

Gifts of Love, Inc.

Independent Auditors' Report and
Financial Statements

As of and for the Years Ended
December 31, 2010 and 2009

Gifts of Love, Inc.
Independent Auditors' Report and Financial Statements
As of and for the Years Ended December 31, 2010 and 2009

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets (comparative totals for 2009)	3
Statements of Functional Expenses (comparative totals for 2009)	4
Statements of Cash Flows	5
Notes to the Financial Statements	6



Independent Auditors' Report

To the Board of Directors of the
Gifts of Love, Inc.:

We have audited the accompanying statement of financial position of the Gifts of Love, Inc. (the Organization) (a Connecticut non-profit corporation) as of December 31, 2010 and the related statement of activities and changes in net assets and functional expenses for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of the Organization as of and for the year ended December 31, 2009, were audited by other auditors whose report dated October 22, 2010, expressed an unqualified opinion on those statements. The 2009 summarized comparative information has been derived from the December 31, 2009 audited financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gifts of Love, Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Saslow Lufkin & Buggy, LLP

October 27, 2011

Gifts of Love, Inc.
Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 245,730	\$ 97,079
Grants receivable, current	74,410	104,315
Contributions receivable	18,466	600
Inventory	32,754	37,730
Prepaid expenses	1,559	3,253
Certificate of deposit	57,785	58,740
Total current assets	430,704	301,717
Office equipment	34,535	33,994
Vehicles	30,889	9,021
Furniture and fixtures	7,511	7,741
Total fixed assets	72,935	50,756
Less: accumulated depreciation	31,052	31,939
Net fixed assets	41,883	18,817
Grants receivable, long-term, net of reserve for uncollectible amounts of \$1,318 for 2010 and \$1,978 for 2009	40,049	101,231
Total assets	\$ 512,636	\$ 421,765
Liabilities and Net Assets		
Accounts payable	\$ 10,788	\$ 3,758
Accrued payroll and payroll taxes	10,803	3,953
Total current liabilities	21,591	7,711
Unrestricted net assets	358,120	192,630
Temporarily restricted net assets	132,925	221,424
Total net assets	491,045	414,054
Total liabilities and net assets	\$ 512,636	\$ 421,765

The accompanying notes are an integral part of these financial statements.

Gifts of Love, Inc.
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2010 with Comparative Totals for 2009

	<u>2010</u>			<u>2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Change in unrestricted net assets:				
Support revenue:				
Contributed goods revenue	\$ 499,526	\$ -	\$ 499,526	\$ 498,247
Grants	-	294,070	294,070	299,871
Contributions	132,453	24,308	156,761	147,376
Special events	46,961	-	46,961	50,898
Contributed services revenue	-	-	-	1,820
Total support revenue	<u>678,940</u>	<u>318,378</u>	<u>997,318</u>	998,212
Other revenue:				
Interest and dividends	<u>420</u>	-	<u>420</u>	<u>554</u>
Total other revenue	<u>420</u>	-	<u>420</u>	554
Net assets released from restrictions	<u>406,877</u>	<u>(406,877)</u>	-	-
Total support and other revenue	<u>1,086,237</u>	<u>(88,499)</u>	<u>997,738</u>	998,766
Operating expenses:				
Program services:				
Food, clothing and furniture	515,671	-	515,671	612,997
Food enhancement	258,951	-	258,951	-
Special projects	<u>36,218</u>	-	<u>36,218</u>	<u>47,903</u>
Total program services	<u>810,840</u>	-	<u>810,840</u>	660,900
Supporting services:				
General and administrative	38,748	-	38,748	80,561
Fundraising costs	<u>71,159</u>	-	<u>71,159</u>	<u>32,135</u>
Total supporting services	<u>109,907</u>	-	<u>109,907</u>	112,696
Total expenses	<u>920,747</u>	-	<u>920,747</u>	773,596
Change in net assets	<u>165,490</u>	<u>(88,499)</u>	<u>76,991</u>	225,170
Net assets, beginning of year	<u>192,630</u>	<u>221,424</u>	<u>414,054</u>	<u>188,884</u>
Net assets, end of year	<u>\$ 358,120</u>	<u>\$ 132,925</u>	<u>\$ 491,045</u>	<u>\$ 414,054</u>

The accompanying notes are an integral part of these financial statements.

Gifts of Love, Inc.
Statements of Functional Expenses
For the Year Ended December 31, 2010 with Comparative Totals for 2009

	<u>Program Services</u>				<u>General & Administrative</u>	<u>Fundraising Costs</u>	<u>2010 Total</u>	<u>2009 Total</u>
	<u>Special Projects</u>	<u>Food Enhancement</u>	<u>Food, Clothing & Furniture</u>	<u>Total Program Services</u>				
Contributed services/ goods expense	\$ -	\$ 149,897	\$ 349,333	\$ 499,230	\$ -	\$ -	\$ 499,230	\$ 492,428
Salaries	15,527	59,014	64,036	138,577	7,857	28,266	174,700	137,829
Program expense	-	27,052	51,503	78,555	-	-	78,555	14,798
Rent	1,187	7,957	7,886	17,030	10,433	83	27,546	25,161
Payroll taxes	1,445	4,470	7,133	13,048	3,149	2,623	18,820	12,114
Office expenses	2,849	249	5,697	8,795	6,335	2,752	17,882	11,586
Fashion show	-	-	-	-	-	13,866	13,866	14,525
Printing	3,875	-	845	4,720	1,475	6,012	12,207	7,419
Insurance	259	3,169	4,461	7,889	2,282	1,554	11,725	11,734
Depreciation	-	-	8,879	8,879	1,306	871	11,056	8,160
Scholarships	10,935	-	-	10,935	-	-	10,935	-
Utilities	12	3,767	5,887	9,666	810	23	10,499	10,682
Postage	-	-	613	613	1,649	6,178	8,440	7,037
Truck expense	-	3,081	4,723	7,804	-	-	7,804	9,313
Other fundraising	-	-	-	-	-	7,687	7,687	3,420
Professional fees	-	-	2,813	2,813	1,969	844	5,626	4,950
Repairs and maintenance	-	64	638	702	759	319	1,780	721
Mileage reimbursement	129	231	956	1,316	107	81	1,504	737
Loss on disposal of assets	-	-	-	-	617	-	617	-
Operation fuel	-	-	268	268	-	-	268	252
Rocking chair gallery	-	-	-	-	-	-	-	730
Total expenses	\$ 36,218	\$ 258,951	\$ 515,671	\$ 810,840	\$ 38,748	\$ 71,159	\$ 920,747	\$ 773,596

The accompanying notes are an integral part of these financial statements.

Gifts of Love, Inc.
Statements of Cash Flows
As of and For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 76,991	\$ 225,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,056	8,160
Changes in assets and liabilities:		
Grants and contributions receivable	73,221	(194,146)
Inventory	4,976	(6,529)
Prepaid expenses	1,694	(5)
Accounts payable	7,030	(1,227)
Accrued payroll and payroll taxes	6,850	2,580
Net cash provided by operating activities	181,818	34,003
Cash flows from investing activities:		
Sales (purchases) of certificate of deposit, net	955	(1,605)
Purchases on fixed assets, net	(34,122)	(1,538)
Net cash used in investing activities	(33,167)	(3,143)
Net change in cash	148,651	30,860
Cash and cash equivalents, beginning of year	97,079	66,219
Cash and cash equivalents, end of year	\$ 245,730	\$ 97,079
Supplemental disclosures:		
Donated goods and services	\$ 499,526	\$ 500,067

The accompanying notes are an integral part of these financial statements.

Gifts of Love, Inc.
Notes to the Financial Statements
As of and For the Years Ended December 31, 2010 and 2009

Note 1 - Organization

Gifts of Love, Inc. (the Organization) is a nonprofit voluntary health and welfare organization with an office in Avon, Connecticut. The mission of the Organization is to match qualified recipients with direct aid in the form of food, clothing, household goods, other needed items, information and human contact. The Organization also provides donated goods from individuals and businesses to other helping agencies, including soup kitchens and shelters for the homeless. In pursuing this purpose, volunteers' contributions are encouraged and recognized as a service from the region's citizens, organizations and businesses. Due to the efforts of many caring people, the Organization continues to grow in size and scope through the following programs:

Food Pantry, Clothing and Furniture - The families the Organization serves are that of the working poor and individuals or families in crisis that need temporary assistance. The Organization maintains a complete food pantry, as well as donated clothing, furniture and household items. People in need "shop" free of charge and furniture requests are also filled.

The Organization's community outreach volunteers and staff give food, clothing, household items and furniture to needy families in the Greater Hartford Area. These expenses have been allocated to various line items within the statements of functional expenses.

Special Projects - The Organization has many special projects: Easter/Passover, August "Back to School" with backpacks, Thanksgiving, and Christmas/Hanukkah. The unique aspect of the December Holiday Project is the sponsorship of families, community groups and corporations that are matched with a wish list of each Gifts of Love family. Sponsors usually provide food, gifts and other items as needed for the holiday celebration.

Note 2 - Summary of Significant Accounting Policies

Basis of Reporting - The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Financial Statement Presentation - The financial statements report information regarding the Organization's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted - Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted - Temporarily restricted net assets are net assets whose use by the Organization is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. The change in temporarily restricted net assets is impacted primarily by gifts with time and donor constraints; such as restricted annual fund gifts, unconditional pledges and deferred giving instruments. Temporarily restricted net assets were \$132,925 and \$221,424 as of December 31, 2010 and 2009. These assets are restricted for the implementation of a collaborative food distribution program and to launch the Kid-to-Kid program.

Permanently Restricted - Permanently restricted net assets are net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of December 31, 2010 and 2009.

Gifts of Love, Inc.
Notes to the Financial Statements
As of and For the Years Ended December 31, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts in the financial statements and related footnotes. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash is comprised of operating and savings accounts as of December 31, 2010 and 2009. In general, the Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 per depositor, per bank. The FDIC also provides separate unlimited coverage for deposit accounts that meet the definition of non-interest bearing accounts. Unlimited coverage on non-interest bearing accounts extends until December 31, 2012. It is the Organization's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Organization may maintain cash balances in excess of the FDIC insurance limit.

Certificate of Deposit - The Organization opened a one-year certificate of deposit yielding .40% and .75% interest during 2010 and 2009, respectively. As of December 31, 2010 and 2009 the balance of this investment was \$57,785 and \$58,740, respectively.

Income Taxes - The Organization is a not-for-profit voluntary health and welfare agency exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a publicly supported organization. There was no unrelated business income for the years ended December 31, 2010 and 2009.

The Organization accounts for uncertain tax positions in accordance with certain provisions of FASB ASC 740, "Income Taxes," which provides a new framework for how companies should recognize, measure, present and disclose uncertain tax positions in their financial statements. With these changes, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Organization does not have any uncertain tax positions as of December 31, 2010 and 2009. As of December 31, 2010 and 2009, the Organization did not record any penalties or interest associated with uncertain tax positions. The Organization's prior three tax years are open and subject to examination by the Internal Revenue Service.

Comparative Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

Professional Liability Insurance - Professional liability insurance is provided under a claims-made policy. No liability has been established for incurred but not reported claims as management believes there are no events to be accrued.

Reclassifications - Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation. These reclassifications had no material impact on the 2009 financial statements.

Subsequent Events - Subsequent events have been evaluated through October 27, 2011, the date through which procedures were performed to prepare the financial statements for issuance. Management believes there are no subsequent events having a material impact on the financial statements.

Gifts of Love, Inc.
Notes to the Financial Statements
As of and For the Years Ended December 31, 2010 and 2009

Note 3 - Fixed Assets

Fixed assets are carried at cost with depreciation computed using the straight-line method over the estimated useful life of the assets. Donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. The Organization capitalizes all acquisitions, which are expected to benefit periods beyond the current year. Expenditures for repairs and maintenance which do not materially extend the useful life of an asset are charged to earnings when incurred. Depreciation expense for the years ended December 31, 2010 and 2009 was \$11,056 and \$8,160, respectively.

Note 4 - Inventory

Inventory consisted of food, clothing, household items and furniture, which was recorded at an estimated of lower of cost or market of \$32,754 and \$37,730 as of December 31, 2010 and 2009, respectively.

Note 5 - Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services based upon the relative benefit.

Note 6 - Lease Commitment

The Organization entered into a three-year lease agreement dated October 8, 2004 with OAVX Associates, Inc. for 2,644 square feet of office space. Upon expiration of the lease, the Organization entered into an informal month-to-month lease. There is no security deposit per the lease agreement. The lease expense was \$25,480 and \$22,925 as of December 31, 2010 and 2009, respectively.

The Company also leases a copier at \$132 per month, on a month-to-month basis.

Note 7 - Fair Value of Financial Instruments

FASB ASC 820, "*Fair Value Measurements and Disclosures*," provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 unobservable inputs (Level 3 measurements). The Organization does not carry any assets or liabilities at fair value as of December 31, 2010 and 2009.

As of December 31, 2010 and 2009, the Organization's other financial instruments included accounts receivable, accounts payable and accrued expenses. The carrying amounts reported in the statement of financial position for these financial instruments approximate their fair value.

Gifts of Love, Inc.
Notes to the Financial Statements
As of and For the Years Ended December 31, 2010 and 2009

Note 8 - Donated Goods and Services

Many individuals volunteer their time and perform a variety of tasks that assist management with the operation of the Organization. Management estimates that it received 12,193 hours and 7,771 hours of volunteer time respectively for 2010 and 2009. The volunteer hours have not been recorded in the statements of activities, as they did not meet the requirements for recognition. During 2009 the Organization recognized \$1,820 in contributed services consisting of the value of donated payroll services.

Donated goods consisting of food, clothing, furniture and other donated items are valued according to goodwill thrift shop valuation guides. Donated goods are used for activities as described in the Organization's nature of activities. The value of donated goods received and recognized, and distributed to qualified recipients for the years ended December 31, 2010 and 2009 were \$499,526 and \$500,067, respectively. Donor restricted contributions, including those whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Note 9 - Grants Receivable

Grants receivable are recorded at their estimated fair value. Grants receivable as of December 31, 2010 and 2009 were \$114,459 and \$205,546, respectively. The reserve for uncollectible was \$1,318 and \$1,978 as of December 31, 2010 and 2009, respectively. As of December 31, 2009 the net present value was calculated using a discounted rate equal to the estimated earnings rate of the Organization's cash and cash equivalents which was .5% or \$3,752. The discount for 2010 was immaterial to the overall financial statements and therefore was not considered.

Note 10 - Allocation of Joint Costs

In 2010 and 2009, the Organization conducted activities that included requests for contributions and grants, as well as program, general and administrative components. Those activities included direct mail campaigns, grant writing and special events. The costs of conducting those activities for the years 2010 and 2009, respectively, included a total of \$71,851 and \$60,920 of joint costs, which were not specifically attributable to particular components of the activities (joint costs). These joint costs were allocated as follows:

	2010	2009
Fundraising	\$ 25,510	\$ 11,520
Food, clothing and furniture	31,896	25,241
Special projects	7,766	10,272
General and administrative	6,679	13,887
Total	\$ 71,851	\$ 60,920

Note 11 - Concentrations

A significant portion of the Organization's revenue is derived from grants and contributions. The ability to obtain these grants and contributions could have an impact on the overall operations of the Organization.