

**LOVE NEVER FAILS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**

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**LOVE NEVER FAILS**  
**Financial Statements**  
**For the Year Ended December 31, 2018**

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

**DECEMBER 31, 2018**

Vanessa Russell, Board President  
Mick Burke, Vice President & Secretary  
HuLynne Besharatpour, Treasurer  
Alvin DaCosta  
Brianna Williams

**MANAGEMENT**

Vanessa Russell, Founder & Executive Director  
Emily Stevenson, Chief of Staff

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Love Never Fails  
Dublin, California

### *Report on the Financial Statements*

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, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 the Organization as of December 31, 2018, 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.

*Maze & Associates*

Pleasant Hill, California  
August 30, 2019

LOVE NEVER FAILS  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018

ASSETS

Current Assets

Cash and cash equivalents (Note 3)	\$92,092
Accounts receivable	<u>16,702</u>

TOTAL ASSETS \$108,794

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	<u>\$9,315</u>
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Total Liabilities 9,315

Net Assets (Note 2A)

Without Donor Restrictions	91,146
With Donor Restrictions (Note 4)	<u>8,333</u>

Total Net Assets 99,479

TOTAL LIABILITIES AND NET ASSETS \$108,794

See accompanying notes to financial statements

LOVE NEVER FAILS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Foundation grants	\$10,250	\$20,000	\$30,250
Individual contributions	183,741	250	183,991
Business contributions	28,216	5,000	33,216
Ministry partners contribution	50,041		50,041
Government support	209,762		209,762
Fundraising	3,225		3,225
Direct program income	42,056		42,056
Other income	39,208		39,208
Net assets released from restrictions (Note 4)	16,917	(16,917)	
Total Support and Revenue	<u>583,416</u>	<u>8,333</u>	<u>591,749</u>
<b>EXPENSES</b>			
Program services	415,286		415,286
Support services:			
Management and general	81,807		81,807
Fundraising	36,579		36,579
Total Supporting Services	<u>118,386</u>		<u>118,386</u>
Total Expenses	<u>533,672</u>		<u>533,672</u>
Increase in net assets	49,744	8,333	58,077
Net assets, at beginning of year	<u>41,402</u>		<u>41,402</u>
Net assets, at end of year	<u><u>\$91,146</u></u>	<u><u>\$8,333</u></u>	<u><u>\$99,479</u></u>

See accompanying notes to financial statements



LOVE NEVER FAILS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

FUNCTIONAL EXPENSES	Program		Supporting Services		Total
	General Program	Safe House	Management and General	Fundraising	
Compensation and related expenses:					
Salaries	\$76,944	\$159,002	\$24,957	\$24,133	\$285,036
Payroll taxes and benefits	7,955	17,433	16,051		41,439
Sub-total	84,899	176,435	41,008	24,133	326,475
Advertising and promotion (Note 2J)	1,766		70		1,836
Direct client services	16,847	3,829			20,676
Facility rental	12,400	1,357	2,116		15,873
Food	177	794	374	59	1,404
Grants to others	2,300		6,000		8,300
Insurance			5,632		5,632
Media outreach	13,605				13,605
Meeting expense	482	15	251	109	857
Miscellaneous	1,102	703	936	165	2,906
Office expense	563	589	10,597	264	12,013
Outside services	1,396	7,391	11,352	2,920	23,059
Postage and shipping	95	36	195	11	337
Program materials and supplies	2,232	6,889	155	223	9,499
Rent		47,948			47,948
Repairs and maintenance		236			236
Special events				8,580	8,580
Telephone		1,054	526		1,580
Travel and transportation	4,232	11,561	2,595	115	18,503
Utilities		14,353			14,353
Total Functional Expenses	\$142,096	\$273,190	\$81,807	\$36,579	\$533,672

See accompanying notes to financial statements

LOVE NEVER FAILS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$58,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(16,225)
Accounts payable	<u>7,742</u>
Net Cash Provided (Used) by Operating Activities	<u>49,594</u>
INCREASE IN CASH AND CASH EQUIVALENTS	49,594
Cash and cash equivalents, beginning of year	<u>42,498</u>
Cash and cash equivalents, end of year	<u><u>\$92,092</u></u>

Supplemental disclosure to the cash flow statement:

The Organization paid no taxes or interest in 2018.

See accompanying notes to financial statements

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**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

**NOTE 1 – REPORTING ENTITY**

Love Never Fails (the Organization) 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 well being 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.

**Programs**

To address the dire need of the housing crisis, Love Never Fails launched the I AM House of Restoration in March 2015. The I AM House is an 18-month, trauma informed program that provides safe housing and services to an average of 26 women survivors and their children each year.

Love Never Fails, 3Strand Global, and Fredrick Douglass Family Initiatives, in partnership with the California Department of Education and the California Office of the Attorney General, have joined together in the fight against human trafficking to launch a statewide prevention education initiative called PROTECT. The joint mission is to reduce the vulnerability of children by identifying and preventing human trafficking using a standardized trauma informed education curriculum and systematic delivery methodology.

**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, 2018**

<b>NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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*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. The Organization maintains deposit accounts with financial institutions and may carry balances that exceed FDIC insurance limits.

**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.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

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

**F. *Donated Assets***

Donated property and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the use of donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

**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, 2018.

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 present 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.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

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

**J. Advertising Costs**

Advertising costs are expensed as incurred and totaled \$1,836 for fiscal year ended December 31, 2018.

**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. New Accounting Pronouncement**

During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (see Note 6).

**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.

**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

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

As of December 31, 2018, \$8,333 was restricted for the Safe House program.

For the year ended December 31, 2018, net assets were released from restrictions as follows:

Program	Amount
Safe House - Case Manager Salary	\$10,000
Workforce Development - Survivors of Human Trafficking	5,000
Safe House - General Support	1,667
G&A - General Support	250
Total	\$16,917

**NOTE 5 – 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, 2018:

Total current financial assets:	
Cash and cash equivalents	\$92,092
Accounts receivable	16,702
Total current financial assets	108,794
Contractual or donor-imposed restrictions:	
Donor-imposed restrictions	(8,333)
Financial Assets Available to Meet Cash	
Needs for Expenditures Within One Year	\$100,461



**LOVE NEVER FAILS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2018**

**NOTE 7 – FACILITY LEASES**

As of December 31, 2018, the Organization has the following three operating leases:

**A. *The New Hope Christian Fellowship Office Lease***

On July 1, 2017, Love Never Fails entered into a lease agreement with the New Hope Christian Fellowship for its Hayward office. The term of the lease is month-to-month with a commencement date of July 1, 2017. The starting monthly rent expense is \$1,200.

**B. *Safe House Lease #1***

On July 16, 2015, Love Never Fails entered into a lease agreement with an individual for its first safe house. The lease commencement date was August 1, 2015 and initially expired on July 31, 2016, however, the parties opted to extend the term for an additional two years in accordance with the first of two two-year options built into the agreement. The lease is for 2600 rentable square feet and a starting monthly rent expense of \$3,000.

**C. *Safe House Lease #2***

On April 15, 2017, Love Never Fails entered into a lease agreement with California Place Apartments for its second safe house. The term of the lease is 13 months with a commencement date of April 15, 2017. The starting monthly rent expense is \$1,205.

**D. *Rent Expense***

Total rent expense for the year ended December 31, 2018 was \$63,821.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 30, 2019, the date that the financial statements were available to be issued and determined that there are no material subsequent events that required recognition or additional disclosure in these financial statements.