



LOVE A CHILD, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020





REPORT OF INDEPENDENT AUDITOR

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

Opinion

We have audited the accompanying consolidated financial statements of Love A Child, Inc. ("the Organization"), which consist of the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, the consolidated changes in its net assets, and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
July 28, 2022

LOVE A CHILD, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 21,293,149	\$ 14,770,896
Investments	644,102	462,179
Cash restricted for long-term purposes	95,083	832,137
Prepaid expenses and other assets	82,570	89,058
Property and equipment, net	6,707,050	5,873,893
Total assets	\$ 28,821,954	\$ 22,028,163

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 392,093	\$ 234,243
Total liabilities	392,093	234,243
NET ASSETS		
Without donor restrictions	28,334,778	20,961,783
With donor restrictions	95,083	832,137
Total net assets	28,429,861	21,793,920
Total liabilities and net assets	\$ 28,821,954	\$ 22,028,163

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

LOVE A CHILD, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended December 31, 2021			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	\$ 26,105,939	\$ —	\$ 26,105,939	\$ 20,228,097
Contributions without donor restrictions	20,909,962	—	20,909,962	18,340,632
Investment income	159,767	—	159,767	69,955
Contributions with donor restrictions	—	95,083	95,083	781,520
Other revenue	41,058	—	41,058	133,136
Net assets released from time and use restrictions	832,137	(832,137)	—	—
Total public support and revenue and net assets released from restrictions	48,048,863	(737,054)	47,311,809	39,553,340
EXPENSES				
Program services				
Humanitarian	35,716,626	—	35,716,626	28,369,613
Supporting activities				
Fundraising	3,046,460	—	3,046,460	2,976,504
Management and general	1,912,782	—	1,912,782	1,634,968
Total supporting activities	4,959,242	—	4,959,242	4,611,472
Total expenses	40,675,868	—	40,675,868	32,981,085
Change in net assets without donor restrictions	7,372,995	—	7,372,995	5,842,006
Change in net assets with donor restrictions	—	(737,054)	(737,054)	730,249
CHANGE IN NET ASSETS	7,372,995	(737,054)	6,635,941	6,572,255
NET ASSETS - Beginning of year	20,961,783	832,137	21,793,920	15,221,665
NET ASSETS - End of year	\$ 28,334,778	\$ 95,083	\$ 28,429,861	\$ 21,793,920

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LOVE A CHILD, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2021	2020
OPERATING CASH FLOWS		
Cash received from contributors	\$ 20,974,646	\$ 18,340,632
Cash received from other sources	(23,351)	134,079
Cash paid for operating activities and costs	(13,818,765)	(12,204,307)
Interest paid	—	(32,143)
Net operating cash flows	7,132,530	6,238,261
INVESTING CASH FLOWS		
Net purchases of investments	(22,431)	(13,335)
Purchases of and improvements to property and equipment	(1,419,983)	(900,003)
Net investing cash flows	(1,442,414)	(913,338)
FINANCING CASH FLOWS		
Contributions restricted for long-term purposes	95,083	781,520
Principal payments on note payable	—	(895,537)
Net financing cash flows	95,083	(114,017)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	5,785,199	5,210,906
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	15,603,033	10,392,127
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	\$ 21,388,232	\$ 15,603,033
REPORTED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 21,293,149	\$ 14,770,896
Cash restricted for long-term purposes	95,083	832,137
Total cash, cash equivalents, and restricted cash	\$ 21,388,232	\$ 15,603,033
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 6,635,941	\$ 6,572,255
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation	586,826	519,730
Contributions restricted for long-term purposes	(95,083)	(781,520)
Net gain on investments	(159,492)	(69,012)
Change in prepaid expenses and other assets	6,488	(4,222)
Change in accounts payable and accrued expenses	157,850	1,030
Net operating cash flows	\$ 7,132,530	\$ 6,238,261

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LOVE A CHILD, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2021

	Program services	Supporting activities			Total expenses
	Humanitarian	Fundraising	Management and general	Total supporting activities	
Goods distributed	\$ 26,066,362	\$ —	\$ —	\$ —	\$ 26,066,362
Salaries and benefits	2,266,665	181,940	1,132,225	1,314,165	3,580,830
Airtime	—	2,036,390	—	2,036,390	2,036,390
Childcare food, education, and medicine	1,986,428	—	—	—	1,986,428
Shipping	1,732,529	—	4,528	4,528	1,737,057
Project development	1,406,890	—	—	—	1,406,890
Print and supplies	162,311	691,346	106,690	798,036	960,347
Occupancy	569,670	127,950	57,947	185,897	755,567
Depreciation	568,438	—	18,388	18,388	586,826
Maintenance and repairs	534,441	—	37,554	37,554	571,995
Office	214,443	462	344,546	345,008	559,451
Professional services	25,652	—	174,219	174,219	199,871
Travel	103,850	3,938	11,821	15,759	119,609
Other	78,947	4,434	24,864	29,298	108,245
Total	\$ 35,716,626	\$ 3,046,460	\$ 1,912,782	\$ 4,959,242	\$ 40,675,868

The Accompanying Notes are an Integral
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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

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 children attending 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 the gift is received.

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.

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.

LOVE A CHILD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash restricted for long-term purposes

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

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 statements of functional expenses present 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.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through July 28, 2022, the date as of which the accompanying consolidated financial statements were available to be issued.

LOVE A CHILD, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	December 31,	
	2021	2020
Financial assets available:		
Cash and cash equivalents	\$ 21,293,149	\$ 14,770,896
Investments	644,102	462,179
Cash restricted for long-term purposes	95,083	832,137
Total financial assets available within one year	22,032,334	16,065,212
Less: Amounts unavailable for general expenditure within one year, due to:		
Long-term donor restrictions	(95,083)	(832,137)
Net financial assets available within one year	\$ 21,937,251	\$ 15,233,075

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 and are excluded from net financial assets available to meet general expenditures within the next 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 2021 and 2020, approximately 93% and 94%, respectively, 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

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 2,707,615	\$ 2,707,615
Buildings and building improvements	8,927,876	7,645,338
Furniture and fixtures	838,887	746,652
Vehicles	1,724,814	1,703,643
Construction in progress	<u>935,616</u>	<u>1,099,111</u>
Total property and equipment	15,134,808	13,902,359
Less: Accumulated depreciation	<u>(8,427,758)</u>	<u>(8,028,466)</u>
Net property and equipment	<u>\$ 6,707,050</u>	<u>\$ 5,873,893</u>

Depreciation expense amounted to \$586,826 and \$519,730 for 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Organization held property and equipment in Haiti with carrying values (net of accumulated depreciation) of approximately \$4,070,000 and \$3,453,000, respectively.

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:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Gabion houses	\$ 94,083	\$ —
Other	1,000	—
Jesus healing center	—	576,185
Jesus healing center dormitory	—	221,976
Malnutrition center	<u>—</u>	<u>33,976</u>
Total net assets with donor restrictions	<u>\$ 95,083</u>	<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

NOTE H – NONCASH CONTRIBUTIONS (Continued)

For gifts in-kind of pharmaceuticals and medical supplies that are sold in the United States ("U.S.") 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 2021 and 2020, the Organization incurred airtime expense of \$2,036,390 and \$2,098,970, respectively, which is recognized as fundraising expense in the consolidated statements 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 \$51,000 and \$46,000 for 2021 and 2020, respectively.