

PRECIOUS PROJECT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEAR ENDED DECEMBER 31, 2017

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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PRECIOUS PROJECT, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Mission Statement

The mission of Precious Project is to offer high quality education and care to orphaned and vulnerable children in rural Tanzania. We partner with the local community to provide Primary School, Children's Home, Community Center and an organic farm, and improve agricultural development through sustainable environmental practices. Precious Project also supports women's empowerment groups that foster economic self-sufficiency.

PRECIOUS PROJECT, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Precious Project, Inc.
Lincoln, Massachusetts

We have reviewed the accompanying financial statements of Precious Project, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
April 20, 2018

PRECIOUS PROJECT, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:

Cash, Unrestricted	\$ 137,794
Cash, Board Designated Operating Reserve	25,379
Cash, Temporarily Restricted	274,153
Contributions Receivable	44,000
Prepaid Expenses	63,374
Total Current Assets	<u>544,700</u>

NON-CURRENT ASSETS:

Contributions Receivable	<u>96,500</u>
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TOTAL ASSETS

\$ 641,200

LIABILITIES AND NET ASSETS

NET ASSETS:

Unrestricted Net Assets:	
Undesignated Net Assets	\$ 201,168
Board Designated Operating Reserve	<u>25,379</u>
Total Unrestricted Net Assets	226,547
Temporarily Restricted Net Assets	<u>414,653</u>
Total Net Assets	<u>641,200</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 641,200

PRECIOUS PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			
<i>Support and Revenues:</i>			
Gifts, Grants and Contributions	\$ 298,348	\$ 156,761	\$ 455,109
Donated Goods and Services	46,630	-	46,630
Interest Income	115	-	115
Total Support and Revenues	<u>345,093</u>	<u>156,761</u>	<u>501,854</u>
<i>Reclassification of Net Assets:</i>			
Net Assets Released from Restriction	<u>174,058</u>	<u>(174,058)</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>519,151</u>	<u>(17,297)</u>	<u>501,854</u>
<u>FUNCTIONAL EXPENSES AND LOSSES:</u>			
Program Services	247,785	-	247,785
Administrative	63,727	-	63,727
Fund Raising	61,492	-	61,492
Total Functional Expenses	<u>373,004</u>	<u>-</u>	<u>373,004</u>
Losses:			
Uncollectible Pledges	-	12,000	12,000
<u>TOTAL FUNCTIONAL EXPENSES AND LOSSES</u>	<u>373,004</u>	<u>12,000</u>	<u>385,004</u>
<u>CHANGE IN NET ASSETS</u>	146,147	(29,297)	116,850
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>80,400</u>	<u>443,950</u>	<u>524,350</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 226,547</u>	<u>\$ 414,653</u>	<u>\$ 641,200</u>

PRECIOUS PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Grants to Tanzanian Partner	\$ 174,931	\$ -	\$ -	\$ 174,931
Salaries and Payroll Taxes	26,082	36,168	48,433	110,683
Professional Fees	2,672	22,413	-	25,085
Travel Costs	41,571	72	1,820	43,463
Office Supplies and Expenses	1,104	3,458	545	5,107
Computer and IT Expenses	721	647	705	2,073
Printing and Postage	354	488	2,007	2,849
Meetings and Events	-	-	7,355	7,355
Insurance	350	481	627	1,458
Total Functional Expenses	<u>\$ 247,785</u>	<u>\$ 63,727</u>	<u>\$ 61,492</u>	<u>\$ 373,004</u>

PRECIOUS PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 116,850
 <i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>	
 <i>(Increase) Decrease in Current Assets:</i>	
Contributions Receivable	17,000
Prepaid Expenses	(34,974)
 <i>Increase (Decrease) in Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	(7,355)
 <i>(Increase) Decrease in Non-Current Assets:</i>	
Contributions Receivable, Non-Current	27,000
Net Adjustment	1,671
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 <u>118,521</u>
 <u>NET INCREASE IN CASH BALANCES</u>	 118,521
 <u>CASH BALANCES - BEGINNING OF YEAR</u>	 <u>318,805</u>
 <u>CASH BALANCES - END OF YEAR</u>	 <u>\$ 437,326</u>
 <i>Cash Balances :</i>	
<i>Cash, Unrestricted</i>	\$ 137,794
<i>Cash, Board Designated Operating Reserve</i>	25,379
<i>Cash, Temporarily Restricted</i>	274,153
	\$ 437,326

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 ORGANIZATION AND AFFILIATION

Precious Project, Inc. (“Precious Project” or the “Organization”) was incorporated in July 2014 under Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes. The Organization is primarily supported by gifts, grants and contributions.

Tanzanian Affiliate:

Precious Project provides funding to Precious Orphans Children (“POCH”), a nonprofit organization based in Tanzania. POCH is closely affiliated with, but not controlled by, Precious Project and is responsible for its own filings in Tanzania; accordingly, the accounts of POCH are not included within these financial statements. Financial support is sent to Tanzania, via wire transfer, and is used to support the programs described in Note 2.

Oversight of Foreign Activities:

Together, the Board of Directors and Management of Precious Project have implemented a comprehensive monitoring policy for oversight of grants made to its Tanzanian Partner. The Organization has designed its monitoring plan to address two primary areas of focus, which have been identified as financial accountability and programmatic compliance. To achieve the highest standards of integrity, transparency and best practices, the following principles have been incorporated into the Organization’s ongoing monitoring activities:

Financial Oversight includes approval of the POCH annual budget, monthly accountings which include budget vs. actual, monthly wire transfers to coincide with approved budgeted expenditures, and monthly communications to monitor expenses and financial activities.

Programmatic Oversight involves monthly reporting on program activities from its Tanzanian Partner, frequent site visits to Tanzania, commitments from board members of Precious Project to make site visits at least once annually (much of which is contributed by the respective board members), representation on the governing body of POCH and involvement in the program design and implementation.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 2 PROGRAM SERVICES

Precious Project is helping transform a rural impoverished Tanzanian village by eliminating disparities in education, care of children, gender equality, and economic development. The Project's foundation is based on five pillars:

- Providing children access to quality education
- Caring for orphans and abandoned children
- Empowering women with skills to create micro-businesses
- Educating the next generation to participate in the digital economy
- Modeling and teaching agriculture best practices

Each project is focused on serving as a resource for the community and model for long-term self-sustainability.

Precious Primary School:

In October 2015, Precious Project completed construction of a 10-room primary school to address the educational challenges in the Tanzanian village of Nshupu. The Precious Primary School - the cornerstone of Precious Project - opened its doors in January 2016 and currently provides a quality education for 230 children in grades pre-K through seventh grade.

Precious Children's Home:

The Precious Children's Home provides a safe, nurturing and healthy environment for orphans of HIV and abandoned children. Under Precious Project, the small "family" home has grown from nine to 21 residential children and moved in 2014 from a cramped rented cement block to a beautiful permanent home. "Mamas", an affectionate name given to the women who watch over the children, provide daily loving care as well as cook, clean, and do the laundry. All the children's needs, including their education and health care are provided for.

Women Empowerment:

Precious Project helps village women create and manage their own self-help groups. Groups are comprised of approximately 30 members. Each group creates a savings and loan program, has its own by-laws, and determines the terms and conditions of loans including the interest rate. Groups meet weekly to pool their savings, repay loans, and vote on who will receive a new round of loans. Members use their loans to start or expand micro-businesses, pay school tuition fees for their children, and to cover unanticipated expenses, such as food, medicine, or other needs. As loans are repaid and new loans are made, the accrued interest expands the amount of money available for future loans.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 2 *(Continued)*

Technology for Education:

Precious Project seeks to leverage information & communications technology (“ICT”) to boost student learning and performance, bridge the education gap in Tanzania's primary education, and prepare its young citizens with the knowledge and skills to participate in the digital world economy. Precious' ICT project efforts are multifaceted to maximize the project's success and focuses on implementing technology that is easy and intuitive for children to use, not dependent on reliable electricity or the Internet, and simple to maintain.

Agricultural Best Practices:

In 2015, Precious Project purchased one acre of land to start an organic farm to provide nutritious food to children living in the Precious Children's Home and enrolled in Precious Primary School. Precious Project employs sustainable agricultural practices to grow organic bananas, avocados and a variety of vegetables. Precious Project has also installed water tanks to capture and filter rainwater and a biogas system to reduce dependency on propane. Additionally, Precious Project drilled a borehole for an artesian well, which augments the farm's rainwater collection while also supplying fresh water to abutting neighbors. Precious Project employs a full-time gardener, who also teaches the Precious Home's residential children how to farm organically.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and gains are recognized in the year in which they become due and expenses and losses are recognized in the year in which the liability is incurred.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 3 (Continued)

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization may include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the year presented, the Organization did not have any assets of this nature.

Contributions Receivable:

Contributions Receivable reflects unconditional promises to give. Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, an allowance will be established at that time. During the year ended December 31, 2017, the Organization wrote off \$12,000 in uncollectible pledges.

Prepaid Expenses:

In order to properly match expenses in the same accounting period as the associated revenue, the policy of the Organization is to defer expenses incurred during the fiscal year which are directly attributable to the following year's program. These amounts are reported as *Prepaid Expenses* in the accompanying Statement of Financial Position.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 3 (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the year received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of donated goods and services which require a specialized skill and/or which would have otherwise been purchased by the Organization, are recognized on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using space and time usage formulas.

Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, indirect costs of fund raising events, distribution of materials and other similar projects related to the procurement of funds.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Organization's non-current contributions receivable are as follows:

<u>Year Contributions to be Paid</u>	<u>Balance of Contributions Due as of December 31, 2017</u>
December 31, 2019	\$48,500
December 31, 2020	12,000
December 31, 2021	9,000
December 31, 2022	8,000
December 31, 2023 and After	<u>19,000</u>
Total	<u>\$96,500</u>

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of unexpended donor designated grants and contributions with the following restrictions as of December 31, 2017:

<u>Nature of Restriction</u>	<u>Amount</u>
School Accelerator Fund	\$150,178
Scholarships	127,500
Home Fund	21,200
POCH Capital	9,000
Community Fund	2,000
School Fund	2,725
Farm Fund	1,000
Time Restricted	<u>101,050</u>
Total	<u>\$414,653</u>

Net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes by occurrence of events specified by the donors during the year presented were as follows:

<u>Nature of Restriction</u>	<u>Amount</u>
Scholarships	\$ 38,026
School Accelerator Fund	22,772
Managing Director Salary	20,000
Home Fund	19,450
ICT Fund	4,410
Breakfast Club	1,500
School Fund	3,900
Time Restricted	<u>76,000</u>
Total	<u>\$186,058</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 6 DONATED GOODS AND SERVICES

Volunteers are an integral component of Precious Project. For the year presented, the Organization recognized the following in-kind contributions in the accompanying financial statements:

<u>Description</u>	<u>Amount</u>
Travel Expenses	\$40,308
Meeting and Event Costs	5,968
Printing Services	<u>354</u>
Total	<u>\$46,630</u>

NOTE 7 CONCENTRATION OF CREDIT RISKS

Cash Balances:

The Organization is subject to concentrations in credit risk relating to cash balances. For the year presented, the Organization's cash deposits are held primarily in one financial institution in checking and money market savings accounts. Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Organization had \$127,865 in excess of federally insured limits as of December 31, 2017; however, Organization has not experienced any losses on such accounts and Management considers credit risk on cash to be low.

Contributions Receivable:

For the year ended December 31, 2017, 53% of total *Contributions Receivable* are from two private donors.

Foreign Operations:

The primary purpose of the Organization is to provide high quality education and care to orphaned and vulnerable children in rural Tanzania. Therefore, the majority of the Organization's activities are concentrated in this region. In addition, grants to its Tanzania Partner represents 45% of total expenses for the year ended December 31, 2017.

NOTE 8 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through April 20, 2018, the date which the financial statements were available for issue, and noted no events which met the recognition or disclosure criteria.