



LOVE OUT LOUD
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

LOVE OUT LOUD

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Love Out Loud
Winston-Salem, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Love Out Loud, which comprise the consolidated statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Love Out Loud as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Pettit & Company, PLLC

Indianapolis, Indiana

July 9, 2021

LOVE OUT LOUD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 420,303
Investments	803,593
Accounts receivable	31,083
Miscellaneous current assets	9
Total current assets	<u>1,254,988</u>
Property and equipment	
Land	24,600
Buildings	139,400
Total property and equipment	164,000
Accumulated depreciation	<u>(7,934)</u>
Net property and equipment	<u>156,066</u>
Non-current assets	
Construction in progress	<u>226,412</u>
Total non-current assets	<u>226,412</u>
Total assets	<u>\$ 1,637,466</u>

Liabilities and net assets (deficit)

Current liabilities	
Accounts payable	\$ 709
Accrued payroll taxes payable	5,983
Total current liabilities	<u>6,692</u>
Total liabilities	<u>6,692</u>
Net assets (deficit)	
Net assets without donor restrictions	476,130
Net assets with donor restrictions	1,154,644
Total net assets	<u>1,630,774</u>
Total liabilities and net assets (deficit)	<u>\$ 1,637,466</u>

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CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue			
Grants	\$ 584,064	\$ 29,962	\$ 614,026
Contributions	238,610	334,964	573,574
School of Love tuition	2,002	-	2,002
Miscellaneous	163	-	163
Net assets released from restrictions			
Satisfaction of program requirements	411,679	(411,679)	-
Total support and revenue	<u>1,236,518</u>	<u>(46,753)</u>	<u>1,189,765</u>
Expenses			
Program expenses	925,551	-	925,551
Management and general	81,221	-	81,221
Fundraising	18,341	-	18,341
Total cost of operations	<u>1,025,113</u>	<u>-</u>	<u>1,025,113</u>
Change in net assets (deficit)	<u>211,405</u>	<u>(46,753)</u>	<u>164,652</u>
Change in net assets	211,405	(46,753)	164,652
Net assets (deficit) - beginning of year	264,725	201,459	466,184
Prior period adjustment	<u>-</u>	<u>999,938</u>	<u>999,938</u>
Net assets (deficit) - beginning of year, restated	<u>264,725</u>	<u>1,201,397</u>	<u>1,466,122</u>
Net assets (deficit) - end of year	<u>\$ 476,130</u>	<u>\$ 1,154,644</u>	<u>\$ 1,630,774</u>

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	School of Love	Disaster Relief	Christmas for the City	Other Programs	Total Program	Management and general	Fund Raising	Total
Salaries	\$ 143,301	\$ -	\$ -	\$ 218,002	\$ 361,303	\$ 56,667	\$ 11,000	\$ 428,970
Employee benefits	-	-	-	5,566	5,566	2,263	600	8,429
Payroll taxes	14,113	-	-	13,836	27,949	-	-	27,949
Program	7,691	276,368	4,956	138,746	427,761	-	-	427,761
Advertising and marketing	416	-	1,152	11,012	12,580	9,998	6,741	29,319
Bank charges	283	-	-	2,279	2,562	-	-	2,562
Occupancy	2,760	-	9,920	9,040	21,720	-	-	21,720
Insurance	-	-	-	5,619	5,619	-	-	5,619
Workers compensation	-	-	-	2,523	2,523	-	-	2,523
Professional fees	-	-	-	-	-	12,293	-	12,293
Appliances and furnishings	-	-	-	8,781	8,781	-	-	8,781
Office supplies	2,530	-	426	8,763	11,719	-	-	11,719
Mileage reimbursement	-	-	-	11,104	11,104	-	-	11,104
Contract labor	6,100	-	5,894	10,514	22,508	-	-	22,508
Property tax	-	-	-	33	33	-	-	33
Miscellaneous	-	-	323	2	325	-	-	325
Depreciation	-	-	-	3,498	3,498	-	-	3,498
Total Expenses	\$ 177,194	\$ 276,368	\$ 22,671	\$ 449,318	\$ 925,551	\$ 81,221	\$ 18,341	\$ 1,025,113

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities	
Increase (decrease) in net assets	\$ 164,652
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities	
Depreciation	3,498
Realized (gain) on investments	(120)
(Increase) decrease in assets	
Accounts receivable	12,944
Miscellaneous current assets	111
Increase (decrease) in liabilities	
Accounts payable	(13,353)
Accrued payroll taxes payable	1,110
Payroll liabilities	(4,000)
Net cash provided by (used in) operating activities	<u>164,842</u>
Cash from investing activities	
Purchase of investments	(803,473)
Purchase of construction in progress	(187,662)
Net cash provided by (used in) investing activities	<u>(991,135)</u>
Net increase (decrease) in cash and cash equivalents	(826,293)
Cash and cash equivalents, beginning of fiscal year	<u>1,246,596</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 420,303</u>

Supplemental Schedule of Cash Flow Information

Interest paid	<u>\$ -</u>
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LOVE OUT LOUD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Love Out Loud is a North Carolina nonprofit Organization organized in 2015. Love Out Loud, located in Winston-Salem, North Carolina, is the sole-member of Love Out Loud Yadkin, located in Yadkin, North Carolina (collectively the "Organization"). The Organization connects and mobilizes people and resources to transform cities with the love of Jesus. Love Out Loud is a network of churches, groups, and individuals living out Christ's call to love their neighbors. The Organization partners with well over 300 faith groups, nonprofits, and other local community organizations, as well as several hundred businesses, for the flourishing of their community. In the process, Love Out Loud works to find alignment across all of these efforts in order to maximize community resources while mobilizing thousands of volunteers in their unique passions and skills.

Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Love Out Loud and Love Out Loud Yadkin.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and accordingly reflect all significant receivables, prepaid expenses, payables, and other liabilities.

Classification of net assets

Net assets of the Organization are classified as net assets without donor restrictions or net assets with donor restrictions.

- ***Net assets without donor restrictions*** consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- ***Net assets with donor restrictions*** consist of 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, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions and support

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. 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. The Organization recognizes as unrestricted revenue any donor-restricted contributions whose restrictions are met in the same reporting period as received.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are recorded at cost and depreciation is computed using the straight line method. Depreciation is computed over the estimated useful lives of each individual asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the year ended December 31, 2020.

Income taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for the year ended December 31, 2020. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2020.

Cash and cash equivalents

The Organization considers deposits on account and investments with maturity dates less than three months at the time of purchase to be cash and cash equivalents. As of December 31, 2020, there were no investments included in the cash balance. At various times throughout the year, the Organization has deposits in excess of amounts covered by federal depository insurance. Cash accounts at a financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. To date, there have been no losses on such accounts.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable consist of contributions receivable. Delinquent receivables are written off and included in bad debt expense in the period the balances are deemed uncollectible by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debt; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Contributions

Gifts of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit their use. In the case of temporary restricted support, when the restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of support, revenue, expenses and change in net assets.

Functional expenses

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by management.

Estimates

The preparation of the financial statements in accordance with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Total advertising expense for the year ended December 31, 2020 totaled \$29,319.

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2020. Management has performed their analysis of subsequent events through July 9, 2021, the date the financial statements were available to be issued.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as of right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effectively for the entity for the year ending December 31, 2022. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following schedule explains the Organization’s financial assets to meet cash needs for general expenditures within one year. The financial assets were derived from the total assets on the statement of financial position.

Cash and cash equivalents	\$ 420,303
Investments	803,593
Accounts receivable	<u>31,083</u>
Total financial assets	<u>\$ 1,254,979</u>
Less amounts not available to be used within one year:	
Donor – imposed restrictions	<u>(1,154,644)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 100,335</u>

NOTE 3 – INVESTMENTS

Investments composed of the following:

Taxable bond funds	<u>\$ 803,593</u>
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Net return on investments is as follows:

Realized gain	<u>\$ 120</u>
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NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP defines fair value for financial instruments as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market of the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value as of December 31, 2020 are summarized as follows:

	Fair value	Level 1	Level 2	Level 3
Taxable bond funds	\$ 803,593	\$ 803,593	\$ -	\$ -

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

Purpose or time restricted:	
Lilly Endowment, Inc.	\$ 827,953
Clemmons Community Foundation	98,788
Kate B. Reynolds Charitable Trust	28,750
Other Individual Restricted Donations	<u>199,153</u>
Total net assets with donor restrictions	<u>\$1,154,644</u>

NOTE 6 – OPERATING LEASE

The Organization is obligated under an operating lease agreement with a monthly payment of \$690 per month and an expiration date of December 31, 2020. Total operating lease payments were \$8,280 for the year ended December 31, 2020.

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NOTE 7 – EMPLOYEE BENEFIT PLANS

The Organization has established two employee benefit plans for its employees. The first plan is a SIMPLE-IRA plan available to all full time employees. The second plan is a 403(b) retirement plan for ministers. Employees can make pretax contributions in addition to any discretionary payments made by the Organization. The Organization made contributions totaling \$8,429 for the year ended December 31, 2020.

NOTE 8 – COVID-19 PANDEMIC & PAYCHECK PROTECTION PROGRAM LOAN

COVID-19 Pandemic

During fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2020 and 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

Paycheck protection program loan

In March 2020, Congress established the Paycheck Protection Program (“PPP”) to provide relief to small businesses during the coronavirus pandemic (“COVID-19”) as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The legislation authorized the Treasury to use the Small Business Administration’s (“SBA’s”) 7(a) small business lending program to fund forgivable loans that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities during the “Covered Period” defined as the 8-week period starting on the date the PPP loan proceeds are received. Upon meeting certain criteria as specified in the PPP program, the loans are eligible for partial or total forgiveness. On June 5, 2020, the PPP Flexibility Act of 2020 (the “Act”) was signed into law, giving borrowers flexibility with certain criteria under the PPP program including extension of the Covered Period to 24 weeks from 8 weeks, reduction to 60% of the payroll costs requirements (previously 75%), extension of the payment deferral period, extension of the full-time equivalent (“FTE”) restoration deadline to December 31, 2020, and safe harbor provisions to remove the FTE reduction in forgiveness under limited circumstances.

In June 2020, the AICPA issued Technical Question and Answer (“TQA”) 3200.18, Borrower Accounting for a Forgivable Loan Received under the Small Business Administration Paycheck Protection Program. The TQA addresses accounting for nongovernmental entities that are not Not-For-Profits, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the loan as a deferred income liability. The TQA further states that if such an entity expects to meet the PPP’s eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may account for such PPP loans in accordance with FASB ASC 958-605 as a conditional contribution.

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NOTE 8 – COVID-19 PANDEMIC & PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

Paycheck protection program loan (Continued)

The Organization applied for and received proceeds of \$58,200 through the PPP program on April 22, 2020, prior to the enactment of the Act. The Organization has determined both through internal calculations and those provided by the AICPA's forgiveness model, that all criteria for forgiveness based on both the CARES Act and the Act have been met as of December 31, 2020. The Organization considers the PPP loan a grant since it was forgiven in full on November 17, 2020 and has recorded the proceeds as a grant as of December 31, 2020.

For the period April 22, 2020 through December 31, 2020, the Organization incurred the following costs related to and compensated through the PPP proceeds which were forgiven in its entirety:

Salaries and wages	\$ 58,200
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NOTE 9 – PRIOR PERIOD ADJUSTMENT

Net assets as of December 31, 2019 have been adjusted to decrease liabilities by \$999,938 of grant revenue that should have been recognized during the year ended December 31, 2019. This correction has no effect on the results of the activities for the year ended December 31, 2020; however, the cumulative effect increased net assets with donor restrictions by \$999,938 at December 31, 2019.