

PRECIOUS PROJECT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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PRECIOUS PROJECT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)



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, 2020
(With Summarized Comparative Totals for 2019)

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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, 2020, 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, 2020 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 2019 financial statements, and our report dated April 2, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
May 4, 2021

PRECIOUS PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash, Without Donor Restrictions	\$ 290,689	\$ 218,859
Cash, Board Designated Operating Reserve	126,975	87,722
Cash, With Donor Restrictions	877,003	727,013
Contributions Receivable	40,250	50,000
Prepaid Expenses	39,004	124,381
Total Current Assets	<u>1,373,921</u>	<u>1,207,975</u>
<u>NON-CURRENT ASSETS:</u>		
Contributions Receivable, Non-Current	<u>71,970</u>	<u>89,720</u>
Total Non-Current Assets	<u>71,970</u>	<u>89,720</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,445,891</u>	<u>\$ 1,297,695</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 1,334	\$ 1,292
Accrued Payroll and Related Costs	<u>9,786</u>	<u>-</u>
Total Current Liabilities	<u>11,120</u>	<u>1,292</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Undesignated Net Assets	318,573	341,948
Board Designated Operating Reserve	<u>126,975</u>	<u>87,722</u>
Total Net Assets Without Donor Restrictions	445,548	429,670
Net Assets With Donor Restrictions	<u>989,223</u>	<u>866,733</u>
Total Net Assets	<u>1,434,771</u>	<u>1,296,403</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,445,891</u>	<u>\$ 1,297,695</u>

PRECIOUS PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Comparative Totals for 2019)

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2020</u>	<u>2019</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Support and Revenues:</i>				
Gifts, Grants and Contributions	\$ 358,982	\$ 992,628	\$ 1,351,610	\$ 1,090,304
Donated Goods and Services	105,300	-	105,300	116,011
Interest Income	5,642	-	5,642	10,201
Total Support and Revenues	469,924	992,628	1,462,552	1,216,516
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	870,138	(870,138)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,340,062</u>	<u>122,490</u>	<u>1,462,552</u>	<u>1,216,516</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	1,133,667	-	1,133,667	628,842
Administrative	111,937	-	111,937	92,532
Fund Raising	78,580	-	78,580	70,798
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,324,184</u>	<u>-</u>	<u>1,324,184</u>	<u>792,172</u>
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>15,878</u>	<u>122,490</u>	<u>138,368</u>	<u>424,344</u>
<u>OTHER CHANGES IN NET ASSETS:</u>				
Change in Donor Commitment	-	-	-	(82,500)
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>15,878</u>	<u>122,490</u>	<u>138,368</u>	<u>341,844</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>429,670</u>	<u>866,733</u>	<u>1,296,403</u>	<u>954,559</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 445,548</u>	<u>\$ 989,223</u>	<u>\$ 1,434,771</u>	<u>\$ 1,296,403</u>

PRECIOUS PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(With Summarized Comparative Totals for 2019)

	<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>2020</u>	<u>2019</u>
Grants to Tanzanian Partner	\$ 996,580	\$ -	\$ -	\$ 996,580	\$ 465,098
Salaries and Payroll Taxes	48,086	65,678	63,453	177,217	156,188
Employee Benefits	2,187	2,986	2,890	8,063	7,700
Professional Fees	52,625	36,902	1,050	90,577	73,921
Travel Costs	33,854	23	330	34,207	65,775
Office Supplies and Expenses	-	1,543	3,421	4,964	10,207
Printing and Postage	-	355	3,853	4,208	3,329
Dues, Fees and Subscriptions	-	3,993	3,140	7,133	8,719
Insurance	<u>335</u>	<u>457</u>	<u>443</u>	<u>1,235</u>	<u>1,235</u>
Total Functional Expenses	<u>\$ 1,133,667</u>	<u>\$ 111,937</u>	<u>\$ 78,580</u>	<u>\$ 1,324,184</u>	<u>\$ 792,172</u>

PRECIOUS PROJECT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 138,368	\$ 341,844
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Contributions Receivable	9,750	89,500
Prepaid Expenses	85,377	(50,860)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	42	115
Accrued Payroll and Related Costs	9,786	-
<i>(Increase) Decrease in Non-Current Assets:</i>		
Contributions Receivable, Non-Current	17,750	82,280
Net Adjustment	<u>122,705</u>	<u>121,035</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>261,073</u>	<u>462,879</u>
<u>NET INCREASE IN CASH BALANCES</u>	261,073	462,879
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>1,033,594</u>	<u>570,715</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 1,294,667</u>	<u>\$ 1,033,594</u>
<i>Cash Balances :</i>		
Cash, Without Donor Restrictions	\$ 290,689	\$ 218,859
Cash, Board Designated Operating Reserve	126,975	87,722
Cash, With Donor Restrictions	<u>877,003</u>	<u>727,013</u>
	<u>\$ 1,294,667</u>	<u>\$ 1,033,594</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

NOTE 1 ORGANIZATION AND AFFILIATION

Precious Project, Inc. (“Precious Project”, the “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 (“IRC”). The Organization has been classified as an organization which is not a private foundation under IRC 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.

In 2020, several board members were able to visit the project in Tanzania during the months of January through March. However, travel bans were enforced for the remainder of the year due to the COVID-19 pandemic. To maintain oversight as best as possible from a mandated distance, the Organization funded the purchase of an increased high speed internet plan for POCH and was able to hold monthly Zoom meetings with POCH staff and directors. Remote communications have adequately substituted for in-person site visits to the best extent possible. Financial oversight has remained the same during the pandemic.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

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

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 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 2020, Precious Primary School was proud to celebrate its third graduating class of 23 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 and 2020, capital funds were raised to secure land and build the secondary school. Twenty-one acres of land were 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, home, and eventual secondary school. Construction on the secondary school has begun in earnest, with the goal to have the secondary school open its doors in January 2022.

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 29 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.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 2 *(Continued)*

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.

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.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 (Continued)

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.

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 includes funds which represent resources designated by the Board of Directors for specific purposes. As of December 31, 2020 and 2019, the Board of Directors designated funds for an operating reserve in the amount of \$126,975 and \$87,722, 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 2019 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, 2019 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, 2019, 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.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 (Continued)

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 Statements 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.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Donations of stock are valued at their fair value on the date of donation. Precious Project, Inc. has a policy to liquidate securities upon receipt.

Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. When the conditions are met, the corresponding support is reported as contributions with donor restrictions.

Unconditional multi-year commitments are recognized in the year during which the initial commitment was made. 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.

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 depending on the nature of the restriction 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.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 *(Continued)*

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.

NOTE 4 CONTRIBUTIONS RECEIVABLE

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

<u>Year Contributions to be Paid</u>	<u>Balance of Contributions Due as of December 31, 2020</u>
December 31, 2022	\$17,000
December 31, 2023	17,000
December 31, 2024	17,000
December 31, 2025	10,970
December 31, 2026	<u>10,000</u>
Total	<u>\$71,970</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

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, 2020 and 2019:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Scholarships	\$144,250	\$174,000
Primary School Fund	15,000	40,000
Secondary School Fund	728,562	525,000
School Accelerator Fund	92,611	111,133
Home Fund	8,800	11,600
POCH Capital	-	5,000
Total	<u>\$989,223</u>	<u>\$866,733</u>

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>2020</u>	<u>2019</u>
Scholarships	\$ 53,110	\$ 57,437
Primary School Fund	25,150	45,621
Secondary School Fund	705,438	155,500
School Accelerator Fund	18,522	18,772
Time Restricted	-	37,000
Home Fund	22,000	16,000
POCH Capital	5,000	8,000
ICT Project	5,158	-
Paycheck Protection Program	35,760	-
Total	<u>\$870,138</u>	<u>\$338,330</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>2020</u>	<u>2019</u>
Travel Expenses	\$ 31,854	\$ 61,319
Professional Fees	70,121	52,460
Supplies	3,325	2,232
Total	<u>\$105,300</u>	<u>\$116,011</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

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 \$1,017,077 and \$695,023 in excess of federally insured limits as of December 31, 2020 and 2019; however, the Organization has not experienced any losses on such accounts and Management considers credit risk on cash to be low.

Contributions Receivable:

For the years ended December 31, 2020 and 2019, 51% and 45%, respectively, of total *Contributions Receivable* are from two donors.

Major Donor:

For the years ended December 31, 2020 and 2019, one generous donor made contributions totaling \$909,000 and \$725,000, respectively, which represents 62% and 60%, respectively, 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 75% and 59% of total expenses for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 CONTINGENCIES

Impact of COVID-19:

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of grants, contributions, revenue and other material adverse effects to the Organization's financial position, change in net assets and cash flows. The Organization is not able to estimate the length of severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effected on the Organization's operations continue for an extended period of time, the Organization may have to seek alternative measures to finance its operation. There is no assurance these measures will be successful.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 8 *(Continued)*

Fortunately, the pandemic did not impact program delivery in TZ. The primary school was briefly closed for a period of 1 month in May 2020 and programmatic costs during that time were shifted to cover adequate purchase of PPE for students and staff. All other projects ran as planned, including the home, farm, and secondary school construction. The Organization and POCH were able to keep all staff employed as planned. Budget spending was as expected and there have been no adverse impacts to program implementation to date.

Paycheck Protection Program:

Precious Project, Inc. received a loan in the amount of \$35,760 from Santander Bank, N.A. through the Paycheck Protection Program established by the U.S. CARES Act (the “PPP Loan”) on May 4, 2020. The Organization has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA. Precious Project intends to apply for and receive full forgiveness of the loan, while any remaining balance would be repayable over a five-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs (payroll, mortgage interest, rent utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Organization decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. Precious Project expects to meet the requirements for full loan forgiveness. The Organization must prepare and submit a loan forgiveness application to the lender, which is then reviewed by both the bank and the Small Business Administration (SBA) and then approved. Precious Project elects to use a 24-week covered period which expired on October 19, 2020. As of December 31, 2020, the Organization has incurred \$35,760 of qualifying costs which has been recognized as grant income for the year then ended. Subsequent to year end on March 22, 2021, the SBA approved forgiveness in the amount of \$35,760.

NOTE 9 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$1,294,667	\$1,033,594
Contributions Receivable	<u>112,220</u>	<u>139,720</u>
Total Financial Assets as of December 31	1,406,887	1,173,314
Less amount not available to be used within one year:		
Contributions Receivable after one year	<u>(71,970)</u>	<u>(89,720)</u>
Financial assets available to meet general expenditures within one year	<u>\$1,334,917</u>	<u>\$1,083,594</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 9 *(Continued)*

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.

NOTE 10 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 May 4, 2021, the date which the financial statements were available for issue, and noted the following events which met the criteria.

Paycheck Protection Program Updates:

On January 29, 2021, Precious Project, Inc. received a second draw of the Paycheck Protection Program loan ("PPP2") in the amount of \$33,672. PPP2 provides for forgiveness of principal subject to various conditions regarding use of funds for allowable expenditures, maintenance of headcount and compensation levels, and the period within which the loan proceeds must be spent. The loan is expected to be forgiven.

On March 22, 2021, the Small Business Administration approved forgiveness of the Paycheck Protection Program loan issued on May 4, 2020. See Note 8 for information regarding the Paycheck Protection Program.