Love Never Fails International, Inc.

Financial Statements

December 31, 2021

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Love Never Fails International, Inc.
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Independent Accountants' Review Report

To the Board of Directors
Love Never Fails International, Inc.
Metuchen, NJ

We have reviewed the accompanying financial statements of Love Never Fails International, Inc. (the "Organization") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Love Never Fails International, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Nisivoccia LLP

Mt. Arlington, New Jersey
May 17, 2022

Love Never Fails International, Inc.
Statement of Financial Position
December 31, 2021

ASSETS

Cash and cash equivalents	$	248,504
Investments		10,506
Property and equipment, net		274,330
Total assets	$	533,340

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	$	6,775
Note payable		13,074
Total liabilities		19,849
Net assets:		
Without donor restrictions		359,856
With donor restrictions		153,635
Total net assets		513,491
Total liabilities and net assets	$	533,340

Love Never Fails International, Inc.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and support:			
Contributions- Program	$ 304,455	$ 129,262	$ 433,717
Contributions- General	66,767	7,918	74,685
Contributions- Mission Trips		5,200	5,200
Net assets released from restrictions	135,118	(135,118)	
Total revenues, gains, and support	506,340	7,262	513,602
Expenses:			
Program activities	195,797		195,797
Management and general	48,486		48,486
Fundraising	8,593		8,593
Total expenses	252,876		252,876
Change in net assets from operations	253,464	7,262	260,726
Other income (expense):			
Interest expense	(636)		(636)
Investment income	506		506
Interest income	740		740
Forgiveness of Government Grant - Paycheck Protection Program	16,508		16,508
Total other income	17,118		17,118
Change in net assets	270,582	7,262	277,844
Net assets, beginning of the year	89,274	146,373	235,647
Net assets, end of the year	$ 359,856	$ 153,635	$ 513,491

Love Never Fails International, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Supporting Services			
	Child Development Programs	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 84,362	$ 9,925	$ 4,963	$ 14,888	$ 99,250
Payroll taxes and employee benefits	2,317	434	145	579	2,896
Total personnel services	86,679	10,359	5,108	15,467	102,146
Advertising	1,558	445	223	668	2,226
Clothes and hygiene	4,712				4,712
Training		6,673		6,673	6,673
Donations	7,145				7,145
Education and child sponsorship	35,639				35,639
Equipment lease		3,746		3,746	3,746
Feeding and nutrition	16,329				16,329
Health and clean water	1,669				1,669
Insurance		1,488		1,488	1,488
Miscellaneous expense		7,850		7,850	7,850
Office expenses	9,399	7,520	1,880	9,400	18,799
Postage		1,269		1,269	1,269
Professional fees	1,918	547	275	822	2,740
Rent	5,555	1,587	794	2,381	7,936
Taxes and licenses		1,210		1,210	1,210
Telephone		3,076		3,076	3,076
Travel and Training	20,172	1,774		1,774	21,946
	104,096	37,185	3,172	40,357	144,453
Depreciation expense	5,022	942	313	1,255	6,277
Total expenses	$ 195,797	$ 48,486	$ 8,593	$ 57,079	$ 252,876

See Independent Accountants' Review Report and Notes to Financial Statements

Love Never Fails International, Inc.
Statement of Cash Flows
Year Ended December 31, 2021

Cash flows from operating activities:		
Change in net assets	$	277,844
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		6,277
Unrealized gain on investments		(408)
Interest and dividends reinvested, net of investment fees		(98)
Forgiveness of government grant - Paycheck Protection Program		16,508
Changes in assets and liabilities:		
Accounts payable and accrued expenses		5,042
Refundable advance - Paycheck Protection Program		(16,508)
Net cash provided by operating activities		288,657
Cash flows from investing activities:		
Donation of investments		(10,000)
Purchase of property and equipment		(166,654)
Net cash used in investing activities		(176,654)
Cash flows from financing activities:		
Principal payments on note payable		(211)
Net cash used in financing activities		(211)
Net increase in cash and cash equivalents		111,792
Cash and cash equivalents, beginning of year		136,712
Cash and cash equivalents, end of year	$	248,504
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$	636
Supplemental disclosure of non cash activites:		
Non-cash financing of vehicle	$	13,285
Unrealized gain on investments	$	(408)

1. Nature of Activities

Love Never Fails International, Inc. (the "Organization") is a non-profit 501(c)3 organization. The Organization was incorporated on August 8, 2011, under the New Jersey Nonprofit Corporation Act and is a tax-exempt organization under section 501(c)3 of the Internal Revenue Code. The Organization promotes education of the needy, orphan care, slum children care, and Christianity.

2. Summary of Significant Accounting Policies

Accounting Method

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Love Never Fails International, Inc. prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), *Accounting for Contributions Received and Made*, and *Presentation of Financial Statements of Not-for-Profit Entities*. *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction 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. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the Organization's programs and general operations. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of the Organization, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. As of December 31, 2021 net assets with donor restrictions amounted to $268,753.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization's estimates may change in the near term.

Cash Equivalents

Cash equivalents consist of short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash.

Revenue and Support Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been substantially met.

Fair Value of Financial Instruments

In accordance with FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability).

A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Cash and cash equivalents, accounts payable and accrued expenses: the carrying amounts approximate fair value due to the short-term maturity of these instruments.

Mutual funds: The carrying amounts are stated at the net asset value (NAV) of shares held by the Organization.

Note payable: The carrying amount reported in the statement of financial position approximates fair value because the Organization can obtain similar loans at the same terms.

Property and Equipment

Property, plant and equipment are recorded at cost. Major renewals and betterments are charged to the property accounts; maintenance, minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Depreciation is calculated using the straight-line method for all assets. When properties are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted accordingly, and the gain or loss, if any, arising from its disposal, is credited or charged to earnings.

The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB Accounting Standards Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*. There were no impairment charges recorded for 2021.

Investments

The Organization records investments in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities. The fair value of investments is determined by reference to quoted market prices. Investment income or loss (including interest and dividends) and gain (loss) on sale of investments are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established.

For the year ended December 31, 2021, the Organization did not record any impairment charge in the statement of activities.

Income Taxes

The Organization is an approved charitable, nonprofit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Organization is an exempt entity under Title 15 of the State of New Jersey, *Corporations and Organizations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2021. However, the Organization is subject to regular audit by tax authorities, including a review of its nonprofit status, which the Organization believes would be upheld upon examination. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Organization files informational returns with both the Federal and New Jersey State governments on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. These returns are subject to examination by these authorities within certain statutorily defined periods for Federal and for New Jersey.

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 program and supporting services benefited. The financial statements may report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated based on estimates made by management. Program expenses are those related to the promotion of education of the needy, orphan care, slum children care, and Christianity. Management and general expenses relate to administrative expenses incurred to operate those programs and are allocated based on estimates of time and effort considered by management to be reasonable. Fundraising relates to direct cost of special events, development activities carried on by the Organization as well as the allocation of employees' salaries, when applicable, and other costs involved in fundraising and special events.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense amounted to $2,226 for the year ended December 31, 2021.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2021 through the date of the independent accountants' review report and the date the financial statements were available to be issued, May 17, 2022. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted.

The FASB ASU requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements. The FASB issued the update in an effort to improve the transparency in reporting nonprofit gifts-in-kind. Management is currently evaluating the impact of the adoption of this guidance on its financial statements.

3. Liquidity and Availability

The adoption of FASB Update No. 2016-14 requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements.

A significant portion of the Organization’s annual expenditures will be funded by current year contributions. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a goal to maintain financial assets on hand to meet 30 days of normal operating expenses.

The following table reflects the Organization’s financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Financial assets at year end:	
Cash and cash equivalents	$ 248,504
Less amounts not available to be used within one year:	
Net assets with donor restrictions	153,635
Total financial assets available to meet general expenditures over the next twelve months:	$ 94,869

4. Property and Equipment

Property and equipment consist of the following at December 31, 2021:

	Estimated Useful Lives	
Land		$ 51,906
Building	27	191,368
Furniture and fixtures	5-10	5,787
Vehicles	5-7	32,585
		281,646
Less: accumulated depreciation		(7,316)
Net property and equipment		$ 274,330

Depreciation expense for the year ended December 31, 2021 amounted to $6,277.

5. Investments - donor designated endowments (SPMIFA)

The Organization's endowment is comprised of mutual funds for a variety of purposes. Its endowment is made up of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has consistently interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Accumulated earnings of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Orgaization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Accordingly, the investment process seeks to increase the inflation adjusted asset value of the principal capital and the purchasing power of the income while maintaining a moderate risk profile. Diversification of assets is used to manage the risk profile, utilizing strategic asset allocation guidelines.

Spending Policy: The Organization does not schedule specific distributions from the endowment portfolio, but allows periodic withdrawals, with adequate notice, to be taken as the need arises. The investment strategy plans for these periodic withdrawals of earned income from the portfolio.

Donner-restricted endowment funds amounted to $10,506 as of December 31, 2021.

Changes in endowment net assets for the year ended of December 31, 2021 is as follows:

Endowment net assets:		
Beginning of year	$	-
Donner-restricted donations		10,000
Net appreciation		506
End of year	$	10,506

6. Investments

The Organization's investments at December 31, 2021 consisted of the following:

	Fair Value Level 1	Cost	Unrealized Gain
Mutual funds	$ 10,506	$ 10,000	$ 506

Investment activity for the year ended December 31, 2021 is comprised of the following:

Dividends and interest, net of investment fees	$	98
Unrealized gain		408
	$	506

7. Note Payable

Note payable is comprised of the following at December 31, 2021:

Note Payable for a vehicle requiring monthly installments of $257, including interest at 5.99%, maturing in 2026. The note is secured by the related vehicle.	$ 13,074

Maturities of note payable due in each of the years subsequent to December 31, 2021 are as follows:

December 31,	Amount
2022	$ 2,325
2023	2,500
2024	2,654
2025	2,818
2026	2,777
	$ 13,074

8. Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by meeting purpose restrictions for the year ended December 31, 2021:

Purpose restrictions accomplished:	
Child Development Program	$ 135,118

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2021:

Purpose restricted:	
Child Development Program	$ 143,129
Permanently restricted:	
Endowment	10,506
	$ 153,635

10. Refundable Advance

During 2020, the Organization received $16,508 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Organization has accounted for the PPP funding as a conditional contribution in the financial statements by applying FASB ASC Topic 958- 605, *Revenue Recognition*. Revenue is recognized only when conditions are met. PPP funding is subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The full amount was forgiven and recognized as income in 2021 on the statement of activities.

The SBA reserves the right to audit PPP funding forgiveness for six years from the date that forgiveness was awarded.

11. Risks and Uncertainties

The COVID-19 coronavirus outbreak has caused business disruption through government mandated and voluntary closings and has contributed to significant declines and volatility in financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter may have an impact on its future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.