

PRECIOUS PROJECT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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PRECIOUS PROJECT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)



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, 2019
(With Summarized Comparative Totals for 2018)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Precious Project, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precious Project, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Precious Project, Inc.

Report on Summarized Comparative Information

We have previously audited Precious Project, Inc.'s 2018 financial statements, and our report dated May 9, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
April 2, 2020

PRECIOUS PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS:</u>		
Cash, Without Donor Restrictions	\$ 218,859	\$ 254,516
Cash, Board Designated Operating Reserve	87,722	53,889
Cash, With Donor Restrictions	727,013	262,310
Contributions Receivable	50,000	139,500
Prepaid Expenses	<u>124,381</u>	<u>73,521</u>
Total Current Assets	<u>1,207,975</u>	<u>783,736</u>
<u>NON-CURRENT ASSETS:</u>		
Contributions Receivable, Non-Current	<u>89,720</u>	<u>172,000</u>
Total Non-Current Assets	<u>89,720</u>	<u>172,000</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,297,695</u>	<u>\$ 955,736</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	<u>\$ 1,292</u>	<u>\$ 1,177</u>
Total Current Liabilities	<u>1,292</u>	<u>1,177</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Undesignated Net Assets	341,948	326,860
Board Designated Operating Reserve	<u>87,722</u>	<u>53,889</u>
Total Net Assets Without Donor Restrictions	<u>429,670</u>	<u>380,749</u>
Net Assets With Donor Restrictions	<u>866,733</u>	<u>573,810</u>
Total Net Assets	<u>1,296,403</u>	<u>954,559</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,297,695</u>	<u>\$ 955,736</u>

PRECIOUS PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Totals for 2018)

	2019			2018
	<u>WITHOUT</u>	<u>WITH</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>DONOR</u>	<u>DONOR</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Support and Revenues:</i>				
Gifts, Grants and Contributions	\$ 376,551	\$ 713,753	\$ 1,090,304	\$ 798,193
Donated Goods and Services	116,011	-	116,011	108,682
Interest Income	10,201	-	10,201	4,267
Total Support and Revenues	502,763	713,753	1,216,516	911,142
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	338,330	(338,330)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	841,093	375,423	1,216,516	911,142
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	628,842	-	628,842	468,656
Administrative	92,532	-	92,532	74,335
Fund Raising	70,798	-	70,798	54,792
<u>TOTAL FUNCTIONAL EXPENSES</u>	792,172	-	792,172	597,783
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	48,921	375,423	424,344	313,359
<u>OTHER CHANGES IN NET ASSETS:</u>				
Change in Donor Commitment	-	(82,500)	(82,500)	-
<u>TOTAL CHANGE IN NET ASSETS</u>	48,921	292,923	341,844	313,359
<u>NET ASSETS - BEGINNING OF YEAR</u>	380,749	573,810	954,559	641,200
<u>NET ASSETS - END OF YEAR</u>	\$ 429,670	\$ 866,733	\$ 1,296,403	\$ 954,559

The Accompanying Notes are an Integral Part of these Financial Statements. . . Page 4

PRECIOUS PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

(With Summarized Comparative Totals for 2018)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2019</u>	<u>2018</u>
Grants to Tanzanian Partner	\$ 465,098	\$ -	\$ -	\$ 465,098	\$ 321,002
Salaries and Payroll Taxes	39,047	62,475	54,666	156,188	131,196
Employee Benefits	1,925	3,080	2,695	7,700	6,177
Professional Fees	52,460	21,461	-	73,921	72,767
Travel Costs	64,158	361	1,256	65,775	55,061
Office Supplies and Expenses	2,232	1,649	6,326	10,207	2,618
Computer and IT Expenses	-	234	843	1,077	517
Printing and Postage	-	72	2,180	2,252	929
Dues, Fees and Subscriptions	3,613	2,706	2,400	8,719	6,313
Insurance	309	494	432	1,235	1,203
	<u>309</u>	<u>494</u>	<u>432</u>	<u>1,235</u>	<u>1,203</u>
Total Functional Expenses	<u>\$ 628,842</u>	<u>\$ 92,532</u>	<u>\$ 70,798</u>	<u>\$ 792,172</u>	<u>\$ 597,783</u>

PRECIOUS PROJECT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 341,844	\$ 313,359
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Contributions Receivable	89,500	(95,500)
Prepaid Expenses	(50,860)	(10,147)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	115	1,177
<i>(Increase) Decrease in Non-Current Assets:</i>		
Contributions Receivable, Non-Current	82,280	(75,500)
Net Adjustment	<u>121,035</u>	<u>(179,970)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>462,879</u>	<u>133,389</u>
<u>NET INCREASE IN CASH BALANCES</u>	<u>462,879</u>	<u>133,389</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>570,715</u>	<u>437,326</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 1,033,594</u>	<u>\$ 570,715</u>
<i>Cash Balances:</i>		
Cash, Without Donor Restrictions	\$ 218,859	\$ 254,516
Cash, Board Designated Operating Reserve	87,722	53,889
Cash, With Donor Restrictions	<u>727,013</u>	<u>262,310</u>
	<u>\$ 1,033,594</u>	<u>\$ 570,715</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

NOTE 1 ORGANIZATION AND AFFILIATION

Precious Project, Inc. (“Precious Project”, “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.

NOTE 2 PROGRAM SERVICES

Precious Project is helping to transform a rural, impoverished community in Tanzania by eliminating disparities in education, care of children 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 agricultural best practices

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 2 *(Continued)*

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 English Medium Primary School - the cornerstone of Precious Project - opened its doors in January 2016 and currently provides a quality education for more than 300 children from six surrounding villages. Precious Primary School students begin as early as age 3 in the preschool (or “baby class”) and matriculate through seventh grade. The primary school has thrived during its inaugural years, as 2018 Tanzanian National Exam results listed the top 25 students in the District as attendees of Precious Primary School. In 2019, Precious Primary School was proud to celebrate its second graduating class of 11 seventh graders. All of Precious Primary School’s graduates to date have moved on to secondary school.

Precious Secondary School:

In 2018, Precious Project Board members unanimously agreed to build a secondary school in order to further the education of Precious Primary School graduates. The decision was driven by the fact that there are no quality public secondary schools nearby, and even these Government-funded schools require a fee that many families cannot afford. A Precious Secondary School would offer continued high quality education to Precious students with the aim to prepare them for college or university admission. In 2019, preliminary planning and fundraising for a secondary school has continued. Twenty-one acres of land was purchased for the site of the secondary school, a portion of which was immediately cultivated into farmland to supply additional food for the primary school and home.

Precious Children’s Home:

The Precious Children’s Home provides a safe, nurturing and healthy environment for children at risk. Under Precious Project, the small “family” home has grown from nine to 22 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 are provided for including their education and health care.

Women Empowerment:

Precious Project helps village women create and manage their own self-help groups. Groups comprise 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, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 2 *(Continued)*

Technology for Education:

Precious Project seeks to leverage information and 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.

Sustainability:

Precious Project aims to model sustainability and self-sufficiency for its community and students. Our organic farm produces nutritious foods such as bananas, avocados and a variety of vegetables for the Precious Home and the Precious Primary School. The sale of excess crops provides additional income to support our projects. Precious Project has also installed water tanks to capture and filter rainwater and a biogas system. Additionally, Precious Project drilled a borehole for an artesian well, which augments the farm’s rainwater collection while also supplying fresh water to the nearby public school and abutting neighbors. In 2018 and 2019, Precious Project installed solar panels which provide enough electricity to meet the needs of the school, home and other facilities on campus. The chicken coop now houses 300 chickens, whose meat and eggs feed the Precious community, provide fertilizer and an additional source of revenue. Precious Project continues to hold workshops for its staff, families and the greater community which cover a range of topics from women’s health, to small business and entrepreneurship, to making sack gardens, to mental health, domestic and child abuse awareness trainings.

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, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 *(Continued)*

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that is not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification may include funds which represent resources designated by the Board of Directors for specific purposes. During the years ended December 31, 2019 and 2018, the Board of Directors established and funded an operating reserve of \$87,722 and \$53,889, respectively.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organization to expend part or all of the income derived from the donated assets.

The accompanying financial statements include certain 2018 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class, and in the Statement of Functional Expenses, 2018 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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. Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material.

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.

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.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 (Continued)

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.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been 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 net assets with donor restrictions until the restriction expires, at which time these amounts are reclassified to net assets without donor restrictions.

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 according to management's estimates about space and time usage. Expenses that are allocated based upon time and usage consist of *Salaries and Payroll Taxes* and *Employee Benefits*.

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, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 (Continued)

Recent Accounting Guidance:

Recently Implemented Standards

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Organization effective January 1, 2019.

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, 2019</u>
December 31, 2021	\$17,750
December 31, 2022	17,000
December 31, 2023	17,000
December 31, 2024	17,000
December 31, 2025 and After	<u>20,970</u>
Total	<u>\$89,720</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of unexpended donor-designated grants and contributions with the following restrictions as of December 31, 2019 and 2018:

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Scholarships	\$174,000	\$198,105
Primary School Fund	40,000	99,500
Secondary School Fund	525,000	68,400
School Accelerator Fund	111,133	131,405
Time Restricted	-	64,000
Home Fund	11,600	12,400
POCH Capital	<u>5,000</u>	<u>-</u>
Total	<u>\$866,733</u>	<u>\$573,810</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 5 *(Continued)*

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

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Scholarships	\$ 57,437	43,584
Primary School Fund	45,621	17,832
Secondary School Fund	155,500	50,000
School Accelerator Fund	18,772	18,773
Time Restricted	37,000	76,050
Home Fund	16,000	22,730
POCH Capital	8,000	49,512
Community Fund	-	2,850
Farm Fund	-	1,000
Total	<u>\$338,330</u>	<u>\$282,331</u>

During the year ended December 31, 2019, a donor commitment was restructured due to a change in donor intent. As a result, \$82,500 was retracted and reflected as a *Change in Donor Commitment* with a corresponding decrease in contributions receivable and net assets with donor restrictions.

NOTE 6 DONATED GOODS AND SERVICES

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
Travel Expenses	\$ 61,319	\$ 50,287
Professional Fees	52,460	57,755
Supplies	<u>2,232</u>	<u>640</u>
Total	<u>\$116,011</u>	<u>\$108,682</u>

NOTE 7 CONCENTRATION OF CREDIT RISKS

Cash Balances:

The Organization is subject to concentrations in credit risk relating to cash balances. For the years 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 \$695,023 and \$280,471 in excess of federally insured limits as of December 31, 2019 and 2018; however, the Organization has not experienced any losses on such accounts and Management considers credit risk on cash to be low.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 7 (Continued)

Contributions Receivable:

For the years ended December 31, 2019 and 2018, 45% and 44% of total *Contributions Receivable* are from two private donors.

Major Donor:

For the year ended December 31, 2019, one donor made contributions totaling \$725,000, which represents 60% of total support and revenues.

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 59% and 54% of total expenses for the years ended December 31, 2019 and 2018 respectively.

NOTE 8 LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash	\$1,033,594	\$ 570,715
Contributions Receivable	<u>139,720</u>	<u>311,500</u>
Total Financial Assets as of December 31, 2019	1,173,314	882,215
Less amount not available to be used within one year:		
Contributions Receivable after one year	<u>(89,720)</u>	<u>(172,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$1,083,594</u>	<u>\$ 710,215</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a Board-Designated reserve that, while the Organization does not intend to spend these funds for purposes within the next year, these amounts could be made available for current operations, if necessary.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to their ongoing activities as well as the conduct of the services undertaken to support those activities to be general expenditures.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 9 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 2, 2020, the date which the financial statements were available for issue, and noted the following event which met the criteria:

Impact of COVID-19:

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of Organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its impact. However, the related financial impact and duration cannot be reasonably estimated at this time.