



Precious Lamb Preschool

Financial Statements

June 30, 2024

(With Comparative Totals for 2023)

Precious Lamb Preschool

Table of Contents

	<u>Page(s)</u>
Independent Auditor's Report	2 - 3
Statements of Financial Position.....	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses.....	6
Statements of Cash Flows	7
Notes to Financial Statements.....	8 - 15

Independent Auditor's Report

To the Board of Directors of
Precious Lamb Preschool

Opinion

We have audited the financial statements of Precious Lamb Preschool (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 (GAAS). 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 the Organization 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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 the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GuzmanGray
Costa Mesa, CA
_____, 2025

Precious Lamb Preschool
Statements of Financial Position
As of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 576,798	\$ 730,864
Grants Receivable	<u>25,000</u>	<u>80,000</u>
Total Current Assets	<u>601,798</u>	<u>810,864</u>
Non-Current Assets:		
Right-of-Use Assets	6,035,143	-
Investments Held by Long Beach Community Foundation	222,645	204,222
Certificate of Deposits	209,859	202,632
Assets restricted to investment in property and equipment	1,250,103	1,146,667
Property and Equipment, Net	79,810	246,607
Deposits	21,919	7,143
Other Non-Current Assets	<u>850</u>	<u>1,459</u>
Total Non-Current Assets	<u>7,820,329</u>	<u>1,808,730</u>
TOTAL ASSETS	<u>\$ 8,422,127</u>	<u>\$ 2,619,594</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 24,221	\$ 9,684
Accrued Payroll and Employee Benefits	42,793	38,532
Lease Liabilities	<u>36,251</u>	<u>-</u>
Total Current Liabilities	<u>103,265</u>	<u>48,216</u>
Non-Current Liabilities:		
Lease Liabilities, Net of Current Portion	<u>6,040,795</u>	<u>-</u>
Total Non-Current Liabilities	<u>6,040,795</u>	<u>-</u>
TOTAL LIABILITIES	<u>6,144,060</u>	<u>48,216</u>
NET ASSETS		
Net Assets Without Donor Restrictions	650,596	1,417,950
Net Assets With Donor Restrictions	<u>1,627,471</u>	<u>1,153,428</u>
TOTAL NET ASSETS	<u>2,278,067</u>	<u>2,571,378</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,422,127</u>	<u>\$ 2,619,594</u>

See accompanying notes to financial statements and independent auditor's report.

Precious Lamb Preschool
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2024
(With summarized comparative financial information for the year ended June 30, 2023)

		Without Donor Restrictions	With Donor Restrictions	2024	2023
REVENUE AND OTHER SUPPORT:					
Contributions		\$ 429,913	\$ 201,782	\$ 631,695	\$ 1,000,526
Grants		3,616	215,500	219,116	214,400
Gross Special Events Revenue	304,027				
Less: Cost of Direct Benefits to Donors	<u>(87,214)</u>				
Net Special Events Revenue		216,813	-	216,813	379,049
Investment Return, Net		121,859	-	121,859	73,908
Interest		18,073	-	18,073	9,753
Program Service Revenue		-	-	-	40,000
In-Kind Contributions		<u>62,435</u>	<u>-</u>	<u>62,435</u>	<u>7,594</u>
		852,709	417,282	1,269,991	1,725,230
Net Assets Released from Restrictions		<u>196,551</u>	<u>(196,551)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT		<u>1,049,260</u>	<u>220,731</u>	<u>1,269,991</u>	<u>1,725,230</u>
OPERATING EXPENSES:					
Program Services		1,072,773	-	1,072,773	838,818
Supporting Services:					
Management and General		104,576	-	104,576	122,465
Fundraising		<u>100,077</u>	<u>-</u>	<u>100,077</u>	<u>109,569</u>
TOTAL OPERATING EXPENSES		<u>1,277,426</u>	<u>-</u>	<u>1,277,426</u>	<u>1,070,852</u>
CHANGE IN NET ASSETS FROM OPERATIONS		(228,166)	220,731	(7,435)	654,378
NON-OPERATING EXPENSES					
Loss on Canceled Capital Project		<u>(285,876)</u>	<u>-</u>	<u>(285,876)</u>	<u>-</u>
CHANGE IN NET ASSETS		(514,042)	220,731	(293,311)	654,378
NET ASSETS, BEGINNING OF YEAR		1,417,950	1,153,428	2,571,378	1,917,000
RECLASSIFICATION (SEE NOTE 11)		<u>(253,312)</u>	<u>253,312</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR		<u>\$ 650,596</u>	<u>\$ 1,627,471</u>	<u>\$ 2,278,067</u>	<u>\$ 2,571,378</u>

See accompanying notes to financial statements and independent auditor's report.

Precious Lamb Preschool
Statements of Functional Expenses
For the Year Ended June 30, 2024

(With summarized comparative financial information for the year ended June 30, 2023)

	Program Services	Supporting Services			Cost of Direct Benefits to Donors	2024	2023
		Management and General	Fundraising	Total Supporting Services			
Salaries and wages	\$ 555,476	\$ 40,155	\$ 73,617	\$ 113,772	\$ -	\$ 669,248	\$ 669,157
Staff development	94,999	-	-	-	-	94,999	21,661
Special events expenses	-	-	-	-	87,214	87,214	107,364
Classroom supplies	62,847	-	-	-	-	62,847	48,126
Interest	61,600	6,092	-	6,092	-	67,692	-
In-kind services used	62,435	-	-	-	-	62,435	1,500
Payroll taxes	47,446	3,430	6,288	9,718	-	57,164	54,781
Amortization	46,217	4,498	-	4,498	-	50,715	-
Occupancy	41,337	4,023	-	4,023	-	45,360	48,000
Insurance	28,456	2,057	3,771	5,828	-	34,284	28,549
Employee benefits	26,082	1,885	3,457	5,342	-	31,424	28,464
Family outreach	12,960	-	-	-	-	12,960	19,920
Office	-	12,491	-	12,491	-	12,491	12,976
Telephone and internet	4,035	3,913	3,913	7,826	-	11,861	12,243
Charity processing costs	-	9,670	-	9,670	-	9,670	10,848
Accounting	-	7,275	-	7,275	-	7,275	15,650
Utilities	6,318	615	-	615	-	6,933	-
Repairs and maintenance	6,713	-	-	-	-	6,713	2,747
Depreciation	4,955	1,652	-	1,652	-	6,607	6,606
Marketing	6,539	-	-	-	-	6,539	4,537
Donor development	-	-	6,394	6,394	-	6,394	17,631
Board development	-	5,337	-	5,337	-	5,337	6,513
Postage	-	878	2,637	3,515	-	3,515	2,660
Mentoring	2,115	-	-	-	-	2,115	4,588
Licensing fees	1,431	-	-	-	-	1,431	1,364
Volunteer costs	752	-	-	-	-	752	168
Miscellaneous	-	605	-	605	-	605	777
Security	60	-	-	-	-	60	4,113
Recruitment	-	-	-	-	-	-	19,006
Rental assistance	-	-	-	-	-	-	20,996
School assistance	-	-	-	-	-	-	920
Job assistance	-	-	-	-	-	-	257
Contributed goods used	-	-	-	-	-	-	6,094
	1,072,773	104,576	100,077	204,653	87,214	1,364,640	1,178,216
Less: Expenses included with revenues on the statements of activities and changes in net assets:							
Cost of Direct Benefits to Donors	-	-	-	-	(87,214)	(87,214)	(107,364)
Total Expenses	\$ 1,072,773	\$ 104,576	\$ 100,077	\$ 204,653	\$ -	\$ 1,277,426	\$ 1,070,852

See accompanying notes to financial statements and independent auditor's report.

Precious Lamb Preschool
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (293,311)	\$ 654,378
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	6,607	6,606
Amortization of right-of-use asset	50,715	-
Unrealized gains on investments	(95,039)	(54,339)
Realized gains on investments	-	(6,042)
Loss on disposal of construction in progress	285,876	-
Contribution revenue restricted for long-term purposes	(153,351)	(599,200)
(Increase) decrease in:		
Grants receivable	55,000	(55,000)
Deposits	(14,776)	-
Other non-current assets	609	(1,459)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,537	6,210
Accrued payroll and employee benefits	4,261	10,680
NET CASH USED IN OPERATING ACTIVITIES	(138,872)	(38,166)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(125,686)	(160,158)
Reinvestment of interest and dividends	(34,047)	(28,497)
Sales of grants issued from investments	-	64,971
Purchases of certificate of deposits	-	(202,632)
NET CASH USED IN INVESTING ACTIVITIES	(159,733)	(326,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash contributions restricted for long-term purposes	153,351	599,200
Principal payments on finance lease obligations	(8,812)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	144,539	599,200
NET CHANGE IN CASH AND CASH EQUIVALENTS	(154,066)	234,718
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	730,864	496,146
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 576,798	\$ 730,864
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

See accompanying notes to financial statements and independent auditor's report.

Precious Lamb Preschool
Notes to Financial Statements
June 30, 2024

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 ("US GAAP").

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with US 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.

Financial Statement 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 granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the 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.

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets. Net assets and activities which are donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose or be preserved and not be sold; or (b) assets donated with stipulations that they be invested on a permanent basis to provide a source of income.

Precious Lamb Preschool
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers cash on hand and cash in other depository institutions with an original maturity of three months or less to be cash equivalents. As of June 30, 2024, cash equivalents were comprised of money market funds and amounted to \$417,952.

Grants 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.

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 statements of activities and changes in net assets.

Property and Equipment

Purchased property and equipment are stated at cost at the date of acquisition. The Organization capitalizes all property and equipment purchased exceeding \$1,500. 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.

Revenue Recognition

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.

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.

Precious Lamb Preschool
Notes to Financial Statements
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

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.

Fair Value Measurement

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.

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
Notes to Financial Statements
June 30, 2024

3. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - quoted prices in active markets for identical investments.
- Level 2 - other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 - significant unobservable inputs (including the Organization's own assumptions in determining fair value instruments).

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used as of June 30, 2024.

- Certificates of deposits and investments: Valued using other significant observable inputs.

Fair values of assets measured on a recurring basis are as follows as of June 30, 2024:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Investments Held by Long Beach Community Foundation	\$ -	\$ 1,472,748	\$ -	\$ 1,472,748
Certificate of Deposits	-	209,859	-	209,859
	\$ -	\$ 1,682,607	\$ -	\$ 1,682,607

Investments held by Long Beach Community Foundation include \$1,250,103 of donor restricted funds restricted for the Organization's capital campaign.

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.

See accompanying notes to financial statements and independent auditor's report.

Precious Lamb Preschool
Notes to Financial Statements
June 30, 2024

4. INVESTMENTS (continued)

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.

Net investment return is as follows for the year ended June 30, 2024:

	2024
Unrealized gain	\$ 95,039
Interest and dividends	40,729
Investment expenses	(13,909)
Balance, end of year	<u>\$ 121,859</u>

5. PROPERTY AND EQUIPMENT, NET

The Organization's property and equipment as of June 30, 2024 are as follows:

	2024
Cost:	
Furniture and fixtures	\$ 52,847
Machinery and equipment	18,957
Construction in progress	70,155
	<u>141,959</u>
Less: Accumulated depreciation	(62,149)
Property and equipment, net	<u>\$ 79,810</u>

Depreciation expense for the year ended June 30, 2024 amounted to \$6,607.

Additions to construction in progress unpaid as of June 30, 2024 amounted to \$12,762 which is included in accounts payable and accrued expenses in the accompanying statement of financial position.

During the year ended June 30, 2024, the Organization terminated a construction project at its previous location. As a result, construction in progress totaling \$285,876 was written off in the accompanying statement of activities and changes in net assets.

6. LEASES

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 was considered to be month-to-month. The extended lease requires monthly payments \$4,000 until June 30, 2023.

Precious Lamb Preschool
Notes to Financial Statements
June 30, 2024

6. LEASES (continued)

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 commenced August 10, 2023 at a reduced rate of \$4,081 for 24 months. In January 2024, the lease was cancelled.

On January 29, 2024, the Organization entered into a 10-year noncancellable lease agreement located at 1250 Pacific Avenue, 1218 Pacific Avenue and 135 W. 12th Street, Long Beach California which commenced on April 1, 2024 and includes two 10-year options to extend. Management has determined it is reasonably certain that both extension options will be exercised resulting in a total lease term of 30 years.

Maturity analysis of the Organization's lease liability is as follow:

	<u>2024</u>
<u>Year ended:</u>	
June 30, 2025	\$ 331,520
June 30, 2026	309,619
June 30, 2027	318,381
June 30, 2028	322,127
June 30, 2029	331,244
Thereafter	9,831,813
Amount representing interest	<u>(5,367,658)</u>
	<u>\$ 6,077,046</u>

As of June 30, 2024 the weighted average remaining term of the leases is 29.8 years, while the weighted average discount rate is 4.47%.

The following summarizes cash flow information related to lease for the year ended June 30, 2024:

	<u>2024</u>
Finance lease expenses:	
Amortization of right-of-use asset	\$ 50,715
Interest expense	67,692
	<u>\$ 118,407</u>
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 76,505</u>
ROU asset obtained in exchange for finance lease liability	<u>\$ 6,085,858</u>

Precious Lamb Preschool
Notes to Financial Statements
June 30, 2024

7. NET ASSETS

Net assets with donor restrictions are as follows as of June 30, 2024:

	2023	Additions	Releases	2024
New Home	\$ 1,238,699	\$ 153,351		\$ 1,392,050
Rental support	-	178,510	(51,003)	127,507
Playground	60,518	-	(475)	60,043
On-Site Family Resource Center	58,473	9,421	(45,846)	22,048
Scholarships	19,189	-	(11,415)	7,774
Parenting Classes	2,775	-	(2,775)	-
Staff Development	-	20,000	(20,000)	-
Other Educational Support	27,086	56,000	(65,037)	18,049
	<u>\$ 1,406,740</u>	<u>\$ 417,282</u>	<u>\$ (196,551)</u>	<u>\$ 1,627,471</u>

8. IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions of goods and services that are recognized as revenue and expense in the accompanying financial statements if they meet the recognition criteria under U.S. GAAP. Contributed goods are recorded at their estimated fair value at the date of donation. Contributed services are recognized if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

For the year ended June 30, 2024, the Organization recognized in-kind contributions of professional legal services valued at approximately \$62,400. There were no contributed goods for the year ended June 30, 2024.

9. CONCENTRATIONS AND 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, 2024, uninsured cash balances totaled \$326,798. Cash and cash equivalent balances deposited and maintained by financial institutions differ from cash and cash equivalents presented in the statements 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
Notes to Financial Statements
June 30, 2024

10. LIQUIDITY AND AVAILABILITY

The Organization's financial assets available for general expenditures that are without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2024
Cash and cash equivalents	\$ 576,798
Investments	1,472,748
Grant receivables	25,000
Certificate of deposits	209,859
Financial assets, end of year	<u>2,284,405</u>
Less those unavailable for general expenditures within one year, due to:	
Purpose or time restrictions imposed by donors	<u>(1,627,471)</u>
Deficit in assets required to meet cash needs for general expenditures within one year	<u>\$ 656,934</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.

11. RECLASSIFICATION

The Organization identified \$253,000 that had been previously released into net assets without donor restrictions for capital projects not yet placed in service. Accordingly, beginning balances in the accompanying statement of activities and changes in net assets have been adjusted to reclassify these amounts from net assets without donor restrictions back to net assets with donor restrictions. This reclassification did not affect the change in net assets for the current year.

12. SUBSEQUENT EVENTS

Management has evaluated events and transactions that would require recognition or disclosure through August 28, 2025, which was the date the financial statements were available to be issued, and determined that, except as disclosed below, there have been no events that have occurred that would require adjustments for recognition or disclosure in the financial statements.

In July 2025, the Organization entered into a line of credit agreement for a maximum borrowing of \$1,000,000. The line accrues interest at 7.0%, with monthly interest-only payments. Annual principal reduction payments of \$350,000 are due on May 31, 2026 and May 31, 2027, followed by a principal reduction payment of \$300,000 due on May 31, 2028. All remaining principal and accrued interest are payable at maturity in July 2028.