

LOVE NETWORK OF BAYTOWN

Financial Statements
as of December 31, 2020

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MAYS & ASSOCIATES PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Love Network of Baytown
Baytown, Texas

We have reviewed the accompanying financial statements of Love Network of Baytown (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to managements' financial data and making inquiries of entity 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 principals in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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.

Mays & Associates
Mays & Associates, PLLC

Baytown, Texas
January 5, 2022

LOVE NETWORK OF BAYTOWN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

Assets

Cash	\$	56,108
Contributions receivable		38,210
Property and equipment, net		-
Other assets		<u>3,734</u>
TOTAL ASSETS	\$	<u>98,052</u>

Liabilities and net assets

Liabilities		
Payroll liabilities	\$	1,124
PPP Loan		<u>12,700</u>
TOTAL LIABILITIES		<u>13,824</u>
Net Assets:		
Without donor retrictions		46,018
With donor retrictions		<u>38,210</u>
TOTAL NET ASSETS		<u>84,228</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>98,052</u>

See accompanying notes to the financial statements.

LOVE NETWORK OF BAYTOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support:			
United Way Contribution	\$ -	\$ 104,420	\$ 104,420
City of Baytown - CDBG Grant	13,864	-	13,864
Contributions	108,275	-	108,275
Special Events	10,986	-	10,986
Interest Income	128	-	128
Other Income	342	-	342
Net Assets Released from Restrictions		-	
Expiration of time restrictions	109,710	(109,710)	-
	<u>243,305</u>	<u>(5,290)</u>	<u>238,015</u>
Total Revenues, Gains, and Other Support			
Expenses:			
Program Services:			
Direct Assistance	184,671	-	184,671
Supporting Services:			
Management and General	25,796	-	25,796
Fundraising	8,749	-	8,749
	<u>219,216</u>	<u>-</u>	<u>219,216</u>
Total Expenses			
Change in Net Assets	<u>24,089</u>	<u>(5,290)</u>	<u>18,799</u>
Net Assets, Beginning of Year	21,929	-	21,929
Prior period adjustment	-	43,500	43,500
Net Assets, End of Year	<u>\$ 46,018</u>	<u>\$ 38,210</u>	<u>\$ 84,228</u>

See accompanying notes to the financial statements.

LOVE NETWORK OF BAYTOWN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Direct Assistance</u>	<u>Management and General</u>	<u>Fundraising</u>	
Bank charges	\$ -	\$ 53	\$ -	\$ 53
Direct assistance support	121,151	-	-	121,151
Dues and subscriptions	-	204	-	204
Insurance	-	1,359	-	1,359
Office expense	244	5,877	386	6,507
Office rent	1,424	610	-	2,034
Other	-	798	-	798
Professional fees	-	1,022	-	1,022
Repairs and maintenance	-	3,007	-	3,007
Salaries and benefits	61,852	11,895	5,550	79,297
Special event expense	-	-	2,813	2,813
Volunteer/donor appreciation	-	971	-	971
Total	<u>\$ 184,671</u>	<u>\$ 25,796</u>	<u>\$ 8,749</u>	<u>\$ 219,216</u>

See accompanying notes to the financial statements.

LOVE NETWORK OF BAYTOWN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:

Change in net assets	\$ 18,799
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	-
(Increase) Decrease in contributions receivables	5,290
(Increase) Decrease in other assets	(3,734)
Increase (Decrease) in accounts payable	<u>(2,181)</u>
Net cash provided (used) by operating activities	<u>18,174</u>

Cash flows from investing activities:

Purchase of property and equipment	<u>-</u>
Net cash provided (used) by investing activities	<u>-</u>

Cash flows from financing activities:

Proceeds from PPP loan	12,700
Payments on note payable	<u>-</u>
Net cash provided (used) by financing activities	<u>12,700</u>

Net increase (decrease) in cash	30,874
Cash, beginning of year	<u>25,234</u>
Cash, end of year	<u><u>\$ 56,108</u></u>

Supplemental Disclosures of Cash Flow Information

Cash paid for interest	\$ -
Income taxes paid	\$ -

See accompanying notes to the financial statements.

LOVE NETWORK OF BAYTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. NATURE OF ACTIVITIES

Love Network of Baytown (the “Charity”) (formerly known as Love Inc. of Baytown) is a non-profit corporation organized in October, 1990. The Charity provides direct assistance to individuals in the form of food, clothing, and other necessities in the Baytown, Texas and surrounding communities. The Charity changed its name during the fiscal year ended December 31, 2014, and discontinued its affiliation with its national organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Charity is presented to assist in understanding the Charity’s financial statements. The financial statements and notes are the representation of the Charity’s management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Cash Equivalents

For purposes of the statement of cash flows, the Charity considers investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment consists of office furniture and equipment. Assets are recorded at cost. Depreciation is provided using the straight line method over an estimated life of five years. At December 31, 2020, the Charity’s assets of \$1,493 was fully depreciated.

Classification of Net Assets

In accordance with the provisions of the FASB Accounting Standards Codification (FASB ASC 958-208), the Charity is required to report information regarding its financial position and activities according to two classes of net assets, including net assets without donor restrictions and net assets with donor restrictions. Due to the nature of the Charity’s activities, all assets are considered to be without donor restrictions. The Charity is also required to present a statement of cash flow.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Charity that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending

LOVE NETWORK OF BAYTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions at December 31, 2020 are as follows:

Net assets with donor restrictions:	
Unconditional Promises to Give - United Way	\$ 38,210
Total net assets with donor restrictions	<u>\$ 38,210</u>

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Charity recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Charity receives services from its directors and officers, including a number of volunteers, who give significant amounts of their time to develop the organization, programs, and fundraising campaigns. No amounts for such services have been recognized in the accompanying Statement of Activities because the criteria for recognition of such efforts under GAAP have not been satisfied.

Functional Expenses

The Charity allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly to that service. Expenses that are common to more than one service are allocated based on estimates of the costs related to each service.

Income Tax

The Charity is a not-for-profit that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements.

Generally, the Charity's Federal Organization Exempt from Income Tax Returns (Form 990) are subject to examination by the Internal Revenue Service for three years after being filed.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. PAYCHECK PROTECTION PROGRAM (PPP) LOANS

On May 2, 2020 the Charity received a loan in the amount of \$12,700 under the Payroll Protection Program (PPP Loan). The loan accrues interest at a rate of 1% and has a maturity date of two years. Payments are deferred during the Deferral Period. The Deferral Period is the period beginning on the date of the PPP Loan, May 2, 2020.

Under the requirements of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the proceeds may only be used for the Charity's eligible payroll costs, or other eligible costs related to rent, mortgage interest, utilities, and covered operation expenditures, in each case paid during the 24-week period following disbursement.

LOVE NETWORK OF BAYTOWN
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The PPP Loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP Loan would be reduced in accordance with the regulation that were issued by the Small Business Administration (SBA). The PPP loan proceeds were used by the Charity to pay eligible expenses consistent with PPP Loan terms.

4. COMMITMENTS

The Charity leases its office space from a local church. The lease is on a month to month basis. Rental payments consist of the utility costs related to the office space. In the opinion of management, the amounts paid for rental are reasonably close to the amounts which would be paid for similar rental space. For the year ended December 31, 2020, total rent payments amounted to \$2,034.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Charity's financial instruments consist of cash and accounts payable. The fair value of these financial instruments approximate their recorded amount based on their short term nature.

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At December 31, 2020, the Charity did not have any financial assets subject to donor imposed restrictions. As a result, all financial assets of the Charity are available for general use.

7. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, triggering a significant negative impact on the global economy. As a result, economic uncertainties have arisen which may affect operating results; however, the related financial impact and duration is unknown at this time.

8. COMMUNITY DEVELOPMENT BLOCK GRANT

On July 20, 2020, the Charity entered into a sub-recipient agreement with the City of Baytown totaling \$100,000 to render a public service financed under the Title I of the Housing and Community Development Act of 1974. Under the agreement, funds will be used to aid Baytown residents experiencing a hardship as a result of the coronavirus public health crisis. Funds will provide up to \$900 of much needed relief of rent and mortgage payments for up to two months for low income households within the city limits of Baytown, who have experienced a loss of employment, and/or have been furloughed on or after March 13, 2020. Reimbursable costs under the contract are as follows:

Description	7/20/20 to 9/30/21
Salaries & benefits	\$ 20,000
Office supplies	500
Postage	110
Printing	300
Phone	1,000
Client services	78,090
	\$ 100,000

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. PRIOR PERIOD ADJUSTMENT

The Charity performed a review of its contribution recognition and determined its unconditional promises to give with payments in future periods was not properly stated for the year ended December 31, 2019. Therefore, beginning net assets have been adjusted by \$43,500.

10. SUBSEQUENT EVENTS

On April 15, 2021, the Charity received notification that their PPP loan of \$12,700 was fully forgiven.

Subsequent events were evaluated through January 5, 2022, which is the date the financial statements were available to be issued.

