

**LOVE NEVER FAILS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2022**

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**LOVE NEVER FAILS**  
**Financial Statements**  
**For the Year Ended December 31, 2022**

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**LOVE NEVER FAILS**  
**BOARD OF DIRECTORS**

**DECEMBER 31, 2022**

Vanessa Russell, Chairperson  
Alvin DaCosta, Vice Chairperson & Secretary  
HuLynne Besharatpour, Treasurer  
Karla Rivera  
Ed Sayson  
Brianna Williams

**MANAGEMENT**

Vanessa Russell, Founder & Executive Director

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Love Never Fails  
Dublin, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Love Never Fails, a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Love Never Fails as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Love Never Fails and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the 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, and for 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.

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
October 11, 2023

LOVE NEVER FAILS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022

ASSETS

Current Assets

Cash and cash equivalents (Note 3)	\$70,091
Accounts receivable (Note 2E)	<u>742,700</u>
Total Current Assets	<u>812,791</u>

Non-Current Assets

Right-of-use asset (Note 8)	154,093
Property and equipment, net	<u>1,318</u>
Total Non-Current Assets	<u>155,411</u>

TOTAL ASSETS	<u><u>\$968,202</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$8,001
Accrued liabilities	15,955
Lease liability, current portion (Note 8)	<u>40,905</u>
Total Current Liabilities	<u>64,861</u>

Non-Current Liabilities

Lease liability, non-current portion (Note 8)	117,776
SBA loan payable (Note 5)	<u>499,900</u>
Total Non-Current Liabilities	<u>617,676</u>

Total Liabilities	<u>682,537</u>
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Net Assets (Note 2A)

Without Donor Restrictions	18,659
With Donor Restrictions (Note 4)	<u>267,006</u>
Total Net Assets	<u>285,665</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$968,202</u></u>
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See accompanying notes to financial statements

LOVE NEVER FAILS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Foundation grants	\$35,000	\$242,724	\$277,724
Individual contributions	188,921		188,921
Business contributions	39,733		39,733
Ministry partners contribution	99,988	98,361	198,349
Government support	1,289,245		1,289,245
Fundraising	55,673		55,673
Direct program income	192,466		192,466
In-kind contributions (Note 2F)	40,681		40,681
Other income	871		871
Net assets released from restrictions (Note 4)	442,579	(442,579)	
	<u>2,385,157</u>	<u>(101,494)</u>	<u>2,283,663</u>
<b>EXPENSES</b>			
Program services	1,585,985		1,585,985
Support services:			
Management and General	678,706		678,706
Fundraising	172,352		172,352
	<u>851,058</u>		<u>851,058</u>
Total Supporting Services			
Total Expenses	<u>2,437,043</u>		<u>2,437,043</u>
Changes in net assets	(51,886)	(101,494)	(153,380)
Net assets, at beginning of year	<u>70,545</u>	<u>368,500</u>	<u>439,045</u>
Net assets, at end of year	<u>\$18,659</u>	<u>\$267,006</u>	<u>\$285,665</u>

See accompanying notes to financial statements



LOVE NEVER FAILS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Total Program Services	Supporting Services		Total
	Restoration Services	Work Force Development	Community Activism		Management and General	Fundraising	
<b>FUNCTIONAL EXPENSES</b>							
Compensation and related expenses:							
Salaries	\$484,479	\$268,642	\$170,246	\$923,367	\$191,957	\$144,975	\$1,260,299
Payroll taxes and benefits	36,159	20,485	12,455	69,099	53,408	10,560	133,067
Sub-total	520,638	289,127	182,701	992,466	245,365	155,535	1,393,366
Advertising and promotion (Note 2J)	3,564		98	3,662	17,356		21,018
Depreciation and amortization				-	5,741		5,741
Communications	1,017			1,017			1,017
Direct client services	5,945			5,945	6,197		12,142
Facility rental	15,222	29,334		44,556	2,005		46,561
Food	12,432	3,374	260	16,066	3,143	107	19,316
Insurance				-	35,595		35,595
Media outreach			16,230	16,230			16,230
Meeting expense				-	367		367
Miscellaneous	4,200	6,429	45	10,674	7,665		18,339
Office expense	2,595	2,189	287	5,071	64,242		69,313
Outside services	151,147	92,879	19,698	263,724	279,969	2,218	545,911
Postage and shipping	27	339		366	284		650
Program materials and supplies	24,335	19,854	182	44,371	2,095		46,466
Rent (Note 8E)	118,929			118,929	245		119,174
Repairs and maintenance	5,931			5,931	110		6,041
Special events				-	50	14,492	14,542
Telephone	928	50		978	422		1,400
Travel and transportation	18,987	565	664	20,216	7,433		27,649
Utilities	35,783			35,783	422		36,205
<b>Total Functional Expenses</b>	<b>\$921,680</b>	<b>\$443,801</b>	<b>\$220,504</b>	<b>\$1,585,985</b>	<b>\$678,706</b>	<b>\$172,352</b>	<b>\$2,437,043</b>

See accompanying notes to financial statements

LOVE NEVER FAILS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	<u>(\$153,380)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,741
Changes in assets and liabilities:	
Accounts receivable	(477,363)
Accounts payable	547
Accrued liabilities	<u>9,965</u>
Net Cash (Used) by Operating Activities	<u>(614,490)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(614,490)
Cash and cash equivalents, beginning of year	<u>684,581</u>
Cash and cash equivalents, end of year	<u><u>\$70,091</u></u>

Supplemental disclosure to the cash flow statement:

The Organization paid no taxes or interest in 2022.

See accompanying notes to financial statements

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 1 – REPORTING ENTITY**

**A. Organization**

Love Never Fails (the Organization or LNF) is a nonprofit charitable corporation originally incorporated in December 2011 after the Founder’s teenage dance student experienced human trafficking in the San Francisco Bay Area. The Board of Directors and Advisory Board include thriving survivors and their families, business owners, teachers, social workers, Pastors, local government executives, attorneys, health care workers, etc. All of the non-profit Board and Advisory members are engaged on a voluntary basis, except for the Board President who serves as the Organization’s Executive Director and began receiving a salary during 2018. They are committed to the wellbeing of all youth, and are driven to restoration, education and protecting them from sex trafficking.

Love Never Fails is committed to providing members of the under-served and under-represented community including human trafficking survivors, foster, system involved and/or transitional aged youth, teenage parents, etc. an opportunity to compete for professional careers in sustainable industries.

**B. Programs**

**Safe Housing**

***I AM House of Restoration:*** Opened in March 2015, this is a survivor-centered and trauma-informed 18-month safe housing program for women survivors of human trafficking and their children. Program Members receive wraparound restorative services including case management, cognitive therapy, art & somatic therapy, abuse & addiction classes, mentoring, workforce development, legal services, and family reunification support.

***I AM Youth Art House:*** Opened in September 2020, this is a 12-month safe housing program for survivors of human trafficking between the ages of 13 and 17. Programing includes art (painting, media, etc.), piano, voice, guitar, dance, healthy living/nutrition, and career exploration. There are multiple layers of support which include house staff, clinical staff, arts/activities/education staff, and a family reunification coach.

***I AM Launch House:*** Opened in November 2020, this is a 6-month housing program focused on empowering homeless men. We will house Transitional Aged Youth (TAY) men as well as their partner and/or children. Programming is focused on developing mental, emotional, financial, and educational wellness. At the end of the program, the goal is for each participant to have savings, restored credit, industry certifications and/or job placement, and a wellness discipline that helps them manage interpersonal challenges.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 1 – REPORTING ENTITY (Continued)**

**Workforce Development- IT Biz, Community Store, Career Closet**

*IT Biz:* Provides members of the under-served and under-represented community including human trafficking survivors, foster care, juvenile justice system involved and/or transitional aged youth, teenage parents, etc. an opportunity to compete for professional careers in sustainable industries. IT Biz is a certified Cisco Networking Academy and a California certified Cybersecurity Pre- Apprenticeship Program. It introduces low income and underserved individuals to technology by providing Cisco (Get Connected, Entrepreneurship and Cybersecurity) and CompTIA A+ certification training, business attire, resume writing, interviewing techniques, public speaking, mock interviews and financial literacy classes. Our classes are taught by survivors of human trafficking and domestic violence. This is of particular importance as we strive to be preventative and culturally responsive to under-served and under resourced populations. Our students are inspired by knowing that their teachers have overcome similar obstacles and are now flourishing in the community.

*Community Store & Career Closet:* Many survivors and at-risk youth have been provided employment and skill development through the Love Never Fails Community Store. A Career Closet is onsite to provide access to interview and professional attire.

**Prevention Education- PROTECT & Community Education**

LNF helped launch an abuse and human trafficking prevention education program called PROTECT in collaboration with 3Strands Global, Frederick Douglass Family Initiatives, the CA Department of Education, and the CA Attorney General’s Office. Since its inception in 2015, PROTECT has been implemented in over 41 California Counties and has grown to other states, including Utah and Texas, reaching over 500,000+ children and adults. In addition, LNF also provides community education regarding human trafficking and trauma.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC), No. 958, *Financial Statements of Not-for-Profit Organizations*.

The Organization reports information regarding its financial position and activities according to two classes of net assets.

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations that are not subject to or are no longer subject to donor-imposed restrictions.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Net Assets With Donor Restrictions* – Net assets whose use is limited by donor-imposed time and/or purpose 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 are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-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 decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the 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.

**B. *Contributions and Grants***

All grants are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support and revenues with donor restrictions that increases that net asset class. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**C. *Cash and Cash Equivalents***

For purposes of reporting cash flows, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**D. *Concentration of Credit Risk***

The Federal Deposit Insurance Corporation (“FDIC”) insures account balances at each insured institution up to \$250,000. The Organization maintains deposit accounts with financial institutions and may carry balances that exceed FDIC insurance limits.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Receivables**

Receivables are recorded net of an allowance for expected losses. The allowance is recorded based on an estimate of the expected collectability of the amounts. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2022.

At December 31, 2022, accounts receivable consisted of the following:

Alameda County Workforce Development Board	\$117,000
County of Alameda	114,752
Microsoft	107,524
Sojourner Truth United Presbyterian Church	98,361
Lao Family Community Foundation	53,571
State of California	47,212
City of Oakland	45,655
San Francisco Human Rights Commission	39,539
Merritt	35,000
City Of Hayward	24,713
Contra Costa County	24,145
Other	<u>35,228</u>
Total Accounts Receivable, Current Portion	<u><u>\$742,700</u></u>

**F. In-Kind Contributions**

The Organization receives goods and services, which are donated for carrying out its mission. Donated professional services are recorded at the respective fair values of the services received. Donated rent is recorded as the difference between fair value of rent and the amount paid for the use of a safe house. Contributed goods are recorded at fair value at the date of donation.

For the year ended December 31, 2022, in-kind contributions consisted of the following:

Donated professional services	\$39,550
Donated supplies	<u>1,131</u>
Total in-kind contributions	<u><u>\$40,681</u></u>

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Income Taxes***

The Organization is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income in the year ended December 31, 2022.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for federal income tax examination for three years from the date of filing.

**H. *Estimates***

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

**I. *Functional Allocation of Expenses***

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on the type of expense.

The Organization allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect costs are allocated among program and support services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

**J. *Advertising Costs***

Advertising costs are expensed as incurred and totaled \$21,018 for fiscal year ended December 31, 2022.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Fair Value Measurements**

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs. The three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, the Foundations develops inputs using the best information available in the circumstances.

**L. Lease Accounting**

The Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of the existing contract are changed. Lease liabilities and a right of use (ROU) asset are recognized at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a discount rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate. See Note 8 for further details.

**M. New Accounting Pronouncements**

During the year ended December 31, 2022, Love Never Fails adopted the requirements of Financial Accounting Standards Board's (FASB) Accounting Standards Update No. 2016-02, *Leases*. This Update requires entities to recognize right-of-use assets and lease obligation liabilities on the statement of financial position. This includes leases of all property, plant, and equipment and excludes (1) leases of intangible assets, (2) leases to explore for or use nonregenerative resources, (3) leases of biological assets, (4) leases of inventory, and (5) leases of assets under construction. In fiscal year 2022, Love Never Fails took an inventory of its leases and determined that its office lease applied to this Update. While the Organization has other leases, due to them being short-term, management determined they did not need to be recorded. As such, the right-of-use asset and liability associated with its office lease has been recorded on the Statement of Financial Position. See Note 8 for details of this lease.



**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Subsequent Event**

Love Never Fails evaluated subsequent events for recognition and disclosure through October 11, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in such financial statements, other than the following:

In July 2023, Love Never Fails purchased a home it previously leased as a safe house, for approximately \$550 thousand, primarily using funds raised and granted from the I Am Launch House appeal.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of deposits in banks and are reported at their fair market values using level 1 fair value measures (quoted prices in active markets) in the Statement of Financial Position.

**NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2022, net assets with donor restrictions consisted of the following:

Workforce Development - Get With IT	\$162,096
General Support	2,800
Restoration Services: Safe House	<u>102,110</u>
Total Net Assets With Donor Restrictions	<u><u>\$267,006</u></u>

For the year ended December 31, 2022, net assets were released from restrictions as follows:

Program	Amount
Workforce Development - Get With IT	\$216,262
General Support	157,400
Restoration Services: Safe House	13,917
Restoration Services	40,000
Street Outreach	<u>15,000</u>
Total	<u><u>\$442,579</u></u>

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 5 – SBA LOANS**

On October 5, 2021, the Organization received a \$499,900 loan from the U.S. Small Business Administration Paycheck Protection Program (PPP), with an interest rate of 1.0% that will begin maturing on October 5, 2023. The loan was made pursuant to sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Section 1106 of the CARES Act provides that up to the full principal amount plus interest accrued on loans guaranteed under the PPP may qualify for forgiveness if the Organization uses the loan proceeds for forgivable purposes.

The Organization is using the proceeds from this loan for the purpose of expanding its projects, and expects to have to pay this loan back commencing in 2023.

**NOTE 6 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following at December 31, 2022:

Total financial assets:	
Cash and cash equivalents	\$70,091
Accounts receivable, current portion	<u>742,700</u>
Total current financial assets	812,791
Contractual or donor-imposed restrictions:	
Donor-imposed restrictions	<u>(267,006)</u>
Financial Assets Available to Meet Cash	
Needs for Expenditures Within One Year	<u><u>\$545,785</u></u>

**NOTE 7 – RETIREMENT PLAN**

The Organization has a contributory retirement/savings plan. The plan covers substantially all full-time employees who meet a two-year service requirement. Under the terms of the plan, contributions are made under a 5304 SIMPLE IRA plan and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The Organization will contribute up to 2% of the employee's salary and the employee may elect to contribute an additional amount through payroll deductions. For the year ended December 31, 2022, the Organization contributed \$2,651 to the plan.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 8 – FACILITY LEASES**

As of December 31, 2022, the Organization has various leases for office space and safe houses.

**A. Office Lease**

Love Never Fails entered into a lease agreement with an individual for its office space in Hayward, California. The lease has a three year term that commenced on August 1, 2020 and expires on July 31, 2023, with an option to renew for an additional three year term. The lease is for 2250 rentable square feet and the monthly rent expense is \$3,713 as of December 31, 2023, and increases 3% each year on August 1. In accordance with FASB ASU 2016-02, *Leases*, Love Never Fails recorded the right-of-use (ROU) asset and deferred lease liability on the statement of financial position as of January 1, 2022.

Future amortization of the ROU asset and lease liability is as follows:

	Asset	Liability
2023	\$42,996	\$40,905
2024	42,996	43,520
2025	42,996	46,140
2026	25,105	28,116
Total	\$154,093	\$158,681

**B. Safe House Leases**

As of December 31, 2022, Love Never Fails also has five leases with different individuals for facilities utilized as safe houses.

**C. Rent to Own Lease Agreement**

Love Never Fails entered into a rent to own lease agreement with New Hope Christian Fellowship for transitional housing for homeless men and their families in Hayward, California. The lease commenced on September 1, 2020 and expired on September 1, 2021, however, the Organization has continued the lease on a month-to-month basis. The lease calls for monthly rent payments of \$1,100. LNF has an option to purchase the property upon satisfactory performance of the lease. At the time of issuance of this report, LNF has not exercised this option.

**D. Rent Expense**

Total rent expense for the year ended December 31, 2022 was \$119,174.

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## **SUPPLEMENTAL SECTION**

**Love Never Fails**  
**Schedule of Funds for Alameda County Grants**  
**Fiscal Year ending December 31, 2022**

PC No.:19175

PO No.: 17039

Contract No.: 901416

Contract Amount: \$213,275.52

Contract Period: 7/1/2021 - 6/30/2022

<b>Line Item</b>	<b>Q1(Jan-Mar 2022)</b>	<b>Q2 (Apr-Jun 2022)</b>	<b>Total Billed</b>
Executive Director	\$5,000.00	\$5,000.00	\$10,000.00
Senior Program Manager	\$4,290.16	\$6,290.16	\$10,580.32
House Managers	\$11,091.66	\$10,533.59	\$21,625.25
Services Coordinator	\$3,977.00	\$3,977.00	\$7,954.00
Administrator	\$1,250.00	\$1,250.00	\$2,500.00
FICA	\$1,308.75	\$1,308.75	\$2,617.50
Unemployment Ins	\$147.75	\$147.75	\$295.50
Workers Comp	\$229.50	\$229.50	\$459.00
Rent & Utilities	\$21,303.00	\$21,303.00	\$42,606.00
Travel & Mileage	\$151.04	\$1,155.70	\$1,306.74
Client Meals & Supplies	\$1,639.01	\$4,962.56	\$6,601.57
<b>Total Billed</b>	<b>\$50,387.87</b>	<b>\$56,158.01</b>	<b>\$106,545.88</b>

PC No.:

PO No.:

Contract No.: 901416

Contract Amount: \$212,693

Contract Period: 7/1/2022 - 6/30/2023

<b>Line Item</b>	<b>Q3 (Jul-Sep 2022)</b>	<b>Q4 (Oct-Dec 2022)</b>	<b>Total Billed</b>
Executive Director	\$5,000.00	\$5,000.00	\$10,000.00
Senior Program Manager	\$4,290.16	\$6,290.16	\$10,580.32
House Managers	\$11,091.66	\$10,533.59	\$21,625.25
Services Coordinator	\$3,977.00	\$3,977.00	\$7,954.00
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Travel & Mileage	\$151.04	\$1,155.70	\$1,306.74
Client Meals & Supplies	\$1,639.01	\$4,962.56	\$6,601.57
<b>Total Billed</b>	<b>\$50,387.87</b>	<b>\$56,158.01</b>	<b>\$106,545.88</b>

**INDEPENDENT AUDITOR'S 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***

To the Board of Directors  
Love Never Fails  
Dublin, California

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 basic financial statements of Love Never Fails, as of and for the year ended December 31, 2022, and have issued our report thereon dated October 11, 2023.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 the Organization'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 that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated October 11, 2023 which is an integral part of our audit and should be read in conjunction with this report.

### ***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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Pleasant Hill, California  
October 11, 2023