildings and land improvements to support the Haitian community at large.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of the Organization include the accounts of Love A Child Holding, LLC (“the LLC”). The LLC is a Florida limited liability company formed for the purpose of holding certain property. The Organization is the sole member of the LLC. All significant interorganization transactions and balances have been eliminated in consolidation. References to the Organization in these footnotes refer to the consolidated entity, unless otherwise stated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as “net assets released from time and use restrictions.” Contributions of noncash assets are recorded at estimated fair value on the date of the gift.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash and cash equivalents.

Cash restricted for long-term purposes

Cash restricted for long-term purposes consist of amounts restricted for various capital projects.

LOVE A CHILD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of marketable equity securities and are stated at estimated fair value based on unadjusted quoted market prices in active markets for identical items. The Organization's investments are valued using level 1 inputs according to the fair value hierarchy.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts held by the Organization for use toward various capital projects.

Functional allocation of expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The LLC is a disregarded entity for federal income tax purposes. The Organization and the LLC have not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the accompanying consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those used in determining the useful lives of property and equipment and the estimated fair value of noncash contributions. Actual results could differ from the estimates.

Economic uncertainties

In January 2020, the World Health Organization ("WHO") announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic ("the pandemic"). Management is closely monitoring the potential impact of the pandemic on the Organization's financial condition and has taken actions to mitigate its impact. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for 2021.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through July 7, 2021, the date as of which the accompanying consolidated financial statements were available to be issued.

LOVE A CHILD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the consolidated statement of financial position are as follows:

Financial assets available:	
Cash and cash equivalents	\$ 14,770,896
Cash restricted for long-term purposes	832,137
Investments	<u>462,179</u>
Total financial assets available within one year	16,065,212
Less: Amounts unavailable for general expenditure within one year	
Due to long-term donor restrictions	<u>(832,137)</u>
Net financial assets available within one year	<u>\$ 15,233,075</u>

The Organization is primarily supported by contributions. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has certain assets limited to use by donors. Because a donor's restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets are not available for general expenditure within one year of December 31, 2020, and are excluded from net financial assets available to meet general expenditures within one year. Management believes the Organization has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

NOTE D – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

During 2020, approximately 94% of total noncash contribution revenue was sourced from the Organization's largest two donors.

The Organization's operations depend upon continued permission by the Haitian government to operate in Haiti. A major disruption in government operations in Haiti could adversely affect the Organization's operations in that country. The Organization operates on the basis of faith in God's will and provision. The Organization has operated in Haiti without significant disruption since 1985.

LOVE A CHILD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	
Land and land improvements	\$ 2,707,615
Buildings and building improvements	7,645,338
Furniture and fixtures	746,652
Vehicles	1,703,643
Construction in progress	<u>1,099,111</u>
Total property and equipment	13,902,359
Less: Accumulated depreciation	<u>(8,028,466)</u>
Net property and equipment	<u>\$ 5,873,893</u>

Depreciation expense amounted to \$519,730 for 2020.

As of December 31, 2020, the Organization held property and equipment in Haiti with carrying values (net of accumulated depreciation) of approximately \$3,453,000.

NOTE F – NOTE PAYABLE

The Organization previously entered into a note payable agreement with a financial institution to refinance certain debt. The note was secured by a mortgage agreement on certain real property. The note was payable in monthly installments of approximately \$9,000, including interest at a fixed rate of 3.95% per annum. The note was paid in full during 2020.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Jesus healing center	\$ 576,185
Jesus healing center dormitory	221,976
Malnutrition center	<u>33,976</u>
Total net assets with donor restrictions	<u>\$ 832,137</u>

NOTE H – NONCASH CONTRIBUTIONS

The Organization receives donations of food, medicine, and various supplies for use in relieving suffering and poverty throughout Haiti. Noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to the end user.

LOVE A CHILD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE H – NONCASH CONTRIBUTIONS (Continued)

For gifts in-kind of pharmaceuticals and medical supplies that are sold in the United States market, the Organization has determined that the U.S. is the principal or most advantageous market for purposes of estimating fair value. The Organization's management estimates the fair value of donated pharmaceuticals using "wholesale acquisition cost," listed in reference materials including the IBM Micromedex RED BOOK, a widely-used drug and pricing reference guide for the pharmaceutical industry in the United States. Prior to January 1, 2020, the Organization estimated the fair value of donated pharmaceuticals using "average wholesale price". Management determined that this change in accounting principle is preferable because management believes wholesale acquisition cost more accurately reflects the estimated fair value of pharmaceuticals and medical supplies and, therefore, enhances the overall accuracy of the consolidated financial statements. This change in accounting principle had no effect on the Organization's consolidated net assets as of January 1, 2020. The Organization considers the valuation practices used for noncash contributions to be consistent with industry standards.

NOTE I – PROGRAM PROMOTION

The Organization promotes its programs through television broadcasting. Such costs are expensed as incurred. During 2020, the organization incurred airtime expense of \$2,098,970 which is recognized as fundraising expense in the consolidated statement of activities.

NOTE J – RETIREMENT PLAN

The Organization contributes to a 401(k) profit-sharing plan ("the Plan") for its employees. All employees who are at least twenty-one years of age and have completed six months of service are eligible to participate in the Plan. Participating employees may elect to make salary deferral contributions to the Plan. The Plan requires the Organization to make matching contributions of up to 3% of an employee's annual compensation. The Organization may also make an annual discretionary contribution to the Plan on behalf of its employees. Employees vest in employer contributions over a five year period. The Organization's contributions to the Plan were approximately \$46,000 for 2020.