

**LOVE INC OF LAKE COUNTY
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

LOVE INC OF LAKE COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Love INC of Lake County

We have audited the accompanying financial statements of Love INC of Lake County (an Illinois not-for-profit corporation), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2016 and 2015 and the related statements of support, revenue, and expenses - modified cash basis, functional expenses - modified cash basis and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Love INC of Lake County as of December 31, 2016 and 2015, and the changes in its support, revenue, expenses and cash flows for the years then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Knuttle & Associates, P.C.

**LOVE INC OF LAKE COUNTY
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	\$ 121,541	\$ 102,747
Investments	2,003	1,093
TOTAL CURRENT ASSETS	123,544	103,840
FIXED ASSETS		
Vehicles	23,300	21,000
Furniture and Equipment	11,125	9,681
	34,425	30,681
Less -- Accumulated Depreciation	27,642	23,931
TOTAL FIXED ASSETS	6,783	6,750
OTHER ASSETS		
Deposits	4,250	4,250
TOTAL OTHER ASSETS	4,250	4,250
TOTAL ASSETS	\$ 134,577	\$ 114,840

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued Payroll Liabilities	\$ 3,703	\$ 3,429
TOTAL CURRENT LIABILITIES	3,703	3,429
TOTAL LIABILITIES	3,703	3,429
NET ASSETS		
Unrestricted	106,787	99,630
Temporarily Restricted	24,087	11,781
TOTAL NET ASSETS	130,874	111,411
TOTAL LIABILITIES AND NET ASSETS	\$ 134,577	\$ 114,840

See The Accompanying Notes To The Financial Statements.

**LOVE INC OF LAKE COUNTY
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 205,661	\$ 33,381	\$ 0	\$ 239,042
Fundraising	107,924	0	0	107,924
In-Kind Donations	40,658	0	0	40,658
Miscellaneous	6,012	0	0	6,012
Net Assets Released from Restrictions	21,075	(21,075)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>381,330</u>	<u>12,306</u>	<u>0</u>	<u>393,636</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services				
Financial Counseling, The Help Center and Transportation	236,652	0	0	236,652
Furniture Ministry	48,770	0	0	48,770
Clothing Closet	15,054	0	0	15,054
Total Program Services	<u>300,476</u>	<u>0</u>	<u>0</u>	<u>300,476</u>
Management and General	37,516	0	0	37,516
Fundraising	36,146	0	0	36,146
Total Functional Expenses	<u>374,138</u>	<u>0</u>	<u>0</u>	<u>374,138</u>
Realized Loss on Investments	35	0	0	35
TOTAL EXPENSES AND LOSSES	<u>374,173</u>	<u>0</u>	<u>0</u>	<u>374,173</u>
CHANGE IN NET ASSETS	7,157	12,306	0	19,463
NET ASSETS,				
BEGINNING OF YEAR	<u>99,630</u>	<u>11,781</u>	<u>0</u>	<u>111,411</u>
END OF YEAR	<u>\$ 106,787</u>	<u>\$ 24,087</u>	<u>\$ 0</u>	<u>\$ 130,874</u>

See The Accompanying Notes To The Financial Statements.

**LOVE INC OF LAKE COUNTY
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 211,263	\$ 11,908	\$ 0	\$ 223,171
Fundraising	76,148	0	0	76,148
In-Kind Donations	51,714	0	0	51,714
Miscellaneous	3,532	0	0	3,532
Net Assets Released from Restrictions	19,017	(19,017)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>361,674</u>	<u>(7,109)</u>	<u>0</u>	<u>354,565</u>
FUNCTIONAL EXPENSES				
Program Services				
Financial Counseling, The Help Center and Transportation	210,750	0	0	210,750
Furniture Ministry	51,578	0	0	51,578
Clothing Closet	13,260	0	0	13,260
Total Program Services	<u>275,588</u>	<u>0</u>	<u>0</u>	<u>275,588</u>
Management and General	37,351	0	0	37,351
Fundraising	33,130	0	0	33,130
TOTAL FUNCTIONAL EXPENSES	<u>346,069</u>	<u>0</u>	<u>0</u>	<u>346,069</u>
CHANGE IN NET ASSETS	15,605	(7,109)	0	8,496
NET ASSETS, BEGINNING OF YEAR	<u>84,025</u>	<u>18,890</u>	<u>0</u>	<u>102,915</u>
END OF YEAR	<u>\$ 99,630</u>	<u>\$ 11,781</u>	<u>\$ 0</u>	<u>\$ 111,411</u>

See The Accompanying Notes To The Financial Statements.

**LOVE INC OF LAKE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Accounting Fees	\$ 0	\$ 4,625	\$ 0	\$ 4,625
Bank Fees	0	1,621	0	1,621
Beds Ministry	8,369	0	0	8,369
Board Training	214	0	0	214
Clothing Closet	15,054	0	0	15,054
Depreciation	3,154	371	186	3,711
Donated Goods	36,355	0	0	36,355
Equipment & Maintenance	3,351	0	0	3,351
Facility	17,182	1,991	0	19,173
Furniture Serviced	40,401	0	0	40,401
Miscellaneous	168	969	0	1,137
Office Insurance	0	4,192	0	4,192
Office Supplies	1,862	2,327	465	4,654
Operations	10,851	0	0	10,851
Payroll Taxes	8,260	723	521	9,504
Postage	128	128	1,024	1,280
Promotion	0	0	25,424	25,424
Rent - Gap Ministries	16,547	1,086	0	17,633
Salaries	98,847	18,818	6,839	124,503
Starter Kit Ministry	338	0	0	338
Telephone	2,260	424	141	2,825
Tithes and Offerings	31,516	0	0	31,516
Training	618	0	0	618
Transportation Ministry	2,555	0	0	2,555
Truck	1,200	0	0	1,200
Web Design & Internet	366	0	1,462	1,828
Worker's Compensation	881	241	84	1,206
TOTAL EXPENSES	\$ 300,476	\$ 37,516	\$ 36,146	\$ 374,138

See The Accompanying Notes To The Financial Statements.

**LOVE INC OF LAKE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Accounting Fees	\$ 0	\$ 4,375	\$ 0	\$ 4,375
Bank Fees	0	901	0	901
Beds Ministry	15,235	0	0	15,235
Board Training	320	0	0	320
Clothing Closet	13,260	0	0	13,260
Depreciation	2,906	342	171	3,419
Donated Goods	47,021	0	0	47,021
Donated Services	600	0	0	600
Equipment & Maintenance	1,768	0	0	1,768
Facility	10,829	1,892	110	12,831
Furniture Serviced	36,343	0	0	36,343
Miscellaneous	3,861	631	0	4,492
Office Insurance	0	1,892	0	1,892
Office Supplies	1,431	1,789	358	3,578
Payroll Taxes	7,688	1,005	513	9,206
Postage	46	46	367	459
Promotion	0	0	23,223	23,223
Rent - Gap Ministries	15,859	1,041	0	16,900
Salaries	90,776	22,662	6,687	120,125
Starter Kit Ministry	398	0	0	398
Telephone	2,852	535	178	3,565
Tithes and Offerings	21,388	0	0	21,388
Training	142	0	0	142
Transportation Ministry	495	0	0	495
Truck	1,135	0	0	1,135
Web Design & Internet	360	0	1,439	1,799
Worker's Compensation	875	240	84	1,199
TOTAL EXPENSES	\$ 275,588	\$ 37,351	\$ 33,130	\$ 346,069

See The Accompanying Notes To The Financial Statements.

**LOVE INC OF LAKE COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Grantors and Supporters	\$ 352,978	\$ 302,851
Paid to Suppliers and Employees	(333,798)	(294,220)
Interest Paid	0	0
Taxes Paid	0	0
	<u>19,180</u>	<u>8,631</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Property	(1,444)	0
Proceeds from the Sale of Investments	1,058	0
	<u>(386)</u>	<u>0</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,794	8,631
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>102,747</u>	<u>94,116</u>
END OF YEAR	<u>\$ 121,541</u>	<u>\$ 102,747</u>
 NON-CASH OPERATING ACTIVITIES		
Donated Goods	\$ 36,355	\$ 47,021
Donated Fixed Assets	2,300	3,000
Donated Investments	2,003	1,093
Donated Services	0	600
	<u>0</u>	<u>600</u>
TOTAL NON-CASH OPERATING ACTIVITIES	<u>\$ 40,658</u>	<u>\$ 51,714</u>

See The Accompanying Notes To The Financial Statements.

**LOVE INC OF LAKE COUNTY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 19,463</u>	<u>\$ 8,496</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	3,711	3,419
Donated Fixed Assets	(2,300)	(3,000)
Donated Investments	(2,003)	(1,093)
Realized Loss on Investments	35	0
Changes in Certain Assets and Liabilities:		
Accrued Payroll Liabilities	<u>274</u>	<u>809</u>
Total Adjustments	<u>(283)</u>	<u>135</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 19,180</u></u>	<u><u>\$ 8,631</u></u>

See The Accompanying Notes To The Financial Statements.

**LOVE INC OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Love INC of Lake County (the "Organization") mobilizes local churches to provide various community services to disadvantaged individuals. The Organization was incorporated as a not-for-profit in 1994. The Organization's principal facility is located in Lake County, Illinois. The Organization's mission is to organize and coordinate churches in the community to respond to individual family and project needs in the name of Christ. The Organization's mission is accomplished through the following five strategic initiatives:

Furniture Ministry – Volunteers deliver furniture from those with goods to donate to those in need.

Clothing Closet – Volunteers work at clothing 'stores' where families in need can purchase clothing using 'Love INC dollars'.

Financial Counseling – Volunteers recruit and encourage people to learn basic skills in budgeting, banking, and advocating for themselves.

The Help Center – Volunteers answer phones in the main office and are the voice of Christ to the general public to those in need.

Transportation – The Organization partners with local car repair shops to provide safety related repairs to ensure reliable transportation for a person to get to work, school, or appointments.

A) Method of Accounting

The Organization's accounts are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. If the books were maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, all revenues would be recognized when earned and all expenses would be recognized when incurred. The modified cash basis includes fixed assets, deposits and accrued payroll liabilities, as it does on the accrual basis.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting.

**LOVE INC OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized and realized gains and losses are included in the change in net assets.

Fixed Assets - Equipment is recorded at cost when purchased. Donated fixed assets are recorded at fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the useful lives. The Organization does not have a capitalization threshold and capitalizes all fixed assets. Depreciation expense is \$3,711 and \$3,419 for the years ended December 31, 2016 and 2015, respectively.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements.

The Organization files its tax return with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for tax years 2013 and prior. The Organization had no income tax expense for the years ended December 31, 2016 and 2015.

LOVE INC OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 - IN-KIND DONATIONS

Donated Goods - Donated goods are recorded at their estimated fair value on the date of donation. The Organization received donated goods totaling \$36,355 and \$47,021 for the years ended December 31, 2016 and 2015, respectively. Total donated goods are included in in-kind donations revenue on the statements of Support, Revenue, and Expenses - Modified Cash Basis, and in donated goods expense on the Statements of Functional Activities - Modified Cash Basis.

Donated Services - Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Donated services totals \$0 and \$600 for the years ended December 31, 2016 and 2015, respectively, and is included in in-kind donations revenue on the Statements of Support, Revenue, and Expenses - Modified Cash Basis, and as donated services expense on the Statements of Functional Activities - Modified Cash Basis.

Donated Fixed Assets - During the years ended December 31, 2016 and 2015, the Organization received donations of fixed assets valued at \$2,300 and \$3,000, respectively. These amounts are included in in-kind donations revenue on the Statements of Support, Revenue, and Expenses - Modified Cash Basis.

Donated Investments - During the years ended December 31, 2016 and 2015, the Organization received donations of stocks valued at \$2,003 and \$1,093, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. These amounts are included in in-kind donations revenue on the Statements of Support, Revenue, and Expenses - Modified Cash Basis.

NOTE 3 - OPERATING LEASE

The Organization leases its facility under a non-cancellable operating lease expiring May 31, 2018 with monthly payments ranging from \$4,375 to \$4,594. The Organization leases another facility under a non-cancellable operating lease expiring March 31, 2019 with monthly payments ranging from \$2,700 to \$3,300, including rent abatements from December 2016 through February 2017. Rent expense for the years ended December 31, 2016 and 2015 is \$54,250 and \$52,000, respectively.

Future minimum lease payments are as follows:

For the year ended December 31, 2017	\$	83,089
2018		62,057
2019		6,600
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	\$	151,746
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**LOVE INC OF LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Purpose Restriction:	2016	2015
Beds Ministry	\$ 500	\$ 0
Board Training	966	1,180
Church Benevolence Fund	28	28
Clothing Closet	590	344
Facility	1,455	0
Starter Kits Ministry	262	550
Transformational Ministry	12,500	0
Transportation Ministry	121	814
Truck Fund	7,665	8,865
	<u>\$ 24,087</u>	<u>\$ 11,781</u>
Total Temporarily Restricted Net Assets:	<u>\$ 24,087</u>	<u>\$ 11,781</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose Restriction Accomplished:	2016	2015
Beds Ministry	\$ 8,369	\$ 15,106
Board Training	214	320
Clothing Closet	2,854	1,563
Facility	5,545	0
Starter Kits Ministry	338	398
Transportation Ministry	2,555	495
Trunk Fund	1,200	1,135
	<u>\$ 21,075</u>	<u>\$ 19,017</u>
Total Temporarily Restricted Net Assets Released:	<u>\$ 21,075</u>	<u>\$ 19,017</u>

NOTE 4 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is July 25, 2017 the date the financial statements were available to be issued.