



Financial Statements

As of and for the Years Ended
December 31, 2019 and 2018



A Precious Child, Inc.

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Independent Auditor's Report

Board of Directors
A Precious Child, Inc.
Broomfield, Colorado

We have audited the accompanying financial statements of the A Precious Child, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 qualified opinion.



Basis for Qualified Opinion

We were not engaged as auditors of the Organization until after December 31, 2018, and, therefore, did not observe the counting of physical inventories for the year then ended. We were unable to satisfy ourselves by other auditing procedures concerning the inventory held at December 31, 2018, which is stated in the balance sheet at \$2,563,184. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, and the related elements making up the statements of activities, and cash flows.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The COVID-19 outbreak in 2020 (see Note 10) has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

ACM LLP

Denver, Colorado
April 27, 2020

A Precious Child, Inc.

Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 1,271,531	\$ 1,120,263
Inventories	3,119,705	2,563,184
Investments	21,483	17,998
Pledges receivable	246,640	307,875
Prepaid expenses and other	95,756	50,422
Total current assets	4,755,115	4,059,742
Property and equipment, net	5,522,005	3,727,222
Total assets	\$ 10,277,120	\$ 7,786,964
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 80,041	\$ 25,682
Deferred revenue	2,950	-
Long-term debt, current portion	26,799	15,027
Total current liabilities	109,790	40,709
Long-term debt, net of current portion	3,848,315	2,234,973
Total liabilities	3,958,105	2,275,682
Commitments and contingencies		
Net assets		
Without donor restrictions	4,399,950	3,609,083
With donor restrictions	1,919,065	1,902,199
Total net assets	6,319,015	5,511,282
Total liabilities and net assets	\$ 10,277,120	\$ 7,786,964

See accompanying independent auditor's report and notes to the financial statements.

A Precious Child, Inc.

Statements of Activities

Year Ended December 31,	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue						
Gifts-in-kind						
Donated materials/goods	\$ 15,763,115	\$ -	\$ 15,763,115	\$ 13,801,238	\$ -	\$ 13,801,238
Donated facilities	15,600	-	15,600	16,548	-	16,548
Donated services	57,355	-	57,355	90,057	-	90,057
Donated other	-	-	-	634	-	634
Contributed support	858,208	988,271	1,846,479	469,603	2,449,265	2,918,868
Grants	135,593	143,671	279,264	115,978	147,916	263,894
Special events	929,421	-	929,421	828,156	112,770	940,926
Interest and other income	10,586	-	10,586	63,117	-	63,117
Net assets released from restrictions	1,115,076	(1,115,076)	-	936,536	(936,536)	-
Total support and revenue	18,884,954	16,866	18,901,820	16,321,867	1,773,415	18,095,282
Expenses						
Program services	16,777,041	-	16,777,041	12,863,714	-	12,863,714
Capital campaign	437,324	-	437,324	415,583	-	415,583
Management and general	296,008	-	296,008	211,850	-	211,850
Fundraising	389,385	-	389,385	312,234	-	312,234
Direct benefits to donors	194,329	-	194,329	210,677	-	210,677
Total expenses	18,094,087	-	18,094,087	14,014,058	-	14,014,058
Change in net assets	790,867	16,866	807,733	2,307,809	1,773,415	4,081,224
Net assets, beginning of year	3,609,083	1,902,199	5,511,282	1,301,274	128,784	1,430,058
Net assets, end of year	\$ 4,399,950	\$ 1,919,065	\$ 6,319,015	\$ 3,609,083	\$ 1,902,199	\$ 5,511,282

See accompanying independent auditor's report and notes to the financial statements.

A Precious Child, Inc.

Statements of Cash Flows

<i>Year Ended December 31,</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 807,733	\$ 4,081,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	83,846	51,759
Net realized and unrealized (gains) losses on investments	(3,485)	661
Bad debt expense	45,437	50
(Increase) decrease in operating assets:		
Pledges receivable	15,798	(255,036)
Inventory	(556,521)	(2,201,703)
Prepaid expense and other	(45,334)	2,905
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	54,359	(18,629)
Deferred revenue	2,950	-
Net cash provided by operating activities	404,783	1,661,231
Cash flows from investing activities		
Purchase of property and equipment	(1,878,629)	(3,734,271)
Net cash flow from investing activities	(1,878,629)	(3,734,271)
Cash flows from financing activities		
Proceeds from long-term debt	1,645,069	2,250,000
Principal payments on long-term debt	(19,955)	-
Net cash flows from investing activities	1,625,114	2,250,000
Net change in cash and cash equivalents	151,268	176,960
Cash and cash equivalents, beginning of year	1,120,263	943,303
Cash and cash equivalents, end of year	\$ 1,271,531	\$ 1,120,263
Supplemental disclosure of non-cash investing activities:		
Cash paid for interest	\$ 132,798	\$ 60,054

See accompanying independent auditor's report and notes to the financial statements.

A Precious Child, Inc.

Statements of Functional Expenses

Year Ended December 31, 2019	Program Services										Capital Campaign	Management and General	Fundraising	Direct Benefit to Donor	Total
	Precious Essentials	Basics 4 Babies	giveSPORTS	Inspiring Minds	Fill A Backpack	Precious Gift	giveARTS	Edessentials	Total Program						
Salaries and wages	\$ 394,276	\$ 78,671	\$ 74,562	\$ 31,787	\$ 71,536	\$ 77,085	\$ 15,022	\$ 29,280	\$ 772,219	\$ 110,347	\$ 143,104	\$ 273,662	\$ -	\$ 1,299,332	
Payroll taxes	34,905	7,111	6,921	3,521	6,814	7,227	1,525	2,965	70,989	8,590	13,451	24,135	-	117,165	
Workers' compensation	2,604	488	488	570	407	814	81	163	5,615	-	976	1,546	-	8,137	
Payroll fees	1,340	251	251	293	209	419	42	84	2,889	-	502	795	-	4,186	
Employee insurance	15,824	3,031	2,809	1,186	2,236	2,590	535	1,087	29,298	2,391	2,939	18,735	-	53,363	
401k processing fees	899	169	169	197	140	281	28	56	1,939	-	337	534	-	2,810	
Staff 401k match	2,268	324	584	82	580	616	158	311	4,923	-	1,925	703	-	7,551	
Total salaries and benefits	452,116	90,045	85,784	37,636	81,922	89,032	17,391	33,946	887,872	121,328	163,234	320,110	-	1,492,544	
Office and general supplies	8,290	812	545	602	928	798	135	135	12,245	-	2,647	126	-	15,018	
Telephone, telecommunications	7,226	741	522	438	584	1,288	110	110	11,019	-	1,644	-	-	12,663	
Postage, mailing service	-	-	33	-	90	109	-	-	232	-	1,866	7,951	-	10,049	
Credit card fees	-	-	-	-	-	-	-	-	-	-	36,583	-	-	36,583	
Bank fees	-	-	30	-	-	-	-	-	30	9,146	209	-	-	9,385	
Books, subscriptions, reference	160	-	-	-	-	-	-	-	160	-	269	-	-	429	
Printing and copying	10,419	1,358	1,015	577	889	987	172	281	15,698	-	2,028	7,639	-	25,365	
Software	21,285	2,184	1,627	1,107	3,238	3,991	277	277	33,986	-	2,189	3,390	-	39,565	
Facilities maintenance and insurance	9,803	1,094	756	1,257	1,396	1,415	327	219	16,267	-	1,728	341	-	18,336	
Rent	10,887	1,128	1,062	394	4,151	4,184	-	-	21,806	-	99	-	-	21,905	
Office furniture and fixtures	8,085	831	1,018	503	983	1,009	126	126	12,681	60,188	2,169	35	-	75,073	
Utilities	11,601	1,306	1,266	2,215	2,886	3,027	257	494	23,052	-	1,250	1,423	-	25,725	
Parking	16	5	12	-	12	18	4	7	74	27	124	540	-	765	
Depreciation	32,211	3,811	2,248	2,170	4,597	4,597	22	22	49,678	23,428	5,425	5,315	-	83,846	
Insurance - vehicle	2,332	233	233	-	933	933	-	-	4,664	-	-	-	-	4,664	
Fuel - vehicle	1,995	193	193	-	773	773	-	-	3,927	-	-	-	-	3,927	
Toll road charges - vehicle	121	9	9	-	38	38	-	-	215	65	-	62	-	342	
Maintenance - vehicle	912	93	93	-	372	372	-	-	1,842	-	4	-	-	1,846	
Fundraising fees	-	-	-	-	-	-	-	-	-	56	5,854	738	-	6,648	
Government fees	-	-	10	-	-	-	-	-	10	131	167	-	-	308	
Professional fees - other	8,565	886	591	591	812	812	148	148	12,553	50,610	4,215	-	-	67,378	
Program goods purchased	26,497	17,683	659	19,816	119,238	27,039	-	-	210,932	-	-	-	-	210,932	
Program expense - other than goods	24,199	1,713	2,232	447	6,438	6,057	-	-	41,086	32,868	-	-	-	73,954	
Program scholarships	-	-	45,250	-	-	-	4,942	18,684	68,876	-	-	-	-	68,876	
Events expenses	-	-	-	-	-	-	-	-	-	10	2,372	13,134	-	15,516	
Insurance	3,064	412	229	325	292	292	27	61	4,702	-	911	84	-	5,697	
Marketing expenses	25,936	2,676	1,844	1,784	4,196	7,615	446	446	44,943	5,000	8,398	6,842	-	65,183	
Staff and board development	11,917	1,232	834	794	1,008	1,495	199	199	17,678	-	4,126	182	-	21,986	
Travel	1,255	304	570	30	579	600	127	253	3,718	1,073	213	2,454	-	7,458	
Membership dues - organization	1,257	53	35	35	48	48	9	9	1,494	-	2,192	415	-	4,101	
Donor development	-	-	-	-	-	-	-	-	-	-	-	3,372	-	3,372	
Bad debts	1,594	239	279	120	2,330	675	60	-	5,297	-	40,140	-	-	45,437	
Awards	-	-	-	-	-	-	-	-	-	-	15	893	-	908	
Volunteer expense	5,266	575	443	350	704	1,022	87	88	8,535	596	2,496	-	-	11,627	
In-kind program materials/goods	11,881,198	1,514,802	299,121	-	885,912	625,871	-	-	15,206,904	-	-	-	-	15,206,904	
In-kind professional services	22,942	3,441	2,581	1,721	3,155	3,418	860	1,147	39,265	-	3,441	14,339	-	57,045	
In-kind facilities	15,600	-	-	-	-	-	-	-	15,600	-	-	-	-	15,600	
Interest expense	-	-	-	-	-	-	-	-	-	132,798	-	-	-	132,798	
Direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	194,329	194,329	
Total functional expenses	\$ 12,606,749	\$ 1,647,859	\$ 451,124	\$ 72,912	\$ 1,128,504	\$ 787,515	\$ 25,726	\$ 56,652	\$ 16,777,041	\$ 437,324	\$ 296,008	\$ 389,385	\$ 194,329	\$ 18,094,087	
	70%	9%	3%	1%	6%	4%	0%	0%	93%	2%	2%	2%	1%	100%	

Continued.

A Precious Child, Inc.

Statements of Functional Expenses

Year Ended December 31, 2018	Program Services										Capital Campaign	Management and General	Fundraising	Direct Benefit to Donor	Total
	Precious Essentials	Basics 4 Babies	giveSPORTS	Inspiring Minds	Fill A Backpack	Precious Gift	giveARTS	Edussentials	Total Program						
Salaries and wages	\$ 294,269	\$ 56,686	\$ 50,120	\$ 31,285	\$ 44,291	\$ 51,646	\$ 10,191	\$ 19,960	\$ 558,448	\$ 113,648	\$ 124,599	\$ 190,451	\$ -	\$ 987,146	
Payroll taxes	24,699	4,726	4,113	2,889	3,606	4,259	836	1,638	46,766	946	10,055	14,589	-	72,356	
Workers' compensation	2,177	408	408	476	340	681	68	136	4,694	-	816	1,292	-	6,802	
Payroll fees	1,277	223	223	252	195	336	39	78	2,623	-	456	813	-	3,892	
Employee insurance	11,768	1,861	1,142	755	775	991	168	366	17,826	-	2,939	13,170	-	33,935	
401k processing fees	859	161	161	188	134	268	27	54	1,852	-	322	510	-	2,684	
Staff 401k match	1,540	269	328	95	314	528	91	168	3,333	-	1,583	524	-	5,440	
Total salaries and benefits	336,589	64,334	56,495	35,940	49,655	58,709	11,420	22,400	635,542	114,594	140,770	221,349	-	1,112,255	
Office supplies	4,676	480	295	333	192	608	111	74	6,769	171	1,545	61	-	8,546	
Telephone, telecommunications	6,796	791	500	541	664	1,106	228	104	10,730	-	1,513	23	-	12,266	
Postage, mailing service	139	6	4	4	85	89	1	1	329	1,414	166	5,879	-	7,788	
Credit card fees	-	-	-	-	136	-	-	-	136	-	17,080	8,920	-	26,136	
Bank fees	-	-	-	-	-	-	-	-	-	7,013	159	-	-	7,172	
Books, subscriptions, reference	468	34	22	22	11	50	6	6	619	298	90	264	-	1,271	
Printing and copying	7,615	982	689	540	664	835	205	190	11,720	3,673	1,574	3,042	-	20,009	
Software	17,601	1,903	1,380	981	2,610	3,831	342	217	28,865	50	1,795	6,210	-	36,920	
Supplies	4,820	1,019	413	363	370	672	113	83	7,853	2,680	1,295	32	-	11,860	
Facilities maintenance and insurance	8,272	780	611	988	590	852	240	188	12,521	15,914	1,191	125	-	29,751	
Rent	55,477	7,047	6,789	5,410	6,546	5,702	912	3,768	91,651	-	8,057	-	-	99,708	
Office furniture and fixtures	23,863	2,337	1,551	1,039	2,155	2,665	264	256	34,130	79,929	12,428	361	-	126,848	
Utilities	11,628	1,157	1,148	2,024	2,665	2,748	69	130	21,569	-	1,031	362	-	22,962	
Parking	10	1	1	1	-	2	-	-	15	-	17	254	-	286	
Depreciation	20,873	2,454	1,371	1,215	3,054	3,054	-	-	32,021	13,666	3,036	3,036	-	51,759	
Insurance - vehicle	2,062	196	196	-	785	785	-	-	4,024	-	-	-	-	4,024	
Fuel - vehicle	2,866	283	343	-	1,130	1,130	-	-	5,752	97	-	-	-	5,849	
Toll road charges - vehicle	15	1	1	-	6	6	-	-	29	-	-	-	-	29	
Maintenance - vehicle	1,161	120	120	-	479	479	-	-	2,359	-	1	-	-	2,360	
Fundraising fees	-	-	-	-	-	-	-	-	-	-	711	3,243	-	3,954	
Government fees	-	-	10	-	-	-	-	-	10	-	200	100	-	310	
Professional fees - other	2,903	300	200	200	100	450	50	50	4,253	-	2,001	-	-	6,254	
Program goods purchased	4,279	11,556	443	16,061	104,115	9,457	-	2,562	148,473	-	-	-	-	148,473	
Program expense - other than goods	23,026	1,519	1,696	498	7,098	4,783	-	-	38,620	15,192	-	-	-	53,812	
Program scholarships	-	-	42,522	45	-	-	9,043	17,393	69,003	-	-	-	-	69,003	
Event expenses	-	-	-	-	-	-	-	-	-	-	144	11,422	-	11,566	
Insurance	3,917	595	299	496	353	363	183	85	6,291	-	850	200	-	7,341	
Marketing expenses	4,274	465	296	317	1,016	15,594	95	74	22,131	12,755	1,148	29,342	-	65,376	
Staff and board development	3,801	431	282	306	190	492	116	64	5,682	-	5,219	1,250	-	12,151	
Conference, convention, meeting	21	-	-	-	-	-	-	-	21	-	-	22	-	43	
Mileage reimbursement	782	212	448	10	460	464	112	224	2,712	60	168	955	-	3,895	
Membership dues - organization	917	107	60	57	50	116	9	22	1,338	-	2,104	1,196	-	4,638	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	217	-	-	217	
Bad debts	-	-	-	-	-	-	-	-	-	-	50	-	-	50	
Awards	-	-	-	-	37	-	-	-	37	-	-	1,233	-	1,270	
Volunteer expense	3,158	366	218	257	188	438	94	54	4,773	3,618	847	3,706	-	12,944	
Facilities	-	-	-	-	-	-	-	-	-	47,458	-	-	-	47,458	
In-kind program materials/goods	8,724,442	1,274,176	304,188	-	752,210	544,543	-	-	11,599,559	597	12	-	-	11,600,168	
In-kind professional services	21,426	3,216	4,288	2,680	1,072	4,823	536	536	38,577	36,350	6,431	9,647	-	91,005	
In-kind facilities	15,600	-	-	-	-	-	-	-	15,600	-	-	-	-	15,600	
Interest expense	-	-	-	-	-	-	-	-	-	60,054	-	-	-	60,054	
Direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	210,677	210,677	
Total functional expenses	\$ 9,313,477	\$ 1,376,868	\$ 426,879	\$ 70,328	\$ 938,686	\$ 664,846	\$ 24,149	\$ 48,481	\$ 12,863,714	\$ 415,583	\$ 211,850	\$ 312,234	\$ 210,677	\$ 14,014,058	
	66%	10%	3%	1%	7%	5%	0%	0%	92%	3%	2%	2%	1%	100%	

See accompanying independent auditor's report and notes to the financial statements.

A Precious Child, Inc.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of A Precious Child, Inc. (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of financial statements.

Nature of Activities

The Organization is a not-for-profit 501(c)(3) organization, incorporated under the laws of Colorado, 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 in Adams, Arapahoe, Broomfield, Boulder, Douglas, Jefferson, Denver, and Weld counties. The Organization’s revenue comes primarily from contributions.

The Organization has the following core programs:

- Precious Essentials – provides clothing, coats, shoes, toiletries, home goods, and other essentials to children and their families struggling with poverty or emergency situations through the main resource center and 38 satellite resource centers across the Denver Metro area;
- Basics 4 Babies – provides basic necessities such as diapers, wipes, and baby gear to families with infants who would otherwise ration these products or go without. The program also provides access to Bright by Three kits as a means of positively impacting early literacy skills, development, health, and safety of the children;
- giveSPORTS – provides new and gently-used sports equipment along with support for sports program costs associated with registration, uniforms, camp, and participation fees to children in need, giving them the opportunity to participate in sports;
- Inspiring Minds – provides access to STEM-based activities to children visiting A Precious Child’s resource center and through educational, take-home STEM kits.
- Fill A Backpack – provides backpacks filled with grade-appropriate school supplies to children in need to maximize their academic potential;
- Precious Gift – provides gifts to children who would otherwise go without during monumental times in their life, such as birthdays and the holiday season;

A Precious Child, Inc.

Notes to the Financial Statements

- giveARTS – provides support for the arts program costs associated with lessons, participation, fees, instruments and art supplies to children in need, giving them the opportunity to participate in music, dance, theatre, and visual arts;
- Edessentials – provides educational support, such as computers, calculators, tutoring and incentives to remove barriers to school attendance and improve educational outcomes for economically disadvantaged students.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the “FASB.” The FASB sets GAAP which the Organization follows to ensure the financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the “Codification” or “ASC”.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are not held for long-term purposes, to be cash and cash equivalents.

The Organization maintains its cash balances in financial institutions, 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. As of December 31, 2019, the Organization had approximately \$883,000 in excess of federally insured limits.

Investments

The Organization records investments at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and internal investment expenses.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value for all financial instruments required to be measured at fair value, into three broad levels as described below:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities;

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- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data;
- Level 3 – Unobservable inputs are used when little or no market data is available.

This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement.

Inventories

Inventories are stated at the estimated fair 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.

Pledges Receivable

Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are initially recorded at their estimated fair values. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. As of December 31, 2019 and 2018, no discount was recorded as the Organization believes it is immaterial.

In years subsequent to initial recording, an allowance for uncollectible amounts is determined based on the relationship with the donor, historical experience, an assessment of the current economic environment, and analysis of subsequent events. As of December 31, 2019 and 2018, management expects that all amounts are fully collectible in the next year; accordingly, there is no allowance for uncollectible pledges.

Property and Equipment

Property and equipment acquired in excess of \$1,000 and with a life expectancy of more than one year are capitalized at cost for purchased fixed assets and at estimated fair value, at the date of receipt, for donated property. Depreciation is provided on the straight-line method based upon the estimated useful life of the assets, which ranges from 5 to 39 years.

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Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. Management is not aware of any indications of impairment and therefore no impairment loss was recorded during the years ended December 31, 2019 or 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Contributions and Grants

The Organization recognizes contributions, and grants not classified as exchange transactions, when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contract Revenue

On January 1, 2019, the Company adopted FASB ASC 606, *Revenue from Contracts with Customers* and all the related amendments (the “new revenue standard”) with respect to all contracts. The Company accounts for contract revenue in accordance with the new revenue standard, which requires the Company to recognize contract revenue in a manner which depicts the transfer of goods or services to its customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company adopted the new revenue standard retrospectively and there were no significant adjustments recognized.

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The Organization had contract revenue for special events. There was no other significant contract revenue during the years ended December 31, 2019 and 2018.

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support. These amounts have been reported as both in-kind gifts revenue and included as program costs to properly reflect the total cost to each particular program. The Organization recognizes the fair value of contributed services received if such services, a) create or enhance nonfinancial assets, or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Special Events

The Organization holds special events such as the annual gala, golf and bowling tournaments 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 statements of activities. Revenues are recognized when the donations are received.

For the year ended December 31, 2019 and 2018, a portion of event registration and sponsorship revenue was recognized at a point in time, when the event took place. Meals and entertainment were the only performance obligations of more than nominal value for these contracts. Event registration and sponsorship fees received prior to the event taking place were recognized as deferred revenue and will be recognized in future periods when the event occurs.

Advertising

Advertising costs are expensed when incurred totaling \$65,183 and \$65,376, respectively, during 2019 and 2018.

Functional Allocation of Expenses

The costs of conducting the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail expenses by function and reports certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, and rent and utilities which have been allocated on a square footage basis, as well as salaries and related expenses and staff benefits which are allocated on the basis of estimates of time and effort.

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Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended December 31, 2019 and 2018.

The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2017.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and such differences could be material.

Reclassifications

Certain amounts for the year ended December 31, 2018 have been reclassified to be consistent and comparable with the presentation of December 31, 2019 information. There is no change in the net assets as of December 31, 2018 as a result of these reclassifications.

Recently Issued Accounting Pronouncements

In February of 2016, the FASB issued ASU 2016-02, *Topic 842, Leases*. The purpose of this ASU is to establish the principle to report transparent and economically neutral information about the assets and liabilities that arise from leases. The new guidance is effective for public business entities with fiscal years beginning after December 15, 2018. For all other organizations the new guidance is effective for fiscal years beginning after December 15, 2020 and interim periods with fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of adoption of this standard on its financial statements.

Recently Adopted Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU will supersede most current revenue recognition guidance, including industry-specific guidance. This ASU establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. ASU 2014-09 will be effective for the Organization's fiscal

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year beginning after December 15, 2018. Management has adopted ASU 2014-09 as of January 1, 2019, which has been applied retrospectively to all periods presented and the adoption of this standard did not have a material impact on our financial statements.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The ASU has been applied retrospectively to all periods presented. Management has adopted ASU 2018-08 as of January 1, 2019, which has been applied retrospectively to all periods presented and the adoption of this standard did not have a material impact on our financial statements.

2. LIQUIDITY AND AVAILABILITY OF FUNDS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position comprise the following:

Cash and cash equivalents	\$	1,271,531
Pledges receivable, without donor restrictions		43,859
Total financial assets available for use for general expenditure over the next year	\$	1,315,390

As part of the Organization's liquidity management plans, cash and cash equivalents, short-term investments, and cash flows from operations are expected to continue to be sufficient to fund the Organization's ongoing operating activities. Additionally, as further described in Note 10, the COVID-19 outbreak, adds uncertainty as to the impact on the Organization's future funding.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31, 2019 consisted of the following:

	Level 1	Level 2	Level 3
Mutual funds - equities	\$ 21,483	\$ -	\$ -
Total investments	\$ 21,483	\$ -	\$ -

Investments at December 31, 2018 consisted of the following:

	Level 1	Level 2	Level 3
Mutual funds - equities	\$ 17,161	\$ -	\$ -
Mutual funds - blended	837	-	-
Total investments	\$ 17,998	\$ -	\$ -

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Investment income earned on mutual funds for the years ended December 31, 2019 and 2018 consisted of unrealized gains and losses of \$3,485 and (\$661), respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2019	2018
Building	\$ 2,030,000	\$ 2,030,000
Land	3,297,881	1,470,000
Building improvements	234,271	234,271
Vehicles	87,740	36,992
Furniture and equipment	23,026	23,026
Property and equipment	5,672,918	3,794,289
Less: accumulated depreciation	(150,913)	(67,067)
Property and equipment, net	\$ 5,522,005	\$ 3,727,222

5. LONG-TERM DEBT

Mortgages Payable

In May 2018, the Organization entered into a promissory note payable for the purchase of land and a building. The note had an original principal balance of \$2,250,000 and matures in May 2027. The note requires interest payments for the first year at a rate of 4.49% followed by monthly principal and interest payments with interest at 4.99%. The note is collateralized by certain assets of the Organization.

In July 2019, the Organization entered into a promissory note payable for the purchase of land. The note had an original principal balance of \$1,242,569 and matures in July 2021. The note requires a one-time payment of principal and accrued interest at a rate of 5% due at maturity. The note is collateralized by land of the Organization.

In November of 2019, the Organization entered into a promissory note payable for the purchase of land. The note had an original principal balance of \$402,500 and matures in July 2021. The note requires a one-time payment of principal and accrued interest at a rate of 5% due at maturity. The note is collateralized by land of the Organization.

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Annual principal payments for the promissory note outstanding at December 31, 2019 are as follows:

<i>Year Ending December 31,</i>		
2020	\$	26,799
2021		1,757,948
2022		29,605
2023		37,175
2024		43,509
Thereafter		2,064,791
Total payments outstanding		3,959,827
Less: Accrued interest		84,713
Net payments outstanding	\$	3,875,114

Line of Credit

During May 2018, the Organization obtained a line of credit for \$300,000 with a variable interest rate based on the Wall Street Journal Prime Rate (4.75% at December 31, 2019). The line requires monthly payments of interest with the outstanding balance of principal due upon maturity, May 18, 2021. There were no draws and no balance outstanding during or as of December 31, 2019 or 2018.

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6. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditures for specified purpose:		
Capital campaign	\$ 1,439,044	\$ 1,431,149
Inspiring Minds	105,610	100,361
Fill A Backpack	19,500	31,398
Edusentials	16,970	31,191
Precious Gift	200	200
Precious Essentials	26	25
giveARTS	34,000	-
giveSPORTS	45,000	-
Promises to give, restricted by donors for:		
Capital campaign	180,000	251,500
Inspiring Minds	-	11,000
Edusentials	4,960	-
Fill A Backpack	-	1,515
	1,845,310	1,858,339
Endowment held in perpetuity	12,075	-
Subject to the passage of time:		
Promises to give that are not restricted by donors	61,680	43,860
	\$ 1,919,065	\$ 1,902,199

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As of December 31, 2019 and 2018, net assets with donor restrictions were released for the following purposes or periods:

	2019	2018
Satisfaction of purpose restrictions		
Precious Essentials	\$ 147,427	\$ 129,213
Basics 4 Babies	47,794	56,153
giveSPORTS	38,357	48,256
Inspiring Minds	71,191	71,691
giveARTS	5,135	10,832
Edessentials	19,816	19,955
Capital campaign	437,379	318,457
Fill A Backpack	238,988	190,115
Precious Gift	77,205	83,364
Time releases	31,784	-
Other	-	8,500
	\$ 1,115,076	\$ 936,536

7. LEASE OBLIGATIONS

The Organization leased office space under an operating lease through May 2018. During 2018, the Organization purchased a building and no longer needed the leased space. The lease obligation was set to expire in 2021 and the landlord released the Organization of future remaining lease obligations. During the year ended December 31, 2018, the Organization paid \$99,708 on this lease. The Organization leases copiers and future lease payments on the copiers are de minimis.

8. CONCENTRATIONS

The Organization received 16% of its support from one donor during the year ended December 31, 2018. This donor accounted for 81% of outstanding pledges receivable as of December 31, 2018. During the year ended December 31, 2019, no donors comprised more than 10% of contribution revenue. However, two donors accounted for 65% of pledges receivable as of December 31, 2019.

9. RETIREMENT PLAN

The Organization sponsors a retirement plan under Internal Revenue Code Section 401(a). Employees may contribute amounts to the Plan based on the limits established by the IRS. The Organization makes a contribution to the Plan of 100% of the first 2% of eligible compensation deferred by the employee. For the years ended December 31, 2019 and 2018, the Organization contributed \$7,551 and \$5,440 to the retirement plan, respectively.

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10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 27, 2020, which is the date these financial statements were available to be issued. As a result of the spread of the COVID-19, public events have been limited and economic uncertainties have risen which could have a negative financial impact on donations, including the postponement of the Organization's annual gala and golf tournament and the cancelation of the 10th Annual Heroes of A Precious Child North Metro Luncheon. Additionally, as a result of the economic stimulus efforts by the U.S. Government related to the COVID-19 outbreak, the Organization received funding for a Paycheck Protection Program loan through the Small Business Association totaling \$245,100. This loan may be forgiven if loan funds are used for approved expenses and the Organization maintains its workforce; however, the benefit to the Organization at the date these financial statements were available to be issued is unknown. Any portion of the loan which is not forgiven will be payable over a term of two years at an annual rate of 1.0%. There are no other subsequent events that require additional disclosure in these financial statements.