Financial Statements and
Independent Auditor's Report

A Precious Child, Inc.

December 31, 2016 and 2015

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Logan, Thomas & Johnson, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
A Precious Child, Inc.

We have audited the accompanying financial statements of A Precious Child, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Precious Child, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
February 28, 2018

A Precious Child, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 735,745	$ 757,836
Inventories	405,813	704,514
Investments	14,944	13,165
Pledges receivable	40,844	20,820
Prepaid expenses and other	35,580	32,781
Total current assets	1,232,926	1,529,116
Fixed assets, net	24,807	27,930
Total assets	$ 1,257,733	$ 1,557,046
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 27,025	$ 42,661
Total liabilities	27,025	42,661
Net assets		
Unrestricted		
Designated operating reserve	35,867	35,867
Undesignated	1,043,820	1,300,754
Total unrestricted net assets	1,079,687	1,336,621
Temporarily restricted	151,021	165,689
Permanently restricted	-	12,075
Total net assets	1,230,708	1,514,385
Total liabilities and net assets	$ 1,257,733	$ 1,557,046

The accompanying notes are an integral part of these statements.

A Precious Child, Inc.
STATEMENT OF ACTIVITIES
Year ended December 31, 2016

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

The accompanying notes are an integral part of this statement.

A Precious Child, Inc.
STATEMENT OF ACTIVITIES
Year ended December 31, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue				
Contributions				
Contributed support	$ 514,010	$ 160,689	$ -	$ 674,699
Gifts-in-kind				
Donated materials/goods	4,917,434	-	-	4,917,434
Donated facilities	57,673	-	-	57,673
Donated volunteer services	522,546	-	-	522,546
Donated services	52,173	-	-	52,173
Donated other	500	-	-	500
Total gifts-in-kind	5,550,326	-	-	5,550,326
Grants	181,821	-	-	181,821
Special events	753,789	-	-	753,789
Interest income and other	740	-	-	740
Total revenues and support	7,000,686	160,689	-	7,161,375
Expenses				
Program services				
Precious Essentials	4,534,392	-	-	4,534,392
Precious Boutiques	61,227	-	-	61,227
Basics 4 Babies	321,557	-	-	321,557
giveSPORTS	207,623	-	-	207,623
The Learning Center	77,454	-	-	77,454
Truancy Intervention	17,459	-	-	17,459
Fill a Backpack	481,661	-	-	481,661
Precious Gift	432,039	-	-	432,039
Total program services	6,133,412	-	-	6,133,412
Supporting services				
Management and general	108,503	-	-	108,503
Fund raising	144,853	-	-	144,853
Direct benefits to donors	143,937	-	-	143,937
Total expenses	6,530,705	-	-	6,530,705
CHANGE IN NET ASSETS	469,981	160,689	-	630,670
Net assets, beginning of year	866,640	5,000	12,075	883,715
Net assets, end of year	$ 1,336,621	$ 165,689	$ 12,075	$ 1,514,385

The accompanying notes are an integral part of this statement.

A Precious Child, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	Program Services					
	Precious Essentials	Precious Boutiques	Basics 4 Babies	giveSPORTS	The Learning Center	Truancy Intervention
Salaries and wages	$ 383,246	$ 42,097	$ 51,435	$ 38,005	$ 31,609	$ 2,148
Payroll taxes	28,872	3,435	4,129	3,212	2,370	215
Workers' compensation	7,536	904	1,055	754	603	-
Payroll fees	1,853	135	269	270	101	67
Health insurance	5,343	999	1,152	898	472	72
Office supplies	3,297	240	480	480	180	120
Telephone, telecommunications	3,154	230	458	458	175	114
Postage, mailing service	-	-	18	10	-	-
Credit card fees	-	-	-	-	-	-
Bank fees	-	-	-	-	-	-
Books, subscriptions, reference	153	-	-	-	-	-
Printing and copying	5,677	398	819	819	305	195
Software	15,619	1,498	1,949	1,949	379	226
Supplies	4,199	297	592	656	222	147
Facilities maintenance and insurance	15,004	1,725	2,191	2,078	673	571
Rent	56,317	4,883	7,353	7,354	9,435	1,213
Office furniture/fixtures	5,604	471	758	936	216	144
Utilities	9,290	676	1,370	1,483	549	366
Parking	4	-	1	1	-	-
Depreciation expense	1,406	156	156	156	-	-
Insurance - vehicle	381	42	42	42	-	-
Fuel - vehicle	1,721	191	191	200	-	-
Toll road charges - vehicle	130	14	14	14	-	-
Maintenance - vehicle	777	86	86	86	-	-
Fundraising fees	-	-	-	12	-	-
Government fees	-	-	-	-	-	-
Professional fees - other	6,875	500	1,000	1,000	375	250
Program goods purchased	5,003	5,382	24,622	(52)	-	11,484
Program expense - other than goods	1,480	3,238	3,547	601	313	-
Program scholarships	-	-	-	58,304	-	-
giveSPORTS and other events	-	-	-	-	-	-
Insurance	4,247	303	618	612	238	151
Marketing expenses	66	5	10	31	4	2
Staff and board development	9,560	693	1,315	1,261	511	293
Conference, convention, meeting	12	1	2	2	1	-
Mileage reimbursement	1,648	110	140	116	137	2
Membership dues - organization	880	64	128	128	48	32
Miscellaneous	13	-	-	-	-	-
Program goods membership	-	-	525	-	-	-
Awards	12	1	2	2	1	-
Volunteer expense	1,692	121	242	282	90	61
In-kind program materials/goods	5,204,107	1,098	809,769	208,423	-	-
In-kind facilities	38,817	1,620	3,239	3,239	1,215	810
In-kind professional services	49,032	3,566	7,132	7,132	2,674	268
Direct benefits to donors	-	-	-	-	-	-
Total expenses	$ 5,873,027	$ 75,179	$ 926,809	$ 340,954	$ 52,896	$ 18,951

The accompanying notes are an integral part of this statement.

Program Services								
Fill a Backpack	Precious Gift	COR Center	giveARTS	Edussentials	Management and general	Fundraising	Direct benefit to donors	Total
$ 17,234	$ 18,267	$ 23,769	$ 600	$ 1,600	$ 72,917	$ 86,424	$ -	$ 769,351
1,539	1,342	1,605	-	-	5,442	8,704	-	60,865
452	301	-	-	-	1,356	2,110	-	15,071
169	168	-	-	-	334	-	-	3,366
670	479	778	-	-	243	4,366	-	15,472
300	300	-	-	-	5,438	44	-	10,879
290	288	663	-	-	575	23	-	6,428
6	35	-	-	-	147	2,765	-	2,981
-	-	-	-	-	21,851	-	-	21,851
-	-	-	-	-	95	-	-	95
-	-	-	-	-	10	-	-	163
1,034	1,225	18	9	9	1,276	2,366	-	14,150
4,680	4,665	-	-	-	1,231	232	-	32,428
378	379	34	-	-	738	62	-	7,704
4,445	4,321	10,952	-	-	1,378	366	-	43,704
12,738	12,760	12,855	-	-	6,176	-	-	131,084
1,094	1,094	190	-	-	977	1,145	-	12,629
1,067	1,039	842	-	-	1,890	-	-	18,572
-	-	-	-	-	1	325	-	332
624	625	-	-	-	-	-	-	3,123
170	169	-	-	-	-	-	-	846
765	765	-	-	-	-	-	-	3,833
58	58	-	-	-	-	-	-	288
345	345	-	-	-	-	-	-	1,725
354	-	-	-	-	-	1,476	-	1,842
-	-	-	-	-	85	-	-	85
625	625	-	-	-	2,250	-	-	13,500
89,910	13,083	689	115	8,969	-	-	-	159,205
1,312	1,259	-	-	-	-	-	-	11,750
-	-	-	9,285	3,504	-	-	-	71,093
-	-	-	-	-	-	5,761	-	5,761
386	487	6	6	2	773	-	-	7,829
793	6	-	32	-	29	16,165	-	17,143
822	786	559	-	-	3,472	661	-	19,933
1	1	316	-	-	2	90	-	428
32	62	613	-	-	48	1,365	-	4,273
80	80	-	-	-	185	3,519	-	5,144
-	-	-	-	-	-	-	-	13
-	-	-	-	-	-	-	-	525
1	1	14	-	-	2	576	-	612
211	182	-	-	-	336	1,079	-	4,296
473,491	380,217	-	-	-	-	-	-	7,077,105
2,024	2,024	-	-	-	4,049	-	-	57,037
669	669	-	-	-	6,525	597	-	78,264
-	-	-	-	-	-	-	155,380	155,380
$ 618,769	$ 448,107	$ 53,903	$ 10,047	$ 14,084	$ 139,831	$ 140,221	$ 155,380	$ 8,868,158

The accompanying notes are an integral part of this statement.

A Precious Child, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2015

	Program Services					
	Precious Essentials	Precious Boutiques	Basics 4 Babies	giveSPORTS	The Learning Center	Truancy Intervention
Salaries and wages	$ 319,628	$ 38,138	$ 45,206	$ 34,011	$ 28,712	$ 1,661
Payroll taxes	26,055	3,098	3,683	2,756	2,351	136
Workers' compensation	9,339	1,109	1,308	966	823	25
Payroll fees	1,534	116	232	232	150	58
Health insurance	3,652	581	653	487	357	30
Office supplies	2,551	191	382	382	217	95
Telephone, telecommunications	14,052	1,071	2,143	2,143	1,484	536
Postage, mailing service	405	31	62	62	45	16
Credit card fees	8,794	671	1,342	1,342	939	336
Bank fees	58	4	9	9	7	2
Books, subscriptions, reference	109	5	11	11	6	3
Printing and copying	4,713	354	702	702	461	174
Software	8,327	645	1,253	1,253	857	304
Supplies	1,741	114	229	274	149	57
Facilities maintenance and insurance	1,400	104	208	208	126	52
Rent	53,872	4,044	8,082	8,082	13,455	2,019
Office furniture/fixtures	6,475	489	945	1,057	486	228
Utilities	7,433	559	1,119	1,119	2,205	280
Parking	66	5	10	10	8	3
Depreciation expense	1,546	172	172	172	-	-
Insurance - vehicle	667	68	82	82	21	7
Fuel - vehicle	993	107	114	114	10	3
Maintenance - vehicle	491	52	58	58	9	3
Fundraising fees	258	20	40	40	30	10
Government fees	111	12	12	12	-	-
Professional fees - other	5,200	400	800	800	600	200
Program goods purchased	-	707	3,459	102	-	1,100
Program expense - other than goods	5,555	761	1,782	2,218	433	-
Program scholarships	-	-	-	11,491	500	-
giveSPORTS and other events	223	17	34	34	26	9
Insurance	2,574	194	383	383	217	94
Marketing expenses	5,495	421	851	972	604	210
Staff and board development	3,988	304	608	608	419	152
Membership dues - organization	1,047	79	158	158	101	40
Miscellaneous	-	-	-	-	-	-
Program goods membership	-	-	-	-	-	-
Awards	203	15	31	133	20	8
Volunteer expense	211	15	31	31	12	8
In-kind program materials/goods	3,516,505	-	237,552	127,148	-	-
In-kind facilities	53,633	-	-	-	-	-
In-kind volunteer labor	415,144	6,554	7,811	7,961	21,614	9,600
In-kind professional services	50,344	-	-	-	-	-
Direct benefit to donors	-	-	-	-	-	-
Total expenses	$ 4,534,392	$ 61,227	$ 321,557	$ 207,623	$ 77,454	$ 17,459

The accompanying notes are an integral part of this statement.

Program Services					
Fill a Backpack	Precious Gift	Management and general	Fundraising	Direct benefit to donors	Total
$ 19,537	$ 15,188	$ 62,499	$ 90,499	$ -	$ 655,079
1,566	1,250	4,930	7,089	-	52,914
559	396	1,929	2,659	-	19,113
145	145	290	-	-	2,902
180	310	400	2,387	-	9,037
239	250	996	35	-	5,338
1,339	1,339	2,724	-	-	26,831
100	39	80	2,056	-	2,896
1,088	847	4,599	-	-	19,958
-	-	11	-	-	100
7	7	14	-	-	173
459	459	870	2,316	-	11,210
824	806	1,594	400	-	16,263
143	143	352	26	-	3,228
130	130	265	-	-	2,623
5,090	5,048	10,096	-	-	109,788
700	700	1,141	2,490	-	14,711
699	699	1,399	-	-	15,512
6	6	17	189	-	320
687	687	-	-	-	3,436
233	233	35	-	-	1,428
412	404	16	-	-	2,173
191	191	40	-	-	1,093
211	25	50	1,744	-	2,428
49	49	41	140	-	426
500	500	1,000	-	-	10,000
81,647	7,479	-	-	-	94,494
3,160	3,404	-	-	-	17,313
-	-	-	-	-	11,991
62	21	43	1,237	-	1,706
246	243	483	176	-	4,993
690	526	1,052	17,782	-	28,603
380	380	1,685	1,157	-	9,681
99	99	764	2,214	-	4,759
-	-	121	-	-	121
-	-	121	-	-	121
61	19	45	2,561	-	3,096
76	20	71	543	-	1,018
343,178	363,117	-	-	-	4,587,500
-	-	2,884	1,156	-	57,673
16,968	26,880	4,017	5,997	-	522,546
-	-	1,829	-	-	52,173
-	-	-	-	143,937	143,937
$ 481,661	$ 432,039	$ 108,503	$ 144,853	$ 143,937	$ 6,530,705

The accompanying notes are an integral part of this statement.

A Precious Child, Inc.
STATEMENTS OF CASH FLOWS
Years ended December 31,

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (283,677)	$ 630,670
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,123	3,436
Unrealized/realized gain on investments	(517)	(223)
Change in assets and liabilities		
Increase in pledge receivable	(20,024)	(14,620)
(Increase) decrease in inventories	298,701	(330,434)
(Increase) decrease in prepaid expense and other	(2,799)	9,138
Decrease in unearned revenue	-	(27,250)
Increase (decrease) in accounts payable and accrued expenses	(15,636)	27,291
Net cash provided by (used in) operating activities	(20,829)	298,008
Cash flows used in investing activities		
Purchase of fixed assets	-	(24,491)
Purchase of investments	(1,262)	-
Net cash used in investing activities	(1,262)	(24,491)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,091)	273,517
Cash and cash equivalents, beginning of year	757,836	484,319
Cash and cash equivalents, end of year	$ 735,745	$ 757,836

The accompanying notes are an integral part of these statements.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. *Summary of Business Activities*

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

2. *Description of Services Provided*

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

   Program Services

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

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

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

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

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

   Truancy Intervention – provides incentive awards to students who have improved attendance in school as an early intervention initiative and a way to combat truancy.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. *Description of Services Provided (Continued)*

Program Services (Continued)

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

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

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

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

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

Supporting Services

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

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

3. *Basis of Accounting*

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

4. *Subsequent Events*

The Organization has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through February 28, 2018, the date on which the financial statements were issued. Other than the subsequent events disclosed in Note H, the Organization did not identify any events or transactions that would have a material impact on the financial statements.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. *Use of Estimates*

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

6. *Cash and Cash Equivalents*

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

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

7. *Investments*

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

8. *Inventories*

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

9. *Fixed Assets*

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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. *Accounting for Contributions*

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

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

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

11. *Accounting for Grants*

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

12. *In-kind Contributions*

Contributions of property, materials, and personal services are known as in-kind contributions and are recorded at their estimated fair value at the date of receipt. The amount recorded for these contributions (other than contributions of fixed assets or inventories) are included as program costs to properly reflect the total cost of the particular program.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. *Special Events*

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

14. *Net Assets*

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

15. *Income Taxes*

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

16. *Fair Value Measurements*

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

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. *Fair Value Measurements (Continued)*

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities and corporate-debt securities.

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

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

17. *Functional Allocation of Expenses*

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

18. *Reclassifications*

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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. *Recent Accounting Pronouncements*

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

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

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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. *Recent Accounting Pronouncements (Continued)*

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

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

NOTE B – INVESTMENTS

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

	Fair value	Level 1	Level 2	Level 3
Investments:				
Domestic equity mutual funds	$ 14,944	$ 14,944	$ -	$ -

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

	Fair value	Level 1	Level 2	Level 3
Investments:				
Domestic equity mutual funds	$ 13,165	$ 13,165	$ -	$ -

NOTE B – INVESTMENTS (CONTINUED)

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

NOTE C – PORTFOLIO LOAN ACCOUNT FACILITY

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

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

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

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

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

NOTE E – VOLUNTEER HOURS

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

NOTE F – LEASES

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

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

Year ending December 31,	
2017	$179,861
2018	183,865
2019	187,868
2020	191,872
2021	195,336
	$938,802

NOTE G – RELATED PARTY TRANSACTIONS

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

NOTE H – SUBSEQUENT EVENTS

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