PRECIOUS PROJECT, INC. FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)



REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)



Vision Statement

The Precious Project is widely recognized as a unique education center that develops children intellectually and socially to serve the country of Tanzania. Our diverse efforts meaningfully enhance gender equity, economic self-sufficiency and environmental sustainability.

Mission Statement

To nurture, educate and empower impoverished youth in Tanzania to be productive members and the future leaders of their country.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Precious Project, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Precious Project, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Precious Project, 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 Precious Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards 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, including omissions, 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.

To the Board of Directors Precious Project, Inc.

In performing an audit in accordance with generally accepted auditing standards, 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 Precious Project, 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 Precious Project'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.

Report on Summarized Comparative Information

We have previously audited Precious Project, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Westborough, Massachusetts

Smith Sullivan , Brown, PC.

May 1, 2023

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2022 AND 2021

ASSETS

CLIDDENIT ACCETC.	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:	\$ 135.641	¢ 169.624
Cash, Without Donor Restrictions	,	\$ 168,624
Cash, Board Designated Operating Reserve Cash, With Donor Restrictions	151,339	151,339
Contributions Receivable	800,063 18,800	493,058 30,200
	10,000	
Employee Retention Tax Credits Receivable Grant Advances to Tanzanian Partner	162.014	26,063
	163,914	128,297
Prepaid Expenses	2,655 1,272,412	$\frac{2,561}{1,000,142}$
Total Current Assets		1,000,142
NON-CURRENT ASSETS:		
Contributions Receivable, Non-Current	30,670	48,470
Total Non-Current Assets	30,670	48,470
TOTAL ASSETS	\$ 1,303,082	\$ 1,048,612
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 2,224	\$ 1,679
Accrued Payroll and Related Costs	8,538	7,834
Total Current Liabilities	10,762	9,513
NET ASSETS:		
Net Assets Without Donor Restrictions:		
Undesignated Net Assets	291,448	316,032
Board Designated Operating Reserve	151,339	151,339
Total Net Assets Without Donor Restrictions	442,787	467,371
Net Assets With Donor Restrictions	849,533	571,728
Total Net Assets	1,292,320	1,039,099
TOTAL LIABILITIES AND NET ASSETS	\$ 1,303,082	\$ 1,048,612

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

(With Summarized Comparative Totals for 2021)

	WITHOUT DONOR RESTRICTIONS	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL A(</u> <u>2022</u>	CTIVITIES 2021
SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Support and Revenues:				
Gifts, Grants and Contributions	\$ 380,934	\$ 734,466	\$ 1,115,400	\$ 1,180,800
Donated Goods and Services	24,546	-	24,546	38,724
Interest Income	371	-	371	899
Employee Retention Tax Credits				26,063
Total Support and Revenues	405,851	734,466	1,140,317	1,246,486
Reclassification of Net Assets:				
Net Assets Released from Restriction	456,661	(456,661)		
TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS	862,512	277,805	1,140,317	1,246,486
FUNCTIONAL EXPENSES AND LOSSES:				
Functional Expenses:				
Program Services	647,670	-	647,670	1,437,380
Administrative	89,611	-	89,611	109,929
Fund Raising	149,815		149,815	88,099
Total Functional Expenses	887,096	-	887,096	1,635,408
Losses:				
Loss on Uncollected Pledges				6,750
TOTAL FUNCTIONAL EXPENSES AND LOSSES	887,096		887,096	1,642,158
<u>CHANGE IN NET ASSETS</u>	(24,584)	277,805	253,221	(395,672)
NET ASSETS - BEGINNING OF YEAR	467,371	571,728	1,039,099	1,434,771
NET ASSETS - END OF YEAR	<u>\$ 442,787</u>	\$ 849,533	<u>\$ 1,292,320</u>	\$ 1,039,099

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

(With Summarized Comparative Totals for 2021)

	PROGRAM	ADMINI-	<u>FUND</u>		<u>TAL</u> AL EXPENSES
	SERVICES	STRATIVE	RAISING	2022	2021
Grants to Tanzanian Partner	\$ 590,483	\$ -	\$ -	\$ 590,483	\$ 1,358,741
Salaries and Payroll Taxes	41,296	44,738	116,545	202,579	160,506
Employee Benefits	2,135	2,313	16,902	21,350	18,262
Professional Fees	13,368	33,411	-	46,779	69,953
Office Supplies and Expenses	-	3,745	7,526	11,271	13,091
Printing and Postage	-	41	3,873	3,914	3,711
Dues, Fees and Subscriptions	-	4,942	3,874	8,816	9,390
Insurance	388	421	1,095	1,904	1,754
Total Functional Expenses	\$ 647,670	\$ 89,611	\$ 149,815	\$ 887,096	\$ 1,635,408

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets \$ 253,221	\$ (395,672)
Adjustments to Reconcile the Above to Net Cash	
Provided (Used) by Operating Activities:	
(Increase) Decrease in Current Assets:	
Contributions Receivable 11,400	10,050
Employee Retention Tax Credits Receivable 26,063	(26,063)
Grant Advances to Tanzanian Partner (35,617)	(91,811)
Prepaid Expenses (94)	(43)
Increase (Decrease) in Current Liabilities:	
Accounts Payable and Accrued Expenses 545	345
Accrued Payroll and Related Costs 704	(1,952)
(Increase) Decrease in Non-Current Assets:	, ,
Contributions Receivable, Non-Current 17,800	23,500
Net Adjustment 20,801	(85,974)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 274,022	(481,646)
NET INCREASE (DECREASE) IN CASH BALANCES 274,022	(481,646)
CASH BALANCES - BEGINNING OF YEAR 813,021	1,294,667
CASH BALANCES - END OF YEAR \$ 1,087,043	\$ 813,021
<u>Cash Balances</u> :	
Cash, Without Donor Restrictions \$ 135,641	\$ 168,624
Cash, Board Designated Operating Reserve 151,339	151,339
Cash, With Donor Restrictions 800,063	493,058
Total \$ 1,087,043	\$ 813,021

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

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. In addition, POCH is subject to independent financial statement audits under Tanzanian regulations.

Programmatic Oversight involves monthly reporting on program activities from its Tanzanian Partner, site visits to Tanzania (when possible), 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 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 through FY 2022.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(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 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 400 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. In 2021, Precious Primary School ranked #1 in the district, #9 in the region and #81 in Tanzania. To date, all Precious Primary School graduates 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 the 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, 12 acres of which was immediately cultivated into farmland to supply additional food for the primary school, home, and eventual secondary school. In 2021, construction of the secondary school was completed as planned, and the secondary school opened 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(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. An 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 the POCH projects. Precious Project has 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. Precious Project has also 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

Basis of Accounting:

The financial statements of the Precious Project, Inc. have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(Continued)

NOTE 3 (Continued)

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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 period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles, has in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Financial Statement Presentation:

The Organization reports information regarding their 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 defined below.

Net Assets Without Donor Restrictions - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. In addition, net assets within this classification include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity. As of December 31, 2022 and 2021, the Organization had no net assets that are required to be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

The accompanying financial statements include certain 2021 summarized comparative information. With respect to the Statement of Activities, such prior year information is not presented by net class and in the Statement of Functional Expenses, 2021 expenses by line item are in total rather than by functional category which is not a complete financial statement presentation under GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Contributions Receivable:

Contributions Receivable reflects the balance due on 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(Continued)

NOTE 3 (Continued)

Management determines the allowance for uncollectible receivables based on historical experience, as assessment of economic conditions, and a review of subsequent collections. Receivables are written off against the allowance when deemed uncollectible. As of December 31, 2022 and 2021, Management considers all receivables to be fully collectible; therefore, these financial statements do not contain a provision for uncollectible amounts.

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:

The Organization is the beneficiary of contributions in the form of grants from other organizations, donations of cash and financial assets from individuals and contributions of nonfinancial assets. Contributions, including promises to give, without donor conditions are recognized as revenue at their estimated fair value at the date of donation and classified as either with or without donor restrictions depending on the donor's stipulations or lack thereof. Unconditional, multi-year commitments are recognized in the year during which the initial commitment is made at the amount that the Organization reasonably expects to collect. 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. Amounts receivable from donors are evaluated yearly for collectability and an allowance for uncollectible pledges is recorded as necessary.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction are met, at which time the net assets are reclassified to net assets without donor restrictions.

Conditional donations are those that have a measurable performance or other barrier and include a right of return of the assets or right of release of the donor from further obligation if the conditions are not met. Conditional donations are not recognized until the associated barriers are met. Any cash received before the conditions or barriers are met is reported as a refundable grant advance. When the conditions are met the revenue is reported as contributions without donor restrictions unless there are further restrictions over and above those associated with the donor conditions. In such cases, when the conditions and restrictions are met within the same reporting period, the support is recognized as contributions or grants without donor restrictions.

Donations of Nonfinancial Assets:

Contributed nonfinancial assets include donated professional services, donated travel costs, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. Donated goods and services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require a specialized skills and would have otherwise been purchased by the Organization.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(Continued)

NOTE 3 (Continued)

The Organization may also receive contributions in the form of publicity traded securities, which are converted to cash upon receipt.

Functional Expenses:

The Organization allocates its expenses on a functional basis among various programs and support services. 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.

Grants to Tanzanian Partner:

During the years presented, Precious Project made grants to POCH to fund the projects and programs with fiscal and programmatic oversight as further detailed in Note 2. The Organization's policy is to record grants as an expense and corresponding obligation at the time an unconditional funding commitment is made. Conditional commitments are not recognized in the financial statements until measurable performance or other barriers have substantially been met. Precious Project provides funding to POCH to coincide with the timing of the expenditure of the underlying costs and in accordance with programmatic and capital budgets. At the end of each year presented, funds were wired at year end in advance of the related underlying expenditures, and are presented as *Grant Advances to Tanzanian Partner* in the accompanying Statements of Financial Position. When the related costs are subsequently incurred and reconciled to the budget, the corresponding expense for *Grants to Tanzanian Partner* is recognized.

Recent Accounting Guidance:

Recently Implemented Standards

During the year ended December 31, 2022, the Organization adopted ASU 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This ASU increases transparency in reporting nonprofit gifts-in-kind in the Organization's financial statements. Although the standard did not change the accounting for contributed nonfinancial assets, the Organization's disclosures have been enhanced to provide qualitative policy information on the techniques and inputs used to determine the valuation of nonfinancial donations. Accordingly, disclosures for the year ended December 31, 2021 were enhanced to be comparative to the 2022 presentation.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(Continued)

NOTE 4 CONTRIBUTIONS RECEIVABLE

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

	Balance of
Year Contributions	Contributions Due as of
to be Paid	<u>December 31, 2022</u>
December 31, 2024	\$12,600
December 31, 2025	9,070
December 31, 2026	9,000
Total	<u>\$30,670</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, 2022 and 2021:

Nature of Restriction	<u>2022</u>	<u>2021</u>
Scholarships	\$124,020	\$125,370
Time Restricted	100,955	-
Primary School Fund	-	11,700
Secondary School Fund	560,692	356,569
School Accelerator Fund	55,566	74,089
Home Fund	<u>8,300</u>	4,000
Total	<u>\$849,533</u>	\$571,728

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:

Nature of Restriction	<u>2022</u>	<u>2021</u>
Scholarships	\$ 64,600	\$ 49,880
Primary School Fund	11,700	3,300
Secondary School Fund	243,855	1,118,509
School Accelerator Fund	18,522	18,522
Home Fund	26,000	25,050
POCH Capital	82,564	6,805
ICT Project	3,120	1,940
DEI Project	6,300	-
Paycheck Protection Program	<u> </u>	33,672
Total	<u>\$456,661</u>	\$1,257,678

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(Continued)

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>2022</u>	<u>2021</u>
Professional Services	\$13,368	\$34,229
Legal Services	11,045	-
Supplies	133	4,495
Total	<u>\$24,546</u>	<u>\$38,724</u>

Contributed legal services are provided by licensed attorneys who provide the Organization with legal consultation related to corporate matters. Contributions of legal services are recognized at fair value based on the current rates for similar legal services.

Contributed professional services are valued at the average going market rate for similar services.

All donated goods and services received during the years ended December 31, 2022 and 2021 were unrestricted contributions.

NOTE 7 EMPLOYEE RETIREMENT PLAN

In March 2021, Precious Project, Inc. adopted a Savings Incentive Match Plan (SIMPLE-IRA). Under the plan, any employee who earned \$5,000 or more in the previous year may participate in a tax-deferred salary reduction retirement plan to which they may contribute to their retirement account up to the maximum allowable amount per IRS regulations, and the Organization is required to match any contribution up to 3% of each participant's salary (subject to statutory limitations on eligible earnings). For the years ended December 31, 2022 and 2021, total employer contributions to the plan amounted to \$4,800 and \$4,673, respectively.

NOTE 8 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 \$810,672 and \$530,739 in excess of federally insured limits as of December 31, 2022 and 2021; however, the Organization has not experienced any losses on such accounts.

Contributions Receivable:

For the years ended December 31, 2022 and 2021, 67% and 59%, respectively, of total *Contributions Receivable* are from two donors.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(Continued)

NOTE 8 (Continued)

Major Donor:

For the years ended December 31, 2022 and 2021, one generous donor made contributions totaling \$599,732 and \$657,216, respectively, which represents 53% of total support and revenues for each of the years presented.

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 67% and 83% of total expenses for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 CARES ACT FUNDING

Paycheck Protection Program:

Precious Project, Inc. received two Small Business Administration ("SBA") loans from Santander Bank, N.A. through the Paycheck Protection Program ("PPP") established by the U.S. CARES Act. Precious Project elected to account for the expected forgivable portion of these loans as a conditional grant commitment as permitted by the generally accepted accounting principles. The amount forgiven equals the amount incurred on qualifying costs during the covered period. The first PPP loan was received and recognized as income in 2020. The second PPP loan in the amount of \$33,672 was received on January 20, 2021 and the qualifying costs were incurred within the year; therefore, this amount is recognized as *Gifts, Grants and Contributions* in the accompanying Statement of Activities for the year ended December 31, 2021. Both PPP loans have been forgiven in full by the SBA.

Employee Retention Tax Credit:

The Employee Retention Credit was introduced by the U.S. CARES Act in 2020 and is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 or during the first three quarters of calendar year 2021, and experience either: (1) the full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or (2) a significant decline in gross receipts.

Additional relief provisions were passed by the U.S. government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit for the calendar quarters January 1, 2021 through September 30, 2021, is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Summarized Comparative Information for 2021)

(Continued)

NOTE 9 (Continued)

As of December 31, 2021, the Organization met the qualifications necessary to receive \$26,063 under the Employee Retention Credit program. Therefore, this amount has been recognized and reported as *Employee Retention Tax Credits* revenue and as *Employee Retention Tax Credits Receivable* in the accompany financial statements as of, and for the year ended, December 31, 2021.

NOTE 10 LIQUIDITY AND AVAILABILTY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial Assets:		
Cash	\$1,087,043	\$813,021
Contributions Receivable	49,470	78,670
Employee Retention Tax Credits Receivable		26,063
Total Financial Assets as of December 31	1,136,513	917,754
Less Amount Not Available to be Used Within One Year:		
Contributions Receivable - Non-Current	(30,670)	<u>(48,470</u>)
Financial Assets Available to Meet General Expenditures		
Within One Year	<u>\$1,105,843</u>	<u>\$869,284</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 described in Note 2, as well as the conduct of the services undertaken to support those activities to be general expenditures.

NOTE 11 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 1, 2023, the date which the financial statements were available for issue, and noted no events which met the criteria for recognition or disclosure.