



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

PROJECT CONCERN INTERNATIONAL

September 30, 2020 and 2019



MOSSADAMS

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Report of Independent Auditors

To the Board of Directors
Project Concern International

Report on the Financial Statements

We have audited the accompanying financial statements of Project Concern International, which comprise the statements of financial position as of September 30, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Concern International as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Diego, California
March 19, 2021

Project Concern International
Statements of Financial Position

ASSETS		September 30,	
		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	14,049,029	\$ 7,099,093
Investments		1,715,618	1,908,368
Grants and accounts receivable		5,187,379	5,905,310
Unconditional promises to give		828,247	2,144,672
Inventory		731,345	766,016
Other current assets		<u>2,047,506</u>	<u>1,168,549</u>
Total current assets		<u>24,559,124</u>	<u>18,992,008</u>
PROPERTY AND EQUIPMENT			
Land and leasehold improvements		43,181	43,181
Furniture, equipment, and software		<u>618,884</u>	<u>613,302</u>
		662,065	656,483
Less accumulated depreciation		<u>643,619</u>	<u>626,788</u>
Net property and equipment		<u>18,446</u>	<u>29,695</u>
ENDOWMENT ASSETS		<u>714,736</u>	<u>704,795</u>
Total assets		<u>\$ 25,292,306</u>	<u>\$ 19,726,498</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Deferred revenue	\$	3,180,375	\$ 3,353,325
Accounts payable and accrued expenses		<u>4,894,741</u>	<u>4,452,349</u>
Total current liabilities		8,075,116	7,805,674
NOTE PAYABLE		<u>1,286,300</u>	<u>-</u>
Total liabilities		<u>9,361,416</u>	<u>7,805,674</u>
COMMITMENTS AND CONTINGENCIES (NOTES 6 and 8)			
NET ASSETS			
Without donor restrictions			
Undesignated		312,462	1,538,133
Board-designated (Note 1)		<u>1,543,799</u>	<u>1,475,072</u>
Total without donor restrictions		1,856,261	3,013,205
With donor restrictions		<u>14,074,629</u>	<u>8,907,619</u>
Total net assets		<u>15,930,890</u>	<u>11,920,824</u>
Total liabilities and net assets		<u>\$ 25,292,306</u>	<u>\$ 19,726,498</u>

See accompanying notes.

Project Concern International Statements of Activities

	Years Ended September 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government grants	\$ 33,187,670	\$ -	\$ 33,187,670	\$ 38,939,671	\$ -	\$ 38,939,671
Contributions	860,563	14,239,431	15,099,994	1,116,261	978,254	2,094,515
Contributions, in-kind	2,554,736	-	2,554,736	2,947,842	-	2,947,842
Agricultural commodities	1,384,459	-	1,384,459	3,683,659	-	3,683,659
Non-government grants	1,173,302	-	1,173,302	7,072,808	-	7,072,808
Other	295,890	-	295,890	285,658	-	285,658
Investment income, net of investment expenses	189,126	2,941	192,067	194,241	(3,479)	190,762
Net assets released from restrictions						
Satisfaction of purpose and time restrictions	9,075,362	(9,075,362)	-	2,595,211	(2,595,211)	-
Total support and revenue	48,721,108	5,167,010	53,888,118	56,835,351	(1,620,436)	55,214,915
EXPENSES						
Program services	40,001,711	-	40,001,711	46,999,606	-	46,999,606
Supporting services						
Management and general	9,090,384	-	9,090,384 ⁽¹⁾	8,709,856	-	8,709,856 ⁽¹⁾
Fundraising	785,957	-	785,957 ⁽¹⁾	837,321	-	837,321 ⁽¹⁾
Total expenses	49,878,052	-	49,878,052	56,546,783	-	56,546,783
CHANGE IN NET ASSETS	(1,156,944)	5,167,010	4,010,066	288,568	(1,620,436)	(1,331,868)
NET ASSETS						
Beginning of year	3,013,205	8,907,619	11,920,824	2,724,637	10,528,055	13,252,692
End of year	\$ 1,856,261	\$ 14,074,629	\$ 15,930,890	\$ 3,013,205	\$ 8,907,619	\$ 11,920,824

⁽¹⁾ See (1) at Statement of Functional Expenses for the years ended September 30, 2020 and 2019, on page 5 and 6, respectively.

Project Concern International Statement of Functional Expenses

	Year Ended September 30, 2020						
	Program Services			Supporting Services			Grand Total
	International	Domestic	Total	Management and General	Fundraising	Total	
Personnel costs	\$ 16,552,086	\$ 810,911	\$ 17,362,997	\$ 6,489,444	\$ 409,050	\$ 6,898,494	\$ 24,261,491
Sub grants/consultants	8,874,741	283,702	9,158,443	400,293	72,519	472,812	9,631,255
Equipment/supplies	4,146,182	34,308	4,180,490	16,851	20,690	37,541	4,218,031
Donated commodities and services	3,939,195	-	3,939,195	-	-	-	3,939,195
Travel/training	2,587,535	30,166	2,617,701	149,223	40,949	190,172	2,807,873
Other direct costs	1,117,369	95,332	1,212,701	1,275,442	224,177	1,499,619	2,712,320
Facilities/communications	1,400,138	130,046	1,530,184	759,131	18,572	777,703	2,307,887
Total functional expenses per statement of activities	38,617,246	1,384,465	40,001,711	9,090,384 ⁽¹⁾	785,957 ⁽¹⁾	9,876,341	49,878,052
Indirect cost allocations	7,055,066	334,763	7,389,829	(7,389,829)	-	(7,389,829)	-
Total expenses with indirect cost allocations	<u>\$ 45,672,312</u>	<u>\$ 1,719,228</u>	<u>\$ 47,391,540</u>	<u>\$ 1,700,555</u>	<u>\$ 785,957</u>	<u>\$ 2,486,512</u>	<u>\$ 49,878,052</u>

⁽¹⁾ Management and general and fundraising costs include all costs not directly charged to programs. Included in management and general costs are approximately \$1,838,000 in program support costs for the year ended September 30, 2020.

Project Concern International Statement of Functional Expenses (Continued)

	Year Ended September 30, 2019						
	Program Services			Supporting Services			Grand Total
	International	Domestic	Total	Management and General	Fundraising	Total	
Personnel costs	\$ 15,840,823	\$ 1,075,942	\$ 16,916,765	\$ 5,959,881	\$ 412,064	\$ 6,371,945	\$ 23,288,710
Sub grants/consultants	10,925,431	335,241	11,260,672	670,744	103,275	774,019	12,034,691
Donated commodities and services	6,631,467	34	6,631,501	-	-	-	6,631,501
Travel/training	4,260,338	100,292	4,360,630	349,329	36,025	385,354	4,745,984
Equipment/supplies	4,387,070	15,494	4,402,564	21,018	52,201	73,219	4,475,783
Other direct costs	1,576,379	84,362	1,660,741	951,910	221,476	1,173,386	2,834,127
Facilities/communications	1,571,199	195,534	1,766,733	756,974	12,280	769,254	2,535,987
Total functional expenses per statement of activities	45,192,707	1,806,899	46,999,606	8,709,856 ⁽¹⁾	837,321 ⁽¹⁾	9,547,177	56,546,783
Indirect cost allocations	7,736,074	443,741	8,179,815	(8,179,815)	-	(8,179,815)	-
Total expenses with indirect cost allocations	<u>\$ 52,928,781</u>	<u>\$ 2,250,640</u>	<u>\$ 55,179,421</u>	<u>\$ 530,041</u>	<u>\$ 837,321</u>	<u>\$ 1,367,362</u>	<u>\$ 56,546,783</u>

⁽¹⁾ Management and general and fundraising costs include all costs not directly charged to programs. Included in management and general costs are approximately \$1,780,000 in program support costs for the year ended September 30, 2019.

Project Concern International
Statements of Cash Flows

	Years Ended September 30,	
	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 4,010,066	\$ (1,331,868)
Reconciliation to net cash from operating activities		
Depreciation	16,831	20,988
Endowment contributions with donor restrictions	(7,000)	(28,565)
Unrealized (gains) losses on endowment assets	(2,941)	3,479
(Increase) decrease in operating assets		
Grants and accounts receivable	717,931	(1,529,036)
Unconditional promises to give	1,316,425	2,315,678
Other current assets	(878,957)	543,906
Increase (decrease) in operating liabilities		
Deferred revenue, net of change in inventory	(138,279)	(2,874,772)
Accounts payable and accrued expenses	442,392	238,187
Net cash provided by (used in) operating activities	<u>5,476,468</u>	<u>(2,642,003)</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	261,477	276,109
Purchase of investments	(68,727)	(97,567)
Increase in endowment assets	(7,000)	(28,565)
Purchases of property and equipment	<u>(5,582)</u>	<u>-</u>
Net cash provided by investing activities	<u>180,168</u>	<u>149,977</u>
FINANCING ACTIVITIES		
Proceeds from note payable	1,286,300	-
Endowment contributions received in cash	<u>7,000</u>	<u>28,565</u>
Net cash provided by financing activities	<u>1,293,300</u>	<u>28,565</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,949,936	(2,463,461)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>7,099,093</u>	<u>9,562,554</u>
End of year	<u>\$ 14,049,029</u>	<u>\$ 7,099,093</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Inventory increases included in deferred revenue	<u>\$ 34,671</u>	<u>\$ 766,016</u>

Project Concern International

Notes to Financial Statements

Note 1 – Summary of Organization and Significant Accounting Policies

Nature of operations – Project Concern International (“PCI”) is an international, non-governmental, non-profit 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 14 countries worldwide: Bolivia*, Botswana, Burkina Faso*, Ethiopia, Guatemala, Haiti*, India, Kenya, Malawi, Mexico*, Nicaragua, Tanzania, United States, and Zambia. The asterisk “*” indicates those countries where PCI works only through local partners.

On April 6, 2020, Global Communities and PCI announced they have entered into a combination agreement to work with more communities around the world to achieve long-lasting, transformational change. PCI became a supporting organization (subsidiary) of Global Communities and will continue its separate corporate existence through the transition period. During the transition period of approximately 18 months, the two organizations will operate as Global Communities and PCI, a partner of Global Communities. Both organizations are committed to continuing to deliver excellent results with quantifiable impact in all ongoing projects. Following full integration, the combined entity will be known as Global Communities, with an international headquarters in Silver Spring. San Diego will be the West coast home of Global Communities and the base for expanding the impact of critical ongoing domestic health programs. PCI and Global Communities are planning to be fully integrated by October 1, 2021, and actively working on novating and reassigning PCI’s federal and nonfederal awards to Global Communities.

Income tax status – PCI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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, 2020 and 2019. PCI had no unrecognized tax benefits or liabilities as of September 30, 2020 and 2019. PCI files an exempt organization return in the United States federal jurisdiction and with the Franchise Tax Board in the state of California.

Consolidation – The accompanying financial statements for the years ended September 30, 2020 and 2019, include the accounting of PCI and its wholly owned subsidiary, AfriScout LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial statement presentation – The financial statements of PCI have been prepared on the accrual basis of accounting. Resources are reported in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action from the Board of Directors (the “Board”). As of September 30, 2020 and 2019, the Board has designated net assets without donor restrictions of approximately \$1.5 million as a reserve.

Project Concern International Notes to Financial Statements

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

- *With donor restrictions* – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of PCI pursuant to those stipulations or that expire by a passage of time or net assets subject to donor-imposed stipulations that they be maintained in perpetuity for the purpose of generating investment income, net of investment expenses, to fund current operations or other donor-specified purposes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and cash equivalents – Cash and cash equivalents are defined as cash on hand in banks plus all short-term investments with an original maturity, at the date of purchase, of three months or less.

Investments and endowment investments (included in endowment assets)

- Investments are comprised of exchange traded funds (ETFs) and certificates of deposit (with an original maturity in excess of three months) at September 30, 2020 and 2019. The fair value of the ETFs is based on quoted prices in an active market. The fair value of certificates of deposit is determined by discounting the related cash flow based on the current yield on similar instruments with comparable durations considering the creditworthiness of the issuer.
- The fair value of the ETFs is based on quoted prices in an active market. The fair value of investments held by The San Diego Foundation (TSDF) is based on values provided by TSDF. TSDF determines the fair values based on the unit value of PCI's interest in the pool in which the funds are invested. The unit value is based on the fair value of the underlying assets in the pool as reported to PCI by TSDF. The pool is invested primarily in publicly traded fixed-income and equity funds. PCI's Controller, under the oversight of the Chief Financial Officer, reviewed and evaluated the values provided by TSDF quarterly and agrees with the valuation methods used. PCI cannot withdraw the funds it has invested at TSDF and there are no commitments to invest additional funds.

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.

Grants and accounts receivable – Grants and accounts receivable consist of amounts billed and unbilled on grants and contracts for services provided through September 30. Any allowance for estimated uncollectible amounts is based on past experience and on an analysis of current receivable balances. Amounts are generally considered past due if not collected within 60 days of billings. Interest is not charged on outstanding balances. Amounts deemed uncollectible are written off against the allowance in the year deemed uncollectible. Management does not consider an allowance for doubtful receivables necessary at September 30, 2020 and 2019.

Project Concern International

Notes to Financial Statements

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

Unconditional promises to give – Unconditional promises to give consist of pledges receivable. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value. At September 30, 2020 and 2019, all unconditional promises to give were due within one year. Conditional promises to give are not recorded as revenue until the conditions are substantially met. An allowance for estimated uncollectible pledges is based on past experience and on an analysis of current amounts. Pledges deemed uncollectible are written off against the allowance in the year deemed uncollectible. Management determined that no allowance was necessary at September 30, 2020 and 2019.

Inventory – Agricultural commodities received from agencies of the United States federal government and other in-kind goods received from other non-federal entities for distribution are recorded as inventory and deferred revenue until distributed. Such goods are valued on the first-in, first-out basis at the lower of specified contract value or fair value.

Property and equipment – Property and equipment purchases greater than \$5,000 are capitalized at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets; generally, five to ten years for furniture and equipment and three years for computer software, and over the life of the related leases (approximately five to six years) for leasehold improvements. Upon disposal or retirement, the cost of the assets and related accumulated depreciation are removed from the applicable accounts, and any gain or loss is recognized at that time.

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 – PCI evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. For the years ended September 30, 2020 and 2019, no such write-downs have occurred.

Revenue and expense recognition

Government grants and agricultural commodities – Government grant revenue consists of grants and cooperative agreements from the United States federal government for program activities and commodity monetization and distribution. The associated agreements have been determined by PCI to be conditional contributions. Government grant revenue is recognized as conditions are met, which is generally as eligible costs are incurred, up to the maximum agreement amount. Agricultural commodities revenue is recognized as conditions are met which is upon the distribution of commodities to beneficiaries. 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.

Project Concern International Notes to Financial Statements

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

Contributions – Unconditional contributions are recorded in the period received. Unconditional contributions subject to donor-imposed restrictions for use in a future period, for a specific purpose, or to be held in perpetuity, are reported as net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated assets are capitalized at fair value on the date of donation and are recorded as in-kind contribution support with or without donor restrictions, depending on the wishes of the donor. This is with the exception of donated assets for which the donors retain a reversionary interest in the property or the right to determine the use of any proceeds from the sale of the donated assets. These donated assets are not capitalized but are recorded as in-kind contributions and expenses.

In-kind contributions – The value of services, facilities, and equipment donated by foreign governmental agencies and other donors is recorded as in-kind contribution support without donor restrictions and program services expense in the year donated. Contributions include volunteer assistance of medical and other technical professionals, donated medicines and program supplies, storage, transportation, and donated office space and equipment usage.

These contributions are valued at fair value of similar services and materials in the country or locality in which the services or materials are distributed or the nearest market of scale. For the years ended September 30, 2020 and 2019, the fair value of these contributions was approximately \$2,555,000 and \$2,948,000, respectively; donated goods represented approximately 93 percent and 87 percent, respectively, of these totals.

Non-government grants – Non-government grants from corporations, foundations, and other non-government sources that have been determined by PCI to be conditional contributions based on the terms of the agreements. Revenue is recognized as conditions are met which is generally as eligible costs are incurred, up to the maximum agreement amount.

Deferred revenue – Deferred revenue includes grant funds, agricultural commodities, and other in-kind goods received from granting agencies before PCI has met the conditions of the grants by incurring eligible expenses or distributing the commodities or goods. PCI has approximately \$3,180,000 and \$3,353,000 reflected as deferred revenue as of September 30, 2020 and 2019, respectively. As PCI incurs eligible expenses or distributes commodities or goods per the terms of the agreements, the revenue is recognized.

Certain executed grants include additional awarded amounts of approximately \$93,000,000 which are conditioned on qualifying expenditure of those amounts or approval to proceed into the next phase of the funded project by the grantor in years subsequent to September 30, 2020. No advance funding of these amounts has been received as of September 30, 2020.

Project Concern International

Notes to Financial Statements

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

Foreign currency translation – Due to the nature of its activities, PCI has cash accounts with foreign banks. These cash accounts are spread among several banks and countries, and foreign currency translation gains and losses are recorded. The cash deposited in local currencies in foreign banks, translated to United States dollars at rates of exchange in effect at September 30, 2020 and 2019, totaled approximately \$1,556,000 and \$1,811,000, respectively. During the years ended September 30, 2020 and 2019, foreign currency translation losses/(gains) of approximately \$73,000 and \$(13,000), respectively, were realized.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. All shared costs are allocated using the percentage level of effort provided by all employees to the programs. PCI does not have any significant costs that are or that should be allocated by function.

Use of estimates – The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. PCI recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. PCI's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued. PCI has evaluated subsequent events through February 26, 2021, which is the date the financial statements were available to be issued. See Notes 5 and 8.

Recently adopted accounting pronouncement – As of October 1, 2019, PCI adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the guidance for contributions received and contributions made. The amendments in this update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to ASC Topic 606, *Revenue from Contracts with Customers* and (2) determining whether a contribution is conditional. The ASU was adopted using the modified prospective method applied to all contributions and grants and did not have a material impact on the financial statements.

Project Concern International Notes to Financial Statements

Note 2 – Concentrations

In addition to the cash held in foreign bank accounts (Note 1), PCI maintains cash in domestic bank accounts which, at times, exceed federally insured deposit limits. PCI has not experienced any losses in such accounts.

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

During the years ended September 30, 2020 and 2019, PCI received significant grants and contributions, including cash and commodities, from the following sources and recognized in revenue totaling:

	2020	2019
United States Agency for International Development	\$ 17,635,337	\$ 19,594,355
United States Department of Agriculture	11,919,665	11,901,277
The Bill and Melinda Gates Foundation	10,308,155	4,372,378
United States Department of Health and Human Services	1,544,548	1,983,534
United States Department of Defense	1,358,671	3,910,846
World Vision	595,129	1,341,352

As of September 30, 2020 and 2019, PCI had significant grant receivables and unconditional promises to give from the following sources:

	2020	2019
United States Department of Agriculture	\$ 2,925,020	\$ 3,447,454
United States Agency for International Development	1,546,514	635,213
The Bill and Melinda Gates Foundation	599,959	-
United States Department of Defense	221,846	1,477,914
The Neeley Foundation	-	1,500,000

As of September 30, 2020 and 2019, one donor's unconditional promise to give represents approximately 90 percent and 70 percent of total unconditional promises to give, respectively.

Project Concern International

Notes to Financial Statements

Note 3 – Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities which are easily traded;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no active market quotes and that are significant to the fair value of the assets or liabilities.

See Note 1 for the valuation methodologies used for assets measured at fair value on a recurring basis. PCI had no liabilities required to be reported at fair value at September 30, 2020 and 2019.

The following fair value hierarchy table presents information about each major category of PCI's financial assets measured at fair value on a recurring basis as of September 30:

	2020			
	Level 1	Level 2	Level 3	Total
Investments - Exchange Traded Funds	\$ 2,119,780	\$ -	\$ -	\$ 2,119,780
Investment - certificates of deposit	-	171,819	-	171,819
Investments held by TSDF (Note 7)	-	-	138,755	138,755
Total	\$ 2,119,780	\$ 171,819	\$ 138,755	\$ 2,430,354

	2019			
	Level 1	Level 2	Level 3	Total
Investments - Exchange Traded Funds	\$ 2,025,488	\$ -	\$ -	\$ 2,025,488
Investment - certificates of deposit	-	433,296	-	433,296
Investments held by TSDF (Note 7)	-	-	135,814	135,814
Total	\$ 2,025,488	\$ 433,296	\$ 135,814	\$ 2,594,598

Investments totaling \$1,715,618 and \$1,908,368 are presented as investments on the statements of financial position at September 30, 2020 and 2019, respectively. See Note 7 for investments included in endowment assets on the statements of financial position at September 30, 2020 and 2019.

Project Concern International Notes to Financial Statements

Note 3 – Fair Value Measurements (continued)

The following table discloses the summary of changes in the fair value of PCI's Level 3 classified assets for the years ended September 30:

	Investments Held by TSDF
BALANCE, October 1, 2019	\$ 139,293
Interest and dividends	7,791
Distributions	(7,791)
Unrealized losses	<u>(3,479)</u>
BALANCE, September 30, 2019	135,814
Interest and dividends	6,772
Distributions	(6,772)
Unrealized gains	<u>2,941</u>
BALANCE, September 30, 2020	<u><u>\$ 138,755</u></u>

The unrealized gains (losses) are reported as a component of investment income, net of investment expenses in the statements of activities. The unrealized gains for the year ended September 30, 2020, relate to the Level 3 assets held at September 30, 2020.

Note 4 – Benefit Plan

PCI has a defined contribution plan (the "Plan") which covers substantially all full-time employees who are legal residents of the United States of America. PCI makes matching contributions to the Plan of up to 3 percent of an employee's salary. PCI also makes a non-elective contribution of 3 percent of an employee's salary. Contributions to the Plan by PCI for the years ended September 30, 2020 and 2019, were approximately \$503,000 and \$558,000, respectively.

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Notes to Financial Statements

Note 5 – Note Payable and Line of Credit and Subsequent Event

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 incurred during the twenty-four weeks after funding. Allowable costs include payroll-related costs and payments for covered utilities. PCI submitted an application for forgiveness of the loan on February 12, 2021. To the extent that the loan does not qualify for forgiveness, the terms of the agreement specify that PCI must repay the principal balance of the loan plus interest at 1 percent in equal installment payments beginning ten months from the last day of the twenty-four week period after funding or as of the date the forgiveness is granted.

PCI has a \$2,500,000 line of credit with a bank with an interest rate of prime plus 0.25 percent and a floor of 3.5 percent (rate is 3.5 percent at September 30, 2020). The line of credit is secured by all of PCI's assets and expires July 31, 2021. At September 30, 2020 and 2019, balances on the line of credit were \$0. Under the terms of the line of credit agreement, PCI is 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, 2020 and 2019.

Note 6 – Commitments

PCI leases office space in San Diego under a non-cancelable lease that expires in December 2024. The lease has escalating payments with monthly payments starting at approximately \$20,000 and provided for rent abatement for the second through sixth month of the agreement.

PCI leases office space in Washington D.C. under a non-cancelable lease that expires in November 2026. The lease has escalating lease payments with monthly payments starting at approximately \$34,000 and provided for rent abatement for the first six months of the agreement.

PCI leases certain office equipment and space for field offices under non-cancelable operating leases which expire through April 2024 and have monthly payments ranging from approximately \$150 to \$7,800.

Project Concern International Notes to Financial Statements

Note 6 – Commitments (continued)

Minimum lease payments under the lease agreements existing as of September 30, 2020, are as follows:

Years Ending September 30,	
2021	\$ 1,104,559
2022	864,383
2023	859,165
2024	832,801
2025	581,070
Thereafter	<u>570,348</u>
Total	<u>\$ 4,812,326</u>

PCI also has operating leases for office space under monthly agreements.

For the years ended September 30, 2020 and 2019, total worldwide rent expense amounted to approximately \$1,367,000 and \$1,487,000, respectively.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions represent unconditional contributions received by PCI that are limited in their use by donor, grant-imposed stipulations, or time restrictions, and amounts required to be held in perpetuity.

Project Concern International

Notes to Financial Statements

Note 7 – Net Assets with Donor Restrictions (continued)

At September 30, net assets with donor restrictions are comprised of:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose in various programs in the following areas		
San Diego and multi-country programs	\$ 6,625,206	\$ 7,683,728
India	5,534,524	129,713
Tanzania	977,481	61,361
Mexico/U.S. Border Programs	104,456	56,538
Guatemala	91,469	79,100
Kenya	14,241	64
Nicaragua	6,010	58,391
Zambia	4,815	1,621
Nepal	1,666	1,666
Malawi	25	5,231
Botswana	-	411
	<u>13,359,893</u>	<u>8,077,824</u>
Subject to time restriction – due within one year	<u>-</u>	<u>125,000</u>
Amounts to be held in perpetuity – endowment	<u>714,736</u>	<u>704,795</u>
Total net assets with donor restrictions	<u>\$ 14,074,629</u>	<u>\$ 8,907,619</u>

Net assets restricted for San Diego and multi-country programs primarily relate to gender equality and the empowerment of women and girls' programs.

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Notes to Financial Statements

Note 7 – Net Assets with Donor Restrictions (continued)

During the years ended September 30, net assets were released from net assets with donor restrictions by incurring expenditures satisfying the restrictions as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
India	\$ 5,011,232	\$ 83,367
San Diego and multi-country programs	2,734,684	1,973,513
Tanzania	617,326	-
Guatemala	224,478	174,464
Kenya	156,175	103,312
Zambia	65,950	10,878
Mexico/U.S. Border Programs	61,024	108,905
Nicaragua	55,153	-
Botswana	15,246	-
Malawi	6,206	15,772
Ethiopia	2,888	-
	<u>8,950,362</u>	<u>2,470,211</u>
Satisfaction of time restriction	<u>125,000</u>	<u>125,000</u>
	<u>\$ 9,075,362</u>	<u>\$ 2,595,211</u>

Endowment assets are comprised of the following at September 30:

	<u>2020</u>	<u>2019</u>
Investments managed by PCI	\$ 575,981	\$ 550,416
Investments held by TSDF	138,755	135,814
Money-market savings	-	18,565
	<u>714,736</u>	<u>704,795</u>
Total	<u>\$ 714,736</u>	<u>\$ 704,795</u>

The Board of PCI has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, PCI classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on the endowment are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by PCI in a manner consistent with the standard of prudence prescribed by UPMIFA.

Project Concern International

Notes to Financial Statements

Note 7 – Net Assets with Donor Restrictions (continued)

Endowment investments held by TSDF are managed in accordance with UPMIFA. PCI classifies as net assets with donor restrictions endowment investments held by TSDF consistently with (a) through (c) above and also classifies as net assets with donor restrictions investment income, net of investment expenses and realized and unrealized gains and losses on these investments in excess of amounts appropriated for expenditure.

Endowment assets managed by PCI – In accordance with UPMIFA, PCI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of PCI and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of PCI; and
7. The investment policies of PCI.

PCI has followed a conservative investment strategy with the endowment funds it manages to minimize risk. All PCI-managed endowment funds are invested in exchange traded funds. PCI has a policy of appropriating for expenditure each year all earnings on the endowment assets, not to exceed 5 percent of the assets' value.

Endowment assets held by TSDF – Endowment investments held by TSDF are invested in a “Balanced Pool” portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. TSDF’s spending policy is to disburse 5 percent annually, based upon endowment principal market value over the last 36 months. If the market value of the endowment principal of any fund at the end of each month is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

As of September 30, 2020 and 2019, the Board has not designated any endowment funds.

Note 8 – Contingencies and Subsequent Event

COVID-19 – The spread of coronavirus (COVID-19) around the world has caused significant volatility in U.S. and international markets. PCI’s country operations have had to develop and continually adjust contingency plans to respond to the challenges caused by COVID-19 to ensure the ongoing delivery of programs while protecting the health and safety of staff. Going forward, there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and while there will certainly be an impact, PCI is unable to determine what the extent of the impact to its long-term operations will be.

Project Concern International Notes to Financial Statements

Note 8 – Contingencies and Subsequent Event (continued)

Grants – Financial awards from federal and local government entities in the form of grants are subject to audit. Such audits could result in claims against PCI for disallowed costs or non-compliance with grantor restrictions. Management has not recorded an accrual as of September 30, 2020, related to such possible claims and believes that any liability which may result from these audits would not be material.

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 at September 30, 2020 and 2019.

Legal matters – PCI is party to certain legal actions arising in the ordinary course of business. Management is not aware of any legal matters that may have a material adverse impact on PCI's current financial position.

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 in 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. The various notices received are summarized below:

Date of Initial Notice	Year of Commodity Receipt	Commodity Value	Tax Assessed	Penalty and Interest	Total Assessment
January 2009	2002	\$ 352,473	\$ 93,023	\$ 193,931	\$ 286,954 (a)
January 2009, resolved	2003	2,004,311	529,819	1,060,952	1,590,771 (a)
December 2010	2007	1,729,358	924,803	674,052	1,598,855 (b)
December 2011, resolved	2007	438,571	558,402	453,780	1,012,182 (c)
July 2017	2008	763,807	542,172	268,668	810,840 (d)
December 2017	2008, 2009	348,739	183,202	107,064	290,266 (e)
		<u>\$ 5,637,259</u>	<u>\$ 2,831,421</u>	<u>\$ 2,758,447</u>	<u>\$ 5,589,868</u>

(a) During 2011, a favorable court ruling was received on \$1,591,000 of the assessment dated January 2009. The government of this country appealed this court ruling, and during 2012 the court ruled in favor of the government. This decision was appealed by PCI to the Supreme Court of the country in question. In October 2014, PCI received the final decision of the Supreme Court that ruled in PCI's favor. Therefore, the amount of \$1,591,000 for commodity received in 2003 is no longer a contested amount. In November 2020, PCI received a favorable judgment from the Supreme Court.

Project Concern International

Notes to Financial Statements

Note 8 – Contingencies (continued)

- (b) *The assessments received in 2010 are continuing through the court process.*
- (c) *In August of 2012, the third group of notices in the amount of \$1,012,182 were submitted to an administrative process within the Tax Appeal Authority in this country rather than the legal system due to a change in law that requires the taxpayer to deposit the amount of taxes disputed when pursuing action through the legal system. At the final level, the Tax Appeal Authority informed the Customs Office that it had not followed the proper procedures and the entire process must restart. The time to appeal this decision has expired. However, the government agency filed an appeal with the Supreme Court of the country in question challenging the authority of the administrative function to require the exception to the framework agreement. PCI's case was then reviewed by the Supreme Court and resolved in PCI's favor on March 30, 2016; therefore, the \$1,012,182 is no longer a contested amount. Although PCI has received favorable court rulings on this group of notices, new assessments were received by PCI in November 2018. No legal actions have been taken.*
- (d) *The assessments were received by PCI in July 2017. No legal actions have been taken.*
- (e) *The assessments were received by PCI in December 2017. No legal actions have been taken.*

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 ("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 is currently pursuing resolution of this issue through both administrative and legal actions and will leverage the October 2014 and March 2016 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, 2020 and 2019.

Note 9 – Related-Party Transactions

As of September 30, 2020, \$111,675 of amounts receivable from Global Communities is included in grants and accounts receivable and \$7,280 of amounts due to Global Communities is included in accounts payable and accrued expenses in the accompanying statement of financial position. For the year ended September 30, 2020, \$297,428 of revenue earned under agreements to perform services for Global Communities is included in other revenue in the accompanying statement of activities.

In 2019, PCI retained legal services from a law firm with which a member of PCI's Board of Directors is associated. PCI paid approximately \$162,000 in fees to the law firm during the year ended September 30, 2019.

Project Concern International Notes to Financial Statements

Note 9 – Related-Party Transactions (continued)

In 2019, PCI received consulting services from a consulting firm with which a member of PCI's Board of Directors is associated. The services, valued at approximately \$400,000, were received at no charge from the consulting firm and are recorded as an in-kind contribution and program services expense on the accompanying statement of activities for the year ended September 30, 2019.

Note 10 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 14,049,029	\$ 7,099,093
Investments	1,715,618	1,908,368
Grants and accounts receivable	5,187,379	5,905,310
Unconditional promises to give	828,247	2,144,672
Endowment assets	<u>714,736</u>	<u>704,795</u>
Total financial assets	<u>22,495,009</u>	<u>17,762,238</u>
Less: amounts not available for general expenditures within one year		
Board-designated net assets included in investments	1,543,799	1,475,072
Endowment assets	<u>714,736</u>	<u>704,795</u>
Total not available for general expenditures within one year	<u>2,258,535</u>	<u>2,179,867</u>
Financial assets available for general expenditures within one year	<u>\$ 20,236,474</u>	<u>\$ 15,582,371</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. In addition, PCI invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, PCI has a line of credit in the amount of \$2,500,000, which it could draw upon. Board-designated net assets could be drawn upon with the approval of the Board of Directors.