

Love146, Inc.

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

**For the Year Ended
June 30, 2020 and 2019**

Love146, Inc.
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As of June 30, 2020 and 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Love146, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Love146, Inc., which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Love146, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance are presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Connecticut Single Audit Act, and are 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 Federal Awards and Schedule of Expenditures of State Financial Assistance are 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 October 16, 2020 on our consideration of Love146, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Love146, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maletta & Company". The signature is written in a cursive, flowing style.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
October 16, 2020

Love146, Inc.
Statement of Financial Position
As of June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,295,564	\$ 1,001,476
Receivables	184,916	72,903
Prepaid Expenses	145,752	93,360
Total Current Assets	1,626,232	1,167,739
Property and Equipment, Net	15,366	32,495
Deposits	6,261	5,500
Total Assets	\$ 1,647,859	\$ 1,205,734
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	8,360	51,627
Accrued Expenses	97,803	46,451
Deferred Revenue	10,050	10,454
Total Current Liabilities	116,213	108,532
Net Assets		
Without Donor Restrictions	\$ 1,323,146	\$ 1,035,098
With Donor Restrictions	208,500	62,104
Total Net Assets	1,531,646	1,097,202
Total Liabilities and Net Assets	\$ 1,647,859	\$ 1,205,734

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

Love146, Inc.
Statement of Activities
For the Years Ended June 30, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenues and Support						
Contributions	\$ 2,734,875	\$ 208,500	\$ 2,943,375	\$ 2,679,149	\$ 62,104	\$ 2,741,253
Government Grants	1,799,611	-	1,799,611	1,104,972	-	1,104,972
Special Events, net of Direct Benefits to Donors of \$12,627 (2020) and \$17,210 (2019)	81,131	-	81,131	28,071	-	28,071
Program Service Fees	97,736	-	97,736	133,775	-	133,775
Reimagine Sales	-	-	-	56,523	-	56,523
Interest	981	-	981	4,510	-	4,510
Other Income	11,978	-	11,978	24,320	-	24,320
Total Revenues Before Net Assets						
Released from Restrictions	4,726,312	208,500	4,934,812	4,031,320	62,104	4,093,424
Net Assets Released from Restrictions	62,104	(62,104)	-	17,500	(17,500)	-
Total Revenues	4,788,416	146,396	4,934,812	4,048,820	44,604	4,093,424
Expenses						
Program Services						
Survivor Care	2,071,808	-	2,071,808	1,689,233	-	1,689,233
Prevention Education	693,634	-	693,634	597,990	-	597,990
Mobilization	71,000	-	71,000	94,086	-	94,086
Other Programs	398,461	-	398,461	384,711	-	384,711
Total Program Services	3,234,903	-	3,234,903	2,766,020	-	2,766,020
Supporting Services						
General and Administrative	737,887	-	737,887	794,618	-	794,618
Development and Fundraising	527,578	-	527,578	520,765	-	520,765
Reimagine	-	-	-	222,898	-	222,898
Total Supporting Services	1,265,465	-	1,265,465	1,538,281	-	1,538,281
Total Expenses	4,500,368	-	4,500,368	4,304,301	-	4,304,301
Change in Net Assets	288,048	146,396	434,444	(255,481)	44,604	(210,877)
Net Assets, Beginning of Year	1,035,098	62,104	1,097,202	1,290,579	17,500	1,308,079
Net Assets, End of Year	\$ 1,323,146	\$ 208,500	\$ 1,531,646	\$ 1,035,098	\$ 62,104	\$ 1,097,202

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

Love146, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Total Programs	Supporting Services		2020 Total
	Survivor Care	Prevention Education	Mobilization	Other Programs		General & Administrative	Development & Fundraising	
Personnel Expenses								
Salaries	\$ 1,007,036	\$ 475,661	\$ 41,870	\$ 272,199	\$ 1,796,766	\$ 489,697	\$ 284,714	\$ 2,571,177
Fringe Benefits	119,440	36,748	8,176	52,905	217,269	46,044	22,349	285,662
Payroll Taxes	82,981	39,195	3,450	22,430	148,056	40,352	23,461	211,869
Total Personnel Expenses	1,209,457	551,604	53,496	347,534	2,162,091	576,093	330,524	3,068,708
Other Expenses								
Program Expense	166,428	-	-	-	166,428	-	-	166,428
Grant Expense	400,052	3,200	-	-	403,252	-	-	403,252
Contract Labor	111,863	18,837	4,500	7,371	142,571	20,234	39,496	202,301
Travel and Related Expenses	20,433	43,320	4,036	4,634	72,423	10,436	51,340	134,199
Occupancy	51,460	27,824	4,721	14,033	98,038	26,081	14,046	138,165
Bank Fees	2,142	122	511	515	3,290	9,170	49,600	62,060
Professional Fees	10,941	12,174	837	1,610	25,562	57,893	3,644	87,099
Printing and Reproduction	216	5,781	495	2,646	9,138	1,357	6,825	17,320
Postage	151	704	249	1,687	2,791	2,384	16,316	21,491
Insurance	45,076	2,061	503	1,288	48,928	1,634	1,410	51,972
Supplies	3,130	13,230	560	2,624	19,544	7,554	3,857	30,955
Telephone	12,768	4,957	718	1,653	20,096	4,512	2,890	27,498
Staff Development	15,638	3,565	-	4,365	23,568	9,379	3,914	36,861
Depreciation Expense	6,709	3,169	279	1,813	11,970	3,262	1,897	17,129
Office Equipment	12,955	2,453	-	318	15,726	1,130	28	16,884
Dues and Subscriptions	2,389	511	-	75	2,975	3,844	539	7,358
Advertising and Other	-	122	95	6,295	6,512	2,924	1,252	10,688
Total Other Expenses	862,351	142,030	17,504	50,927	1,072,812	161,794	197,054	1,431,660
Total Expenses	\$ 2,071,808	\$ 693,634	\$ 71,000	\$ 398,461	\$ 3,234,903	\$ 737,887	\$ 527,578	\$ 4,500,368

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

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

	Program Services				Total Programs	Supporting Services			2019 Total
	Survivor Care	Prevention Education	Mobilization	Other Programs		General & Administrative	Development & Fundraising	Reimagine	
Personnel Expenses									
Salaries	\$ 808,785	\$ 383,899	\$ 51,394	\$ 254,628	\$ 1,498,706	\$ 464,040	\$ 236,351	\$ 87,017	\$ 2,286,114
Fringe Benefits	67,460	29,780	12,361	48,016	157,617	45,660	15,257	10,567	229,101
Payroll Taxes	66,682	31,181	3,708	16,924	118,495	42,522	19,300	6,944	187,261
Total Personnel Expenses	942,927	444,860	67,463	319,568	1,774,818	552,222	270,908	104,528	2,702,476
Other Expenses									
Program Expense	93,736	-	-	-	93,736	-	-	-	93,736
Grant Expense	291,330	1,330	-	-	292,660	-	-	-	292,660
Contract Labor	117,594	15,212	7,000	15,454	155,260	44,898	75,022	-	275,180
Travel and Related Expenses	74,205	78,525	4,166	17,661	174,557	33,754	51,066	4,077	263,454
Occupancy	58,751	19,860	5,885	7,558	92,054	44,528	20,290	72,325	229,197
Bank Fees	3,570	790	-	30	4,390	8,182	50,475	1,781	64,828
Professional Fees	13,131	5,306	721	1,265	20,423	60,337	6,420	180	87,360
Printing and Reproduction	515	14,439	-	2,355	17,309	1,182	11,742	121	30,354
Postage	139	1,146	318	5,292	6,895	2,666	11,051	585	21,197
Insurance	60,093	1,591	4,286	956	66,926	1,601	8,357	1,431	78,315
Supplies	2,101	6,761	582	701	10,145	13,232	2,038	6,188	31,603
Telephone	10,396	2,022	494	1,661	14,573	7,006	2,187	3,612	27,378
Staff Development	14,433	1,402	21	130	15,986	8,900	6,952	437	32,275
Depreciation Expense	4,420	4,393	-	9,886	18,699	12,523	479	23,687	55,388
Office Equipment	27	-	1,666	1,417	3,110	2,023	258	-	5,391
Dues and Subscriptions	1,773	50	504	-	2,327	433	2,274	145	5,179
Other	92	303	980	777	2,152	1,131	1,246	3,801	8,330
Total Other Expenses	746,306	153,130	26,623	65,143	991,202	242,396	249,857	118,370	1,601,825
Total Expenses	\$ 1,689,233	\$ 597,990	\$ 94,086	\$ 384,711	\$ 2,766,020	\$ 794,618	\$ 520,765	\$ 222,898	\$ 4,304,301

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

Love146, Inc.
Statement of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows Provided by Operating Activities		
Change in Net Assets	\$ 434,444	\$ (210,877)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation Expense	17,129	55,388
Decrease/(Increase) in Operating Assets		
Receivables	(112,013)	70,635
Prepaid Expenses	(52,392)	(44,384)
Deposits	(761)	-
(Increase)/Decrease in Operating Liabilities		
Accounts Payable	(43,267)	20,461
Accrued Expenses	51,352	(3,141)
Deferred Revenue	(404)	(38,818)
Net Cash Provided by Operating Activities	294,088	(150,736)
Cash Flows From Investing Activities		
Purchase of Property and Equipment	-	(7,254)
Net Cash Used For Investing Activities	-	(7,254)
Net Increase/(Decrease) in Cash and Cash Equivalents	294,088	(157,990)
Cash and Cash Equivalents - Beginning	1,001,476	1,159,466
Cash and Cash Equivalents - Ending	\$ 1,295,564	\$ 1,001,476
Supplemental Information		
Cash Paid for Income Taxes	\$ -	\$ -
Cash Paid for Interest	\$ -	\$ -

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

Love146, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 1 – Organization

Founded in 2002 and incorporated in 2004, Love146, Inc.'s vision is the end of child trafficking and exploitation. Nothing less. We believe that making the world a safe place for children is only possible through a bold, broad vision that cannot be achieved by only one organization or approach. At Love146, Inc. our mission is to journey alongside children impacted by trafficking today and prevent the trafficking of children tomorrow. In order to realize our mission, Love146, Inc. provides transformative services, develops outcome-focused solutions, and challenges society's response.

With programs in the United States, the United Kingdom, the Philippines, and Madagascar Love146 prioritizes the following programmatic goals: (1) support victims of child trafficking through survivor care, (2) assist professionals in identifying, understanding, and appropriately responding to victims of child trafficking through professional training, (3) reduce children's risk for trafficking through prevention education, and (4) support the eradication of child trafficking through community engagement.

In the United States, Love146 primarily supports children who are at risk for or have been victims of domestic minor sex trafficking. In the Philippines, Love146 has served children under the age of one and up past their 18th birthdays, working with those who have been sexually exploited in-person and online. In the United Kingdom, Love146 works with foreign national children who have experienced sex and labor trafficking. While this work may initially appear disconnected, it in fact recognizes that child trafficking has no single form and thus no single solution. In order to fully address child trafficking, multiple replicable models are needed to address the multiple forms in which child trafficking occurs. Collectively, Love146's work is based in our theory of change, and is led and guided by local experts who understand how to implement this theory of change best in their own communities.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

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

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

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

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

Love146, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

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

Income Tax Status

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

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

Cash, Cash Equivalents and Credit Risk

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

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are capitalized at cost. It is Love146, Inc.'s policy to capitalize expenditures for these items in excess of \$2,000. 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.

Government Grants and Contracts

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

Love146, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

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

Contributions

Unconditional promises to give are recorded as received. Unconditional promises to give due in subsequent years are reflected as current promises to give and are recorded at their net realizable value. Love146, Inc. does not generally have unconditional promises to give receivable over multiple 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. An allowance for uncollectable contributions is provided based on management's evaluation of potential uncollectable receivables. The allowance for uncollectable contributions is currently \$-0-.

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

Functional Allocation of Expenses

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

Donated Services

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

Compensated Absences

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

Date of Management's Review

Subsequent events were considered through October 16, 2020, which is the date the financial statements were available to be issued. Management believes there are no subsequent events having a material impact on the financial statements.

New Accounting Pronouncement

ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The main provisions include that a resource provider (including a foundation, a government agency, or other) is not synonymous with the general public. A benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. Execution of a resource provider's mission or the positive sentiment from acting as a donor does not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange. The ASU has been applied on a modified prospective basis for the year ended June 30, 2020 and does not have a material impact on the years presented.

Love146, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 3 – Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020, are as follows:

Financial Assets at Year End	
Cash and Cash Equivalents	\$ 1,295,564
Receivables	184,916
	1,480,480
Less Net Assets With Donor Restrictions	(208,500)
Financial Assets Available for General Expenditures	\$ 1,271,980

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

Note 4 – Property and Equipment

The following is a detailed list of property and equipment cost and accumulated depreciation as of June 30, 2020 and 2019:

	2020	2019
Leasehold Improvements	\$ 72,887	\$ 72,887
Furniture, Fixtures, and Equipment	126,692	126,692
Total Property & Equipment	199,579	199,579
Accumulated Depreciation	(184,213)	(167,084)
Net Property and Equipment	\$ 15,366	\$ 32,495

Note 5 – Operating Leases

Love146, Inc. leases office space in New Haven, Connecticut under a three-year non-cancelable operating lease, which expires June 2021. The lease requires monthly payments of \$6,589 over the life of the lease. Love146, Inc. also leases office space in Spring, Texas under a two and one half year (30 months) non-cancelable operating lease, which expires December 31, 2021. The lease requires annually increasing monthly payments ranging \$1,352 to \$2,113. Love146, Inc. also leases office space in Charlotte, North Carolina under a month-to-month lease, with monthly payments of \$1,500. Love146, Inc. also leases several vehicles for use in its programs, generally under three-year (36 month) lease agreements.

Total lease expense for the year ended June 30, 2020 and 2019 was \$186,323 and \$188,765. Future minimum operating lease commitments under lease are as follows:

Years Ending June 30,	
2021	\$ 157,296
2022	58,892
2023	16,349
2024	-
2025	-
Thereafter	-
	\$ 232,537

Love146, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 6 – Net Assets With Donor Restrictions

As of June 30, 2020 and 2019, net assets with donor restrictions that are temporary in nature are available for the following purposes or time periods:

Purpose	2020	2019
U.S. Survivor Care	\$ 8,500	\$ 31,348
Prevention Education	200,000	13,256
Africa Programs	-	17,500
	<u>\$ 208,500</u>	<u>\$ 62,104</u>

Net assets with donor restrictions that were temporary in nature were released from restrictions during the years ended June 30, 2020 and 2019, by incurring expenses satisfying the following restrictions:

Purpose	2020	2019
U.S. Survivor Care	\$ 31,348	\$ -
Prevention Education	13,256	-
Africa Programs	17,500	17,500
	<u>\$ 62,104</u>	<u>\$ 17,500</u>

There were no net assets with donor restrictions that were permanent in nature for the years ended June 30, 2020 and 2019.

Note 7 – Related Party Transactions

Love146 (Philippines)

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

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

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

During the years ended June 30, 2020 and 2019 Love146, Inc. provided Love146 (Philippines) with \$306,002 and \$250,987, respectively, in support to fund operations to support their mutual mission.

Love146, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 7 – Related Party Transactions (Cont'd)

Love146 (UK)

On March 24, 2010, Love146, Inc. (US) entered into an Affiliation Agreement (Agreement) with a related company in the United Kingdom, Love146 (UK) to support their mission in the UK, with a subsequent addendum in January 2020. The Agreement requires, among other things, that Love146 (UK) maintain a board of directors and executive leadership. In addition, Love146 (UK) and Love146, Inc. (US) agree to complete a Love146 annual plan, produce quarterly programs reports, and agree that all programs be open for Peer Review on an annual basis.

The terms of the January 2020 addendum 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 situations 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.

During the years ended June 30, 2020 and 2019, Love146, Inc. provided Love146 (UK) with \$-0- and \$15,343, respectively, in support.

Note 8 – In-Kind Contributions and Donated Services

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as both contribution revenue and the appropriate functional and natural expense classifications on the statements of activities and functional expenses. In-kind contributions for the year ended June 30, 2020 were as follow:

	2020	2019
Survivor Care - Program Expenses - Rapid Response Supplies	\$ 7,961	\$ 17,749
Survivor Care - Contract Labor	14,213	15,312
Prevention Education - Contract Labor	15,950	-
Other Programs - Advertising	5,000	-
	<u>\$ 43,124</u>	<u>\$ 33,061</u>

Note 9 – Retirement Plan

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

Love146, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10 – Concentrations, Risks, Uncertainties

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

Love146, Inc. also receives a substantial amount of governmental support through grants and contracts. These government grants and contracts accounted for approximately 36% and 27% of total revenue for the years ended June 30, 2020 and 2019, respectively.

In March 2020, COVID-19 was declared a global pandemic. It is currently affecting business continuity, including supply chains and consumer demand across a broad range of industries and countries. The pandemic has already severely impacted the global economy and will continue to, likely for months to come, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, and an estimate of the related future financial impact can't be made at this time.

Note 11 – Paycheck Protection Program Loan

Note payable to People's United Bank (Lender) in the aggregate amount of \$313,100, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted in March 2020. The loan matures in April 2022 and bears interest at a rate of 1% per annum. The note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP the loan can be forgiven if the loan proceeds are used for qualifying expenses, as described in the CARES Act. Love146, Inc. has used the entire loan amount for what management believes are qualifying expenses. Under current program guidelines, as long as a Love146, Inc. submits its loan forgiveness application within ten months of the completion of the Covered Period, Love146, Inc. is not required to make any payments until the forgiveness amount is remitted to the Lender by SBA. If the loan is fully forgiven, Love146, Inc. is not responsible for any payments (less any EIDL advance). If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid by Love146, Inc. on or before the maturity date of the loan. Changes to the PPP loan forgiveness application process have been proposed and subsequent legislation may change the forgiveness process outlined above. Love146, Inc. expects to meet the PPP's eligibility criteria and concluded that the PPP loan represents, in substance, a government grant (conditional contribution) and has recognized the full \$313,100 as support in the statement of activities.



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Love146, Inc.

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Love146, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 16, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Love 146, Inc. in a separate letter dated October 16, 2020.

Purpose of This Report

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

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

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
October 16, 2020



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**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
in Accordance with the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Love146, Inc.

Report on Compliance for Each Major Federal Program

We have audited Love146, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Love146, Inc.'s major federal programs for the year ended June 30, 2020. Love146, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Love146, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about Love146, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Love146, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Love146, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Love146, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 federal 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 federal 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Maletta & Company
Certified Public Accountants

Bristol, Connecticut
October 16, 2020

Love146, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-through/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice			
<i>Direct programs</i>			
<u>Services for Trafficking Victims</u>	16.320	n/a	\$ 68,298
<i>Pass-through programs from</i>			
State of Connecticut Judicial Branch			
<u>Crime Victim Assistance</u>	16.575	02-1817-28	783,871
Total U.S. Department of Justice			852,169
Total Expenditures of Federal Awards			\$ 852,169

*See the accompanying notes to the
Schedule of Expenditures of Federal Awards.*

Love146, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Love146, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Love146, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Love146, Inc.

Note B – Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Love146, Inc. used the 10 percent de minimis indirect cost rate.
3. Pass-through entity identifying numbers are presented where available.

Love146, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

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

Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

CFDA #	Program Name
16.575	Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____ Yes X No

II. Financial Statement Findings

None

III. Federal Awards Findings

None



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

Independent Auditor's Report

Board of Directors
Love146, Inc.

Report on Compliance for Each Major State Program

We have audited Love146, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Love146, Inc.'s major state programs for the year ended June 30, 2020. Love146, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Love146, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of Love146, Inc., as of and for the year ended June 30, 2020 and have issued our report thereon dated October 16, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



Maletta & Company
Certified Public Accountants

Bristol, Connecticut
October 16, 2020

Love146, Inc.
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2020

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	\$ 347,001
Total State Financial Assistance		\$ 347,001

*See the accompanying notes to the
Schedule of Expenditures of State Financial Assistance.*

Love146, Inc.
Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2020

The accompanying schedule of expenditures of state financial assistance included state grant activity of Love146, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2020. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including providing case management and therapeutic services for victims of human trafficking and related crimes through survivor care and prevention education.

1. Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

Love146, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

I. Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

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

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

Identification of major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
CT DCF Board and Care for Children-Foster	11000-DCF91100-16135	\$ 347,001

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

II. Financial Statement Findings

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

III. State Financial Assistance Findings and Questioned Costs

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