

CONSOLIDATED FINANCIAL STATEMENTS



PROJECT CONCERN INTERNATIONAL

**FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

PROJECT CONCERN INTERNATIONAL

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project Concern International
San Diego, California

Opinion

We have audited the accompanying consolidated financial statements of Project Concern International (PCI), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PCI as of September 30, 2022 and 2021, and the consolidated 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 audits 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 Consolidated Financial Statements section of our report. We are required to be independent of PCI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PCI's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.

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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 consolidated 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 consolidated 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 consolidated 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 PCI'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PCI'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, on our consideration of PCI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PCI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCI's internal control over financial reporting and compliance.



March 23, 2023

PROJECT CONCERN INTERNATIONAL
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	3,419,225	\$ 11,333,983
Pledges receivable		5,617,284	4,752,392
Grants and accounts receivable		5,928	175,813
Other current assets		<u>500</u>	<u>120</u>
Total current assets		<u>9,042,937</u>	<u>16,262,308</u>
NONCURRENT ASSETS			
Pledges receivable, net of current portion		<u>1,289,011</u>	<u>870,858</u>
TOTAL ASSETS		<u>\$ 10,331,948</u>	<u>\$ 17,133,166</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	1,124,713	\$ 6,992,155
Refundable advance		<u>310,303</u>	<u>366,048</u>
Total liabilities		<u>1,435,016</u>	<u>7,358,203</u>
NET ASSETS			
Without donor restrictions		725,628	674,557
With donor restrictions		<u>8,171,304</u>	<u>9,100,406</u>
Total net assets		<u>8,896,932</u>	<u>9,774,963</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 10,331,948</u>	<u>\$ 17,133,166</u>

PROJECT CONCERN INTERNATIONAL

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 4,159,754	\$ -	\$ 4,159,754
Contributions	-	7,742,761	7,742,761
Non-Government grants	213,749	-	213,749
Interest	41,155	-	41,155
Other revenue	12,231	-	12,231
Net assets released from donor restrictions	<u>8,671,863</u>	<u>(8,671,863)</u>	<u>-</u>
Total support and revenue	<u>13,098,752</u>	<u>(929,102)</u>	<u>12,169,650</u>
EXPENSES			
Program Services	<u>11,909,456</u>	<u>-</u>	<u>11,909,456</u>
Supporting Services:			
Management and General	1,124,358	-	1,124,358
Fundraising	<u>13,867</u>	<u>-</u>	<u>13,867</u>
Total supporting services	<u>1,138,225</u>	<u>-</u>	<u>1,138,225</u>
Total expenses	<u>13,047,681</u>	<u>-</u>	<u>13,047,681</u>
Changes in net assets	51,071	(929,102)	(878,031)
Net assets at beginning of year	<u>674,557</u>	<u>9,100,406</u>	<u>9,774,963</u>
NET ASSETS AT END OF YEAR	<u>\$ 725,628</u>	<u>\$ 8,171,304</u>	<u>\$ 8,896,932</u>

PROJECT CONCERN INTERNATIONAL

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 33,909,561	\$ -	\$ 33,909,561
Contributions	382,511	10,830,478	11,212,989
Non-Government grants	2,144,555	-	2,144,555
In-kind contributions	2,526	-	2,526
Agricultural commodities	1,689,081	-	1,689,081
Other revenue	4,838,200	-	4,838,200
Investment income, net	81,669	16,346	98,015
Net assets released from donor restrictions	<u>9,529,609</u>	<u>(9,529,609)</u>	<u>-</u>
Total support and revenue	<u>52,577,712</u>	<u>1,317,215</u>	<u>53,894,927</u>
EXPENSES			
Program Services	<u>43,305,594</u>	<u>-</u>	<u>43,305,594</u>
Supporting Services:			
Management and General	9,634,485	-	9,634,485
Fundraising	<u>375,505</u>	<u>-</u>	<u>375,505</u>
Total supporting services	<u>10,009,990</u>	<u>-</u>	<u>10,009,990</u>
Total expenses	<u>53,315,584</u>	<u>-</u>	<u>53,315,584</u>
Changes in net assets before other items	(737,872)	1,317,215	579,343
OTHER ITEMS			
Extinguishment of debt	1,286,300	-	1,286,300
Transfer of net assets	<u>(1,730,132)</u>	<u>(6,291,438)</u>	<u>(8,021,570)</u>
Changes in net assets	(1,181,704)	(4,974,223)	(6,155,927)
Net assets at beginning of year	<u>1,856,261</u>	<u>14,074,629</u>	<u>15,930,890</u>
NET ASSETS AT END OF YEAR	<u>\$ 674,557</u>	<u>\$ 9,100,406</u>	<u>\$ 9,774,963</u>

PROJECT CONCERN INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
	International	Management and General	Fundraising		
Personnel costs	\$ 135,185	\$ 520,159	\$ -	\$ 520,159	\$ 655,344
Sub grants/consultants	11,730,335	147,425	-	147,425	11,877,760
Equipment/supplies	37	261	-	261	298
Other direct costs	52,132	451,286	13,867	465,153	517,285
Facilities/communications	4,432	2,684	-	2,684	7,116
Travel/training	(12,665)	2,543	-	2,543	(10,122)
TOTAL EXPENSES WITH INDIRECT	\$ 11,909,456	\$ 1,124,358	\$ 13,867	\$ 1,138,225	\$ 13,047,681

⁽¹⁾ Management and general and fundraising costs include all costs not directly charged to programs. Included in management and general costs are approximately \$351,000 in program support costs for the year ended September 30, 2022.

PROJECT CONCERN INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services			Supporting Services			Total Expenses
	International	Domestic	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel costs	\$ 17,045,062	\$ 1,019,610	\$ 18,064,672	\$ 6,660,334	\$ 250,697	\$ 6,911,031	\$ 24,975,703
Sub grants/consultants	11,143,463	155,227	11,298,690	951,733	31,939	983,672	12,282,362
Equipment/supplies	7,658,323	23,896	7,682,219	9,741	1,628	11,369	7,693,588
Other direct costs	1,318,287	68,843	1,387,130	1,215,378	79,440	1,294,818	2,681,948
Facilities/communications	1,185,862	92,735	1,278,597	736,701	9,467	746,168	2,024,765
Travel/training	1,894,343	8,336	1,902,679	60,598	2,334	62,932	1,965,611
Donated commodities and services	1,691,607	-	1,691,607	-	-	-	1,691,607
TOTAL EXPENSES WITH INDIRECT	\$ 41,936,947	\$ 1,368,647	\$ 43,305,594	\$ 9,634,485	\$ 375,505	\$ 10,009,990	\$ 53,315,584

⁽¹⁾ Management and general and fundraising costs include all costs not directly charged to programs. Included in management and general costs are approximately \$2,774,000 in program support costs for the year ended September 30, 2021.

PROJECT CONCERN INTERNATIONAL

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (878,031)	\$ (6,155,927)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	-	9,398
Unrealized gain	-	(32,127)
Change in discount on long-term receivables	80,563	-
Transfer to Global Communities	-	6,356,836
Transfer to PCI India	-	(805,017)
Extinguishment of debt	-	(1,286,300)
(Increase) decrease in:		
Pledges receivable	(1,363,608)	(5,210,481)
Grants and accounts receivable	169,885	4,592,591
Other current assets	(380)	1,497,635
(Decrease) increase in:		
Accounts payable and accrued liabilities	(5,867,442)	(4,041,488)
Refundable advance	<u>(55,745)</u>	<u>2,405,250</u>
Net cash used by operating activities	<u>(7,914,758)</u>	<u>(2,669,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>-</u>	<u>(45,416)</u>
Net cash used by investing activities	<u>-</u>	<u>(45,416)</u>
Net decrease in cash and cash equivalents	(7,914,758)	(2,715,046)
Cash and cash equivalents at beginning of year	<u>11,333,983</u>	<u>14,049,029</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,419,225</u>	<u>\$ 11,333,983</u>
SUPPLEMENTAL INFORMATION:		
Inventory Decrease Included in Refundable Advance	<u>\$ -</u>	<u>\$ (494,256)</u>

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Project Concern International (PCI) is an international, non-governmental, nonprofit organization whose mission is to empower people to enhance health, end hunger, overcome hardship, and advance women and girls. Programmatic focus areas include disease prevention, health and nutrition, water and sanitation, food and livelihood security, humanitarian assistance, and disaster risk management. PCI is currently operating in two countries worldwide: India and Nicaragua.

AfriScout, LLC is a limited liability company, incorporated in California. For the years ended September 30, 2022 and 2021, AfriScout LLC had minimal activity. In May 2022, AfriScout, LLC was merged into a limited liability company of Global Communities, incorporated in Maryland.

In April 2020, PCI merged with Global Communities, a non-profit organization incorporated under the laws of the State of New Jersey in 1952. Global Communities currently provides technical assistance to individuals, international governmental organizations, and private organizations, that, in turn, assist their citizens or members in improving their homes and communities. Global Communities also provides capital assistance, which includes making home and community improvement loans to low income individuals in developing countries. PCI will operate as a wholly-owned subsidiary of Global Communities until the time it is fully integrated into Global Communities' operations.

In July 2021, the United States Government, through USAID's Office of the General Counsel, fully accepted and signed a Novation Agreement that replaced PCI with Global Communities as the contractor of record with regard to all Federal prime programs/awards. Accordingly, the majority of PCI's assets, liabilities and employees transferred to Global Communities effective September 1, 2021. PCI will continue to maintain certain projects funded by private foundations and other donors with the assistance of Global Communities.

Principles of consolidation -

The accounts of PCI have been consolidated with AfriScout, LLC (collectively, PCI) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. The Board Designated Net Assets were transferred to Global Communities as part of the Novation Agreement during the year ended September 30, 2021. Accordingly, as of September 30, 2022 and 2021, there were no Board designated net assets.

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than PCI's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The accompanying consolidated financial statements represent the activity of PCI only. For the years ended September 30, 2022 and 2021, the financial statements of PCI have been consolidated with Global Communities in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The consolidated financial statements are available at PCI's headquarters.

New accounting pronouncements adopted -

During 2022, PCI adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was applied retrospectively. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

During 2021, PCI adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way PCI recognized revenue; however, the presentation and disclosures of revenue have been enhanced. PCI has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

PCI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, PCI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

PCI had approximately \$65,800 and \$135,500 of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2022 and 2021, respectively. The majority of funds invested in foreign countries are uninsured.

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Cash and cash equivalents (continued) -

Certain local donors and countries require PCI to hold cash related to the programs they fund in separate bank accounts until disbursed.

Investments -

Investments were transferred to Global Communities as part of the Novation Agreement during the year ended September 30, 2021. Investments are recorded at their readily determinable fair value.

Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Investment income, net of investment expenses or loss (including interest and unrealized and realized gains and losses) is included in revenues without donor restrictions, unless restricted by donor or law.

Pledges, grants and accounts receivable -

Pledges, grants and accounts receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Fixed assets were transferred to Global Communities as part of the Novation Agreement during the year ended September 30, 2021. Depreciation and amortization expense for the years ended September 30, 2022 and 2021 totaled \$0 and \$9,398, respectively.

Furniture and equipment acquired with grant funds are expensed in the year acquired. Although the equipment is considered to be owned by PCI while used in the program or in future authorized programs, the funding sources may have a reversionary interest in the property as well as the right to determine the use of any proceeds from the sale of assets purchased with their respective funds.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statements of Activities and Changes in Net Assets, to its current fair value. For the years ended September 30, 2022 and 2021, no such write-downs have occurred.

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

PCI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. PCI had no provision for unrelated business income taxes for the years ended September 30, 2022 and 2021. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. PCI files an exempt organization return in the United States federal jurisdiction and with the Franchise Tax Board in the state of California. PCI is not a private foundation.

For the purpose of corporate tax reporting for the LLC, all financial transactions are reported under PCI's filing status.

Uncertain tax positions -

For the year ended September 30, 2022 and 2021, PCI has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Revenue recognition -

The majority of PCI's activities are supported by grants and contributions from the U.S. Government and other private entities. These awards are for various activities performed by PCI. Grants and contributions are recognized in the appropriate category of net assets in the period received. PCI performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return from obligation provision that limits PCI on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. PCI recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Agricultural commodities revenue is recognized as conditions are met which is upon the distribution of commodities to beneficiaries.

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

When certain commodities are sold, funds generated upon sale are recognized as government grant revenue when the funds are expended per the terms of the related agreements. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as contributions, PCI had approximately \$5,900,000 and \$- in unrecognized conditional awards as of September 30, 2022 and 2021.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. PCI has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost.

In-kind contributions -

The value of services donated by foreign governmental agencies and other donors is recorded as in-kind contributions without donor restrictions and program services expense in the year donated. Contributions include volunteer assistance of medical and other technical professionals. These contributions are valued at fair value of similar services in the country or locality in which the services were received. For the years ended September 30, 2022 and 2021, the fair value of these contributions was approximately \$- and \$2,526, respectively.

Foreign currency translation -

The U.S. Dollar is the functional currency for PCI's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Consolidated Statements of Financial Position.

Currency risk -

PCI is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar. There is also a Consolidated Statement of Financial Position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into U.S. Dollars as a result of currency movements.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of PCI are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Risks and uncertainties -

PCI invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

PCI adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. PCI accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement not yet adopted -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. PCI plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

PCI had no investments as of September 30, 2022 and 2021.

Included in investment income are the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 41,155	\$ 76,880
Unrealized gain	-	32,217
Investment management fees	<u>-</u>	<u>(11,082)</u>
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	<u>\$ 41,155</u>	<u>\$ 98,015</u>

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3. PLEDGES RECEIVABLE

As of September 30, 2022 and 2021, contributors to PCI have made unconditional written promises to give, of which \$6,986,858 and \$5,623,250, respectively, remained due and outstanding. Following is a schedule of amounts due, by year, as of September 30, 2022 and 2021:

	2022	2021
Less than one year	\$ 5,617,284	\$ 4,752,392
One to five years	1,369,574	870,858
Less: Allowance to discount balance to present value	(80,563)	-
TOTAL	\$ 6,906,295	\$ 5,623,250

4. NOTE PAYABLE

PCI received \$1,286,300 in funding from the United States Small Business Administration's (SBA) Payment Protection Program (PPP) under the Coronavirus Aid Relief and Economic Security Act on April 20, 2020. The loan is forgivable to the extent it is used for certain allowable costs during the twenty-four weeks after funding. Allowable costs include payroll-related costs and payments for covered utilities.

During the year ended September 30, 2021, PCI expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and received full forgiveness from the SBA in May 2021. Accordingly, during the year ended September 30, 2021, PCI recorded revenue from extinguishment of debt in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

5. LINE OF CREDIT

PCI had a \$2,500,000 line of credit with a bank which expired October 31, 2021. The line of credit had an interest rate of prime plus 0.25 percent and a floor of 3.5 percent (rate was 3.5 percent at time of expiration and at September 30, 2021). The line of credit was secured by all of PCI's assets. The line of credit had a zero balance at September 30, 2021 and there was no activity during the year ended September 30, 2022 through expiration.

Under the terms of the line of credit agreement, PCI was required to maintain compliance with covenants. Financial covenants include having a minimum current-assets-to-current liabilities ratio of 1.2 to 1.

There was no interest expense for the years ended September 30, 2022 and 2021.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose:		
India	\$ 8,171,304	\$ 9,080,406
Kenya	-	20,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 8,171,304	\$ 9,100,406

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6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
San Diego and multi-country programs	\$ -	\$ 2,590,093
India	8,651,863	5,879,071
Tanzania	-	615,301
Mexico/U.S. Border Programs	-	54,127
Guatemala	-	253,486
Kenya	20,000	129,640
Nicaragua	-	7,775
Malawi	-	<u>116</u>
 NET ASSETS RELEASED FROM DONOR RESTRICTIONS	 <u>\$ 8,671,863</u>	 <u>\$ 9,529,609</u>

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statements of Financial Position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,419,225	\$ 11,333,983
Pledges receivable	6,906,295	5,623,250
Grants and accounts receivable	<u>5,928</u>	<u>175,813</u>
 Subtotal financial assets available within one year	 10,331,448	 17,133,046
Less: Donor restricted funds	<u>(8,171,304)</u>	<u>(9,100,406)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 2,160,144</u>	 <u>\$ 8,032,640</u>

As part of PCI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

8. LEASE COMMITMENTS

During the years ended September 30, 2022 and 2021, PCI occupied office spaces in both San Diego and Washington D.C. Global Communities became the tenant on record for both the San Diego and Washington D.C. office spaces during the year ended September 30, 2022. Accordingly, PCI has no future minimum lease obligations under these agreements.

PCI leased certain office equipment and space for field offices under non-cancelable operating leases which expired through March 2022 and had monthly payments ranging from approximately \$90 to \$750.

Worldwide rent expense for the years ended September 30, 2022 and 2021 totaled \$3,500 and \$1,169,000, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

8. LEASE COMMITMENTS (Continued)

During the year ended September 30, 2021, PCI subleased a portion of its office space under various leases expiring throughout 2023. When Global Communities became the tenant of record, the sublease was transferred to them.

Rental income for the years ended September 30, 2022 and 2021 totaled \$0 and \$55,000, respectively. Rental income is used to reduce office rent expense which is included in Facilities/communications on the accompanying Consolidated Statements of Functional Expenses.

9. RETIREMENT PLAN

PCI had a defined contribution plan (the Plan), which was terminated effective March 31, 2022. The Plan covered substantially all full-time employees who were legal residents of the United States of America. Through December 31, 2020, PCI made matching contributions to the Plan of up to 3 percent of an employee's salary and a non-elective contribution of 3 percent of an employee's salary.

The Plan was amended effective January 1, 2021. After the amendment, PCI made safe harbor non-elective contributions of 3 percent of Employee's compensation for the year. Additionally, under plan provisions, PCI could elect to contribute a discretionary amount each year. Contributions to the Plan by PCI for the years ended September 30, 2022 and 2021 were approximately \$29,500 and \$650,000, respectively.

10. CONCENTRATION OF REVENUE

During the years ended September 30, 2022 and 2021, PCI received significant grants and contributions, including cash and commodities, from the following sources and recognized in revenue as follows:

	<u>2022</u>	<u>2021</u>
The Bill and Melinda Gates Foundation	\$ 7,850,000	\$ 8,283,269
United States Department of Agriculture	3,302,330	11,717,692
World Vision	856,938	-
United States Agency for International Development	-	21,148,619
United States Department of Health and Human Services	-	1,043,294
The David and Lucile Packard Foundation	-	<u>1,000,000</u>
TOTAL	<u>\$ 12,009,268</u>	<u>\$ 43,192,874</u>

As of September 30, 2022 and 2021, PCI had significant pledges and grant receivables from the following sources:

	<u>2022</u>	<u>2021</u>
The Bill and Melinda Gates Foundation	\$ 6,906,295	\$ 4,570,761
The David and Lucile Packard Foundation	-	<u>1,000,000</u>
TOTAL	<u>\$ 6,906,295</u>	<u>\$ 5,570,761</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

10. CONCENTRATION OF REVENUE (Continued)

PCI has no reason to believe that relationships will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect PCI's ability to finance ongoing operations.

11. CONTINGENCY

Grants -

PCI receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2022. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

PCI has entered into grant agreements with federal entities that require PCI to provide additional funding through cash or other in-kind services and supplies. If PCI does not meet the terms of the agreements, funding from the grantor could be required to be returned. Management is not aware of any unmet match requirements as of September 30, 2022 and 2021.

Legal matters -

Various lawsuits and other contingent liabilities arise in the ordinary course of PCI's activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on PCI's consolidated financial statements.

Customs fees -

In 2002, 2003, 2007, 2008 and 2009, PCI imported commodities for its program in a South American country. These commodities were for both monetization (resale to generate program resources) and distribution to program participants. No commodities were imported from 2004 to 2006.

There is currently a bilateral agreement signed between the United States Federal Government and the local government that exempts commodity transactions from customs fees. Additional agreements exist between PCI and ministries of the local government exempting PCI from any customs fees. Additionally, a framework agreement exists between PCI and the government of this country, which may exempt such commodities from tax.

PCI received notifications from the Customs Office in this country that the commodities it imports for monetization are subject to customs fees, taxes and penalties. The amount being requested as of September 30, 2022 is approximately \$2,640,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

11. CONTINGENCY (Continued)

Customs fees (continued) -

Several other major United States-based organizations working in the same country on similar programs during that timeframe received similar notifications. Funding for all of these programs has been provided by the United States Agency for International Development (USAID) and the United States Department of Agriculture (together "the Donors"). PCI and legal counsel believe that a 2009 law change, with which PCI is in compliance, appears to have been incorrectly applied retroactively in this situation. PCI and legal counsel also believe that other agreements between PCI and the local government provide further support that there is no liability as asserted.

PCI has contested these claims through the Tax Appeal Authority and Supreme Court in country, with some success in the past. PCI is currently pursuing resolution of this issue through both administrative and legal actions and will leverage the previous Supreme Court decisions during this process. The Donors have also intervened with the local government. A liability resulting from this matter is not considered probable; accordingly, no amounts have been accrued as of September 30, 2022 and 2021.

Department of Justice settlement -

During the year ended September 30, 2021, an investigation was commenced by the Department of Justice (DOJ) in response to a whistleblower complaint relating to improper timekeeping records for fiscal years 2013-2017. As a result of the investigation, the DOJ has requested a settlement, including a whistleblower settlement. PCI recorded an estimate of approximately \$670,000 to settle this matter during the year ended September 30, 2021 and settled the matter during the year ended September 30, 2022.

12. RELATED PARTY

As a result of the combination agreement with Global Communities (Note 1), PCI incurred expenses on behalf of Global Communities. In July 2021, PCI obtained a novation agreement and or assignment letters from the U.S. Government to transfer all federal awards to Global Communities. In addition, as of September 1, 2021, PCI transferred most investments and country office balances to Global Communities. During the years ended September 30, 2022 and 2021, there were intercompany billings between Global Communities and PCI in the amount of \$119,301 and \$4,423,483, respectively. These amounts are included in Other revenue in the accompanying consolidated Statements of Activities in Net Assets.

As of September 30, 2022 and 2021, PCI owed Global Communities \$723,161 and \$5,617,535, respectively. These amounts are included in accounts payable and accrued expenses in the accompanying Statements of Financial Position.

13. ENDOWMENT

All Endowment assets were transferred to Global Communities during the year ended September 30, 2021, accordingly, Endowment asset balances are \$0 as of September 30, 2022 and 2021.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. ENDOWMENT (Continued)

The following are changes in endowment net assets for the year ended September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 714,736	\$ 714,736
Transfer to Global Communities	<u>-</u>	<u>(714,736)</u>	<u>(714,736)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

14. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, PCI has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, the date the consolidated financial statements were issued.