

A Precious Child, Inc.

Financial Statements

Years Ended December 31, 2024 and 2023



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, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of A Precious Child, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about A Precious Child, Inc.'s ability to continue as a going concern within 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.

Wipfli LLP

Wipfli LLP

Denver, Colorado

October 20, 2025

A Precious Child, Inc.

Statements of Financial Position

<i>As of December 31,</i>	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,809,317	\$ 1,881,796
Cash and cash equivalents - restricted	825,000	-
Inventories	1,514,120	1,926,657
Investments - operating	1,598,353	1,516,992
Grants and contributions receivable	247,895	121,667
Prepaid expenses and other	90,302	100,098
Total current assets	6,084,987	5,547,210
Property and equipment, net	4,812,006	6,347,681
Other assets:		
Operating leases right-of-use assets, net	19,392	102,234
Investments, long-term	67,937	57,687
Total other assets	87,329	159,921
TOTAL ASSETS	\$ 10,984,322	\$ 12,054,812
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 280,544	\$ 424,179
Operating lease liabilities, current portion	14,750	61,755
Long-term debt, current portion	101,760	97,322
Total current liabilities	397,054	583,256
Long-term liabilities:		
Operating lease liabilities, net of current portion	5,825	42,717
Long-term debt, less current maturities	4,106,883	4,208,639
Total long-term liabilities	4,112,708	4,251,356
Total liabilities	4,509,762	4,834,612
Net assets:		
Without donor restrictions	5,692,394	6,435,308
With donor restrictions	782,166	784,892
Total net assets	6,474,560	7,220,200
TOTAL LIABILITIES AND NET ASSETS	\$ 10,984,322	\$ 12,054,812

See accompanying notes to financial statements.

A Precious Child, Inc.

Statements of Activities

Years Ended December 31,	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total	Total	Total	Total
Support and revenue:				
Gifts-in-kind:				
Contributions of non-financial assets	\$ 10,724,417	\$ -	\$ 10,724,417	\$ 9,889,947
Donated services	101,840	-	101,840	67,920
Grants and contributions	1,943,763	2,498,723	4,442,486	2,724,412
Special events, net	90,111	-	90,111	66,519
Interest and investment income	133,262	-	133,262	78,406
Retail sales, net of costs of goods sold	17,046	-	17,046	43,311
Other income	89,113	-	89,113	24,023
Gain (loss) on sale of assets	522,349	-	522,349	(6,300)
Net assets released from restrictions	2,501,449	(2,501,449)	-	(3,343,860)
Total support and revenue	16,123,350	(2,726)	16,120,624	16,232,098
Expenses:				
Program services	3,653,901	-	3,653,901	4,208,079
Program - in-kind inventory materials distributed	11,104,198	-	11,104,198	10,191,779
Management and general	843,015	-	843,015	750,691
Fundraising	1,265,150	-	1,265,150	1,128,860
Total expenses	16,866,264	-	16,866,264	16,279,409
Changes in net assets	(742,914)	(2,726)	(745,640)	(839,301)
Net assets, beginning of year	6,435,308	784,892	7,220,200	6,482,619
Net assets, end of year	\$ 5,692,394	\$ 782,166	\$ 6,474,560	\$ 784,892
	\$ 7,220,200	\$ 7,220,200	\$ 7,220,200	\$ 7,220,200

See accompanying notes to financial statements.

A Precious Child, Inc.

Statements of Cash Flows

<i>Years Ended December 31,</i>	2024	2023
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (745,640)	\$ (886,612)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	179,373	181,086
(Gain) loss on sale of assets	(522,349)	6,300
Realized and unrealized gain on investments	(91,611)	(28,583)
Write off of contributions receivable	27,933	22,347
Operating non-cash lease expense	82,842	62,048
Changes in operating assets and liabilities:		
Grants and contributions receivable	(154,161)	124,896
Inventories	412,537	313,378
Prepaid expenses and other	9,796	67,357
Accounts payable and accrued expenses	(143,635)	234,900
Change in operating lease liability	(83,897)	(59,810)
Total adjustments	(283,172)	923,919
Net cash flows from operating activities	(1,028,812)	37,307
Cash flows from investing activities:		
Purchase of property and equipment	(24,330)	(85,386)
Proceeds from sale of land and improvements	1,902,981	5,698
Purchase of investments	-	(1,499,991)
Net cash flows from investing activities	1,878,651	(1,579,679)
Cash flows from financing activities:		
Principal payments on notes payable	(97,318)	(93,951)
Net cash flows from financing activities	(97,318)	(93,951)
Net changes in cash and cash equivalents	752,521	(1,636,323)
Cash and cash equivalents, beginning of year	1,881,796	3,518,119
Cash and cash equivalents, end of year	\$ 2,634,317	\$ 1,881,796
<i>Classification of Cash:</i>		
Unrestricted cash and cash equivalents	\$ 1,809,317	\$ 1,881,796
Restricted cash and cash equivalents	825,000	-
Total cash and restricted cash and cash equivalents	\$ 2,634,317	\$ 1,881,796
<i>Supplemental Disclosure of cash flow information:</i>		
Cash paid for interest	\$ 173,161	\$ 191,296

See accompanying notes to financial statements.

A Precious Child, Inc.

Notes to Financial Statements

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 and Stability:

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

Starting in 2024, the Empowerment Center, Precious Essentials, and Basics 4 Babies were consolidated into one program called "Empowerment Resources Center" and the services provided remain the same.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Academic Success:

- Edusentials provides educational support, such as computers, calculators, tutoring and incentives to remove barriers to school attendance and improve educational outcomes for economically disadvantaged students;
- Fill A Backpack provides backpacks filled with grade-appropriate school supplies to children in need to maximize their academic potential.

Workforce Development:

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

Basis of Presentation

The 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, except for cash and money market funds held in investment accounts which are anticipated to be used for the purchase of other investments.

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, 2024 and 2023, the Organization had approximately \$2,200,000 and \$1,300,000, respectively, in excess of federally insured limits. In July 2024, the Organization entered into an agreement with the bank to keep at least \$825,000 on deposit with the bank as collateral for one of the Organization's loans (see Note 5).

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.

A Precious Child, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Grants and 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, 2024 and 2023, no discount was recorded as the Organization believes it is immaterial. Promises to give and grants receivable are recorded as grant and contribution income. There was no allowance for uncollectible accounts as of December 31, 2024 and 2023 as management believes the grants and contributions receivable is collectible.

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:

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

Total depreciation expense was \$179,373 and \$181,086 for the years ended December 31, 2024 and 2023, respectively.

A Precious Child, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 2024 or 2023.

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

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.

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.

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.

A Precious Child, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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. The Organization has total conditional grants of \$480,590 related to two grant agreements as of December 31, 2024. The conditional grants will not be recognized as an asset or revenue until allowable expenses have been incurred as outlined in the grant agreements. Management expects the conditions to be met in 2025. The Organization did not have conditional grants for the year ended December 31, 2023.

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, 2024 or 2023.

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.

A Precious Child, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Special Events

The Organization holds special events, such as the annual gala, golf, 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 years ended December 31, 2024 and 2023, 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, 2024 and 2023.

In-Kind Contributions

The Organization received the following in-kind contributions for the years ending December 31:

	2024	2023
Clothing	\$ 10,567,650	\$ 9,754,314
Professional services	101,840	67,920
Food and other supplies	156,767	135,633
Total	\$ 10,826,257	\$ 9,957,867

The Organization has recorded in-kind contributions for clothing, professional services, and food and other 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 non-financial 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. The clothing is recorded as inventory and is valued based on the current price located on a publicly available website if the inventory item is a match for the website item when donated. Professional services are valued at their estimated fair values based on amounts provided by the donor at the date of donation. Food and other supplies are valued at their estimated fair value at the date of donation. All of the contributed non-financial assets are utilized in the Organization's programs and none of the contributed non-financial assets are donor restricted. 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.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense totaled \$139,315 and \$114,728 for the years ended December 31, 2024 and 2023, respectively.

A Precious Child, Inc.

Notes to Financial Statements

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, 2024.

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.

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.

A Precious Child, Inc.

Notes to Financial Statements

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>	2024	2023
Cash and cash equivalents - unrestricted	\$ 1,809,317	\$ 1,881,796
Investments - operating	1,598,353	1,516,992
Contributions receivable, time restricted for 2025	93,248	71,667
Investments, long-term	67,937	57,687
Total financial assets	3,568,855	3,528,142
Less donor restricted net assets	(688,918)	(713,225)
Financial assets available to meet general expenditures over the next twelve months	\$ 2,879,937	\$ 2,814,917

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.

A Precious Child, Inc.

Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

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, 2024 and 2023.

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

Common stock: Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds: 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, 2024:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Inputs	Level 3 Significant Observable Inputs	Total
Money market funds	\$ 1,597,726	\$ -	\$ -	\$ 1,597,726
Common stocks	28,946	-	-	28,946
Mutual funds	39,618	-	-	39,618
Totals	\$ 1,666,290	\$ -	\$ -	\$ 1,666,290

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
Cash and money market funds	\$ 1,518,489	\$ -	\$ -	\$ 1,518,489
Common stocks	22,034	-	-	22,034
Mutual funds	34,156	-	-	34,156
Totals	\$ 1,574,679	\$ -	\$ -	\$ 1,574,679

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>	2024	2023
Buildings and improvements	\$ 2,353,404	\$ 2,374,732
Land and improvements	2,842,472	4,223,104
Vehicles	187,656	189,484
Furniture and office equipment	259,329	211,843
Total property and equipment	5,642,861	6,999,163
 Accumulated depreciation and amortization	 (830,855)	 (651,482)
 Property and equipment, net	 \$ 4,812,006	 \$ 6,347,681

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. There, the Organization entered into an agreement with the bank to keep at least \$825,000 on deposit with the bank as collateral.

A Precious Child, Inc.

Notes to Financial Statements

Note 5: Long-Term Debt

Long-term debt consisted of the following:

<i>As of December 31,</i>	2024	2023
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.	\$ 4,058,643	\$ 4,155,961
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 2024 and 2023.	150,000	150,000
Total Debt	4,208,643	4,305,961
Less: current portion	(101,760)	(97,322)
Total long-term liabilities	\$ 4,106,883	\$ 4,208,639

The following is a summary of the annual maturities under the terms of the notes for the years ending after December 31, 2024:

<i>Year ending December 31,</i>		
2025	\$	101,760
2026		105,911
2027		110,231
2028		114,307
2029		117,772
Thereafter		3,658,662
Total	\$	4,208,643

The loan agreement contain certain financial covenants that the Organization must adhere to each year.

A Precious Child, Inc.

Notes to Financial Statements

Note 6: Line of Credit

The Organization has a \$300,000 line of credit available with a bank. The line of credit expired on December 18, 2024 and was not renewed. The line of credit bears a variable interest rate on the Wall Street Journal Prime Rate (7.5% and 8.50% at December 31, 2024 and 2023, respectively). The line is secured by a general business security agreement. There were no draws during 2024 and 2023, and no balance outstanding as of December 31, 2024 and 2023.

Note 7: Net Investment in Capital Assets

The A Precious Child, Inc.'s Board of Directors has designated \$1,091,838 and \$1,067,287 of net assets without donor restrictions as of December 31, 2024 and 2023, respectively, as the investment in the building and land purchased by the Organization, net of depreciation and related debt.

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>	2024	2023
Subject to expenditures for specified purpose:		
Inspiring Minds	\$ -	\$ 3,415
Edusentials	96,263	112,236
Basics 4 babies	-	34,745
Precious Essentials	-	5,351
giveARTS	128,996	128,996
giveSPORTS	379,316	366,407
Fill A Backpack	56,266	-
Precious Perks	16,002	-
Promises to give, restricted by donor for:		
giveSPORTS	-	50,000
Total purpose-restricted	676,843	701,150
Endowment held in perpetuity	12,075	12,075
Subject to the passage of time:		
Promises to give due in 2025 and 2024, respectively	93,248	71,667
Net assets with donor restrictions	\$ 782,166	\$ 784,892

A Precious Child, Inc.

Notes to Financial Statements

Note 8: Net Assets with Donor Restriction (Continued)

The Organization has one endowment to be held in perpetuity of \$12,075 for the years ended December 31, 2024 and 2023. There were no investment income recognized and no new contributions or distributions from the endowment during the years ended December 31, 2024 and 2023. The Organization has an investment policy governing all of its investments and the spend from the endowment is based on demand.

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>	2024	2023
Satisfaction of time and purpose restrictions:		
Precious Essentials	\$ -	\$ 312,400
Basics 4 Babies	-	420,697
giveSPORTS	77,532	146,876
Empowerment Center	-	444,329
Inspiring Minds	-	49,157
giveARTS	10,500	3,018
Edusentials	27,207	32,572
Capital campaign	-	1,004,185
Fill A Backpack	311,625	357,255
Precious Perks	50,145	75,000
Precious Mentor program	-	100,316
Precious Gift	262,480	283,141
Marshall Fire	-	63,196
Time releases	71,667	51,718
Mentor	17,785	-
Empowerment Resource Center	1,672,508	-
Net assets released from restriction	\$ 2,501,449	\$ 3,343,860

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, however, the Organization terminated the leases in 2024.

A Precious Child, Inc.

Notes to Financial Statements

Note 9: Leases (Continued)

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.

Components of lease expense were as follows:

<i>Years Ended December 31,</i>	2024	2023
Lease cost		
Operating lease cost	\$ 33,259	\$ 58,094
Variable lease cost	56,091	71,534
Total lease cost	\$ 89,350	\$ 129,628

Other supplemental information as related to leases is as follows:

<i>Years Ended December 31,</i>	2024	2023
Weighted-average remaining lease term - Operating leases	1.38 years	1.78 years
Weighted-average discount rate - Operating leases	2.90 %	1.88 %

Maturities of lease liabilities as of December 31, 2024, is as follows:

	Operating Leases
2025	\$ 14,750
2026	4,416
2027	1,719
Total lease payments	20,885
Less: imputed interest	(310)
Total lease liability	\$ 20,575

A Precious Child, Inc.

Notes to Financial Statements

Note 10: Concentration of Credit Risk

During the year ended December 31, 2024, no donors comprised more than 10% of contribution revenue. As of December 31, 2024, one donor comprised of 24% of grants and contributions receivable.

During the year ended December 31, 2023, no donor comprised more than 10% of contribution revenue. As of December 31, 2023, two donors comprised of 41% and 16% of grants and contributions receivable.

Note 11: 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, 2024 and 2023, the Organization contributed \$24,741 and \$16,784 to the retirement plan, respectively.

Note 12: Subsequent Events

The Organization has evaluated subsequent events through October 20, 2025, which is the date the financial statements were available to be issued.