Financial Statements and
Independent Auditor’s Report

A Precious Child, Inc.

December 31, 2016 and 2015
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITOR’S REPORT</td>
<td>3</td>
</tr>
<tr>
<td><strong>FINANCIAL STATEMENTS</strong></td>
<td></td>
</tr>
<tr>
<td>STATEMENTS OF FINANCIAL POSITION</td>
<td>5</td>
</tr>
<tr>
<td>STATEMENT OF ACTIVITIES – DECEMBER 31, 2016</td>
<td>6</td>
</tr>
<tr>
<td>STATEMENT OF ACTIVITIES – DECEMBER 31, 2015</td>
<td>7</td>
</tr>
<tr>
<td>STATEMENT OF FUNCTIONAL EXPENSES – DECEMBER 31, 2016</td>
<td>8</td>
</tr>
<tr>
<td>STATEMENT OF FUNCTIONAL EXPENSES – DECEMBER 31, 2015</td>
<td>10</td>
</tr>
<tr>
<td>STATEMENTS OF CASH FLOWS</td>
<td>12</td>
</tr>
<tr>
<td>NOTES TO FINANCIAL STATEMENTS</td>
<td>13</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

Board of Directors
A Precious Child, Inc.

We have audited the accompanying financial statements of A Precious Child, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 that 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 A Precious Child, Inc. as of December 31, 2016, 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.

Other Matter

The financial statements of A Precious Child, Inc. as of and for the year ended December 31, 2015 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2015 financial statement in their report dated September 19, 2016.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
February 28, 2018
A Precious Child, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 735,745</td>
<td>$ 757,836</td>
</tr>
<tr>
<td>Inventories</td>
<td>405,813</td>
<td>704,514</td>
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<tr>
<td>Investments</td>
<td>14,944</td>
<td>13,165</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>40,844</td>
<td>20,820</td>
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<tr>
<td>Prepaid expenses and other</td>
<td>35,580</td>
<td>32,781</td>
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<tr>
<td>Total current assets</td>
<td>1,232,926</td>
<td>1,529,116</td>
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<tr>
<td>Fixed assets, net</td>
<td>24,807</td>
<td>27,930</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 1,257,733</td>
<td>$ 1,557,046</td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET ASSETS |        |        |
| Current liabilities |        |        |
| Accounts payable and accrued expenses | $ 27,025 | $ 42,661 |
| Total liabilities | 27,025 | 42,661 |
| Net assets |        |        |
| Unrestricted |        |        |
| Designated operating reserve | 35,867 | 35,867 |
| Undesignated | 1,043,820 | 1,300,754 |
| Total unrestricted net assets | 1,079,687 | 1,336,621 |
| Temporarily restricted | 151,021 | 165,689 |
| Permanently restricted | - | 12,075 |
| Total net assets | 1,230,708 | 1,514,385 |
| Total liabilities and net assets | $ 1,257,733 | $ 1,557,046 |

The accompanying notes are an integral part of these statements.
<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed support</td>
<td>$ 439,121</td>
<td>$ 339,352</td>
<td>$ -</td>
<td>$ 778,473</td>
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<tr>
<td>Gifts-in-kind</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated materials/goods</td>
<td>6,778,053</td>
<td>-</td>
<td>-</td>
<td>6,778,053</td>
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<tr>
<td>Donated facilities</td>
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<td>-</td>
<td>-</td>
<td>57,037</td>
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<tr>
<td>Donated services</td>
<td>78,264</td>
<td>-</td>
<td>-</td>
<td>78,264</td>
</tr>
<tr>
<td>Donated other</td>
<td>351</td>
<td>-</td>
<td>-</td>
<td>351</td>
</tr>
<tr>
<td>Total gifts-in-kind</td>
<td>6,913,705</td>
<td>-</td>
<td>-</td>
<td>6,913,705</td>
</tr>
<tr>
<td>Grants</td>
<td>41,024</td>
<td>150,522</td>
<td>-</td>
<td>191,546</td>
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<td>Special events</td>
<td>692,560</td>
<td>2,500</td>
<td>-</td>
<td>695,060</td>
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<tr>
<td>Interest income and other</td>
<td>5,697</td>
<td>-</td>
<td>-</td>
<td>5,697</td>
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<tr>
<td>Net assets released from restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Satisfaction of program restrictions</td>
<td>519,117</td>
<td>(519,117)</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Reclassification of restriction</td>
<td>-</td>
<td>12,075</td>
<td>(12,075)</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues and support</td>
<td>8,611,224</td>
<td>(14,668)</td>
<td>(12,075)</td>
<td>8,584,481</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Precious Essentials</td>
<td>5,873,027</td>
<td>-</td>
<td>-</td>
<td>5,873,027</td>
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<tr>
<td>Precious Boutiques</td>
<td>75,179</td>
<td>-</td>
<td>-</td>
<td>75,179</td>
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<tr>
<td>Basics 4 Babies</td>
<td>926,809</td>
<td>-</td>
<td>-</td>
<td>926,809</td>
</tr>
<tr>
<td>giveSPORTS</td>
<td>340,954</td>
<td>-</td>
<td>-</td>
<td>340,954</td>
</tr>
<tr>
<td>The Learning Center</td>
<td>52,896</td>
<td>-</td>
<td>-</td>
<td>52,896</td>
</tr>
<tr>
<td>Truancy Intervention</td>
<td>18,951</td>
<td>-</td>
<td>-</td>
<td>18,951</td>
</tr>
<tr>
<td>Fill a Backpack</td>
<td>618,769</td>
<td>-</td>
<td>-</td>
<td>618,769</td>
</tr>
<tr>
<td>Precious Gift</td>
<td>448,107</td>
<td>-</td>
<td>-</td>
<td>448,107</td>
</tr>
<tr>
<td>COR Center</td>
<td>53,903</td>
<td>-</td>
<td>-</td>
<td>53,903</td>
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<tr>
<td>giveARTS</td>
<td>10,047</td>
<td>-</td>
<td>-</td>
<td>10,047</td>
</tr>
<tr>
<td>Edussentials</td>
<td>14,084</td>
<td>-</td>
<td>-</td>
<td>14,084</td>
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<tr>
<td>Total program services</td>
<td>8,432,726</td>
<td>-</td>
<td>-</td>
<td>8,432,726</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>139,831</td>
<td>-</td>
<td>-</td>
<td>139,831</td>
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<tr>
<td>Fund raising</td>
<td>140,221</td>
<td>-</td>
<td>-</td>
<td>140,221</td>
</tr>
<tr>
<td>Direct benefits to donors</td>
<td>155,380</td>
<td>-</td>
<td>-</td>
<td>155,380</td>
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<tr>
<td>Total expenses</td>
<td>8,868,158</td>
<td>-</td>
<td>-</td>
<td>8,868,158</td>
</tr>
<tr>
<td>CHANGE IN NET ASSETS</td>
<td>(256,934)</td>
<td>(14,668)</td>
<td>(12,075)</td>
<td>(283,677)</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>1,336,621</td>
<td>165,689</td>
<td>12,075</td>
<td>1,514,385</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$ 1,079,687</td>
<td>$ 151,021</td>
<td>$ -</td>
<td>$ 1,230,708</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
Revenue

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed support</td>
<td>$ 514,010</td>
<td>$ 160,689</td>
<td>-</td>
<td>$ 674,699</td>
</tr>
</tbody>
</table>

Gifts-in-kind

| Donated materials/goods     | 4,917,434    | -                      | -                      | 4,917,434 |
| Donated facilities          | 57,673       | -                      | -                      | 57,673    |
| Donated volunteer services  | 522,546      | -                      | -                      | 522,546   |
| Donated services            | 52,173       | -                      | -                      | 52,173    |
| Donated other               | 500          | -                      | -                      | 500       |

Total gifts-in-kind          | 5,550,326    | -                      | -                      | 5,550,326 |

Grants                      | 181,821      | -                      | -                      | 181,821   |
Special events               | 753,789      | -                      | -                      | 753,789   |
Interest income and other    | 740          | -                      | -                      | 740       |

Total revenues and support  | 7,000,686    | 160,689                | -                      | 7,161,375 |

Expenses

Program services

| Precious Essentials        | 4,534,392    | -                      | -                      | 4,534,392 |
| Precious Boutiques         | 61,227       | -                      | -                      | 61,227    |
| Basics 4 Babies            | 321,557      | -                      | -                      | 321,557   |
| giveSPORTS                 | 207,623      | -                      | -                      | 207,623   |
| The Learning Center        | 77,454       | -                      | -                      | 77,454    |
| Truancy Intervention       | 17,459       | -                      | -                      | 17,459    |
| Fill a Backpack            | 481,661      | -                      | -                      | 481,661   |
| Precious Gift              | 432,039      | -                      | -                      | 432,039   |

Total program services      | 6,133,412    | -                      | -                      | 6,133,412 |

Supporting services

| Management and general     | 108,503      | -                      | -                      | 108,503   |
| Fund raising               | 144,853      | -                      | -                      | 144,853   |
| Direct benefits to donors  | 143,937      | -                      | -                      | 143,937   |

Total expenses              | 6,550,705    | -                      | -                      | 6,550,705 |

CHANGE IN NET ASSETS

| 469,981                     | 160,689      | -                      | -                      | 630,670   |

Net assets, beginning of year | 866,640      | 5,000                  | 12,075                 | 883,715   |

Net assets, end of year      | $ 1,336,621  | $ 165,689              | $ 12,075               | $ 1,514,385 |

The accompanying notes are an integral part of this statement.
### Program Services

<table>
<thead>
<tr>
<th></th>
<th>Precious Essentials</th>
<th>Precious Boutiques</th>
<th>Basics 4 Babies</th>
<th>giveSPORTS Center</th>
<th>Truancy Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$383,246</td>
<td>$42,097</td>
<td>$51,435</td>
<td>$38,005</td>
<td>$31,609</td>
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<td>Payroll taxes</td>
<td>28,872</td>
<td>3,435</td>
<td>4,129</td>
<td>3,212</td>
<td>2,370</td>
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<td>Workers' compensation</td>
<td>7,536</td>
<td>904</td>
<td>1,055</td>
<td>754</td>
<td>603</td>
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<tr>
<td>Payroll fees</td>
<td>1,853</td>
<td>135</td>
<td>269</td>
<td>270</td>
<td>101</td>
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<td>Health insurance</td>
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<td>999</td>
<td>1,152</td>
<td>898</td>
<td>472</td>
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<td>Office supplies</td>
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<td>240</td>
<td>480</td>
<td>180</td>
<td>120</td>
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<td>Telephone, telecommunications</td>
<td>3,154</td>
<td>230</td>
<td>458</td>
<td>458</td>
<td>175</td>
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<td>Postage, mailing service</td>
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<td>10</td>
<td>-</td>
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<td>Credit card fees</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>Bank fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Books, subscriptions, reference</td>
<td>153</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Printing and copying</td>
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<td>819</td>
<td>305</td>
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<td>Software</td>
<td>15,619</td>
<td>1,498</td>
<td>1,949</td>
<td>1,949</td>
<td>379</td>
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<td>Supplies</td>
<td>4,199</td>
<td>297</td>
<td>592</td>
<td>656</td>
<td>222</td>
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<td>Facilities maintenance and insurance</td>
<td>15,004</td>
<td>1,725</td>
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<td>2,078</td>
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<td>Rent</td>
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<td>4,883</td>
<td>7,353</td>
<td>7,354</td>
<td>9,435</td>
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<td>Office furniture/fixtures</td>
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<td>471</td>
<td>758</td>
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<td>Utilities</td>
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<td>1,370</td>
<td>1,483</td>
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<td>Depreciation expense</td>
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<td>156</td>
<td>156</td>
<td>156</td>
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<td>Insurance - vehicle</td>
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<td>42</td>
<td>42</td>
<td>42</td>
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<tr>
<td>Fuel - vehicle</td>
<td>1,721</td>
<td>191</td>
<td>191</td>
<td>200</td>
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<td>Toll road charges - vehicle</td>
<td>130</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Maintenance - vehicle</td>
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<td>86</td>
<td>86</td>
<td>86</td>
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</tr>
<tr>
<td>Fundraising fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Government fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Professional fees - other</td>
<td>6,875</td>
<td>500</td>
<td>1,000</td>
<td>1,000</td>
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<td>Program goods purchased</td>
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<td>5,382</td>
<td>24,622</td>
<td>52</td>
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<td>Program expense - other than goods</td>
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<td>3,238</td>
<td>3,547</td>
<td>601</td>
<td>313</td>
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<td>Program scholarships</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58,304</td>
<td>-</td>
</tr>
<tr>
<td>giveSPORTS and other events</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
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<td>618</td>
<td>612</td>
<td>238</td>
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<td>Marketing expenses</td>
<td>66</td>
<td>5</td>
<td>10</td>
<td>31</td>
<td>4</td>
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<tr>
<td>Staff and board development</td>
<td>9,560</td>
<td>693</td>
<td>1,315</td>
<td>1,261</td>
<td>511</td>
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<td>Conference, convention, meeting</td>
<td>12</td>
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<td>2</td>
<td>2</td>
<td>1</td>
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<td>Mileage reimbursement</td>
<td>1,648</td>
<td>110</td>
<td>140</td>
<td>116</td>
<td>137</td>
</tr>
<tr>
<td>Membership dues - organization</td>
<td>880</td>
<td>64</td>
<td>128</td>
<td>128</td>
<td>48</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Program goods membership</td>
<td>-</td>
<td>-</td>
<td>525</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Awards</td>
<td>12</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Volunteer expense</td>
<td>1,692</td>
<td>121</td>
<td>242</td>
<td>282</td>
<td>90</td>
</tr>
<tr>
<td>In-kind program materials/goods</td>
<td>5,204,107</td>
<td>1,098</td>
<td>809,769</td>
<td>208,423</td>
<td>-</td>
</tr>
<tr>
<td>In-kind facilities</td>
<td>38,817</td>
<td>1,620</td>
<td>3,239</td>
<td>3,239</td>
<td>1,215</td>
</tr>
<tr>
<td>In-kind professional services</td>
<td>49,032</td>
<td>3,566</td>
<td>7,132</td>
<td>7,132</td>
<td>2,674</td>
</tr>
<tr>
<td>Direct benefits to donors</td>
<td>-</td>
<td>-</td>
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The accompanying notes are an integral part of this statement.
## Program Services

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| $ 618,769       | $ 448,107   | $ 53,903  | $ 10,047 | $ 14,084 | $ 139,831 | $ 140,221 | $ 155,380 | $ 8,868,158 |

The accompanying notes are an integral part of this statement.
## Program Services

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<tr>
<td>7</td>
</tr>
<tr>
<td>459</td>
</tr>
<tr>
<td>824</td>
</tr>
<tr>
<td>143</td>
</tr>
<tr>
<td>130</td>
</tr>
<tr>
<td>5,090</td>
</tr>
<tr>
<td>700</td>
</tr>
<tr>
<td>699</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>687</td>
</tr>
<tr>
<td>233</td>
</tr>
<tr>
<td>412</td>
</tr>
<tr>
<td>191</td>
</tr>
<tr>
<td>211</td>
</tr>
<tr>
<td>49</td>
</tr>
<tr>
<td>500</td>
</tr>
<tr>
<td>81,647</td>
</tr>
<tr>
<td>3,160</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>62</td>
</tr>
<tr>
<td>246</td>
</tr>
<tr>
<td>690</td>
</tr>
<tr>
<td>380</td>
</tr>
<tr>
<td>99</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>61</td>
</tr>
<tr>
<td>76</td>
</tr>
<tr>
<td>343,178</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>16,968</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>$481,661</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
A Precious Child, Inc.
STATEMENTS OF CASH FLOWS
Years ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ (283,677)</td>
<td>$ 630,670</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,123</td>
<td>3,436</td>
</tr>
<tr>
<td>Unrealized/realized gain on investments</td>
<td>(517)</td>
<td>(223)</td>
</tr>
<tr>
<td>Change in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in pledge receivable</td>
<td>(20,024)</td>
<td>(14,620)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>298,701</td>
<td>(330,434)</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expense and other</td>
<td>(2,799)</td>
<td>9,138</td>
</tr>
<tr>
<td>Decrease in unearned revenue</td>
<td>-</td>
<td>(27,250)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued expenses</td>
<td>(15,636)</td>
<td>27,291</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>(20,829)</td>
<td>298,008</td>
</tr>
</tbody>
</table>

| Cash flows used in investing activities |        |        |
| Purchase of fixed assets              | -      | (24,491) |
| Purchase of investments               | (1,262) | -      |
| Net cash used in investing activities | (1,262) | (24,491) |

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>757,836</td>
<td>484,319</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 735,745</td>
<td>$ 757,836</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This description of A Precious Child, Inc.’s (the Organization) nature of activities and summary of significant accounting policies is presented to assist in understanding the Organization’s financial statements.

1. Summary of Business Activities

The Organization, a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in November 2008 for the purpose of providing assistance to children and families facing difficult life challenges such as abuse and neglect, crisis situations and poverty. The Organization focuses on meeting a child’s most basic needs such as clothing, shoes, coats, sports equipment, backpacks and school supplies. The Organization serves clients from Adams, Arapahoe, Broomfield, Boulder, Douglas, Jefferson, Denver and Weld counties. The Organization’s revenue comes primarily from contributions.

2. Description of Services Provided

The major program services or supports and functional activities directly provided or purchased by the Organization are:

Program Services

**Precious Essentials** – provides clothing and other basic essentials to children and adults in a dignified manner to increase self-esteem for impoverished children and their families.

**Precious Boutiques** – satellite resource centers that are located in schools and shelters and dedicated to improving accessibility to basic essentials on-site for children in need.

**Basics 4 Babies** – provides direct aid to mothers and families who might otherwise ration or go without basic necessities for their babies.

**giveSPORTS** – provides new and gently-used sports equipment as well as participation fee scholarships so all children have the opportunity to participate in sports.

**The Learning Center** – ensures that every child who comes to the Resource Center is provided with a safe space that encourages STEM-based learning and compliments their academic studies.

**Truancy Intervention** – provides incentive awards to students who have improved attendance in school as an early intervention initiative and a way to combat truancy.
NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Description of Services Provided (Continued)

Program Services (Continued)

Fill A Backpack – provides backpacks filled with age-appropriate school supplies to maximize academic potential for disadvantaged and displaced children.

Precious Gift – provides gifts to children who otherwise would not receive any during monumental times in their life, such as birthdays and the holiday seasons.

COR (Child Outcomes Resource) Center – provides personalized case management to disadvantaged and displaced children and families connecting them with needed resources, services, opportunities and educational support.

giveARTS – provides new and gently-used equipment and supplies, as well as participation fee scholarships, giving children in need the opportunity to participate in music, dance, theatre and the visual arts.

Edussentials – provides educational opportunities and resources through scholarships to remove barriers for school attendance and improve educational outcomes.

Supporting Services

Management and General – includes those activities necessary for planning, coordination and overall direction of the Organization, financial administration, general board activities and other related activities indispensable to the Organization’s corporate existence.

Fundraising – represents the Organization’s costs to develop and maintain a fundraising effort that generates awareness and increases support for the Organization.

3. Basis of Accounting

Financial statements of the Organization have been prepared on the accrual basis, whereby revenue is recorded when services are performed and expenses are recognized when incurred.

4. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through February 28, 2018, the date on which the financial statements were issued. Other than the subsequent events disclosed in Note H, the Organization did not identify any events or transactions that would have a material impact on the financial statements.
NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

6. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash on hand, cash on deposit, and money market accounts, subject to immediate withdrawal, to be cash equivalents.

The Organization maintains its cash balances in financial institutions located in the Broomfield, Colorado area, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

7. Investments

The Organization records its investments in mutual funds at fair value in the statement of financial position. Realized and unrealized gains and losses, interest and dividends are reflected as investment income in the statements of activities.

8. Inventories

Inventories are stated at the lower of cost or market value, with market value derived from published independent sector rates in accordance with the Internal Revenue Service’s Publication 561, Determining the Value of Donated Property. Inventories include items such as clothes, shoes, coats, sports equipment, backpacks and school supplies.

9. Fixed Assets

Fixed assets acquired in excess of $1,000 and have a life expectancy of more than one year are capitalized at cost for purchased assets and at estimated fair value, at date of receipt, for donated property. Depreciation is provided on the straight-line method over four years for vehicles.
10. Accounting for Contributions

Unconditional promises to give are recognized as a receivable and revenues, at fair value, when the pledge is received. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value. Unconditional promises to give expected to be collected over periods in excess of one year from the time of the pledge are measured using a risk-adjusted discount rate. In subsequent periods, accruals of the interest element are accounted for as contribution revenue. As of December 31, 2016, and 2015, there were outstanding pledges totaling $40,844 and $20,820, respectively, which will be received within one year. These pledges are deemed to be collectible.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Restricted contributions received in the same year in which the restrictions are met are recorded as unrestricted support. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

11. Accounting for Grants

Revenues from grants are recognized according to the specific agreement. Generally, revenues from restricted grants are recognized in the period of the grant award, whereas revenues from cost reimbursement grants are recognized to the extent of project expenses incurred.

12. In-kind Contributions

Contributions of property, materials, and personal services are known as in-kind contributions and are recorded at their estimated fair value at the date of receipt. The amount recorded for these contributions (other than contributions of fixed assets or inventories) are included as program costs to properly reflect the total cost of the particular program.
NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Special Events

The Organization holds special events such as golf tournaments, a bowling tournament and a luncheon throughout the year as fundraising events for the Organization. The gross revenues and expenses, including direct benefits to donors, from these events are presented in the statement of activities. Revenues are recognized when the donations are received.

14. Net Assets

From time to time, the Organization’s Board of Directors approves designating net assets for future use for a specific purpose and the Board has designated $35,867 for operating reserves as of December 31, 2016 and 2015.

15. Income Taxes

The Organization is operated as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization recognizes tax liabilities when, despite the Organization’s belief that its tax return positions are supportable, the Organization believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Organization has concluded there is no tax liability or benefit required to be recorded as of December 31, 2016. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for the years prior to the year ended December 31, 2013.

16. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under generally accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.
NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Fair Value Measurements (Continued)

Level 2 – 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 for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities and corporate-debt securities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

17. Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

18. Reclassifications

Certain financial information as of and for the year ended December 31, 2015, has been reclassified to conform with the presentation for the current year.
19. Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or prospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU No. 2016-14, Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit organization’s liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Organization is in the process of evaluating the impact of this new guidance.
NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. Recent Accounting Pronouncements (Continued)

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Organization is evaluating the impact of adoption, if any, to the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Organization is in the process of evaluating the impact of this new guidance.

NOTE B – INVESTMENTS

The following table presents the Organization’s investments and the fair value hierarchy for those assets measured at fair value as of December 31, 2016:

<table>
<thead>
<tr>
<th>Investments:</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equity mutual funds</td>
<td>$ 14,944</td>
<td>$ 14,944</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following table presents the Organization’s investments and the fair value hierarchy for those assets measured at fair value as of December 31, 2015:

<table>
<thead>
<tr>
<th>Investments:</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equity mutual funds</td>
<td>$ 13,165</td>
<td>$ 13,165</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE B – INVESTMENTS (CONTINUED)

Investment income earned on mutual funds for the year ended December 31, 2016 and 2015, was unrealized gain on the mutual funds reported at fair value of $517 and $223, respectively.

NOTE C – PORTFOLIO LOAN ACCOUNT FACILITY

The Organization entered into a secured variable rate portfolio loan account facility with an investment firm in the amount equal to 50% of the investment balance. The amount available to draw on at December 31, 2016 is $7,472. Drawings on the facility are available on a revolving line of credit basis and bear interest at the minimum base rate of the greater of the current prime rate, 3.75% at December 31, 2016, or 4.00% plus 2.00%. The interest rate on the facility at December 31, 2016 is 6.00%. Amounts drawn under the facility may be repaid and re-borrowed by the Organization from time to time. The facility has an indefinite term. The facility is secured by the investment portfolio. There was no outstanding balance at December 31, 2016 and interest expense for the year ended December 31, 2016 was $0.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Precious Essentials</td>
<td>$6,379</td>
<td>$47,788</td>
</tr>
<tr>
<td>Precious Boutiques</td>
<td>-</td>
<td>2,500</td>
</tr>
<tr>
<td>Basics 4 Babies</td>
<td>16,533</td>
<td>13,224</td>
</tr>
<tr>
<td>giveSPORTS</td>
<td>4,551</td>
<td>9,345</td>
</tr>
<tr>
<td>The Learning Center</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>COR Center</td>
<td>3,113</td>
<td>-</td>
</tr>
<tr>
<td>Edussentials</td>
<td>35,927</td>
<td>40,000</td>
</tr>
<tr>
<td>Fill a Backpack</td>
<td>57,443</td>
<td>34,151</td>
</tr>
<tr>
<td>Precious Gift</td>
<td>-</td>
<td>3,681</td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td>12,075</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$151,021</td>
<td>$165,689</td>
</tr>
</tbody>
</table>

As of December 31, 2015, there were permanently restricted net assets in the amount of $12,075. Management determined during 2016 that the amounts were not permanently restricted by the donor and released the permanent restriction during the year ended December 31, 2016.
NOTE E – VOLUNTEER HOURS

Individuals volunteer their time and perform various tasks to assist the Organization. The total volunteer hours as of December 31, 2016 were 24,541, with an estimated value of $645,651. These donations are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

NOTE F – LEASES

The Center leases office space and equipment under operating lease arrangements in the operation of its programs. The total rent expense for operating leases for the years ended December 31, 2016 and 2015 was $131,084 and $109,788, respectively.

Future minimum rental payments for these leases at December 31, 2016 are as follows:

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$179,861</td>
</tr>
<tr>
<td>2018</td>
<td>183,865</td>
</tr>
<tr>
<td>2019</td>
<td>187,868</td>
</tr>
<tr>
<td>2020</td>
<td>191,872</td>
</tr>
<tr>
<td>2021</td>
<td>195,336</td>
</tr>
<tr>
<td></td>
<td>$938,802</td>
</tr>
</tbody>
</table>

NOTE G – RELATED PARTY TRANSACTIONS

Related party contributions for the years ended December 31, 2016 and 2015 were $167,169 and $231,924, respectively, and were received in the form of cash and executive director services. These contributions were received from members of the Board of Directors and employees of the Organization.

NOTE H – SUBSEQUENT EVENTS

On February 13, 2018, the Organization entered into a contract to purchase real estate for $3,500,000. The purchase is contingent on the Organization obtaining financing within 45 days of the contract date.