



Financial Statements  
December 31, 2020 and 2019

# A Precious Child, Inc.

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## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the financial statements of A Precious Child, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion - 2020 Financial Statements***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 2020 audit opinion.

### ***Other Matter - 2019 Financial Statements***

The 2019 financial statements of the Organization were audited by ACM LLP ("ACM"), whose partners and professional staff joined BDO USA, LLP as of August 1, 2020, and has subsequently ceased operations. ACM's report dated April 27, 2020 expressed a qualified opinion on those statements, resulting from the Organization's inability to provide evidence to support the existence of inventory as of December 31, 2018.

### ***Emphasis of Matter***

The COVID-19 outbreak in 2020 (see Note 10, *Risks and Uncertainties*) 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.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*BDO USA, LLP*

June 18, 2021

**A Precious Child, Inc.**  
**Statements of Financial Position**

<i>December 31,</i>	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,972,275	\$ 1,271,531
Inventories	2,218,279	3,119,705
Investments	26,158	21,483
Pledges receivable	100,185	246,640
Prepaid expenses and other	81,034	95,756
<b>Total current assets</b>	<b>5,397,931</b>	<b>4,755,115</b>
<b>Property and equipment, net</b>	<b>5,519,629</b>	<b>5,522,005</b>
<b>Total assets</b>	<b>\$ 10,917,560</b>	<b>\$ 10,277,120</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 104,859	\$ 80,041
Deferred revenue	-	2,950
Long-term debt, current portion	1,530,986	26,799
<b>Total current liabilities</b>	<b>1,635,845</b>	<b>109,790</b>
<b>Long-term debt, net of current portion</b>	<b>2,549,187</b>	<b>3,848,315</b>
<b>Total liabilities</b>	<b>4,185,032</b>	<b>3,958,105</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	4,863,295	4,399,950
With donor restrictions	1,869,233	1,919,065
<b>Total net assets</b>	<b>6,732,528</b>	<b>6,319,015</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,917,560</b>	<b>\$ 10,277,120</b>

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

# A Precious Child, Inc.

## Statements of Activities

Year Ended December 31,	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Support and revenue</b>						
Gifts-in-kind						
Donated materials/goods	\$ 7,594,346	\$ -	\$ 7,594,346	\$ 15,763,115	\$ -	\$ 15,763,115
Donated facilities	-	-	-	15,600	-	15,600
Donated services	58,490	-	58,490	57,355	-	57,355
Contributed support	2,497,288	782,955	3,280,243	858,208	988,271	1,846,479
Grants	405,333	135,750	541,083	135,593	143,671	279,264
Special events	317,463	-	317,463	929,421	-	929,421
Interest and other income	12,929	-	12,929	10,586	-	10,586
Net assets released from restrictions	968,537	(968,537)	-	1,115,076	(1,115,076)	-
<b>Total support and revenue</b>	<b>11,854,386</b>	<b>(49,832)</b>	<b>11,804,554</b>	<b>18,884,954</b>	<b>16,866</b>	<b>18,901,820</b>
<b>Expenses</b>						
Program services	10,390,302	-	10,390,302	16,777,041	-	16,777,041
Capital campaign	163,011	-	163,011	437,324	-	437,324
Management and general	238,676	-	238,676	296,008	-	296,008
Fundraising	534,342	-	534,342	389,385	-	389,385
Direct benefits to donors	64,710	-	64,710	194,329	-	194,329
<b>Total expenses</b>	<b>11,391,041</b>	<b>-</b>	<b>11,391,041</b>	<b>18,094,087</b>	<b>-</b>	<b>18,094,087</b>
<b>Change in net assets</b>	<b>463,345</b>	<b>(49,832)</b>	<b>413,513</b>	<b>790,867</b>	<b>16,866</b>	<b>807,733</b>
<b>Net assets, beginning of year</b>	<b>4,399,950</b>	<b>1,919,065</b>	<b>6,319,015</b>	<b>3,609,083</b>	<b>1,902,199</b>	<b>5,511,282</b>
<b>Net assets, end of year</b>	<b>\$ 4,863,295</b>	<b>\$ 1,869,233</b>	<b>\$ 6,732,528</b>	<b>\$ 4,399,950</b>	<b>\$ 1,919,065</b>	<b>\$ 6,319,015</b>

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>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 413,513	\$ 807,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	87,446	83,846
Net realized and unrealized gains on investments	(4,675)	(3,485)
Bad debt expense	23,302	45,437
(Increase) decrease in operating assets:		
Pledges receivable	123,153	15,798
Inventory	901,426	(556,521)
Prepaid expense and other	14,722	(45,334)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	24,818	54,359
Deferred revenue	(2,950)	2,950
<b>Net cash provided by operating activities</b>	<b>1,580,755</b>	<b>404,783</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(85,070)	(1,878,629)
<b>Net cash flow from investing activities</b>	<b>(85,070)</b>	<b>(1,878,629)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	395,100	1,645,069
Principal payments on long-term debt	(190,041)	(19,955)
<b>Net cash flows from investing activities</b>	<b>205,059</b>	<b>1,625,114</b>
<b>Net change in cash and cash equivalents</b>	<b>1,700,744</b>	<b>151,268</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,271,531</b>	<b>1,120,263</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,972,275</b>	<b>\$ 1,271,531</b>
<b>Supplemental disclosure of non-cash investing activities:</b>		
Cash paid for interest	\$ 123,950	\$ 132,798

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

# A Precious Child, Inc.

## Statement of Functional Expenses

Program Services													
Year Ended December 31, 2020	Precious Essentials	Basics 4 Babies	giveSPORTS	Fill A Backpack	Precious Gift	COVID Relief	Other Programs	Total Program	Capital Campaign	Management and General	Fundraising	Direct Benefit to Donor	Total
Salaries and wages	\$ 395,206	\$ 46,827	\$ 39,401	\$ 51,140	\$ 55,496	\$ 138,869	\$ 117,081	\$ 844,020	\$ 24,513	\$ 119,596	\$ 380,043	\$ -	\$ 1,368,172
Payroll taxes	33,741	4,125	3,429	4,307	4,742	11,265	9,655	71,264	2,079	9,561	31,427	-	114,331
Workers' compensation	4,382	1,350	1,269	1,115	2,075	3,994	1,548	15,733	-	2,654	4,696	-	23,083
Payroll fees	1,734	241	222	453	345	-	495	3,490	-	575	891	-	4,956
Employee insurance	15,069	2,785	2,370	4,405	2,815	6,320	6,914	40,678	1,771	1,465	20,701	-	64,615
401k processing fees	1,197	224	224	187	374	-	374	2,580	-	449	711	-	3,740
Staff 401k match	2,643	227	248	374	416	1,201	652	5,761	-	1,541	559	-	7,861
<b>Total salaries and benefits</b>	<b>453,972</b>	<b>55,779</b>	<b>47,163</b>	<b>61,981</b>	<b>66,263</b>	<b>161,649</b>	<b>136,719</b>	<b>983,526</b>	<b>28,363</b>	<b>135,841</b>	<b>439,028</b>	<b>-</b>	<b>1,586,758</b>
Office and general supplies	5,523	514	426	471	629	19,236	1,251	28,050	18	8,417	612	-	37,097
Telephone, telecommunications	12,556	1,391	1,022	1,184	1,734	-	2,835	20,722	-	2,991	262	-	23,975
Postage, mailing service	12	-	13	55	354	-	-	434	-	486	5,257	-	6,177
Credit card fees	-	-	-	-	14	-	-	14	-	37,888	-	-	37,902
Bank fees	-	-	-	-	-	-	-	-	419	378	34	-	831
Books, subscriptions, reference	48	-	-	-	-	-	-	48	-	326	-	-	374
Printing and copying	7,832	887	747	892	801	382	1,949	13,490	364	1,200	6,760	-	21,814
Software	20,544	2,115	1,624	3,896	3,905	-	3,245	35,329	7,560	4,726	6,866	-	54,481
Facilities maintenance and insurance	15,733	1,357	1,215	1,936	2,042	6,675	3,328	32,286	-	2,309	1,222	-	35,817
Rent	9,875	987	987	3,950	3,950	-	-	19,749	-	-	-	-	19,749
Office furniture and fixtures	5,731	604	957	643	682	-	2,693	11,310	9,837	1,499	1,797	-	24,443
Utilities	10,466	1,202	1,172	2,689	2,784	-	3,069	21,382	-	1,124	1,358	-	23,864
Parking	-	-	-	-	-	-	-	-	-	11	206	-	217
Depreciation	32,041	3,845	2,279	4,397	4,397	-	3,083	50,042	26,371	5,567	5,466	-	87,446
Insurance - vehicle	4,184	418	418	1,674	1,674	-	-	8,368	-	-	-	-	8,368
Fuel - vehicle	1,179	118	118	472	472	-	-	2,359	-	-	-	-	2,359
Toll road charges - vehicle	29	3	3	13	13	-	-	61	-	-	42	-	103
Maintenance - vehicle	692	64	64	257	257	-	-	1,334	-	-	-	-	1,334
Fundraising fees	-	-	-	-	-	-	-	-	-	5,498	2,263	-	7,761
Government fees	-	-	10	-	-	-	-	10	-	326	-	-	336
Professional fees - other	9,854	1,019	680	934	934	2,000	1,020	16,441	28,480	2,549	11,930	-	59,400
Program goods purchased	16,294	2,029	13	192,550	59,385	100,166	17,279	387,716	-	-	-	-	387,716
Program expense - other than goods	20,073	832	1,022	1,797	4,706	4,500	3,866	36,796	2,476	-	-	-	39,272
Program scholarships	-	-	4,491	-	-	-	7,485	11,976	-	-	-	-	11,976
Events expenses	-	-	-	147	-	-	-	147	-	22	4,395	-	4,564
Insurance	2,345	262	190	244	244	-	571	3,856	-	595	64	-	4,515
Marketing expenses	16,459	1,821	3,600	3,062	12,310	33	7,978	45,263	-	2,335	15,269	-	62,867
Staff and board development	15,099	1,361	979	2,000	1,617	1,269	2,750	25,075	-	4,252	8,883	-	38,210
Travel	242	60	141	147	152	63	112	917	262	56	3,269	-	4,504
Membership dues - organization	827	894	87	69	86	-	75	2,038	-	1,335	674	-	4,047
Donor development	-	-	-	9	185	-	-	194	-	4,316	850	-	5,360
Bad debts	8,796	1,000	1,000	2,399	2,399	-	2,399	17,993	-	4,110	1,199	-	23,302
Volunteer expense	5,132	950	378	285	773	51	624	8,193	-	1,065	268	-	9,526
In-kind program materials/goods	5,292,462	1,078,148	316,799	885,700	934,317	-	-	8,507,426	-	-	-	-	8,507,426
In-kind professional services	-	2,706	1,982	3,641	3,416	3,851	24,261	39,857	580	5,128	12,925	-	58,490
Interest expense	35,231	3,270	2,789	5,266	6,470	-	4,874	57,900	58,281	4,326	3,443	-	123,950
Direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	64,710	64,710
<b>Total functional expenses</b>	<b>\$ 6,003,231</b>	<b>\$ 1,163,636</b>	<b>\$ 392,369</b>	<b>\$ 1,182,760</b>	<b>\$ 1,116,965</b>	<b>\$ 299,875</b>	<b>\$ 231,466</b>	<b>\$ 10,390,302</b>	<b>\$ 163,011</b>	<b>\$ 238,676</b>	<b>\$ 534,342</b>	<b>\$ 64,710</b>	<b>\$ 11,391,041</b>
	53%	10%	3%	10%	10%	3%	2%	91%	1%	2%	5%	1%	100%

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



# A Precious Child, Inc.

## Statement 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	Fill A Backpack	Precious Gift	Other Programs	Total Program					
Salaries and wages	\$ 394,276	\$ 78,671	\$ 74,562	\$ 71,536	\$ 77,085	\$ 76,089	\$ 772,219	\$ 110,347	\$ 143,104	\$ 273,662	\$ -	\$ 1,299,332
Payroll taxes	34,905	7,111	6,921	6,814	7,227	8,011	70,989	8,590	13,451	24,135	-	117,165
Workers' compensation	2,604	488	488	407	814	814	5,615	-	976	1,546	-	8,137
Payroll fees	1,340	251	251	209	419	419	2,889	-	502	795	-	4,186
Employee insurance	15,824	3,031	2,809	2,236	2,590	2,808	29,298	2,391	2,939	18,735	-	53,363
401k processing fees	899	169	169	140	281	281	1,939	-	337	534	-	2,810
Staff 401k match	2,268	324	584	580	616	551	4,923	-	1,925	703	-	7,551
<b>Total salaries and benefits</b>	<b>452,116</b>	<b>90,045</b>	<b>85,784</b>	<b>81,922</b>	<b>89,032</b>	<b>88,973</b>	<b>887,872</b>	<b>121,328</b>	<b>163,234</b>	<b>320,110</b>	<b>-</b>	<b>1,492,544</b>
Office and general supplies	8,290	812	545	928	798	872	12,245	-	2,647	126	-	15,018
Telephone, telecommunications	7,226	741	522	584	1,288	658	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	889	987	1,030	15,698	-	2,028	7,639	-	25,365
Software	21,285	2,184	1,627	3,238	3,991	1,661	33,986	-	2,189	3,390	-	39,565
Facilities maintenance and insurance	9,803	1,094	756	1,396	1,415	1,803	16,267	-	1,728	341	-	18,336
Rent	10,887	1,128	1,062	4,151	4,184	394	21,806	-	99	-	-	21,905
Office furniture and fixtures	8,085	831	1,018	983	1,009	755	12,681	60,188	2,169	35	-	75,073
Utilities	11,601	1,306	1,266	2,886	3,027	2,966	23,052	-	1,250	1,423	-	25,725
Parking	16	5	12	12	18	11	74	27	124	540	-	765
Depreciation	32,211	3,811	2,248	4,597	4,597	2,214	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	812	812	887	12,553	50,610	4,215	-	-	67,378
Program goods purchased	26,497	17,683	659	119,238	27,039	19,816	210,932	-	-	-	-	210,932
Program expense - other than goods	24,199	1,713	2,232	6,438	6,057	447	41,086	32,868	-	-	-	73,954
Program scholarships	-	-	45,250	-	-	23,626	68,876	-	-	-	-	68,876
Events expenses	-	-	-	-	-	-	-	10	2,372	13,134	-	15,516
Insurance	3,064	412	229	292	292	413	4,702	-	911	84	-	5,697
Marketing expenses	25,936	2,676	1,844	4,196	7,615	2,676	44,943	5,000	8,398	6,842	-	65,183
Staff and board development	11,917	1,232	834	1,008	1,495	1,192	17,678	-	4,126	182	-	21,986
Travel	1,255	304	570	579	600	410	3,718	1,073	213	2,454	-	7,458
Membership dues - organization	1,257	53	35	48	48	53	1,494	-	2,192	415	-	4,101
Donor development	-	-	-	-	-	-	-	-	-	3,372	-	3,372
Bad debts	1,594	239	279	2,330	675	180	5,297	-	40,140	-	-	45,437
Awards	-	-	-	-	-	-	-	-	15	893	-	908
Volunteer expense	5,266	575	443	704	1,022	525	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	3,155	3,418	3,728	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
<b>Total functional expenses</b>	<b>\$ 12,606,749</b>	<b>\$ 1,647,859</b>	<b>\$ 451,124</b>	<b>\$ 1,128,504</b>	<b>\$ 787,515</b>	<b>\$ 155,290</b>	<b>\$ 16,777,041</b>	<b>\$ 437,324</b>	<b>\$ 296,008</b>	<b>\$ 389,385</b>	<b>\$ 194,329</b>	<b>\$ 18,094,087</b>
	70%	9%	3%	6%	4%	1%	93%	2%	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

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### 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;
- 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;
- Other Programs:
  - 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;
  - Edusentials - provides educational support, such as computers, calculators, tutoring and incentives to remove barriers to school attendance and improve educational outcomes for economically disadvantaged students;
  - Inspiring Minds - provides access to STEM-based activities to children visiting A Precious Child’s resource center and through educational, take-home STEM kits;

# A Precious Child, Inc.

## Notes to the Financial Statements

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- 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;
- Empowerment Center - The Empowerment Center provides children and their families with opportunities and resources, including case management, wrap-around services and resource navigation.

### ***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, 2020, the Organization had approximately \$2,395,000 in excess of federally insured limits.

### ***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.

### ***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.

# A Precious Child, Inc.

## Notes to the Financial Statements

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### *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;
- 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.

### *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, 2020 and 2019, 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, 2020 and 2019, 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:

Building	39 years
Building improvements	10 years
Furniture and equipment	4 - 5 years
Vehicles	4 - 5 years

# A Precious Child, Inc.

## Notes to the Financial Statements

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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, 2020 or 2019.

### ***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.

#### ***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.

#### ***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

# A Precious Child, Inc.

## Notes to the Financial Statements

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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.

The Organization had contract revenue for special events. There was no other significant contract revenue during the years ended December 31, 2020 and 2019.

### *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.

For the year ended December 31, 2020 and 2019, 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 \$63,886 and \$65,183, respectively, during 2020 and 2019.

### *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.

### *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, 2020 and 2019.

# A Precious Child, Inc.

## Notes to the Financial Statements

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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 2018.

### *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.

### *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 fiscal years beginning after December 15, 2021 and interim periods with fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of adoption of this standard on its 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:

	2020	2019
Cash and cash equivalents	\$ 2,972,275	\$ 1,271,531
Pledges receivable, without donor restrictions	45,185	61,680
Total financial assets available for use for general expenditure over the next year	\$ 3,017,460	\$ 1,333,211

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. The Organization has notes coming due that are expected to be refinanced and/or renewed in 2021 but have not been as of the date of issuance (See Note 5, *Debt*). Additionally, as further described in Note 10, *Risks and Uncertainties*, 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, 2020 and 2019 consisted of Mutual funds of \$26,158 and \$21,483 and were considered to be Level 1 investments.

Investment income earned on mutual funds for the years ended December 31, 2020 and 2019 consisted of unrealized gains of \$4,675 and \$3,485, respectively, which is included in interest and other income on the Statement of Activities.

# A Precious Child, Inc.

## Notes to the Financial Statements

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### 4. Property and Equipment

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

	2020	2019
Building	\$ 2,030,000	\$ 2,030,000
Land	3,297,881	3,297,881
Building improvements	234,271	234,271
Vehicles	87,740	87,740
Furniture and equipment	68,803	23,026
Construction-in-progress	39,295	-
Property and equipment	5,757,990	5,672,918
Less: accumulated depreciation	(238,361)	(150,913)
Property and equipment, net	\$ 5,519,629	\$ 5,522,005

### 5. 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. The balance at December 31, 2020 was \$2,190,004.

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. The balance at December 31, 2020 was \$1,242,569.

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. The balance as of December 31, 2020 was \$252,500.

#### *Government Loans*

As a result of the economic stimulus efforts by the U.S. Government related to the COVID-19 outbreak, the Organization received the following funding:

On April 24, 2020 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 (See Note 11, *Subsequent Events*). 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%.



# A Precious Child, Inc.

## Notes to the Financial Statements

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On May 24, 2020 the U.S. Small Business Administration authorized a loan for \$150,000 in which monthly installment payments of \$641 including interest at a rate of 2.75% will begin twelve months from the date of the loan with a maturity of thirty years from the date of the loan. The loan is collateralized by certain assets of the Organization.

Annual principal payments for the promissory notes outstanding at December 31, 2020 are as follows:

<i>Year Ending December 31,</i>	
2021	\$ 1,530,986
2022	43,600
2023	45,727
2024	47,463
2024	50,033
Thereafter	2,117,264
Net payments outstanding, before PPP Loan	3,835,073
PPP Loan, subsequently forgiven	245,100
Net payments outstanding	\$ 4,080,173

### *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 (3.25% at December 31, 2020). 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, 2020 or 2019.

# A Precious Child, Inc.

## Notes to the Financial Statements

### 6. Net Assets with Donor Restrictions

As of December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to expenditures for specified purpose:		
Capital campaign	\$ 1,408,631	\$ 1,439,044
Inspiring Minds	72,268	105,610
Fill A Backpack	28,834	19,500
Edusentials	30,816	16,970
Precious Gift	77,198	200
Precious Essentials	26	26
giveARTS	69,200	34,000
giveSPORTS	70,000	45,000
Promises to give, restricted by donors for:		
Capital campaign	50,000	180,000
Edusentials	5,000	4,960
	<b>1,811,973</b>	<b>1,845,310</b>
Endowment held in perpetuity	12,075	12,075
Subject to the passage of time:		
Promises to give not restricted by donors	45,185	61,680
<b>Net assets with donor restrictions</b>	<b>\$ 1,869,233</b>	<b>\$ 1,919,065</b>

As of December 31, 2020 and 2019, net assets with donor restrictions were released for the following purposes or periods:

	2020	2019
Satisfaction of purpose restrictions		
Precious Essentials	\$ 68,660	\$ 147,427
Basics 4 Babies	41,333	47,794
giveSPORTS	16,567	38,357
Empowerment Center	52,500	-
Inspiring Minds	51,467	71,191
giveARTS	3,166	5,135
Edusentials	10,350	19,816
Capital campaign	198,439	437,379
Fill A Backpack	287,232	238,988
Precious Gift	179,233	77,205
Time releases	59,590	31,784
<b>Net assets released from restriction</b>	<b>\$ 968,537</b>	<b>\$ 1,115,076</b>

# A Precious Child, Inc.

## Notes to the Financial Statements

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### 7. Lease Obligations

On November 14, 2016, the Organization entered into a copier lease with monthly payments of \$368, which expires on October 14, 2021. The future payment on this lease is \$3,680 and is due in 2021. Total lease expense under this lease was recorded in printing and copying and totaled \$4,416. Additionally, the Organization rents eight trailers with monthly payments of \$185 each. The lease is on a month-to-month basis and therefore has no future minimum commitments. Total rent expense for these rentals totaled \$17,760 and was recorded in rent expense.

### 8. Concentrations

During the year ended December 31, 2020, no donors comprised more than 10% of contribution revenue and no material pledges were held at year end.

During the year ended December 31, 2019, no donors comprised more than 10% of contribution revenue and 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, 2020 and 2019, the Organization contributed \$7,861 and \$7,551 to the retirement plan, respectively.

### 10. Risks and Uncertainties

On January 30, 2020, the WHO announced a global health emergency due to a new strain of coronavirus originating in Wuhan, China (“COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

As a result of the COVID-19 outbreak, although demand for services have not been negatively impacted, public events have been limited and economic uncertainties have risen which could have a future negative financial impact on donations. However, the COVID19 pandemic had a negative impact on total in-kind contributions for 2020. During the early stages of the pandemic, in order to ensure the safety of the Organization’s staff, volunteers, and clients, the organization temporarily suspended accepting in-kind contributions for a period of several weeks. In addition, one of the Organization’s agency partners, who, previous to COVID-19 had been accepting in-kind goods which do not meet the Organization’s standards, ceased accepting those in-kind goods entirely rendering such goods obsolete. The Organization has since obtained equipment that allows these goods to be recycled rather than disposing of them.

# A Precious Child, Inc.

## Notes to the Financial Statements

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On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The Organization has applied for and has received, funds under the Paycheck Protection Program (Note 5, *Debt*). The application for these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria. See Note 11, *Subsequent Events*.

### 11. Subsequent Events

The Organization has evaluated subsequent events through June 18, 2021, which is the date these financial statements were available to be issued.

On January 1, 2021, the Organization received notice from the lender and the Small Business Administration that their PPP loan in the amount of \$245,100 had been fully forgiven (See Note 5, *Debt*). There are no other subsequent events that require additional disclosure in these financial statements.