

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
FINANCIAL STATEMENTS

JUNE 30, 2021

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# *Guzman & Gray*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Precious Lamb Preschool, Inc.

We have audited the accompanying financial statements of the Precious Lamb Preschool, Inc. (a California Non-Profit Religious Corporation), which comprise the financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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.

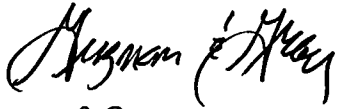
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

INDEPENDENT AUDITORS' REPORT (Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precious Lamb Preschool, Inc. as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Guzman & Gray  
Long Beach, California  
May 17, 2022

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 325,122
PROPERTY AND EQUIPMENT, Net	29,474
OTHER ASSETS	
Investment held by Long Beach Community Foundation	<u>804,991</u>
TOTAL ASSETS	<u><u>\$ 1,159,587</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 13,601
Accrued salaries, wages and related payroll Liabilities	18,953
Accrued vacation	<u>12,485</u>
	45,039
NONCURRENT LIABILITIES	
Paycheck Protection Program Forgivable Loan	<u>96,938</u>
Total Liabilities	<u>141,977</u>
NET ASSETS	
Without donor restrictions	847,321
With donor restrictions	<u>170,289</u>
Total Net Assets	<u>1,017,610</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,159,587</u></u>

The accompanying notes are an integral part of these financial statements

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>			
Contributions and grants	\$ 652,400	\$ 68,201	\$ 720,601
Paycheck Protection Program grant	105,800		105,800
Special events, net of donor benefit expenses of \$11,118	148,462		148,462
Investment income, net	22,355		22,355
Inkind contributions	1,313		1,313
	<u>930,330</u>	<u>68,201</u>	<u>998,531</u>
<b>Net Assets Released From Restrictions</b>			
Satisfaction of purpose restrictions			
Restriction withdrawn by donor	41,042	(41,042)	
	<u>971,372</u>	<u>27,159</u>	<u>998,531</u>
<b>EXPENSES</b>			
Program Services	559,038		559,038
Supporting Services			
Management and General	67,955		67,955
Fundraising	62,603		62,603
	<u>689,596</u>		<u>689,596</u>
<b>CHANGE IN NET ASSETS</b>	<u>281,776</u>	<u>27,159</u>	<u>308,935</u>
<b>NET ASSETS , BEGINNING OF YEAR</b>	<u>565,545</u>	<u>143,130</u>	<u>708,675</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 847,321</u>	<u>\$ 170,289</u>	<u>\$ 1,017,610</u>

The accompanying notes are an integral part of these financial statements

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

EXPENSES	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 352,707	\$ 25,497	\$ 46,744	\$ 424,948
Payroll taxes	28,408	2,054	3,765	34,227
Employee benefits	21,297	1,539	2,823	25,659
Occupancy	38,284	3,726		42,010
Accounting		10,780		10,780
Board development		2,898		2,898
Charity processing costs		6,708		6,708
Classroom supplies	36,509			36,509
Depreciation	5,805	1,935		7,740
Donor development			3,236	3,236
Repairs and maintenance	1,082			1,082
Family outreach	16,901			16,901
Rental assistance	12,200			12,200
Field trips	4,019			4,019
Inkind contributions	1,313			1,313
Insurance	18,025	1,303	2,389	21,717
Licensing fees	973			973
Other	212			212
Meetings	261	260		521
Office		8,995		8,995
Postage		693	2,079	2,772
Marketing	3,604			3,604
Staff development	15,226			15,226
Telephone and internet	1,617	1,567	1,567	4,751
Volunteer costs	595			595
	<u>\$ 559,038</u>	<u>\$ 67,955</u>	<u>\$ 62,603</u>	<u>\$ 689,596</u>

The accompanying notes are an integral part of these financial statements

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 308,935
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	7,740
Unrealized gains on investments	(12,819)
Forgiveness of Paycheck Protection Program	(105,800)
Changes in operating assets and liabilities	
Accounts payable	13,601
Accrued salaries, wages and related payroll liabilities	27
Accrued vacation	2,199
Net cash provided by operating activities	<u>213,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment held by Long Beach Community Foundation	(454,066)
Reinvestments in Long Beach Community Foundation	(9,454)
Net cash used by investing activities	<u>(463,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from PPP forgivable loan	96,938
Net cash provided by financing activities	<u>96,938</u>
DECREASE IN CASH EQUIVALENTS	(152,699)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>477,821</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 325,122</u></u>

SUPPLEMENTAL DISCLOSURES

Cash paid for interest	<u><u>NONE</u></u>
Income tax paid	<u><u>NONE</u></u>

The accompanying notes are an integral part of these financial statements



PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 – THE ORGANIZATION

Precious Lamb Preschool, Inc. (The “Organization”) is a California non-profit religious corporation incorporated in the State of California on November 29, 1999. The specific purpose of the Organization is to provide child care and preschool education in a Christian environment, through the application of Biblical principles, for children of homeless and low-income families in the greater Long Beach area. Precious Lamb Preschool, Inc. is a tax exempt religious corporation organized and operated exclusively for religious purposes under section 501(c)(3) of the Internal Revenue Code. The Organization’s office and facilities are located in Long Beach, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), with the intended purpose of improving financial reporting relating to revenue from contracts with customers. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019. The Organization adopted ASU 2014-09 and all subsequent amendments to the ASU (collectively, “ASC 606”), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. No changes to the current financial statements resulted from applying the ASC 606.

Net Asset Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Presentation (Continued)

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets released from donor restrictions

Net assets are released by incurring expenses satisfying the restriction or occurrence of the other events specified by donors.

Revenue Recognition

The Organization applies the five-step model to contracts when it is probable that the Organization will collect the consideration it is entitled. To determine revenue recognition for arrangements within the scope of ASC Topic 606, "Revenue from Contracts with Customers" ("ASC Topic 606"), the Organization performs the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the Organization satisfies a performance obligation.

The Organization then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied. A summary of significant revenue streams are below.

Government Grants and Contracts

The Organization received grant and contract funding based primarily on services performed, expenses incurred, and as programs and service activities take place based on specific requirements in the agreements. The revenue is reported with support and revenue in the statement of activities and changes in net assets.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in net assets with or without restrictions depending on the nature of the restriction. When a restriction has been satisfied, net assets with restrictions are reclassified to net assets without restrictions. Contributions that are unrestricted are reported as part of net assets without restrictions. The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Organization prior to fulfilling these conditions are recorded as a liability until the conditions are substantially met.

Contributed Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Although many volunteer service hours were provided for several programs and support services during the current year, no amounts met the criteria for recording donated services in the current year's financial statements.

Special Events

Special events include some events with both an exchange element, in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received, and a contribution element for the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles (GAAP). Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates include the timing of income recognition from grants and contracts and methodologies of allocating expenses by function that could vary from the estimates that were assumed in preparing the financial statements.

Fair Value Measurements

The Association follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input of assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Grants and Contracts Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the receivable account. No allowance for doubtful accounts has been established as management believes all receivables will be collectible.

Property, Equipment and Depreciation

Purchased property and equipment are stated at cost at the date of acquisition. Donated property and equipment are stated at fair market value at the date of the gift. Depreciation is calculated using straight-line method over the estimated useful lives of the assets which range from five to seven years. When assets are disposed, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments purchased by the Organization are stated at market value. Fair values of investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Contributed securities are stated at their market value on the date of donation. Realized gains and losses on sale of investments are determined based on the cost of the individual investment and the sale price at the date of sale. Unrealized gains and losses on marketable securities are calculated as the difference between the cost and market value of all investments on hand from one year to the next based on market value at June 30 and reported in the statement of activities and changes in net assets.

Accrued Vacation

Accruals for vacation are made on a monthly basis as such benefits become payable to employees. Pay rate increases are applied to the hours earned in prior periods, if any, and are reported in salaries and wages in the statement of functional expenses.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among their various programs and supporting services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Salaries and wages, payroll taxes and employee benefits are based on time and effort. Certain costs such as postage and delivery, contract services, bank service charges, meetings and conferences, insurance, supplies, and other costs are allocated based on estimated usage for programs and support services. Costs related to space include occupancy, telephone and depreciation are allocated based on estimated square footage.

Exempt Organization Status and Income Taxes

The Organization is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code. Contributions to the Organization are deductible for tax purposes under Section 170(c)(2) of the Internal Revenue Code. The Organization is involved in no activities that are subject to unrelated business tax. As a result, no provision for income taxes has been made.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Upon implementation of this guidance, contributed nonfinancial assets will be presented as a separate line item in the statement of activities. Added disclosures will provide information to describe the nature of the assets, how they are valued, the intended use, and donor restrictions attached to the gift (if any). The purpose of this update is to increase transparency. This ASU is effective for annual periods beginning after June 15, 2021.

Management is currently evaluating the impact the pronouncements will have on its financial statements.

Evaluation of Subsequent Events by Management

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 17, 2022, the date the financial statements were available to issue.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment is summarized as follows:

Furniture and fixtures	\$ 52,847
Machinery and equipment	<u>18,957</u>
	71,804
Less: accumulated depreciation	<u>(42,330)</u>
	<u>\$ 29,474</u>

Depreciation expense for the years ended June 30, 2021 totaled \$7,740.

NOTE 4 – INVESTMENT HELD BY LONG BEACH COMMUNITY FOUNDATION

The Organization invested funds with the Long Beach Community Foundation (the Foundation) in December 2015. In connection with the investment the Foundation holds and manages the funds. The invested funds remain the Organization's assets but are invested in a pooled fund managed by the Foundation. The Organization is entitled to a distribution of income on an annual basis subject to the Foundation's spending policy as established by the board of directors of the Foundation. Any distribution of income or principle in excess of the Foundation's spending policy may be made, however, the Foundation has sole and absolute discretion of all distributions.

A summary of investments held by Long Beach Community Foundation at June 30, 2021 is as follow:

	Market Value	Cost	Unrealized Gain
Investments Held By Long Beach Community Foundation	<u>\$ 804,991</u>	<u>\$ 792,172</u>	<u>\$ 12,819</u>

As of June 30, 2021, fair values of assets measured on a recurring basis are as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Investment Held By Long Beach Community Foundation	<u>\$ 804,991</u>			<u>\$ 804,991</u>

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 4 – INVESTMENT HELD BY LONG BEACH COMMUNITY FOUNDATION  
(Continued)

A summary of investment income, net is as follows:

Investment held by Long Beach Community Foundation	
Dividends and interest	\$ 4,803
Net unrealized gain	12,819
Net realized gain	8,255
Investment advisory fee	( 3,605)
	<u>22,272</u>
Interest bearing accounts at banks	<u>83</u>
	<u>\$ 22,355</u>

NOTE 5 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

The Paycheck Protection Program (PPP) allows certain eligible borrowers that previously received a PPP loan to apply for a Second Draw PPP loan with the same general loan terms as their First Draw PPP loan. On February 3, 2021, the Organization received loan proceeds of \$96,938 from a local bank under the PPP administered by the SBA as part of the Second Draw PPP loan. The PPP, established as part of the CARES Act, can loan a qualifying organization up to 2.5 times the qualifying organization's average monthly payroll expenses.

The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds during the 8 or 24 week covered period it selects for payroll, healthcare benefits, interest on loan obligations incurred before February 15, 2020, rent and utilities as outlined in the loan agreement.

The unforgiven portion of the PPP loan is payable over five years from the disbursement date. Interest on the loan of 1% from the disbursement date which is February 3, 2021. Payments of the principal and interest are deferred until the date the lender receives notification from the SBA of any unforgiven loan amount but not to exceed the final loan forgiveness application due date. Any remaining balance due on the loan must be repaid on or before the maturity date of the loan.

Certain entities have elected to recognize the PPP loans as a liability until debt or a portion of the debt is forgiven. Certain qualified charitable organizations consider PPP loans as conditional contributions, with right of return in the form of an obligation to be repaid if a barrier to entitlement is not met and recognizes contribution income as barriers are met.



PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 5 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN (Continued)

Based on the above facts and circumstances, including the complexity and uncertainty of the timing of any forgiveness, the Organization has adopted a policy to recognize the loan as a liability and will recognize income once any forgiveness is realized.

NOTE 6 – NET ASSETS, WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions consisted of the following:

Restricted due to	
Purpose	
On-site family resource center	\$ 60,000
Classroom expansion	79,499
Playground	8,838
Parenting classes	8,638
Other educational support	<u>13,314</u>
	<u>\$ 170,289</u>

Net assets released from donor restrictions as of June 30, 2021 is as follows:

Restricted due to	
Purpose	
Covid – 19 response	\$ 12,000
Parenting classes	3,362
Playground	2,237
Classroom expansion	500
Other releases	<u>22,943</u>
	<u>\$ 41,042</u>

NOTE 7 – PAYCHECK PROTECTION PROGRAM GRANT

In response to the COVID-19 pandemic, the Paycheck Protection Program (the Program) was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the Small Business Administration (SBA). The Organization met the eligibility requirements set forth by the Program to qualify for the Program loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the Program loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Organization.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 7 – PAYCHECK PROTECTION PROGRAM GRANT (Continued)

In April 2020, the Organization received loan proceeds of \$105,800 under a first draw of the Program provided by a bank in Southern California. The loan accrues interest at 1.00%, with principal and interest payments deferred until the earlier of the SBA providing forgiveness determination or ten months after the covered period. After that, the loan and interest would be paid back over a period of 24 months, if the loan is not forgiven under the terms of the Program.

When the Organization applied for the loan, it believed it would qualify to have the loan forgiven under the terms of the Program and, therefore, considered the loan to be substantively a conditional government grant.

Since the Organization utilized all the proceeds for payroll and other qualified expenses prior to December 31, 2020 and believed it has complied with the terms and conditions necessary for forgiveness, it has recognized the program grant income of \$105,800 on the statement of activities.

The Organization submitted the program loan forgiveness application during the year and in April 2021 received approval of full forgiveness from the SBA.

NOTE 8 – LEASE COMMITMENT

In January 2015, the Organization entered into an annual lease agreement with First Lutheran Church of Long Beach, California, to provide classroom space and office space under a 5 year operating lease agreement with an option to renew. The initial agreement calls for annual increases of 2% per year.

On December 9, 2019, an addendum to the lease was signed to extend the expiration of the operating lease to June 30, 2021.

On June 1, 2021, an addendum to the lease was signed to extend the expiration of the operating lease to June 30, 2022. Beginning July 1, 2022 the lease shall be considered month-to-month.

Effective June 1, 2021, the extended lease requires monthly payments of \$3,500 from July 1, 2021 to December 31, 2021 then increases to \$4,000 until June 30, 2022.

For the year ended June 30, 2020, the annual rent expense totaled \$42,010.

PRECIOUS LAMB PRESCHOOL, INC.  
(A California Non-Profit Religious Corporation)  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

Credit Risk

The Organization maintains interest and noninterest bearing cash accounts at a financial institution located in Southern California. The Federal Deposit Insurance Corporation (FDIC) insurance limit is \$250,000 per depositor per institution. As of June 30, 2021 the organization's uninsured cash balances totaled \$70,704. Cash equivalent balances deposited and maintained by financial institutions differ from cash equivalents presented in the statement of financial position due to timing differences. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to significant credit risks.

Uncertainties

On June 15, 2021, the California Governor temporarily lifted certain COVID-19 restrictions and put in place a new public health order. California continues to follow certain COVID-19 public health guidance for childcare programs, overnight and day camps and public gyms and fitness establishments. Any unknown increased risk exposure from the COVID-19 pandemic could have an adverse financial impact on the Organization's programs and business.

NOTE 10 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Cash and cash equivalents	<u>\$ 325,122</u>
Total Financial Assets Available to Management for General Expenditures Within One Year	<u>\$ 325,122</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of financial position date.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.