

# A Precious Child, Inc.

Financial Statements

Years Ended December 31, 2023 and 2022



WIPFLI

## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the accompanying financial statements of A Precious Child, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2023, 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 referred to above present fairly, in all material respects, the financial position of A Precious Child, Inc. as of December 31, 2023, 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 ("GAAP").

### ***Basis for Opinion***

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 A Precious Child, Inc. 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 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, 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 A Precious Child, Inc.'s ability to continue as a going concern for one year after the date the financial statements are 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 A Precious Child, Inc.'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 A Precious Child, Inc.'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.

### ***Prior Period Financial Statements***

The financial statements of A Precious Child, Inc.'s as of and for the year ended December 31, 2022, were audited by BDO USA, P.C., and whose report dated December 6, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wipfli LLP

Helena, Montana  
November 21, 2024

# A Precious Child, Inc.

## Statements of Financial Position

<i>As of December 31,</i>	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,881,796	\$ 3,518,119
Inventories	1,926,657	2,240,035
Investments - operating	1,516,992	-
Contributions receivable	121,667	268,910
Prepaid expenses and other	100,098	167,455
Total current assets	5,547,210	6,194,519
Property and equipment, net	6,347,681	6,455,379
Other assets:		
Operating leases right-out-use assets, net	102,234	164,282
Endowment investments	57,687	46,105
Total other assets	159,921	210,387
<b>TOTAL ASSETS</b>	<b>\$ 12,054,812</b>	<b>\$ 12,860,285</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 424,179	\$ 189,279
Operating lease liabilities, current portion	61,755	59,480
Long-term debt, current portion	97,322	97,524
Total current liabilities	583,256	346,283
Long-term liabilities:		
Operating lease liability, net of current portion	42,717	104,802
Long-term debt, less current maturities	4,208,639	4,302,388
Total long-term liabilities	4,251,356	4,407,190
Total liabilities	4,834,612	4,753,473
Net assets:		
Without donor restrictions	6,435,308	6,482,619
With donor restrictions	784,892	1,624,193
Total net assets	7,220,200	\$ 8,106,812
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,054,812</b>	<b>\$ 12,860,285</b>

See accompanying notes to financial statements.

# A Precious Child, Inc.

## Statements of Activities

<i>Years Ended December 31,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>						
Gifts-in-kind:						
Contributions of non-financial assets	\$ 9,889,947	\$ -	\$ 9,889,947	\$ 14,630,252	\$ -	\$ 14,630,252
Donated services	67,920	-	67,920	69,395	-	69,395
Contributions	988,120	2,504,559	3,492,679	2,490,702	1,863,037	4,353,739
Grants	1,736,292	-	1,736,292	245,325	1,089,817	1,335,142
Special events, net	66,519	-	66,519	175,520	10,000	185,520
Interest and investment income	78,406	-	78,406	2,108	-	2,108
Retail sales, net of costs of goods sold	(4,099)	-	(4,099)	(30,383)	-	(30,383)
Other income	65,133	-	65,133	56,533	-	56,533
Net assets released from restrictions	3,343,860	(3,343,860)	-	2,973,005	(2,973,005)	-
<b>Total support and revenue</b>	<b>16,232,098</b>	<b>(839,301)</b>	<b>15,392,797</b>	<b>20,612,457</b>	<b>(10,151)</b>	<b>20,602,306</b>
<b>Expenses:</b>						
Program services	14,399,858	-	14,399,858	18,098,418	-	18,098,418
Management and general	750,691	-	750,691	401,765	-	401,765
Fundraising	1,128,860	-	1,128,860	1,036,478	-	1,036,478
<b>Total expenses</b>	<b>16,279,409</b>	<b>-</b>	<b>16,279,409</b>	<b>19,536,661</b>	<b>-</b>	<b>19,536,661</b>
Changes in net assets	(47,311)	(839,301)	(886,612)	1,075,796	(10,151)	1,065,645
Net assets, beginning of year	6,482,619	1,624,193	8,106,812	5,406,823	1,634,344	7,041,167
Net assets, end of year	\$ 6,435,308	\$ 784,892	\$ 7,220,200	\$ 6,482,619	\$ 1,624,193	\$ 8,106,812

See accompanying notes to financial statements.

# A Precious Child, Inc.

## Statement of Functional Expenses

Year Ended December 31, 2023	Program Services										Direct Benefit to Donor	Total Expenses	
	Precious Essentials	Marshall Fire	Basics 4 Babies	giveSPORTS	Empowerment Center	Fill A Backpack	Precious Gift	Total Other Programs	Total Program	Fundraising			Management and General
Salaries	\$ 724,263	\$ -	\$ 87,878	\$ 83,939	\$ 434,665	\$ 134,839	\$ 135,455	\$ 344,631	\$ 1,945,670	\$ 781,296	\$ 347,500	\$ -	\$ 3,074,466
Payroll Taxes	61,276	186	7,546	7,093	38,501	11,524	11,576	24,950	162,652	60,348	29,202	-	252,202
Staff 401k match	4,453	34	384	797	2,097	1,191	1,091	3,002	13,049	4,618	(880)	-	16,787
Workers Compensation	6,188	381	836	613	3,454	1,198	1,210	767	14,647	5,143	1,250	-	21,040
Payroll Processing Fees	3,624	3	426	408	2,101	784	659	1,237	9,242	3,366	1,702	-	14,310
401k Processing Fees	971	-	125	208	495	242	278	690	3,009	1,290	539	-	4,838
Staff Health and Life Insurance	46,157	303	5,163	4,675	25,587	6,847	7,597	11,108	107,437	28,116	13,058	-	148,611
HR Fees	3,888	23	422	396	2,146	669	653	1,161	9,358	2,830	1,389	-	13,577
<b>Total Salaries and Benefits</b>	<b>850,820</b>	<b>930</b>	<b>102,780</b>	<b>98,129</b>	<b>509,046</b>	<b>157,294</b>	<b>158,519</b>	<b>387,546</b>	<b>2,265,064</b>	<b>887,007</b>	<b>393,760</b>	<b>-</b>	<b>3,545,831</b>
Bank Fees	4	-	-	-	-	-	-	253	257	-	3,571	-	3,828
Books, Subscriptions, Reference	-	-	-	-	-	-	-	-	-	-	5,643	-	5,643
Communications Expenses	13,339	-	1,708	1,310	6,889	1,712	1,712	2,013	28,683	903	3,202	-	32,788
Credit Card & Other Fees	-	-	-	-	10	-	-	1,077	1,087	301	93,479	-	94,867
Fundraising Fees	-	-	-	-	-	-	-	-	-	2,833	-	-	2,833
Office & General Supplies	7,971	-	755	635	2,856	874	874	1,316	15,281	809	744	-	16,834
Postage, Mailing & Shipping Expenses	-	-	-	-	-	-	187	56	243	3,372	202	-	3,817
Printing and Copying	4,286	-	460	368	1,563	552	552	644	8,425	6,668	535	-	15,628
Software	22,357	-	964	884	3,067	1,218	1,217	66,404	96,111	48,331	12,937	-	157,379
<b>Total Operations Expenses</b>	<b>47,957</b>	<b>-</b>	<b>3,887</b>	<b>3,197</b>	<b>14,385</b>	<b>4,356</b>	<b>4,542</b>	<b>71,763</b>	<b>150,087</b>	<b>63,217</b>	<b>120,313</b>	<b>-</b>	<b>333,617</b>
Rent	80,375	-	2,201	2,201	-	8,803	8,803	-	102,383	27,245	-	-	129,628
Depreciation Expense	60,447	-	5,863	4,539	3,382	9,456	19,552	28,040	131,279	7,125	42,680	-	181,084
Equipment, Fixtures, Furniture	-	-	-	-	-	-	-	24,558	24,558	-	-	-	24,558
Facilities Insurance	4,566	-	519	415	1,764	623	726	1,817	10,430	519	1,758	-	12,707
Facilities Maintenance	10,968	-	3,450	1,371	5,484	1,371	1,371	4,727	28,742	2,021	1,646	-	32,409
Fuel - Van & Box Truck	30,157	-	2,784	2,414	1,616	3,458	4,523	-	44,952	2,838	3,633	-	51,423
Vehicle Insurance	(588)	-	312	313	-	1,250	1,250	-	2,537	-	-	-	2,537
Vehicle Maintenance & Repairs	9,930	-	807	738	-	3,229	3,229	-	17,933	-	-	-	17,933
Parking	4,280	-	318	488	-	1,672	1,672	-	8,430	-	-	-	8,430
Toll Road Charges	-	-	-	-	-	-	-	-	-	1,195	99	-	1,294
Utilities	-	-	-	-	-	-	-	4,256	4,256	772	-	-	5,028
Property Taxes	21,459	248	2,159	2,134	2,109	4,995	5,057	49,526	87,687	2,565	1,801	-	92,053
Mortgage Interest	47,728	-	4,187	3,349	2,512	3,768	5,861	91,658	159,063	4,187	27,726	-	190,976
<b>Total Facilities and Equipment Expenses</b>	<b>269,322</b>	<b>248</b>	<b>22,600</b>	<b>17,962</b>	<b>16,867</b>	<b>38,625</b>	<b>52,044</b>	<b>204,582</b>	<b>622,250</b>	<b>48,467</b>	<b>79,343</b>	<b>-</b>	<b>750,060</b>
Professional Services	34,872	-	3,875	3,100	13,184	4,650	4,650	31,392	95,723	3,966	47,666	-	147,355
Program Goods	30,621	-	316,374	10,174	11	148,286	64,023	36,743	606,232	-	-	-	606,232
Program Expense "Other than Goods"	9,545	-	762	4,151	16,626	1,968	2,870	3,705	39,627	-	-	-	39,627
Program Scholarship	-	-	-	35,531	-	-	-	25,380	60,911	-	-	-	60,911
Housing Assistance	64,827	62,000	-	-	-	-	-	-	126,827	-	-	-	126,827
Employee Assistance	4,285	-	-	-	-	-	-	-	4,285	3,787	4,436	-	12,508
Events Expenses	-	-	-	-	-	-	660	-	660	27,496	442	-	28,598
Advertising Expenses	9,644	-	1,019	840	3,499	2,312	11,190	59,080	87,584	24,982	2,162	-	114,728
Precious Perks - COGS	-	-	-	-	-	-	-	4,099	4,099	-	-	-	4,099
Awards	-	-	-	-	-	-	-	-	-	1,562	-	-	1,562
Bad Debts	-	-	-	-	-	-	-	15,000	15,000	4,000	3,347	-	22,347
Insurance - Liability	10,943	-	1,350	1,322	5,317	1,379	1,379	1,891	23,581	1,903	1,598	-	27,082
Membership Dues	463	-	-	-	-	-	-	-	463	4,367	8,753	-	13,583
Misc. Expenses	-	-	-	-	-	-	-	-	-	(14)	(7,900)	-	(7,914)
Staff and Board Development	31,912	-	3,647	3,459	18,710	6,008	5,727	12,824	82,287	28,633	25,162	-	136,082
Travel	766	17	110	106	661	153	153	1,275	3,241	9,721	132	-	13,094
Volunteer Expenses	13,779	-	1,116	893	-	1,005	1,563	1,674	20,030	1,562	1,113	-	22,705
Donor Development	-	-	-	-	-	-	-	-	17,014	40	-	-	17,054
<b>Total Other Expenses</b>	<b>211,657</b>	<b>62,017</b>	<b>328,253</b>	<b>59,576</b>	<b>58,008</b>	<b>165,761</b>	<b>92,215</b>	<b>193,063</b>	<b>1,170,550</b>	<b>128,979</b>	<b>86,951</b>	<b>-</b>	<b>1,386,480</b>
In-kind Program Materials Distributed	6,501,040	-	1,333,723	788,862	-	1,073,824	494,330	-	10,191,779	-	-	-	10,191,779
In-kind Services Distributed	1,488	-	357	179	655	476	417	655	4,227	1,190	62,502	-	67,919
In-kind Supplies Distributed	-	-	-	-	-	-	-	-	-	-	7,822	-	7,822
<b>Total Gift In-Kind Distributed</b>	<b>6,502,528</b>	<b>-</b>	<b>1,334,080</b>	<b>789,041</b>	<b>655</b>	<b>1,074,300</b>	<b>494,747</b>	<b>655</b>	<b>10,196,006</b>	<b>1,190</b>	<b>70,324</b>	<b>-</b>	<b>10,267,520</b>
<b>Direct cost to donor</b>												<b>330,264</b>	<b>330,264</b>
<b>Total Expenses</b>	<b>7,882,284</b>	<b>63,195</b>	<b>1,791,600</b>	<b>967,905</b>	<b>598,961</b>	<b>1,440,336</b>	<b>802,067</b>	<b>857,609</b>	<b>14,403,957</b>	<b>1,128,860</b>	<b>750,691</b>	<b>-</b>	<b>16,613,772</b>
Less: expenses net against revenue													
Direct costs of special events	-	-	-	-	-	-	-	-	-	-	-	(330,264)	(330,264)
Costs of goods sold	-	-	-	-	-	-	-	(4,099)	(4,099)	-	-	-	(4,099)
<b>Total Functional Expenses</b>	<b>\$ 7,882,284</b>	<b>\$ 63,195</b>	<b>\$ 1,791,600</b>	<b>\$ 967,905</b>	<b>\$ 598,961</b>	<b>\$ 1,440,336</b>	<b>\$ 802,067</b>	<b>\$ 853,510</b>	<b>\$ 14,399,858</b>	<b>\$ 1,128,860</b>	<b>\$ 750,691</b>	<b>\$ (330,264)</b>	<b>\$ 16,279,409</b>

See accompanying notes to financial statements.

# A Precious Child, Inc.

## Statement of Functional Expenses

Year Ended December 31, 2022	Program Services											Direct Benefit to Donor	Total Expenses
	Precious Essentials	Marshall Fire	Basics 4 Babies	giveSPORTS	Empowerment Center	Fill A Backpack	Precious Gift	Total Other Programs	Total Program	Fundraising	Management and General		
Salaries	\$ 713,542	\$ 195,507	\$ 91,519	\$ 74,946	\$ 380,813	\$ 132,303	\$ 141,766	\$ 151,785	\$ 1,882,181	\$ 688,766	\$ 156,829	\$ -	\$ 2,727,776
Payroll Taxes	57,803	17,018	7,578	6,094	32,618	10,673	11,464	10,548	153,796	52,519	12,691	-	219,006
Staff 401k match	3,257	1,165	305	398	1,998	781	835	1,084	9,023	3,503	1,990	-	14,516
Workers Compensation	5,794	1,791	776	594	3,219	1,142	1,209	919	15,444	5,647	1,238	-	22,329
Payroll Processing Fees	3,093	-	232	155	696	1,237	155	77	5,645	1,237	851	-	7,733
401k Processing Fees	1,328	-	249	249	-	208	415	416	2,865	789	498	-	4,152
Staff Health Insurance	45,669	151	5,189	4,169	11,571	6,094	6,513	4,233	83,589	30,323	5,740	-	119,652
Staff Life Insurance	684	22	73	63	166	68	75	43	1,194	281	70	-	1,545
<b>Total Salaries and Benefits</b>	<b>831,170</b>	<b>215,654</b>	<b>105,921</b>	<b>86,668</b>	<b>430,281</b>	<b>152,506</b>	<b>162,432</b>	<b>169,105</b>	<b>2,153,737</b>	<b>783,065</b>	<b>179,907</b>	<b>-</b>	<b>3,116,709</b>
Bank Fees	-	-	-	-	-	-	-	101	101	-	9,933	-	10,034
Books, Subscriptions, Reference	-	-	-	-	-	-	-	-	-	584	1,115	-	1,699
Communications Expenses	12,170	70	1,515	1,214	5,776	1,539	1,539	1,856	25,679	1,032	2,602	-	29,313
Credit Card & Other Fees	-	-	-	-	-	-	-	1,087	1,087	1,125	44,422	-	46,634
Fundraising Fees	-	-	-	-	-	-	-	-	-	820	6,776	-	7,596
Office & General Supplies	7,673	-	800	653	3,020	939	939	1,276	15,300	881	1,087	-	17,268
Postage, Mailing & Shipping Expenses	-	-	-	-	-	-	64	-	64	11,221	60	-	11,345
Printing and Copying	4,955	-	545	478	1,979	1,551	611	763	10,882	13,296	587	-	24,765
Software	29,747	-	1,643	1,291	5,607	1,922	1,922	89,308	131,440	41,053	15,203	-	187,696
<b>Total Operations Expenses</b>	<b>54,545</b>	<b>70</b>	<b>4,503</b>	<b>3,636</b>	<b>16,382</b>	<b>5,951</b>	<b>5,075</b>	<b>94,391</b>	<b>184,553</b>	<b>70,012</b>	<b>81,785</b>	<b>-</b>	<b>336,350</b>
Rent	56,031	-	1,781	1,781	-	7,126	7,126	-	73,845	23,615	-	-	97,460
Depreciation Expense	60,420	-	5,997	4,200	2,083	9,059	19,038	23,082	123,879	6,777	7,327	-	137,983
Equipment, Fixtures, Furniture	11,564	-	1,107	1,411	3,804	1,293	1,517	25,078	45,774	1,197	1,496	-	48,467
Facilities Insurance	4,245	1,316	1,045	699	2,781	699	699	981	12,465	974	786	-	14,225
Facilities Maintenance	29,571	2,309	2,808	2,551	1,657	4,625	5,320	5,461	54,302	3,045	3,085	-	60,432
Fuel - Van & Box Truck	3,184	906	320	377	-	1,279	1,279	-	7,345	-	-	-	7,345
Vehicle Insurance	5,772	-	577	577	-	2,309	2,309	-	11,544	-	-	-	11,544
Vehicle Maintenance & Repairs	4,006	-	401	401	-	1,602	1,602	-	8,012	-	-	-	8,012
Parking	3	-	-	-	-	-	-	-	3	603	-	-	606
Toll Road Charges	-	-	-	-	-	-	-	-	-	10	-	-	10
Utilities	17,585	3,356	2,152	2,121	1,404	4,930	5,009	4,912	41,469	2,736	1,816	-	46,021
Property Taxes	-	-	-	-	-	-	-	36,755	36,755	-	-	-	36,755
Mortgage Interest	51,068	-	4,480	3,584	2,688	4,032	6,272	88,138	160,262	4,480	52,228	-	216,970
<b>Total Facilities and Equipment Expenses</b>	<b>243,449</b>	<b>7,887</b>	<b>20,668</b>	<b>17,702</b>	<b>14,417</b>	<b>36,954</b>	<b>50,171</b>	<b>184,407</b>	<b>575,655</b>	<b>43,437</b>	<b>66,738</b>	<b>-</b>	<b>685,830</b>
Professional Services	34,416	-	1,600	1,400	5,650	2,100	2,100	30,881	78,147	2,350	13,782	-	94,279
Program Goods	39,970	25,194	273,576	8,487	1,024	232,127	222,447	39,618	842,443	-	-	-	842,443
Program Expense "Other than Goods"	9,842	45,785	779	39	364	1,183	5,228	2,729	65,949	-	-	-	65,949
Program Scholarship	-	-	-	31,774	-	-	-	10,069	41,843	-	-	-	41,843
Housing Assistance	109,202	300,000	-	-	-	-	-	-	409,202	-	-	-	409,202
Employee Assistance	2,250	-	250	200	4,205	300	300	350	7,855	6,887	250	-	14,992
Events Expenses	4,245	-	-	-	-	-	-	-	6,769	-	-	-	6,769
Advertising Expenses	24,143	-	2,592	2,126	8,435	5,323	5,158	11,328	59,105	35,474	3,548	-	98,127
Precious Pers - COGS	-	-	-	-	-	-	-	4,825	4,825	-	-	-	4,825
Awards	-	-	-	-	-	-	-	-	-	2,467	-	-	2,467
Bad Debts	15,009	-	-	-	-	-	250	50,000	65,259	30,638	18,925	-	114,822
Insurance - Liability	5,896	-	1,243	706	2,848	741	741	1,015	13,190	980	1,107	-	15,277
Membership Dues	1,583	6	12	12	-	8	8	5	1,634	2,725	9,777	-	14,136
Misc. Expenses	-	-	2,790	-	-	525	-	-	3,315	-	(164)	-	3,151
Staff and Board Development	34,877	-	226	1,904	15,155	8,577	3,363	3,561	67,663	23,154	20,302	-	111,119
Travel	1,900	900	1,431	252	277	668	709	708	6,845	5,828	420	-	13,093
Volunteer Expenses	15,224	272	-	1,025	-	1,153	1,794	1,921	21,389	1,794	1,281	-	24,464
Donor Development	-	-	-	-	-	-	-	-	6,581	-	-	-	6,581
Government Fees	-	-	-	-	-	-	-	(158)	(158)	-	286	-	128
<b>Total Other Expenses</b>	<b>294,312</b>	<b>372,157</b>	<b>284,499</b>	<b>47,925</b>	<b>37,958</b>	<b>252,705</b>	<b>242,098</b>	<b>156,852</b>	<b>1,688,506</b>	<b>125,647</b>	<b>69,514</b>	<b>-</b>	<b>1,883,667</b>
In-kind Program Materials Distributed	8,099,750	1,293,186	1,782,643	529,122	-	1,191,369	631,461	-	13,527,531	-	-	-	13,527,531
In-kind Services Distributed	24,089	-	3,441	2,753	5,990	4,818	4,818	7,087	52,996	12,389	3,821	-	69,206
In-kind Supplies Distributed	-	-	-	-	-	-	208	-	208	1,928	-	-	2,136
<b>Total Gift In-Kind Distributed</b>	<b>8,123,839</b>	<b>1,293,186</b>	<b>1,786,084</b>	<b>531,875</b>	<b>5,990</b>	<b>1,196,187</b>	<b>636,487</b>	<b>7,087</b>	<b>13,580,735</b>	<b>14,317</b>	<b>3,821</b>	<b>-</b>	<b>13,598,873</b>
<b>Direct cost to donor</b>												<b>321,521</b>	<b>321,521</b>
<b>Total Expenses</b>	<b>9,547,315</b>	<b>1,888,954</b>	<b>2,201,675</b>	<b>687,806</b>	<b>505,028</b>	<b>1,644,303</b>	<b>1,096,263</b>	<b>611,842</b>	<b>18,183,186</b>	<b>1,036,478</b>	<b>401,765</b>	<b>-</b>	<b>19,942,950</b>
Less: expenses net against revenue													
Direct costs of special events	-	-	-	-	-	-	-	-	-	-	-	(321,521)	(321,521)
Costs of goods sold	-	-	-	-	-	-	-	(84,768)	(84,768)	-	-	-	(84,768)
<b>Total Functional Expenses</b>	<b>\$ 9,547,315</b>	<b>\$ 1,888,954</b>	<b>\$ 2,201,675</b>	<b>\$ 687,806</b>	<b>\$ 505,028</b>	<b>\$ 1,644,303</b>	<b>\$ 1,096,263</b>	<b>\$ 527,074</b>	<b>\$ 18,098,418</b>	<b>\$ 1,036,478</b>	<b>\$ 401,765</b>	<b>\$ (321,521)</b>	<b>\$ 19,536,661</b>

See accompanying notes to financial statements.

# A Precious Child, Inc.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2023	2022
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (886,612)	\$ 1,065,645
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	181,086	137,983
Loss on disposition of assets	6,300	-
Realized and unrealized (gains) losses on investments	(28,583)	17
Write off of contributions receivable	22,347	114,822
Operating non-cash lease expense	62,048	46,734
Changes in operating assets and liabilities:		
Contributions receivable	124,896	17,614
Inventory	313,378	(1,099,968)
Prepaid expenses and other	67,357	(4,609)
Accounts payable and accrued expenses	234,900	(198,298)
Change in operating lease liability	(59,810)	(46,734)
Total adjustments	923,919	(1,032,439)
Net cash flows from operating activities	37,307	33,206
Cash flows from investing activities:		
Purchase of property and equipment	(85,386)	(1,040,854)
Proceeds from sale of equipment	5,698	-
Purchase of investments	(1,499,991)	-
Net cash flows from investing activities	(1,579,679)	(1,040,854)
Cash flows from financing activities:		
Principal payments on notes payable	(93,951)	(87,133)
Proceeds from long-term debt	-	740,000
Net cash flows from financing activities	(93,951)	652,867
Net changes in cash and cash equivalents	(1,636,323)	(354,781)
Cash and cash equivalents, beginning of year	3,518,119	3,872,900
Cash and cash equivalents, end of year	\$ 1,881,796	\$ 3,518,119
<i>Supplemental Disclosure of cash flow information:</i>		
Cash paid for interest	\$ 191,296	\$ 216,970

See accompanying notes to financial statements.



# A Precious Child, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

A Precious Child, Inc. (the Organization), a not-for-profit 501(c)(3) organization, was 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;
- 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.

# A Precious Child, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Nature of Operations** (Continued)

##### 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;
- Edessentials provides educational support, such as computers, calculators, tutoring and incentives to remove barriers to school attendance and improve educational outcomes for economically disadvantaged students;
- 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 financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be 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, 2023 and 2022, the Organization had approximately \$1,300,000 and \$2,900,000, respectively, in excess of federally insured limits.

# A Precious Child, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **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**

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted market prices in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends, net of investment expenses) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### **Contributions Receivable**

Contributions receivable, unconditional promises to give, and grants receivable are recorded as receivables and revenue in the period they are earned or pledged, at estimated net realizable value, as they are expected to be collected within the next year. Amounts expected to be collected in more than one year are initially recorded as their estimated fair values. The 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, 2023 and 2022, no discount was recorded as the Organization believes it is immaterial. Promises to give and grants receivable are recorded as contribution income.

# A Precious Child, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Allowance for Credit Losses

Beginning January 1, 2023, the carrying amount of accounts receivable and contract assets is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The Organization uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. The estimated allowance for credit losses for contract assets, that will eventually become accounts receivable, is evaluated with accounts receivable. Prior to 2023, the allowance for doubtful accounts reflected losses that the Organization estimated had been incurred as of the reporting date and was based on historical loss experience, current receivables aging, and management's assessment of current conditions. Management of the Organization has determined an allowance was not considered necessary at December 31, 2023 and 2022.

#### Property and Equipment

Purchased assets are recorded at cost and donated equipment and software are recorded at fair value at the date of donation in excess of \$1,000 and with a life expectancy of more than one year. Additions and replacements are capitalized in the period they are placed in service. Maintenance and repairs, which do not improve or extend the lives of the respective assets, are charged against earnings. Depreciation is provided on a straight-line basis over the estimated lives of the respective assets:

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

Total depreciation expense was \$181,086 and \$120,840 for the years ended December 31, 2023 and 2022, respectively.

#### Long-Lived Assets

The Organization reviews their long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Organization would recognize an impairment loss at that time. No impairment loss was recognized in 2023 or 2022.

# A Precious Child, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **ASC 842 Lease Accounting**

The Organization is a lessee in multiple noncancelable operating and finance leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU assets for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

For all other underlying classes of assets, the Organization separates lease and non-lease components to determine the lease payment.

# A Precious Child, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Net Assets

Net assets, revenue, 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. The Organization did not have any net assets with donor restrictions that were perpetual in nature as of December 31, 2023 or 2022.

#### Contribution Revenue

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

# A Precious Child, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Contribution Revenue** (Continued)

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

#### **Grant Revenue**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

**Grant Awards That Are Contributions** - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

**Grant Awards That Are Exchange Transactions** - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

#### **Revenue from Contracts with Customers**

The Organization accounts for contract revenue in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 606, Revenue from Contracts with Customers, which requires the Organization 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 Organization 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, 2023 or 2022.

# A Precious Child, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **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.

#### **Special Events**

The Organization accounts 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, 2023 and 2022, 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, 2023 and 2022.

#### **In-Kind Contributions**

The Organization has recorded in-kind contributions for program materials, professional services, food and supplies in the statement of activities in accordance with a financial accounting standards which requires only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. 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. Total amount of in-kind contributions recognized was \$9,957,867 and \$14,699,647 as of December 31, 2023 and 2022, respectively.

#### **Advertising Costs**

The Organization expenses advertising costs as incurred. Advertising expense totaled \$114,728 and \$98,210 for the years ended December 31, 2023 and 2022, respectively.



# A Precious Child, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been reported on a functional basis in the statements of activities. The statements of functional expenses present the natural classification details of expenses by function. Expenses which directly benefit the program, management and general, or fundraising are charged to the respective functional area on the basis of actual cost. Other expenses are allocated among the program and supporting services benefited based on allocations and estimates made by management. The expenses that are allocated include depreciation, rent and utilities which have been allocated on a square footage basis, as well as salaries, 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 and applicable state law, though it is subject to tax on income unrelated to its exempt purpose. Accordingly, no provision or liability for income taxes has been included in the financial statements. Management does not believe there are any uncertain tax positions as of December 31, 2023.

The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and 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 2021.

#### **Use of Estimates**

The preparation of financial statements in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Actual results could differ from those estimates.

#### **Accounting Pronouncements Adopted**

The Organization adopted Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, on January 1, 2023. The net impact to net assets would have been immaterial, thus no adjustment was made to net assets. Results for the year ended December 31, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable US GAAP. See Allowance for Credit Losses for changes to accounting policies related to this new accounting pronouncement.

# A Precious Child, Inc.

## Notes to Financial Statements

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### Note 2: Liquidity and Availability of Financial Resources

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

<i>As of December 31,</i>	2023	2022
Cash and cash equivalents	\$ 1,881,796	\$ 3,518,119
Investments - operating	1,516,992	-
Contributions receivable, without donor restrictions	71,667	51,719
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 3,470,455	\$ 3,569,838

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.

### Note 3: Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level I) and the lowest priority to unobservable inputs (level III). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level II input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at December 31, 2023 and 2022.

# A Precious Child, Inc.

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Corporate bonds and government securities are valued at the converted market price of the bond or security multiplied by the par value of the bond or security.

Mutual funds are valued at the daily closing price as reported by the fund. The mutual funds held by the Organization are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis as of December 31, 2023:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Inputs	Level 3 Significant Observable Inputs	Total
Money market funds	\$ 1,518,489	\$ -	\$ -	\$ 1,518,489
Stocks	22,034	-	-	22,034
Mutual funds	34,156	-	-	34,156
<b>Totals</b>	<b>\$ 1,574,679</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,574,679</b>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis as of December 31, 2022:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Inputs	Level 3 Significant Observable Inputs	Total
Stocks	\$ 16,421	\$ -	\$ -	\$ 16,421
Mutual funds	29,684	-	-	29,684
<b>Totals</b>	<b>\$ 46,105</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,105</b>

# A Precious Child, Inc.

## Notes to Financial Statements

### Note 4: Property and Equipment

Property and equipment consist of the following:

<i>As of December 31,</i>	2023	2022
Buildings and improvements	\$ 2,374,732	\$ 2,374,732
Land and improvements	4,223,104	4,223,104
Vehicles	189,484	136,068
Furniture and office equipment	211,843	194,941
<b>Total property and equipment</b>	<b>6,999,163</b>	<b>6,928,845</b>
 Accumulated depreciation and amortization	 (651,482)	 (473,466)
 Property and equipment, net	 \$ 6,347,681	 \$ 6,455,379

### Note 5: Long-Term Debt

Long-term debt consisted of the following:

<i>As of December 31,</i>	2023	2022
In February 2022, the Organization refinanced its mortgage payable for a total amount of \$4,325,950. Approximately \$3,600,000 of this amount was used to pay down the mortgage payables in full and approximately \$740,000 was used to purchase land. 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. The loan is secured by the deeds of trust on existing buildings and land plots and matures in February 2032.	\$ 4,155,961	\$ 4,249,912
In May 2020, the U.S. Small Business Administration authorized a loan in a total amount of \$150,000, interest at a rate of 2.75%, and monthly installment payments of \$641 beginning 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 2023 and 2022.	150,000	150,000
<b>Total Debt</b>	<b>4,305,961</b>	<b>4,399,912</b>
Less: current portion	(97,322)	(97,524)
 <b>Total long-term liabilities</b>	 <b>\$ 4,208,639</b>	 <b>\$ 4,302,388</b>

# A Precious Child, Inc.

## Notes to Financial Statements

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### Note 5: Long-Term Debt (Continued)

The following is a summary of the annual maturities under the terms of the notes for the years ending after December 31, 2023:

Year ending December 31,	
2024	\$ 97,322
2025	101,760
2026	105,911
2027	110,231
2028	114,307
Thereafter	3,776,430
Total	\$ 4,305,961

The loan agreement contain certain financial covenants that the Organization must adhere to each year. The Organization was not in compliance with the 180 day audited financial statement reporting requirement as of December 31, 2023 and obtained a bank waiver for this period.

### Note 6: Line of Credit

The Organization has a \$300,000 line of credit available with a bank. The line of credit expires on December 18, 2024 and bears a variable interest rate on the Wall Street Journal Prime Rate (8.50% and 7.50% at December 31, 2023 and 2022, respectively). The line is secured by a general business security agreement. There were no draws during 2023 and 2022, and no balance outstanding as of December 31, 2023 or 2022.

### Note 7: Board Designated Net Assets

The A Precious Child, Inc.'s Board of Directors has designated \$1,067,287 and \$0 of net assets without donor restrictions as of December 31, 2023 and 2022, respectively, for the purpose of capital expenditures.

# A Precious Child, Inc.

## Notes to Financial Statements

### Note 8: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods:

<i>As of December 31,</i>	2023	2022
Subject to expenditures for specified purpose:		
Capital campaign	\$ -	\$ 939,185
Inspiring Minds	3,415	45,865
Edusentials	112,236	143,971
Basics 4 babies	34,745	15,330
Precious Essentials	5,351	28
giveARTS	128,996	94,911
giveSPORTS	366,407	136,695
Promises to give, restricted by donor for:		
Capital Campaign	-	65,000
Basics 4 babies	-	19,415
giveSPORTS	50,000	100,000
<b>Total purpose-restricted</b>	<b>701,150</b>	<b>1,560,400</b>
Endowment held in perpetuity	12,075	12,075
Subject to the passage of time:		
Promises to give not restricted by donors	71,667	51,718
<b>Net assets with donor restrictions</b>	<b>\$ 784,892</b>	<b>\$ 1,624,193</b>

# A Precious Child, Inc.

## Notes to Financial Statements

### Note 8: Net Assets with Donor Restriction (Continued)

The Organization releases net assets from donor restrictions as they incur expenses satisfying the restrictions imposed or by occurrence of other events specified by donors or time. Net assets released from donor restrictions were as follows:

<i>Year Ended December 31,</i>	2023	2022
Satisfaction of time and purpose restrictions:		
Precious Essentials	\$ 312,400	\$ 185,336
Basics 4 Babies	420,697	338,505
giveSPORTS	146,876	87,768
Empowerment Center	444,329	261,641
Inspiring Minds	49,157	66,555
giveARTS	3,018	10,474
Edusentials	32,572	6,247
Capital campaign	1,004,185	335,654
Fill A Backpack	357,255	340,230
Precious Perks	75,000	37,400
Precious Mentor program	100,316	60,322
Precious Gift	283,141	426,405
Marshall Fire	63,196	766,687
Time releases	51,718	49,781
<b>Net assets released from restriction</b>	<b>\$ 3,343,860</b>	<b>\$ 2,973,005</b>

### Note 9: Leases

In March 2022, the Organization entered a copier lease with monthly payments of \$368, which expires in February of 2027.

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.

In March 2022, the Organization entered into two additional agreements to rent storage. Rental payments on the storage units range from \$1,000 to \$2,500 monthly. The leases expire on July 31, 2025.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments. There are no variable lease payments required.

# A Precious Child, Inc.

## Notes to Financial Statements

### Note 9: Leases (Continued)

Components of lease expense were as follows:

<i>Year Ended December 31,</i>	2023	2022
Lease cost		
Operating lease cost	\$ 58,094	\$ 46,734
Short-term lease cost	-	2,115
Variable lease cost	71,534	39,914
<b>Total lease cost</b>	<b>\$ 129,628</b>	<b>\$ 88,763</b>

Other supplemental information as related to leases is as follows:

<i>Year Ended December 31,</i>	2023	2022
Weighted-average remaining lease term - Operating leases	1.78 years	2.76 years
Weighted-average discount rate - Operating leases	1.88 %	2.44 %
Cash paid for amounts included in the measure of lease liabilities		
Operating cash flow from operating leases	\$ 62,029	\$ 88,763

Maturities of lease liabilities as of December 31, 2023, is as follows:

	Operating Leases
2024	\$ 63,156
2025	37,559
2026	4,416
2027	368
<b>Total lease payments</b>	<b>105,499</b>
<b>Less: imputed interest</b>	<b>(1,027)</b>
<b>Total lease liability</b>	<b>\$ 104,472</b>



# A Precious Child, Inc.

## Notes to Financial Statements

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### **Note 10: Contributed Nonfinancial Assets**

The Organization received various non-financial contributed assets or gifts-in-kind ("GIK") that consists mostly of clothing type goods. All GIKs are recorded as inventory and are valued at fair value or net realizable value, whichever is lower.

All of the Organization's non-financial contributions gifts-in-kind for the years ending December 31, 2023 and 2022 consisted of clothing type goods.

### **Note 11: Concentration of Credit Risk**

During the year ended December 31, 2023, no donors comprised more than 10% of contribution revenue. As of December 31, 2023, two donors comprised for more than 10% of pledge receivables.

During the year ended December 31, 2022, one donor comprised more than 10% of contribution revenue. As of December 31, 2022, two donors comprised for more than 10% of pledge receivables.

The Company performs ongoing credit evaluations of its customers and generally does not require collateral, as management believes they have collection measures in place to limit the potential for significant losses.

### **Note 12: 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, 2023 and 2022, the Organization contributed \$16,784 and \$14,516 to the retirement plan, respectively.

### **Note 13: Subsequent Events**

In July 2024, the Organization sold three parcels of land for approximately \$1,900,000. The Organization has a mortgage loan that is partially secured by these three parcels of land, as mentioned in Note 5. Therefore, the Organization entered into an agreement with the bank to keep at least \$825,000 on deposit with the bank as collateral.

The Organization has evaluated subsequent events through November 21, 2024, which is the date the financial statements were available to be issued.