

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

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Precious Lamb Preschool, Inc. (a California non-profit religious corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Precious Lamb Preschool, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Lamb Preschool, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's 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.

In performing an audit in accordance with generally accepted auditing standards, we:

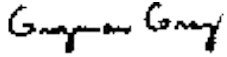
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Lamb Preschool, 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 Lamb Preschool, Inc.'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Emphasis-of-Matter Regarding a Prior Period Adjustment

As discussed in Note 10 to the financial statements, restricted revenues of \$25,000 were not properly included in the statement of activities and changes in net assets for the year ended June 30, 2022. Accordingly, the Organization restated beginning net assets with donor restrictions to reflect the correction of this error. Our opinion is not modified with respect to this matter.



GuzmanGray
Costa Mesa, CA
August 9, 2024

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

JUNE 30, 2023

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 730,864
Grant receivables	80,000
Total Current Assets	<u>810,864</u>
PROPERTY AND EQUIPMENT, Net	<u>16,262</u>
OTHER ASSETS	
Investments held by Long Beach Community Foundation	1,350,889
Certificate of deposit	202,632
Construction in progress	230,345
Deposits	7,143
Other	1,459
	<u>1,792,468</u>
TOTAL ASSETS	<u>\$ 2,619,594</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 9,684
Accrued payroll liabilities	31,089
Accrued vacation	7,443
Total Current Liabilities	<u>48,216</u>
NET ASSETS	
Without donor restrictions	1,417,950
With donor restrictions	1,153,428
Total Net Assets	<u>2,571,378</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,619,594</u>

See Independent Auditor's Report and Notes to the Financial Statements.

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

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions and grants	\$ 431,526	\$ 783,400	1,214,926
Program service revenue	40,000		40,000
Special events, less cost of direct benefits to donors of \$107,364	379,049		379,049
Investment return, net	73,908		73,908
Interest	9,753		9,753
Contributed services	1,500		1,500
Donated goods	6,094		6,094
Net Assets Released From Restrictions	295,091	(295,091)	
	<u>1,236,921</u>	<u>488,309</u>	<u>1,725,230</u>
EXPENSES			
Program Services	838,818		838,818
Supporting Services			
Management and General	122,465		122,465
Fundraising	109,569		109,569
	<u>1,070,852</u>		<u>1,070,852</u>
CHANGE IN NET ASSETS	<u>\$ 166,069</u>	<u>\$ 488,309</u>	<u>\$ 654,378</u>

See Independent Auditor's Report and Notes to the Financial Statements.

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

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, END OF YEAR JUNE 30, 2022, AS PREVIOUSLY REPORTED	\$ 1,251,881	\$ 640,119	\$ 1,892,000
PRIOR PERIOD ADJUSTMENT To record revenue in the correct period (See Note 10)		25,000	25,000
NET ASSETS, END OF YEAR JUNE 30, 2022, AS RESTATED	1,251,881	665,119	1,917,000
CHANGE IN NET ASSETS	166,069	488,309	654,378
NET ASSETS, END OF YEAR	\$ 1,417,950	\$ 1,153,428	\$ 2,571,378

See Independent Auditor's Report and Notes to the Financial Statements.

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

FOR THE YEAR ENDED JUNE 30, 2023

EXPENSES	Program Services	Supporting Services		Cost of Direct Benefits to Donors	Total
		Management and General	Fundraising		
Salaries and wages	\$ 555,400	\$ 40,150	\$ 73,607		\$ 669,157
Payroll taxes	45,468	3,287	6,026		54,781
Employee benefits	23,625	1,708	3,131		28,464
Occupancy	43,743	4,257			48,000
Security	4,113				4,113
Accounting		15,650			15,650
Recruitment		19,006			19,006
Board development		6,513			6,513
Charity processing costs		10,848			10,848
Classroom supplies	48,126				48,126
Donor development			17,631		17,631
Repairs and maintenance	2,747				2,747
Family outreach	19,920				19,920
Rental assistance	20,996				20,996
School assistance	920				920
Job assistance	257				257
Contributed services	1,500				1,500
Donated goods	6,094				6,094
Insurance	23,696	1,713	3,140		28,549
Licensing fees	1,364				1,364
Other	775				775
Mentoring	4,588				4,588
Office		12,978			12,978
Postage		665	1,995		2,660
Marketing	4,537				4,537
Staff development	21,661				21,661
Telephone and internet	4,165	4,039	4,039		12,243
Volunteer costs	168				168
Special event expenses				\$ 107,364	107,364
TOTAL EXPENSES BEFORE DEPRECIATION	833,863	120,814	109,569	107,364	1,171,610
DEPRECIATION EXPENSE	4,955	1,651			6,606
Less expenses included with revenues on the statement of activities and changes in net assets Cost of direct benefits to donors				(107,364)	(107,364)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	\$ 838,818	\$ 122,465	\$ 109,569	\$ -	\$ 1,070,852

See Independent Auditor's Report and Notes to the Financial Statements.

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

FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 654,378
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	6,606
Unrealized gains on investments	(54,339)
Realized gains on investments	(6,042)
(Increase) decrease in assets	
Grant receivables	(55,000)
Other assets	(1,459)
Increase (decrease) in liabilities	
Accounts payable	6,210
Accrued salaries, wages and related payroll liabilities	11,808
Accrued vacation	(1,128)
Net cash provided by operating activities	<u>561,034</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases for construction in progress	(160,158)
Purchases of investment held by Long Beach Community Foundation	(28,497)
Sales of and grants issued from investments held by the Long Beach Community Foundation	64,971
Purchase of certificate of deposit	(202,632)
Net cash used by investing activities	<u>(326,316)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	234,718
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>496,146</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 730,864</u>
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	<u>NONE</u>
Cash paid for income taxes	<u>NONE</u>

See Independent Auditor's Report and Notes to the Financial Statements.

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

JUNE 30, 2023

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 Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021 including interim periods within fiscal years beginning after December 15, 2022. The adoption of FASB ASU 2016-02, Topic 842 did not have a material impact on the Organization’s financial statements.

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

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 is 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.

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.

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

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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 Organization 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.

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

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an original 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 and Equipment

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.

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.

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.

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

JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recently Issued Accounting Pronouncement

In June 2016, the FASB issued Accounting Standards Codification (ASC) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies existing guidance related to the measurement of credit losses on financial instruments, including trade and loan receivables. The new guidance requires the allowance for credit losses to be measured based on expected losses over the life of the asset rather than incurred losses. The guidance is effective for annual and interim periods beginning after December 15, 2022, and early adoption is permitted. The Organization is currently evaluating the impact of the adoption of FASB ASC 2016-13, Topic 326 on the 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 August 9, 2024, 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, 2023

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows:

Furniture and fixtures	\$ 52,847
Machinery and equipment	18,957
	<u>71,804</u>
Less: accumulated depreciation	<u>(55,542)</u>
Property and equipment, net	<u>\$ 16,262</u>

Depreciation expense for the year ended June 30, 2023 totaled \$6,606.

NOTE 4 – INVESTMENTS

The Organization invested funds with the Long Beach Community Foundation (the Foundation). 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 principal 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 investment return, net is as follows:

Dividends and interest	\$ 28,497
Net unrealized gain	54,339
Net realized gain	6,042
Investment advisory fee	<u>(14,970)</u>
Investment return, net	<u>\$ 73,908</u>

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

JUNE 30, 2023

NOTE 4 – INVESTMENTS (Continued)

As of June 30, 2023, fair market 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		\$ 1,350,889		\$ 1,350,889
Certificate of deposit		202,632		202,632
	\$ -	\$ 1,553,521	\$ -	\$ 1,553,521

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The following is a summary of the Organization's net assets with restrictions:

	June 30, 2022	Additions	Transfers	Releases	June 30, 2023
New home	\$ 556,484	\$ 599,200		\$ (170,297)	\$ 985,387
On-site family resource center	77,796	64,200	\$ 8,882	(92,405)	58,473
Playground	7,602	55,000		(2,084)	60,518
Parenting classes	5,007			(2,232)	2,775
Scholarships	6,052	40,000		(26,863)	19,189
Other educational support	12,178	25,000	(8,882)	(1,210)	27,086
	\$ 665,119	\$ 783,400	\$ -	\$ (295,091)	\$ 1,153,428

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

JUNE 30, 2023

NOTE 7 – LEASE COMMITMENTS

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 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. The extended lease requires monthly payments \$4,000 until June 30, 2023.

On January 6, 2022 the Organization entered into a 10-year noncancellable lease agreement for its “A New Home” program. The property is located at 757 Pacific Avenue in Long Beach, California and consists of two buildings totaling about 3,772 square feet with an adjacent parking lot. Upon execution, the lease required a security deposit of \$7,143 and the first month’s rent of \$5,685. The monthly rent commences August 10, 2023 at a reduced rate of \$4,081 for 24 months. In January 2024, the lease was cancelled.

The annual rent expense for the year ended June 30, 2023 totaled \$48,000.

NOTE 8 – 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, 2023, uninsured cash balances totaled \$88,314. 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.

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

JUNE 30, 2023

NOTE 9 – 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	\$ 730,864
Grant receivables	80,000
Certificate of deposit	<u>202,632</u>
Financial assets, at year end	<u>1,013,496</u>
Less those unavailable for general expenditures within one year, due to:	
Purpose or time restrictions imposed by donors	<u>(1,153,428)</u>
Deficit in assets required to meet cash needs for general expenditures within one year	<u>\$ (139,932)</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.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

An adjustment was made to correct the balance of net assets with donor restrictions at the beginning of the year. The Organization received a contribution prior to the end of the prior fiscal year to be used in the current year and improperly recognized the contribution in the current year instead of when the contribution was received. The adjustment in the current year to reflect the correction was a decrease in revenue and an increase in beginning net assets with donor restrictions of \$25,000.

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

JUNE 30, 2023

NOTE 11 – SUBSEQUENT EVENT

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2024 which is the date the financial statements were available to issue. In January 2024, the Organization's lease for the property located at 757 Pacific Avenue, Long Beach California was cancelled by the lessor and as such the Organization did not recognize a right of use asset or lease liability related to the 10-year non-cancelable lease. The Organization has since signed a new lease for a different property.