

**AUDITED FINANCIAL STATEMENTS
AND STATE SINGLE AUDIT**

LOVE146, INC.

**NEW HAVEN, CONNECTICUT
YEARS ENDED JUNE 30, 2018 AND 2017**

LOVE146, INC.

CONTENTS

Audited Financial Statements:	<u>Page</u>
Independent Auditors' Report	4
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information:	
Schedule of Functional Expenses for the year ended June 30, 2018	17
Schedule of Functional Expenses for the year ended June 30, 2017	18
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	20
Independent auditors' report on compliance for the major state program and on internal control over compliance required by the State Single Audit Act.....	22
Schedule of Expenditures of State Financial Assistance	24
Notes to the Schedule of Expenditures of State Financial Assistance	25
Schedule of Findings and Questioned Costs	26



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
LOVE146, INC.
New Haven, Connecticut

We have audited the accompanying financial statements of LOVE146, INC. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expense are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance, as required by the State 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 information 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 26, 2018, 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 solely 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 effectiveness of LOVE146, INC.'s 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.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 26, 2018

LOVE146, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	June 30,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,118,269	\$ 1,062,417
Contributions receivable, net of allowance of \$0	184,735	276,837
Other current assets	48,976	29,673
TOTAL CURRENT ASSETS	1,351,980	1,368,927
 EQUIPMENT AND IMPROVEMENTS		
Furniture, fixtures and equipment	119,439	88,969
Vehicle	209,599	209,599
Leasehold improvements	85,419	67,382
	414,457	365,950
Less: Accumulated depreciation and amortization	(256,743)	(138,820)
TOTAL EQUIPMENT AND IMPROVEMENTS	157,714	227,130
 Deposits	5,500	5,500
TOTAL ASSETS	\$ 1,515,194	\$ 1,601,557
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payables	\$ 31,167	\$ 11,504
Accrued expenses	49,592	96,909
Deferred revenue	49,272	136,850
Current portion of capital lease	87,944	15,905
TOTAL CURRENT LIABILITIES	217,975	261,168
 NON-CURRENT LIABILITIES		
Capital lease obligation, net of current portion	67,417	155,361
 NET ASSETS		
Unrestricted	1,212,302	1,137,528
Temporarily restricted	17,500	47,500
TOTAL NET ASSETS	1,229,802	1,185,028
TOTAL LIABILITIES AND NET ASSETS	\$ 1,515,194	\$ 1,601,557

See notes to financial statements

LOVE146, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 3,050,550	\$ 17,500	\$ 3,068,050
Federal awards	569,879	-	569,879
State awards	444,933	-	444,933
Events	350,425	-	350,425
Program service revenue	35,859	-	35,859
Gift in-kind	73,777	-	73,777
Interest	1,361	-	1,361
Net assets released from restriction	<u>47,500</u>	<u>(47,500)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	4,574,284	(30,000)	4,544,284
EXPENSES			
Program	3,201,329	-	3,201,329
Management and general	648,626	-	648,626
Fundraising	<u>649,555</u>	<u>-</u>	<u>649,555</u>
TOTAL EXPENSES	4,499,510	-	4,499,510
INCREASE (DECREASE) IN NET ASSETS	74,774	(30,000)	44,774
NET ASSETS, BEGINNING OF YEAR	<u>1,137,528</u>	<u>47,500</u>	<u>1,185,028</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,212,302</u></u>	<u><u>\$ 17,500</u></u>	<u><u>\$ 1,229,802</u></u>

See notes to financial statements

LOVE146, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 2,861,102	\$ 47,500	\$ 2,908,602
Federal awards	450,561	-	450,561
State awards	218,715	-	218,715
Events	275,602	-	275,602
Program service revenue	69,237	-	69,237
Gift in-kind	31,118	-	31,118
Interest	1,053	-	1,053
Other	-	-	-
TOTAL SUPPORT AND REVENUES	<u>3,907,388</u>	<u>47,500</u>	<u>3,954,888</u>
EXPENSES			
Program	2,741,839	-	2,741,839
Management and general	497,630	-	497,630
Fundraising	530,727	-	530,727
TOTAL EXPENSES	<u>3,770,196</u>	<u>-</u>	<u>3,770,196</u>
INCREASE IN NET ASSETS	137,192	47,500	184,692
NET ASSETS, BEGINNING OF YEAR	<u>1,000,336</u>	<u>-</u>	<u>1,000,336</u>
NET ASSETS, END OF YEAR	<u>\$ 1,137,528</u>	<u>\$ 47,500</u>	<u>\$ 1,185,028</u>

See notes to financial statements

LOVE146, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 44,774	\$ 184,692
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	117,923	89,180
Loss on disposal	-	389
(Increase) Decrease in operating assets:		
Contributions receivable	92,102	(254,273)
Deposits	(19,303)	(6,199)
Increase (Decrease) in operating liabilities:		
Accounts payable	19,663	(5,113)
Deferred revenue	(87,578)	86,850
Accrued expenses	(47,317)	37,634
NET CASH PROVIDED BY OPERATING ACTIVITIES	120,264	133,160
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(48,507)	(54,648)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(15,905)	(32,955)
NET CHANGE IN CASH	55,852	45,557
Cash and cash equivalents at beginning of year	1,062,417	1,016,860
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,118,269	\$ 1,062,417
 Supplemental disclosure of cash flow information:		
Cash paid during the year for interest expense	\$ 15,086	\$ 9,480

See notes to financial statements

LOVE146, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In September 2002, LOVE146, INC. (Organization) Co-Founders went on an exploratory trip to SE Asia to determine how they could serve in the fight against child trafficking and exploitation. In brothels, they saw young children being sold for sex. In safe homes, they witnessed the miracle of restoration as they sang and danced with survivors. The goal of this and subsequent trips was not to "reinvent the wheel" but to find out where the greatest needs were and how they could be most helpful in filling those needs. After 18 months of research, networking and other organizational work, LOVE146, INC. became an official public charity in March of 2004 under the name of Justice for Children, Inc. (JFCI). In October 2007, JFCI became known as LOVE146, INC. and is incorporated in the State of Connecticut.

LOVE146, INC. works toward the abolition of child trafficking and exploitation through prevention and survivor care programs. LOVE146, INC. trains care givers and social workers, manages safe homes and safe accommodation, provides specialist care provision and survivor care services, aids socioeconomic development programs in high-risk communities and amplifies the voice of these victims of modern-day slavery. Major programs include educational programs; training programs aimed at developing knowledge and skills for working with survivors of child trafficking and exploitation working to help child survivors by facilitating restorative experiences, teaching life skills, and providing help for a better future; and survivor care programs which provide direct care for survivors.

LOVE146, INC. has developed a U.S. prevention strategy that focuses on education to prevent child trafficking and exploitation. The Organization reaches U.S. children in classroom and community settings, equipping them to recognize vulnerabilities and protect themselves and their peers from exploitation using the Love146 youth curriculum, called "Not A #Number". Through detailed research and collaboration, LOVE146, INC. also contributes to the modern-day abolitionist movement in the U.S. by emphasizing coalition building and partnerships and by equipping volunteer teams with innovative action steps and creative advocacy strategies.

The Organization operates programs in the United States and foreign countries and makes grants to organizations based in foreign countries. These countries have included, but are not limited to, the Philippines, Thailand, Cambodia, India, the United Kingdom and Moldova. Unforeseen political, economic or governmental changes in these countries could have an effect on the Organization's future activities. Total grant expense to organizations worldwide during the years ended June 30, 2018 and 2017 totaled \$402,025 and \$459,983, respectively.

Financial Statement Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization also reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets for the years ended June 30, 2018 and 2017, respectively.

LOVE146, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Use of Estimates

The accounting and financial reporting policies of the Organization conform to generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires 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.

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.

Cash, Cash Equivalents and Credit Risk

For purposes of the statement of cash flows, the Organization 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. As of June 30, 2018 and 2017, cash deposit balances in banks and financial institutions were not insured by \$497,114 and \$314,555, respectively.

Contributions

Contributions are generally available for unrestricted 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. The Organization 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. LOVE146, INC. records restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

LOVE146, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are capitalized at cost. It is the organizations 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.

Donated Services

The Organization 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 the Organization'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.

Income Tax Status

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

LOVE146, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

The Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization 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. The Organization'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 Organization's tax returns for three years from the date of filing. Consequently, income tax returns for years prior to 2013 are no longer subject to examination by taxing authorities.

NOTE 2—REVENUE AND RECEIVABLES

Grants and Contracts

The Organization receives funding under grants and contracts from federal, state and local agencies for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for programs.

Grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue is recognized only when funds are utilized by the Organization to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue.

Contributions and Concentration of Major Contributors

Contributions totaled \$3,068,050 and \$2,908,602 for the years ended June 30, 2018 and 2017, respectively. For the years then ended, the Organization's three largest contributors accounted for 7%, 5% and 5% and 5%, 4% and 4%, respectively.

Contributions Receivable

Contributions receivable totaled \$184,735 and \$276,837 at June 30, 2018 and 2017, respectively, and are due within one year. Contributions receivable includes on-line contributions contributed through credit card transactions by the donor that have not been remitted to the Organization. In addition, contributions receivable also include short-term pledges that were not received prior to the years ended June 30, 2018 and 2017. As of the years ended June 30, 2018 and 2017, the allowance for uncollectable accounts is \$0.

LOVE146, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 3—LEASES

Operating Leases

The Organization leases office space in New Haven, Connecticut under a five-year non-cancelable operating lease, which expires July 2019. The lease requires annually increasing monthly payments ranging from \$5,500 to \$5,837 over the five-year life of the lease. The Organization also leases office space in Spring, Texas under a two-year (24 months) non-cancelable operating lease, which expires August 31, 2016. The lease required monthly payments of \$1,435. Total rent expense for the year ended June 30, 2018 and 2017 was \$168,406 and \$98,486. Future minimum operating lease commitments under lease are as follows:

2019	\$ 145,213
2020	73,488
2021	<u>16,344</u>
Total	<u>\$ 235,045</u>

Capital Lease

During the years ended June 30, 2018 and 2017, the Organization leased vehicles under capital lease. The asset and liability under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The asset is amortized over the lower of the related lease terms. Amortization of assets under capital leases is included in depreciation expense for June 30, 2018 and 2017. Following is a summary of equipment held under capital lease at June 30:

	<u>2018</u>	<u>2017</u>
Vehicle	\$ 209,599	\$ 209,599
Less Accumulated amortization	<u>(132,515)</u>	<u>(54,234)</u>
	<u>\$ 77,084</u>	<u>\$ 155,365</u>

Minimum future lease payments under capital lease as of June 30, 2018 are approximated as follows:

2019	\$ 98,958
2020	<u>69,889</u>
Total minimum lease payments	168,847
Less: Amount representing interest	<u>13,486</u>
Total capital lease	<u>\$155,361</u>
Current portion of capital lease	\$ 87,944
Long term portion of capital lease	<u>67,417</u>
	<u>\$155,361</u>

Interest rates on the capitalized lease is 8% and is imputed based on the lower of the Company's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

LOVE146, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4—RESTRICTED NET ASSETS

For the years ended June 30, 2018 and 2017, the organization held \$17,500 and \$47,500 in temporarily restricted net assets for use in the Organizations Africa programs, respectively. There were no permanently restricted net assets for the years ended June 30, 2018 and 2017.

NOTE 5—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 cancellation 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, 2018 and 2017, the Organization provided LOVE146 (Philippines) with \$289,000 and \$291,025, respectively, in support to fund operations to support their mutual mission.

LOVE146, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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 cancelation 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.

A new agreement was signed on July 31, 2013 for a 5-year term. It clarifies how LOVE146 Europe will promote the organization's vision, mission and values and sets forth new standards for external communications and brand protection.

The geographical boundaries for LOVE146 EUROPE fundraising efforts were agreed to (all countries in the European Union plus Moldova, Romania, Bulgaria and such other countries as shall be agreed between the parties from time to time). In addition, an agreement to the LOVE146 programmatic standards were outlined and agreed to by LOVE146 Europe.

During the years ended June 30, 2018 and 2017, the Organization provided LOVE146 (UK) with \$96,500 and \$158,983, respectively, in support.

NOTE 6- SUBSEQUENT EVENTS

Subsequent events were considered through November 26, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

LOVE146, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Program</u>						<u>Total</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>
	<u>Survivor</u>	<u>Prevention</u>				<u>Other</u>				
	<u>Care</u>	<u>Education</u>	<u>Reimagine</u>	<u>Africa</u>	<u>Mobilization</u>	<u>Programs</u>	<u>Program</u>			
Program expenses	\$ 108,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,150	\$ -	\$ -	\$ 108,150
Grant expense	387,525	-	-	2,500	-	12,000	402,025	-	-	402,025
Salaries	791,493	234,666	119,874	47,667	101,212	227,198	1,522,110	366,372	362,280	2,250,762
Employee benefits	69,991	15,398	12,084	6,587	17,461	34,331	155,852	27,205	24,910	207,967
Payroll taxes	51,950	29,620	8,327	4,374	8,927	17,380	120,578	42,353	30,315	193,246
Contract labor	107,049	8,538	5,863	2,000	-	45,107	168,557	8,278	273	177,108
Travel and related expenses	49,244	53,012	26,637	15,224	16,922	42,371	203,410	33,008	83,599	320,017
Occupancy	41,796	16,400	46,814	3,216	4,773	10,838	123,837	43,477	20,598	187,912
Bank fees	733	118	2,612	30	89	15	3,597	4,009	61,776	69,382
Professional fees	8,962	6,736	1,423	174	592	44,427	62,314	34,914	11,445	108,673
Printing and reproduction	527	11,045	4,611	37	2,064	6,173	24,457	4,929	19,433	48,819
Postage	77	1,272	299	-	371	21	2,040	2,559	3,860	8,459
Insurance	49,997	399	475	63	6,290	14,955	72,179	938	4,308	77,425
Supplies	4,499	1,116	16,777	857	8	1,066	24,323	13,097	6,798	44,218
Telephone	11,546	1,858	3,724	540	1,083	2,067	20,818	8,162	3,339	32,319
Staff development	16,919	4,252	430	187	663	1,603	24,054	38,558	9,157	71,769
Depreciation expense	72,554	4,203	17,553	-	2,093	4,096	100,499	17,424	-	117,923
Office equipment	352	27	3,592	-	33	-	4,004	2,785	193	6,982
Dues and subscriptions	2,160	784	92	-	(24)	1,871	4,883	1,643	861	7,387
Other	<u>16,620</u>	<u>15,902</u>	<u>1,542</u>	<u>196</u>	<u>111</u>	<u>19,271</u>	<u>53,642</u>	<u>(1,085)</u>	<u>6,410</u>	<u>58,967</u>
TOTAL	<u>\$ 1,792,144</u>	<u>\$ 405,346</u>	<u>\$ 272,729</u>	<u>\$ 83,652</u>	<u>\$ 162,668</u>	<u>\$ 484,790</u>	<u>\$ 3,201,329</u>	<u>\$ 648,626</u>	<u>\$ 649,555</u>	<u>\$ 4,499,510</u>

LOVE146, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	<u>Program</u>				<u>Total</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>
	<u>Survivor</u>	<u>Prevention</u>						
	<u>Care</u>	<u>Education</u>	<u>Reimagine</u>	<u>Mobilization</u>				
Program expenses	\$ 81,672	\$ -	\$ -	\$ 15	\$ 81,687	\$ -	\$ -	\$ 81,687
Grant expense	459,983	-	-	-	459,983	-	-	459,983
Salaries	842,804	295,344	76,184	160,503	1,374,835	219,812	242,345	1,836,992
Employee benefits	53,783	24,091	6,205	15,261	99,340	13,536	14,948	127,824
Payroll taxes	87,150	25,535	6,106	16,112	134,903	16,364	17,765	169,032
Contract labor	129,709	11,068	-	867	141,644	749	70,412	212,805
Travel and related expenses	64,032	59,678	15,481	22,497	161,688	43,908	86,206	291,802
Occupancy	26,888	18,969	19,913	13,398	79,168	17,768	16,195	113,131
Bank fees	649	139	88	-	876	34,320	27,988	63,184
Professional fees	6,295	4,857	1,708	496	13,356	42,347	17,677	73,380
Printing and reproduction	2,189	16,580	284	2,884	21,937	4,925	15,574	42,436
Postage	327	404	550	286	1,567	4,249	1,915	7,731
Insurance	48,072	526	42	530	49,170	14,233	1,411	64,814
Supplies	14,824	1,419	3,483	213	19,939	23,451	8,470	51,860
Telephone	9,970	3,767	795	1,928	16,460	6,365	2,525	25,350
Staff development	8,707	3,250	199	205	12,361	22,119	3,403	37,883
Depreciation expense	60,126	3,203	-	1,595	64,924	24,255	-	89,179
Office equipment	133	87	-	71	291	7,105	858	8,254
Dues and subscriptions	309	725	15	20	1,069	3,072	454	4,595
Other	9,084	(1,931)	-	(512)	6,641	(948)	2,581	8,274
TOTAL	<u>\$ 1,906,706</u>	<u>\$ 467,711</u>	<u>\$ 131,053</u>	<u>\$ 236,369</u>	<u>\$ 2,741,839</u>	<u>\$ 497,630</u>	<u>\$ 530,727</u>	<u>\$3,770,196</u>

STATE SINGLE AUDIT



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Darin L. Offerdahl MBA CPA
Kerry L. Emerson

Francis H. Michaud Jr. CPA*
Sandra M. Woodbridge CPA*
Dominic L. Cusano MBA CPA*
*indicates retired

**FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of LOVE146, INC.

We have audited, in accordance with the 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, 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2018.

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 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 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 the 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of LOVE146, INC.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LOVE146, INC.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 26, 2018



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Board of Directors of
LOVE146, INC.

Report on Compliance for the 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 LOVE146, INC.'s major state program for the year ended June 30, 2018. LOVE146, INC.'s major state program is identified in the summary of auditors' results section of the accompanying schedule of state 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 LOVE146, INC.'s major state program 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 the major state program. However, our audit does not provide a legal determination of LOVE146, INC.'s compliance.

Opinion on the 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 its major state program for the year ended June 30, 2018.

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 the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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, 2018 and have issued our report thereon dated November 26, 2018, 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.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 26, 2018

LOVE146, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

<u>State Grantor Pass-Through Grantor Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Department of Children and Families			
<i>Direct:</i>			
BOARD CARE FOR CHILDREN - FOSTER - Therapeutic Case Management and Rapid Response Services for victims of human trafficking	11000-DCF91100- 16135	\$ -	\$ 444,933
Total Department of Children and Families		<u>-</u>	<u>444,933</u>
Total Expenditures of State Financial Assistance		<u>\$ -</u>	<u>\$ 444,933</u>

LOVE146, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of LOVE146, INC. under programs of the State of Connecticut for the fiscal year ended June 30, 2018. 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 Community Residential Services and Employment Opportunities and Day Services.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of LOVE146, INC. conform to generally accepted accounting principles in the United States of America as applicable to not-for-profit organizations.

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 are 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 expenditure's column of the Schedule of Expenditures of State Financial Assistance.

LOVE146, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Financial Statements

Type of auditor's opinion issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	<u>X</u> No
Significant deficiency(ies) identified?	___	<u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes	<u>X</u> No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	___ Yes	<u>X</u> No
Significant deficiency(ies) identified?	___	<u>X</u> None reported

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

Any audit findings 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 this audit:

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	\$ <u>444,933</u>
Dollar threshold used to distinguish between type A and type B programs:		\$100,000

LOVE146, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.