



Financial Statements
December 31, 2021 and 2020

A Precious Child, Inc.

Contents

Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - 2021	5
Statement of Functional Expenses - 2020	6
Statements of Cash Flows	7
Notes to the Financial Statements	8



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 statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

November 30, 2022

A Precious Child, Inc.
Statements of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 3,872,900	\$ 2,972,275
Inventories	1,140,067	2,218,279
Endowment investments	46,122	26,158
Contributions receivable	401,346	100,185
Prepaid expenses and other assets	162,846	81,034
Total current assets	5,623,281	5,397,931
Property and equipment, net	5,552,508	5,519,629
Total assets	\$ 11,175,789	\$ 10,917,560
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 387,577	\$ 104,859
Long-term debt, current portion	45,973	1,530,986
Total current liabilities	433,550	1,635,845
Long-term debt, net of current portion	3,701,072	2,549,187
Total liabilities	4,134,622	4,185,032
Commitments and contingencies		
Net assets		
Without donor restrictions	5,406,823	4,863,295
With donor restrictions	1,634,344	1,869,233
Total net assets	7,041,167	6,732,528
Total liabilities and net assets	\$ 11,175,789	\$ 10,917,560

See accompanying notes to the financial statements.

A Precious Child, Inc.

Statements of Activities

<i>Year Ended December 31,</i>	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue						
Gifts-in-kind						
Donated materials/goods	\$ 6,630,114	\$ -	\$ 6,630,114	\$ 7,594,346	\$ -	\$ 7,594,346
Donated services	53,675	-	53,675	58,490	-	58,490
Contributions	3,318,712	908,555	4,227,267	2,497,288	782,955	3,280,243
Grants	244,232	527,100	771,332	405,333	135,750	541,083
Special events, net of direct benefit to donors	177,590	-	177,590	252,753	-	252,753
Retail sales, net of costs of goods sold	(96,391)	-	(96,391)	(32,127)	-	(32,127)
Interest and investment income	10,651	-	10,651	12,929	-	12,929
Gain on debt forgiveness	245,100	-	245,100	-	-	-
Net assets released from restrictions	1,670,544	(1,670,544)	-	968,537	(968,537)	-
Total support and revenue	12,254,227	(234,889)	12,019,338	11,757,549	(49,832)	11,707,717
Expenses						
Program services	10,374,386	-	10,374,386	10,358,175	-	10,358,175
Capital campaign	264,350	-	264,350	163,011	-	163,011
Management and general	241,889	-	241,889	238,676	-	238,676
Fundraising	830,074	-	830,074	534,342	-	534,342
Total expenses	11,710,699	-	11,710,699	11,294,204	-	11,294,204
Change in net assets	543,528	(234,889)	308,639	463,345	(49,832)	413,513
Net assets, beginning of year	4,863,295	1,869,233	6,732,528	4,399,950	1,919,065	6,319,015
Net assets, end of year	\$ 5,406,823	\$ 1,634,344	\$ 7,041,167	\$ 4,863,295	\$ 1,869,233	\$ 6,732,528

See accompanying notes to the financial statements.

A Precious Child, Inc.

Statement of Functional Expenses

Program Services													
Year Ended December 31, 2021	Precious Essentials	Basics4Babies	Fill A Backpack	Precious Gift	Empowerment Center	giveSPORTS	Total Other Programs	Total Program	Capital Campaign	Management and General	Fundraising	Direct Benefit to Donor	Total
Salaries	\$ 509,815	\$ 60,939	\$ 106,175	\$ 121,882	\$ 268,756	\$ 52,300	\$ 139,742	\$ 1,259,609	\$ -	\$ 100,891	\$ 548,642	\$ -	\$ 1,909,142
Payroll Taxes	44,608	5,116	8,292	9,245	21,526	4,081	9,440	102,308	-	7,982	43,322	-	153,612
Staff 401k match	2,853	185	362	1,049	1,101	169	480	6,199	-	1,480	2,554	-	10,233
Workers Compensation	4,443	1,399	520	515	73	1,417	284	8,651	-	1,256	3,625	-	13,532
Payroll Processing Fees	2,308	173	923	115	519	115	58	4,211	-	635	923	-	5,769
401k Processing Fees	1,148	215	179	359	-	215	359	2,475	-	430	681	-	3,586
Staff Health Insurance	28,212	3,253	3,942	4,111	13,133	2,393	2,784	57,828	-	1,341	21,097	-	80,266
Total salaries and benefits	593,387	71,280	120,393	137,276	305,108	60,690	153,147	1,441,281	-	114,015	620,844	-	2,176,140
Office & General Supplies	5,284	408	459	459	2,056	342	8,065	17,073	-	2,238	600	-	19,911
Communications Expenses	9,177	1,132	1,132	1,132	4,312	924	1,358	19,167	-	2,387	715	-	22,269
Postage, Mailing & Shipping Expenses	-	-	-	79	-	-	3	82	-	701	7,618	-	8,401
Credit Card Fees	-	-	35	7,710	-	-	1,056	8,801	-	35,677	-	-	44,478
Bank Fees	-	-	-	-	-	-	-	-	318	1,782	-	-	2,100
Books, Subscriptions, Reference	-	-	-	-	-	-	-	-	-	618	260	-	878
Printing and Copying	6,221	695	1,043	751	2,610	639	973	12,932	-	1,402	7,502	-	21,836
Software	26,761	1,914	3,062	3,062	5,657	1,522	2,034	44,012	87,194	8,647	108,023	-	247,876
Facilities Insurance	6,246	783	783	783	3,123	783	1,097	13,598	-	928	1,093	-	15,619
Facilities Maintenance	27,139	2,089	3,777	561	4,006	1,972	8,687	48,231	-	3,628	3,760	-	55,619
Rent	35,414	1,223	4,891	4,891	-	1,223	-	47,642	-	-	5,351	-	52,993
Equipment, Fixtures, Furniture	14,543	1,098	2,381	1,665	7,559	(4,568)	918	23,596	4,803	1,723	2,190	-	32,312
Utilities	14,404	1,554	3,548	7,217	932	1,530	3,620	32,805	-	1,316	1,841	-	35,962
Parking	-	-	-	-	-	-	-	-	-	38	62	-	100
Depreciation Expense	52,559	5,479	7,190	7,776	1,811	3,678	4,176	82,669	-	7,251	6,689	-	96,609
Vehicle Insurance	3,866	387	1,547	1,547	-	387	-	7,734	-	-	-	-	7,734
Fuel - Van & Box Truck	2,402	237	946	946	-	236	-	4,767	-	-	-	-	4,767
Toll Road Charges	146	12	48	107	-	12	-	325	-	-	275	-	600
Vehicle Maintenance & Repairs	5,700	505	2,022	2,022	-	505	-	10,754	-	-	-	-	10,754
Fundraising Fees	-	-	-	-	-	-	-	-	-	5,161	750	-	5,911
Property Taxes	-	-	-	-	-	-	-	-	19,832	-	-	-	19,832
Government Fees	-	-	-	-	-	-	-	-	-	167	-	-	167
Professional Services	122,170	1,620	1,485	1,485	-	1,080	1,837	129,677	73,481	5,950	-	-	209,108
Program Goods Purchased	15,457	56,716	154,276	201,488	45	-	36,748	464,730	-	-	-	-	464,730
Program Expense "Other than Goods"	41,596	9,849	6,043	7,217	1,393	4,583	15,373	86,054	-	-	-	-	86,054
Opportunity Funds	-	-	-	-	-	-	16,508	5,989	-	-	-	-	22,497
Events Expenses	-	-	-	-	-	-	-	-	-	-	12,797	-	12,797
Insurance - Liability	2,382	294	308	308	1,130	269	403	5,094	-	375	342	-	5,811
Marketing	10,689	1,267	3,156	3,339	4,457	3,200	2,384	28,492	-	2,437	8,425	-	39,354
Precious Perks - COGS	-	-	-	-	-	-	8,013	8,013	-	-	-	-	8,013
Staff and Board Development	13,857	1,280	3,416	1,544	5,899	887	16,948	43,831	-	13,621	10,703	-	68,155
Misc. Expenses	-	-	-	-	-	-	-	-	-	294	18	-	312
Travel	565	50	132	137	29	74	98	1,085	-	37	5,269	-	6,391
Membership Dues	807	347	86	(14)	-	126	(16)	1,336	-	4,408	1,295	-	7,039
Donor Development	-	-	-	-	-	-	250	250	-	1,478	2,038	-	3,766
Bad Debts	-	-	-	-	-	-	-	-	-	11,695	-	-	11,695
Awards	-	-	-	-	-	-	-	-	-	-	2,052	-	2,052
Volunteer Expenses	11,214	2,282	939	1,361	41	958	1,544	18,339	-	1,197	1,440	-	20,976
Mortgage Interest	68,577	6,016	5,414	8,422	3,609	4,812	9,024	105,874	78,722	8,422	6,048	-	199,066
In-kind Program Materials Distributed	4,942,529	1,165,298	854,474	573,500	-	196,685	-	7,732,486	-	-	-	-	7,732,486
In-kind Services Distributed	17,435	2,683	3,356	3,623	1,741	2,819	5,648	37,305	-	4,296	12,074	-	53,675
Direct benefits to donor	-	-	-	-	-	-	-	-	-	-	-	212,569	212,569
Total expenses	6,050,527	1,336,498	1,186,342	980,394	355,518	301,876	289,377	10,500,532	264,350	241,889	830,074	212,569	12,049,414
Less: expenses net against revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct costs of special events	-	-	-	-	-	-	-	-	-	-	-	(212,569)	(212,569)
Costs of goods sold	-	-	-	-	-	-	(126,146)	(126,146)	-	-	-	-	(126,146)
Total functional expenses	\$ 6,050,527	\$ 1,336,498	\$ 1,186,342	\$ 980,394	\$ 355,518	\$ 301,876	\$ 163,231	\$ 10,374,386	\$ 264,350	\$ 241,889	\$ 830,074	\$ -	\$ 11,710,699

See accompanying 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	1,205	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	187	374	187	-	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
Total salaries and benefits	453,972	55,779	47,163	61,981	66,263	161,649	136,719	983,526	28,363	135,841	439,028	-	1,586,758
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	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	-	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
Opportunity Funds	-	-	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
Total expenses	6,003,231	1,163,636	392,369	1,182,760	1,116,965	299,875	231,466	10,390,302	163,011	238,676	534,342	64,710	11,391,041
Less: expenses net against revenue	-	-	-	-	-	-	-	-	-	-	-	(64,710)	(64,710)
Direct costs of special events	-	-	-	-	-	-	(32,127)	(32,127)	-	-	-	-	(32,127)
Costs of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-
Total functional expenses	\$ 6,003,231	\$ 1,163,636	\$ 392,369	\$ 1,182,760	\$ 1,116,965	\$ 299,875	\$ 199,339	\$ 10,358,175	\$ 163,011	\$ 238,676	\$ 534,342	\$ -	\$ 11,294,204

See accompanying notes to the financial statements.

A Precious Child, Inc.

Statements of Cash Flows

<i>Year Ended December 31,</i>	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 308,639	\$ 413,513
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	96,609	87,446
Net realized and unrealized gains on investments	(19,964)	(4,675)
Paycheck Protection Program loan forgiveness	(245,100)	-
Bad debt expense	11,695	23,302
(Increase) decrease in operating assets:		
contributions receivable	(312,856)	123,153
Inventory	1,078,212	901,426
Prepaid expense and other assets	(81,812)	14,722
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	282,718	24,818
Deferred revenue	-	(2,950)
Net cash provided by operating activities	1,118,141	1,580,755
Cash flows from investing activities		
Purchase of property and equipment	(129,488)	(85,070)
Net cash flow from investing activities	(129,488)	(85,070)
Cash flows from financing activities		
Proceeds from long-term debt	-	395,100
Principal payments on long-term debt	(88,028)	(190,041)
Net cash flows from investing activities	(88,028)	205,059
Net change in cash and cash equivalents	900,625	1,700,744
Cash and cash equivalents, beginning of year	2,972,275	1,271,531
Cash and cash equivalents, end of year	\$ 3,872,900	\$ 2,972,275
Supplemental disclosure of non-cash investing activities:		
Cash paid for interest	\$ 199,066	\$ 123,950
Forgiveness of paycheck protection loan	\$ 245,100	\$ -

See accompanying 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:

Child & Family Advocacy:

- Empowerment Center provides holistic resource navigation and clinical case management through wrap-around support and education services to empower children and families on their path to self- sufficiency.

Family Stability:

- Precious Essentials provides essentials such as clothing, coats, shoes, food, home goods and hygiene items to families in need to help bridge the income gap so they can spend their limited resources on living expenses;
- Basics 4 Babies provides basic essentials such as diapers, wipes, formula and baby gear to families with infants who would otherwise ration or go without these necessities.

Social & Emotional Well-being:

- giveARTS provides support for arts program costs associated with lessons, participation fees, instruments and art supplies to children in need, helping them gain the skills for self-expression, confidence and creativity;
- giveSPORTS provides new and gently used sports equipment and support for sports program costs associated with registration, uniform, camp, and participation fees to children in need, giving them the opportunity to participate in activities that help them feel a sense of normalcy alongside their peers;
- Precious Gift provides gifts to children who would otherwise go without during monumental times in their lives, such as birthdays and during the holiday seasons;

A Precious Child, Inc.

Notes to the Financial Statements

- Precious Mentor provides youth with peer-to-peer, adult-to-youth and workforce development mentorships through an evidence-based curriculum, building positive youth development and enriching academic and professional growth.

Academic Success:

- Inspiring Minds provides access to STEM-based activities to children visiting A Precious Child's Resource Center and through educational, take-home STEM kits;
- 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;
- Fill A Backpack provides backpacks filled with grade-appropriate school supplies to children in need to maximize their academic potential.

Workforce Development:

- Precious Perks provides opportunities through A Precious Child's Social Enterprise Coffee and Gift Shop for ages 15-24 who are currently out of school, without employment or struggling with a learning disorder, through work-based learning and fostering the skill sets necessary to obtain and retain employment.

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, 2021, the Organization had approximately \$3,250,000 in excess of federally insured limits.

A Precious Child, Inc.

Notes to the Financial Statements

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.

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.

Contributions Receivable

Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions 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, 2021 and 2020, 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, 2021 and 2020, management expects that all amounts are fully collectible in the next year; accordingly, there is no allowance for uncollectible receivables.

A Precious Child, Inc.

Notes to the Financial Statements

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

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, 2021 or 2020.

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-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 are received or when an unconditional promise to give is received in accordance with FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. 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. There were no conditional promises to give as of December 31, 2021 or 2020.

A Precious Child, Inc.

Notes to the Financial Statements

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

The Company accounts for contract revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, 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 Organization had contract revenue for special events and retail sales. There was no other significant contract revenue during the years ended December 31, 2021 and 2020.

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, 2021 and 2020, 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 are recognized as deferred revenue and would be recognized in future periods when the event occurs. There was no deferred revenue as of December 31, 2021 and 2020.

Retail sales

The Organization has sales from the Precious Perks coffee shop and through eBay. The revenue is recorded at a point in time when the sale is made. The expenses are recorded as incurred. Revenue is shown net of cost of goods sold on in the statements of activities.

Advertising

Advertising costs are expensed when incurred totaling \$38,472 and \$62,867, respectively, during the years ended December 31, 2021 and 2020.

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

A Precious Child, Inc.

Notes to the Financial Statements

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, 2021 and 2020.

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 2019.

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.

In September 2020, the FASB issued ASU 2020-07, (*Topic 958*), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of this ASU is to provide further clarity over contributed nonfinancial assets. The new guidance requires presentation of contributed nonfinancial assets in the statements of activities as a line item separate from contributions of cash or other financial assets. *Topic 958* also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This new guidance is effective for fiscal years ending December 31, 2022. The Organization is currently evaluating the impact of adoption of this standard on its financial statements.

ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, was issued in June 2016, including subsequent amendments issued thereafter which clarify the standard (collectively, *Topic 326*). This standard significantly changes the impairment model for most financial instruments. In accordance with *Topic 326*, the

A Precious Child, Inc.

Notes to the Financial Statements

Organization will be required to use a current expected credit loss model (CECL) that will immediately recognize an estimate of credit losses that are expected to occur over the life of the financial instruments that are within the scope of this update, including trade receivables. This guidance becomes effective for the Organization beginning the year ending December 31, 2023. 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:

<u>December 31,</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,872,900	\$ 2,972,275
Contributions receivable, without donor restrictions	49,780	45,185
Total financial assets available for use for general expenditure over the next year	\$ 3,922,680	\$ 3,017,460

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. In February 2022, the Organization refinanced debt that was previously due in 2021 which extended the due dates of such payments (See Note 5, *Debt*).

3. Investments and Fair Value Measurements

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There were no significant changes to the valuation methodologies used by the Organization during the year. The investments fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual Funds - The Organization invests in various mutual funds that are traded on an active market, therefore the funds are classified within Level 1 of the valuation hierarchy. Mutual funds of \$30,305 and \$26,158 were held as of December 31, 2021 and 2020, respectively.

Common Stocks - Common stocks are valued based on quoted market prices and are classified within Level 1 of the valuation hierarchy. Common stocks of \$15,817 was held as of December 31, 2021.

A Precious Child, Inc.

Notes to the Financial Statements

4. Property and Equipment

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

	2021	2020
Building	\$ 2,030,000	\$ 2,030,000
Land	3,297,881	3,297,881
Building improvements	234,271	234,271
Vehicles	134,240	87,740
Furniture and equipment	124,365	68,803
Construction-in-progress	72,098	39,295
Property and equipment	5,892,855	5,757,990
Less: accumulated depreciation	(340,347)	(238,361)
Property and equipment, net	\$ 5,552,508	\$ 5,519,629

The Organization recorded \$96,609 and \$87,446 of depreciation expense during the years ended December 31, 2021 and 2020, respectively.

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 matured in May 2027. The note required 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 was collateralized by certain assets of the Organization. The balance at December 31, 2021 and 2020 was \$2,116,301 and \$2,190,004, respectively.

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 an original maturity date in December 2021. The note required a one-time payment of principal and accrued interest at a rate of 5% due at maturity. The note was collateralized by land of the Organization. As a part of the refinanced mortgage payable described below, maturity was delayed and the original note payable balance was paid in full in February of 2022. The balance at December 31, 2021 and 2020 was \$1,228,244 and \$1,242,569, respectively.

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 matured in December 2021. The note required a one-time payment of principal and accrued interest at a rate of 5% due at maturity. The note was collateralized by land of the Organization. As a part of the refinanced mortgage payable described below, maturity was delayed and the original note payable balance was paid in full in February of 2022. The balance as of December 31, 2021 and 2020 was \$252,500.

A Precious Child, Inc.

Notes to the Financial Statements

Refinanced Mortgage Payable

In February of 2022, the Organization entered into an agreement to refinance the mortgages payable described above. The total amount funded under the new agreement was \$4,325,950 of this balance approximately \$3,400,000 was used to pay down the mortgage payables in full and approximately \$925,000 was used to purchase land. The new agreement matures in February 2032. The note requires monthly payments of approximately \$22,000, beginning March of 2022 and accrues interest at a rate of 3.95% through February 2029 and 4.15% for the remaining terms of the loan. Balances that were refinanced are included in the future maturities table as due under terms of the new agreement. The loan is secured by the deeds of trust on existing buildings and land plots.

Government Loans

On April 24, 2020, as a result of the economic stimulus efforts by the U.S. Government related to the COVID-19 outbreak, the Organization received the funding of 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. The Organization applied for forgiveness on December 10, 2020, and in January 5, 2021, the Organization received notification from the bank that funds were received from the SBA in an amount to cover all outstanding principal and interest on the PPP loan, and that PPP loan was considered paid in full. As a result, the Organization recognized a gain on extinguishment totaling \$245,100 during 2021 which is recorded in gain on debt forgiveness in the accompanying statements of activities.

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. No principal payments were required on this loan during 2021.

Annual principal payments for the promissory notes outstanding at December 31, 2021 are as follows:

<i>Year Ending December 31,</i>		
2022	\$	45,973
2023		97,524
2024		100,889
2025		105,327
2026		109,478
Thereafter		3,287,854
Net payments outstanding	\$	3,747,045

A Precious Child, Inc.

Notes to the Financial Statements

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, 2021 and 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, 2021 and 2020. During December of 2021, the Organization executed a renewal of this line of credit extending the maturity date to December 18, 2024. There were no other significant changes in terms of the agreement.

6. Net Assets with Donor Restrictions

As of December 31, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes or periods:

<i>December 31,</i>	2021	2020
Subject to expenditures for specified purpose:		
Capital campaign	\$ 1,140,926	\$ 1,408,631
Inspiring Minds	29,139	72,268
Fill A Backpack	-	28,834
Edusentials	69,930	30,816
Precious Gift	46,191	77,198
Precious Essentials	26	26
giveARTS	81,896	69,200
Marshall Fire	430	-
giveSPORTS	108,951	70,000
Promises to give, restricted by donor for:		
Capital campaign	85,000	50,000
Marshall Fire	10,000	-
Edusentials	-	5,000
	<u>1,572,489</u>	<u>1,811,973</u>
Endowment held in perpetuity	12,075	12,075
Subject to the passage of time:		
Promises to give not restricted by donors	49,780	45,185
Net assets with donor restrictions	<u>\$ 1,634,344</u>	<u>\$ 1,869,233</u>

A Precious Child, Inc.

Notes to the Financial Statements

As of December 31, 2021 and 2020, net assets with donor restrictions were released for the following purposes or periods:

<i>Year Ended December 31,</i>	2021	2020
Satisfaction of purpose restrictions		
Precious Essentials	\$ 191,508	\$ 68,660
Basics 4 Babies	66,980	41,333
giveSPORTS	21,117	16,567
Empowerment Center	275,135	52,500
Inspiring Minds	89,655	51,467
giveARTS	704	3,166
Edusentials	7,774	10,350
Capital campaign	279,705	198,439
Fill A Backpack	247,335	287,232
Precious Perks	41,600	-
Precious Mentor program	118	-
Precious Gift	403,728	179,233
Time releases	45,185	59,590
Net assets released from restriction	\$ 1,670,544	\$ 968,537

7. Lease Obligations

On November 14, 2016, the Organization entered into a copier lease with monthly payments of \$368, which expired on October 14, 2021. In March of 2022, the Organization entered a new copier lease with monthly payments of \$329, which expires in February of 2027. Total lease expense under this lease was recorded in printing and copying and totaled \$3,680. Additionally, the Organization rents trailers on a monthly basis with payments per trailer of \$185 to \$225 each. These leases are on a month-to-month basis and therefore has no future minimum commitments. During June of 2021, the Organization entered into two additional agreements to rent storage units requiring payments of approximately \$2,220 a month. The leases expire on July 31, 2025. Total rent expense for these rentals totaled \$52,993 and was recorded in rent expense. Minimum future rental payments under the long-term rental agreements as of December 31, 2021 are as follows:

<i>Year Ending December 31,</i>	
2022	\$ 43,533
2023	44,996
2024	45,820
2025	28,661
2026	3,948
Thereafter	658
Total	\$ 167,616

A Precious Child, Inc.

Notes to the Financial Statements

8. Concentrations

During the year ended December 31, 2021, one donor comprised more than 10% of contribution revenue and no material pledges were held at year end. 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.

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, 2021 and 2020, the Organization contributed \$10,233 and \$7,861 to the retirement plan, respectively.

10. Subsequent Events

The Organization has evaluated subsequent events through November 30, 2022, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, other than those described below.

As described in Note 5 - *Debt*, in February 2022, the Organization refinanced their mortgages payables into one consolidated note. As a part of the refinance, the Organization financed the purchase of land surrounding their existing facility.