

**CONSOLIDATED FINANCIAL STATEMENTS**



**PROJECT CONCERN INTERNATIONAL**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2021 AND 2020**

# PROJECT CONCERN INTERNATIONAL

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

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

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

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · WWW.GRFCPA.COM

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

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

### Report on Prior Year Comparative Statements

The financial statements of PCI for the year ended September 30, 2020 were audited by other auditors, whose report dated March 19, 2021, expressed an unmodified opinion on those statements.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, 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 24, 2022

## PROJECT CONCERN INTERNATIONAL

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2021 AND 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,333,983	\$ 14,049,029
Investments	-	1,715,618
Pledges receivable	4,752,392	830,657
Grants and accounts receivable	175,813	5,187,379
Inventory	-	731,345
Other current assets	<u>120</u>	<u>2,045,096</u>
Total current assets	<u>16,262,308</u>	<u>24,559,124</u>
<b>FIXED ASSETS</b>		
Land	-	9,048
Furniture, equipment and software	-	618,884
Leasehold improvements	<u>-</u>	<u>34,133</u>
	-	662,065
Less: Accumulated depreciation and amortization	<u>-</u>	<u>(643,619)</u>
Net fixed assets	<u>-</u>	<u>18,446</u>
<b>NONCURRENT ASSETS</b>		
Investments - long-term	-	714,736
Pledges receivable, net of current portion	<u>870,858</u>	<u>-</u>
Total noncurrent assets	<u>870,858</u>	<u>714,736</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,133,166</u></b>	<b><u>\$ 25,292,306</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Note payable	\$ -	\$ 1,286,300
Accounts payable and accrued liabilities	6,992,155	4,894,741
Refundable advance	<u>366,048</u>	<u>3,180,375</u>
Total liabilities	<u>7,358,203</u>	<u>9,361,416</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	674,557	312,462
Board designated	<u>-</u>	<u>1,543,799</u>
Total net assets without donor restrictions	674,557	1,856,261
With donor restrictions	<u>9,100,406</u>	<u>14,074,629</u>
Total net assets	<u>9,774,963</u>	<u>15,930,890</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 17,133,166</u></b>	<b><u>\$ 25,292,306</u></b>

See accompanying notes to consolidated financial statements.

## 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>
<b>SUPPORT AND REVENUE</b>			
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>
<b>EXPENSES</b>			
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
<b>OTHER ITEMS</b>			
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>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 674,557</u></b>	<b><u>\$ 9,100,406</u></b>	<b><u>\$ 9,774,963</u></b>

## PROJECT CONCERN INTERNATIONAL

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 33,187,670	\$ -	\$ 33,187,670
Contributions	860,563	14,239,431	15,099,994
Non-Government grants	1,173,302	-	1,173,302
In-kind contributions	2,554,736	-	2,554,736
Agricultural commodities	1,384,459	-	1,384,459
Other revenue	295,890	-	295,890
Investment income, net	189,126	2,941	192,067
Net assets released from donor restrictions	<u>9,075,362</u>	<u>(9,075,362)</u>	<u>-</u>
Total support and revenue	<u>48,721,108</u>	<u>5,167,010</u>	<u>53,888,118</u>
<b>EXPENSES</b>			
Program Services	<u>40,001,711</u>	<u>-</u>	<u>40,001,711</u>
Supporting Services:			
Management and General	9,090,384	-	9,090,384
Fundraising	<u>785,957</u>	<u>-</u>	<u>785,957</u>
Total supporting services	<u>9,876,341</u>	<u>-</u>	<u>9,876,341</u>
Total expenses	<u>49,878,052</u>	<u>-</u>	<u>49,878,052</u>
Changes in net assets	(1,156,944)	5,167,010	4,010,066
Net assets at beginning of year	<u>3,013,205</u>	<u>8,907,619</u>	<u>11,920,824</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,856,261</u></b>	<b><u>\$ 14,074,629</u></b>	<b><u>\$ 15,930,890</u></b>

**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 functional expenses per Statement of Activities and Change in Net Assets	41,936,947	1,368,647	43,305,594	9,634,485	375,505	10,009,990	53,315,584
Indirect cost allocations	8,032,639	349,888	8,382,527	(8,382,527)	-	(8,382,527)	-
<b>TOTAL EXPENSES WITH INDIRECT COST ALLOCATIONS</b>	<b>\$ 49,969,586</b>	<b>\$ 1,718,535</b>	<b>\$ 51,688,121</b>	<b>\$ 1,251,958</b>	<b>\$ 375,505</b>	<b>\$ 1,627,463</b>	<b>\$ 53,315,584</b>

<sup>(1)</sup> 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 STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Program Services			Supporting Services			Total Expenses
	International	Domestic	Total Program Services	Management and General	Fundraising	Total Supporting Services	
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
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
Travel/training	2,587,535	30,166	2,617,701	149,223	40,949	190,172	2,807,873
Donated commodities and services	3,939,195	-	3,939,195	-	-	-	3,939,195
Total functional expenses per Statement of Activities and Change in Net Assets	38,617,246	1,384,465	40,001,711	9,090,384	785,957	9,876,341	49,878,052
Indirect cost allocations	7,055,066	334,763	7,389,829	(7,389,829)	-	(7,389,829)	-
<b>TOTAL EXPENSES WITH INDIRECT COST ALLOCATIONS</b>	<b>\$ 45,672,312</b>	<b>\$ 1,719,228</b>	<b>\$ 47,391,540</b>	<b>\$ 1,700,555</b>	<b>\$ 785,957</b>	<b>\$ 2,486,512</b>	<b>\$ 49,878,052</b>

<sup>(1)</sup> 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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (6,155,927)	\$ 4,010,066
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	9,398	16,831
Unrealized gain	(32,127)	(2,941)
Endowment contribution with donor restrictions	-	(7,000)
Transfer to Global Communities	6,356,836	-
Transfer to PCI India	(805,017)	-
Extinguishment of debt	(1,286,300)	-
(Increase) decrease in:		
Pledges receivable	(5,210,481)	1,316,425
Grants and accounts receivable	4,592,591	717,931
Other current assets	1,497,635	(878,957)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(4,041,488)	442,392
Refundable advance	<u>2,405,250</u>	<u>(138,279)</u>
Net cash (used) provided by operating activities	<u>(2,669,630)</u>	<u>5,476,468</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	-	(5,582)
Purchase of investments	(45,416)	(75,727)
Proceeds from sale of investments	<u>-</u>	<u>261,477</u>
Net cash (used) provided by investing activities	<u>(45,416)</u>	<u>180,168</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	1,286,300
Endowment contribution with donor restrictions	<u>-</u>	<u>7,000</u>
Net cash provided by financing activities	<u>-</u>	<u>1,293,300</u>
Net (decrease) increase in cash and cash equivalents	(2,715,046)	6,949,936
Cash and cash equivalents at beginning of year	<u>14,049,029</u>	<u>7,099,093</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 11,333,983</u></b>	<b><u>\$ 14,049,029</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Inventory (Decrease) Increase Included in Refundable Advance	<u>\$ (494,256)</u>	<u>\$ 34,671</u>

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

#### 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 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.

AfriScout, LLC is a limited liability company, incorporated in California. For the years ended September 30, 2021 and 2020, AfriScout LLC had minimal activity.

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. Accordingly, as of September 30, 2021 and 2020, the Board has designated net assets without donor restrictions of approximately \$- and \$1.5 million as a reserve.

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

#### 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 year ended September 30, 2021, the financial statements of Global Communities have been consolidated with PCI 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 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.

During 2020, PCI adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. PCI adopted the ASU using a modified prospective basis.

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 \$135,500 and \$1,556,000 of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2021 and 2020, respectively. The majority of funds invested in foreign countries are uninsured.

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

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

##### 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 Statement of Activities and Changes in Net 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. There were no investments at September 30, 2021.

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 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.

##### 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.

##### 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 refundable advance until distributed. Such goods are valued on the first-in, first-out basis at the lower of specified contract value or fair value under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

##### 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. Depreciation and amortization expense for the year ended September 30, 2021 and 2020 totaled \$9,398 and \$7,280,16,831, 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 Statement of Activities and Changes in Net Assets, to its current fair value. For the years ended September 30, 2021 and 2020, no such write-downs have occurred.

##### 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, 2021 and 2020. 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, 2021 and 2020, 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.

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

Revenue recognition (continued) -

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. 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 \$- and \$93,000,000 in unrecognized conditional awards as of September 30, 2021 and 2020.

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.

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 contributions 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.

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

##### In-kind contributions (continued) -

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, 2021 and 2020, the fair value of these contributions was approximately \$2,526 and \$2,554,736, respectively; donated goods represented approximately 100 percent and 93 percent, respectively, of these totals.

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 refundable advance until distributed. Commodities are valued based on the amount assigned to them by the original producer and transmitted using the first-in, first-out methodology.

##### 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. Dollar 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 Statement 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.

##### 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.



## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

##### 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.

##### Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

##### New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* 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 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying consolidated financial statements.

##### Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact PCI's operations. PCI's operations are heavily dependent on private and public donations from individual, corporations and the federal government as well as from program income. The outbreak may have a continued material adverse impact in economic market conditions, triggering a period of global economic slowdown. Given PCI's financial condition and liquidity, management does not believe this will hinder the Organization's ability to advance its mission. Management believes that PCI has adequate resources to cover its obligations, operations, and core activities.

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

Economic uncertainties (continued) -

The global pandemic of COVID-19 continues to rapidly evolve and PCI continues to monitor the situation closely. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change and the overall impact is unknown at this time.

#### 2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, PCI has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market PCI has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of September 30, 2021 and 2020. There were no transfers between levels in the fair value hierarchy during the years ended September 30, 2021 and 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Exchange traded funds (ETFs)* - Valued at the daily closing price as reported by the fund. These funds are required to publish their daily value and to transact at that price. ETFs held by PCI are deemed to be actively traded.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Investments held by TSDF* - The fair value of investments held by 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.

**PROJECT CONCERN INTERNATIONAL**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**2. INVESTMENTS (Continued)**

PCI had no investments as of September 30, 2021.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2020, were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total September 30, 2020</u>
<b>Investments:</b>				
Exchange Traded Funds	\$ 2,119,780	\$ -	\$ -	\$ 2,119,780
Certificates of deposit	-	171,819	-	171,819
Investments held by TSDF	<u>-</u>	<u>-</u>	<u>138,755</u>	<u>138,755</u>
<b>TOTAL</b>	<b><u>\$ 2,119,780</u></b>	<b><u>\$ 171,819</u></b>	<b><u>\$ 138,755</u></b>	<b><u>\$ 2,430,354</u></b>

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:

Balance, September 30, 2019	\$ 135,814
Interest and dividends	6,772
Distributions	(6,772)
Unrealized gains	<u>2,941</u>
Balance, September 30, 2020	138,755
Transfer to Global Communities	<u>(138,755)</u>
<b>BALANCE, SEPTEMBER 30, 2021</b>	<b><u>\$ -</u></b>

Included in investment income are the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 76,880	\$ 122,718
Unrealized gain	32,217	69,349
Investment management fees	<u>(11,082)</u>	<u>-</u>
<b>TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES</b>	<b><u>\$ 98,015</u></b>	<b><u>\$ 192,067</u></b>

**3. PLEDGES RECEIVABLE**

As of September 30, 2021 and 2020, contributors to PCI have made unconditional written promises to give, of which \$5,623,250 and \$7,280,830,657, respectively, remained due and outstanding. Following is a schedule of amounts due, by year, as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 4,752,392	\$ 830,657
One to five years	<u>870,858</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 5,623,250</u></b>	<b><u>\$ 830,657</u></b>

**PROJECT CONCERN INTERNATIONAL**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**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, PCI has recorded revenue from extinguishment of debt in the accompanying Consolidated Statement 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 September 30, 2020). The line of credit was secured by all of PCI's assets. At September 30, 2021 and 2020, 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, 2021 and 2020.

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at September 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Subject to expenditure for specified purpose:		
San Diego and multi-country programs	\$ -	\$ 6,625,206
India	9,080,406	5,534,524
Tanzania	-	977,481
Mexico/U.S. Border Programs	-	104,456
Guatemala	-	91,469
Kenya	20,000	14,241
Nicaragua	-	6,010
Zambia	-	4,815
Nepal	-	1,666
Malawi	-	25
	9,100,406	13,359,893
Endowment to be invested in perpetuity	-	714,736
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 9,100,406</b>	<b>\$ 14,074,629</b>

**PROJECT CONCERN INTERNATIONAL**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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

Net assets restricted in perpetuity have been transferred to Global Communities.

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>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
San Diego and multi-country programs	\$ 2,590,093	\$ 2,734,684
India	5,879,071	5,011,232
Tanzania	615,301	617,326
Mexico/U.S. Border Programs	54,127	61,024
Guatemala	253,486	224,478
Kenya	129,640	156,175
Nicaragua	7,775	55,153
Zambia	-	65,950
Malawi	116	6,206
Botswana	-	15,246
Ethiopia	-	2,888
Timing restrictions accomplished	<u>-</u>	<u>125,000</u>
 <b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	 <b><u>\$ 9,529,609</u></b>	 <b><u>\$ 9,075,362</u></b>

**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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,333,983	\$ 14,049,029
Investments	-	2,430,354
Pledges receivable	5,623,250	830,657
Grants and accounts receivable	<u>175,813</u>	<u>5,187,379</u>
 Subtotal financial assets available within one year	 17,133,046	 22,497,419
Less: Donor restricted funds	(9,100,406)	(13,359,893)
Less: Board-designated bet assets included in investments	-	(1,543,799)
Less: Endowment assets	<u>-</u>	<u>(714,736)</u>
 <b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	 <b><u>\$ 8,032,640</u></b>	 <b><u>\$ 6,878,991</u></b>

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

8. LEASE 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 March 2022 and have monthly payments ranging from approximately \$90 to \$750.

The following is a schedule of the future minimum lease payments:

<u>Year Ending September 30,</u>	
2022	\$ 813,624
2023	758,695
2024	773,181
2025	581,070
2026	525,891
Thereafter	<u>44,457</u>
	<b><u>\$ 3,496,918</u></b>

PCI has operating leases for office spaces under monthly agreements.

Worldwide rent expense for the year ended September 30, 2021 and 2020 was \$1,169,000 and \$1,367,000, respectively.

PCI subleases a portion of its office space under various leases expiring throughout 2023.

The following is a schedule of the future minimum rental income:

<u>Year Ending September 30,</u>	
2022	\$ 302,385
2023	306,854
2024	<u>48,593</u>
	<b><u>\$ 657,832</u></b>

Rental income for the year ended September 30, 2021 and 2020 was \$66,000 and \$7,280,500, 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 has a defined contribution plan (the Plan) which covers substantially all full-time employees who are 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.

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

#### 9. RETIREMENT PLAN (Continued)

The Plan was amended effective January 1, 2021. After the amendment, PCI makes safe harbor non-elective contributions of 3 percent of Employee's compensation for the year. Additionally, PCI may elect to contribution a discretionary amount each year. Contributions to the Plan by PCI for the years ended September 30, 2021 and 2020 were approximately \$650,000 and \$503,000, respectively. Management is currently in the process of evaluating termination of the Plan.

#### 10. CONCENTRATION OF REVENUE

During the years ended September 30, 2021 and 2020, PCI received significant grants and contributions, including cash and commodities, from the following sources and recognized in revenue totaling:

	<u>2021</u>	<u>2020</u>
United States Agency for International Development	\$ 21,148,619	\$ 17,635,337
United States Department of Agriculture	11,717,692	11,919,665
The Bill and Melinda Gates Foundation	8,283,269	10,308,155
United States Department of Health and Human Services	1,043,294	1,544,548
The David and Lucile Packard Foundation	1,000,000	-
United States Department of Defense	-	1,358,671
World Vision	-	595,129
	<u>\$ 43,192,874</u>	<u>\$ 43,361,505</u>

As of September 30, 2021 and 2020, PCI had significant pledges and grant receivables and from the following sources:

	<u>2021</u>	<u>2020</u>
United States Agency for International Development	\$ -	\$ 1,546,514
United States Department of Agriculture	-	2,925,020
The Bill and Melinda Gates Foundation	4,570,761	599,959
The David and Lucile Packard Foundation	1,000,000	-
United States Department of Defense	-	221,846
	<u>\$ 5,570,761</u>	<u>\$ 5,293,339</u>

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.

## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

#### 11. CONTINGENCY (Continued)

##### Grants (continued) -

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2021. 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, 2021 and 2020.

##### 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 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, taxes and penalties. The amount being requested as of September 30, 2021 is approximately \$4,004,000.

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 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, 2021 and 2020.



## PROJECT CONCERN INTERNATIONAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

#### 11. CONTINGENCY (Continued)

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 has recorded an estimate of approximately \$670,000 to settle this matter. This amount is included as a liability in Accounts payable and accrued liabilities on the accompanying Consolidated Statements of Financial Position.

#### 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, 2021 and 2020, there were intercompany billings between Global Communities and PCI in the amount of \$4,423,483 and \$297,428, respectively. These amounts are included in other revenue in the accompanying consolidated statement of activities.

As of September 30, 2021 and 2020, PCI owed Global Communities \$5,617,535 and \$7,280, respectively. These amounts are included in accounts payable and accrued expenses in the accompanying statement of financial position.

As of September 30, 2020, \$111,675 of accounts receivable from Global Communities is included in grants and accounts receivable. There were no accounts receivable from Global Communities as of September 30, 2021.

#### 13. ENDOWMENT

PCI's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, PCI considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. PCI has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

**PROJECT CONCERN INTERNATIONAL**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**13. ENDOWMENT (Continued)**

Additionally, in accordance with UPMIFA, PCI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

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, 2021.

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>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

Endowment net asset composition by type of fund as of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 701,831	\$ 701,831
Accumulated investment earnings	<u>-</u>	<u>12,905</u>	<u>12,905</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 714,736</u></b>	<b><u>\$ 714,736</u></b>

Changes in endowment net assets for the year ended of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 704,795	\$ 704,795
Investment return, net	<u>-</u>	<u>2,941</u>	<u>2,941</u>
Contributions	<u>-</u>	<u>7,000</u>	<u>7,000</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 714,736</u></b>	<b><u>\$ 714,736</u></b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**13. ENDOWMENT (Continued)**

Endowment assets are comprised of the following at September 30:

	<u>2021</u>	<u>2020</u>
Investments managed by PCI	\$ -	\$ 575,981
Investments held by TSDF	<u>-</u>	<u>138,755</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 714,736</u></b>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, no deficiencies of this nature existed as of September 30, 2021 and 2020.

Return Objectives and Risk Parameters -

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.

Spending Policy -

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, 2021 and 2020, the Board has not designated any endowment funds.

**14. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, PCI has evaluated events and transactions for potential recognition or disclosure through March 24, 2022, the date the consolidated financial statements were issued.