



Prosperity Catalyst
Investing in women changes everything
AND AFFILIATE

Consolidated Financial Statements
And
Independent Auditors' Reports
September 30, 2022 and 2021

**PROSPERITY CATALYST, INC.
AND AFFILIATE**
September 30, 2022 and 2021

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Prosperity Catalyst, Inc. and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of Prosperity Catalyst, Inc. and Affiliate (a nonprofit corporation), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prosperity Catalyst, Inc. and Affiliate as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prosperity Catalyst, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prosperity Catalyst, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prosperity Catalyst, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Daniel Dennis & Company LLP

April 13, 2023

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Financial Position
September 30, 2022 and 2021

<i>Assets</i>		
	<i>2022</i>	<i>2021</i>
<i>Current Assets</i>		
Cash	\$ 218,772	\$ 110,901
Accounts receivable	58,090	50,493
Inventory	47,225	84,606
Prepaid expenses and other current assets	<u>13,408</u>	<u>9,671</u>
Total current assets	<u>337,495</u>	<u>255,671</u>
<i>Other Assets</i>		
Vehicles	31,000	31,000
Less- accumulated depreciation	<u>(24,800)</u>	<u>(18,600)</u>
Net vehicles	6,200	12,400
Restricted cash	<u>22,673</u>	<u>83,517</u>
Total other assets	<u>28,873</u>	<u>95,917</u>
Total assets	<u>\$ 366,368</u>	<u>\$ 351,588</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 4,349	\$ 51,618
Deferred grant revenue	203,694	-
Current portion of notes payable	<u>11,388</u>	<u>3,612</u>
Total current liabilities	<u>219,431</u>	<u>55,230</u>
<i>Other Liabilities</i>		
Notes payable	<u>148,206</u>	<u>170,137</u>
Total liabilities	<u>367,637</u>	<u>225,367</u>
<i>Net Assets</i>		
Without donor restrictions:		
Operating	(88,232)	30,304
Vehicles	<u>6,200</u>	<u>12,400</u>
Total without donor restrictions	(82,032)	42,704
With donor restrictions	<u>80,763</u>	<u>83,517</u>
Total net assets	<u>(1,269)</u>	<u>126,221</u>
Total liabilities and net assets	<u>\$ 366,368</u>	<u>\$ 351,588</u>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Activities
For the Years Ended September 30, 2022 and 2021

	2022			2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Operating Revenue and Support</i>						
Contract Revenue	\$ 454,773	\$ -	\$ 454,773	\$ 1,131,660	\$ -	\$ 1,131,660
Grants, contributions and other	277,721	16,420	294,141	139,021	139,649	278,670
Special events:						
Special event revenue	2,650	75,119	77,769	-	-	-
Less: special event expenses	<u>(2,650)</u>	<u>-</u>	<u>(2,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net special event income	-	75,119	75,119	-	-	-
Artisan sales, net of cost of sales of \$69,332 and \$42,293, as of September 30, 2022 and 2021, respectively	(516)	-	(516)	35,797	-	35,797
Net assets released from restrictions	<u>94,293</u>	<u>(94,293)</u>	<u>-</u>	<u>175,356</u>	<u>(175,356)</u>	<u>-</u>
Total operating revenue and support	<u>826,271</u>	<u>(2,754)</u>	<u>823,517</u>	<u>1,481,834</u>	<u>(35,707)</u>	<u>1,446,127</u>
<i>Operating Expenses</i>						
Program Services	807,126	-	807,126	1,300,159	-	1,300,159
General and administrative	103,926	-	103,926	146,838	-	146,838
Development	<u>39,955</u>	<u>-</u>	<u>39,955</u>	<u>87,206</u>	<u>-</u>	<u>87,206</u>
Total operating expenses	<u>951,007</u>	<u>-</u>	<u>951,007</u>	<u>1,534,203</u>	<u>-</u>	<u>1,534,203</u>
Total change in net assets	(124,736)	(2,754)	(127,490)	(52,369)	(35,707)	(88,076)
Net assets at beginning of year	<u>42,704</u>	<u>83,517</u>	<u>126,221</u>	<u>95,073</u>	<u>119,224</u>	<u>214,297</u>
Net assets at end of year	<u>\$ (82,032)</u>	<u>\$ 80,763</u>	<u>\$ (1,269)</u>	<u>\$ 42,704</u>	<u>\$ 83,517</u>	<u>\$ 126,221</u>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Functional Expenses
For the Years Ended September 30, 2022 and 2021

	<i>2022</i>				<i>2021</i>			
	<i>Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total</i>
Personnel and Related :								
Foreign contractors and consultants	\$ 365,263	\$ 1,654	\$ -	\$ 366,917	\$ 545,928	\$ 1,653	\$ -	\$ 547,581
Salaries	76,748	54,794	34,756	166,298	254,537	84,517	71,390	410,444
Payroll taxes and benefits	<u>5,216</u>	<u>7,542</u>	<u>2,216</u>	<u>14,974</u>	<u>32,016</u>	<u>24,601</u>	<u>8,112</u>	<u>64,729</u>
Total personnel and related	447,227	63,990	36,972	548,189	832,481	110,771	79,502	1,022,754
Subgrants awards	-	-	-	-	101,804	-	-	101,804
Travel	49,633	1,626	1,045	52,304	19,721	1,055	-	20,776
Program supplies	124,874	832	-	125,706	162,633	5,439	-	168,072
Professional fees	50,444	23,261	-	73,705	77,509	8,314	4,119	89,942
Trainings and conferences	30,835	6,844	1,024	38,703	7,655	10,837	2,914	21,406
Rent	28,050	-	-	28,050	29,800	-	-	29,800
Insurance	6,386	3,443	15	9,844	10,006	2,777	224	13,007
Miscellaneous	9,286	2,249	142	11,677	12,711	2,361	163	15,235
Office expenses	8,644	-	53	8,697	9,845	710	284	10,839
Depreciation	6,200	-	-	6,200	6,200	-	-	6,200
Marketing	32,218	1,408	703	34,329	17,360	4,357	-	21,717
Printing and postage	7,991	273	-	8,264	11,546	170	-	11,716
Information technology	<u>5,339</u>	<u>-</u>	<u>-</u>	<u>5,339</u>	<u>888</u>	<u>47</u>	<u>-</u>	<u>935</u>
Total expenses	<u>\$ 807,126</u>	<u>\$ 103,926</u>	<u>\$ 39,955</u>	<u>\$ 951,007</u>	<u>\$ 1,300,159</u>	<u>\$ 146,838</u>	<u>\$ 87,206</u>	<u>\$ 1,534,203</u>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2022 and 2021

	2022	2021
<i>Operating activities:</i>		
Change in net assets	\$ (127,490)	\$ (88,076)
<i>Adjustments to reconcile changes in net assets to net cash (used in)/provided by operating activities:</i>		
Revolving loan converted to grant	(14,155)	(14,155)
Depreciation	6,200	6,200
<i>Change in operating assets and liabilities:</i>		
Accounts receivable	(7,597)	9,144
Inventory	37,381	(21,879)
Prepaid expenses and other	(3,737)	(3,702)
Accounts payable and accrued expenses	(47,269)	18,122
Deferred grant revenue	<u>203,694</u>	<u>-</u>
Net cash provided by/(used in) operating activities	<u>47,027</u>	<u>(94,346)</u>
 <i>Financing activities:</i>		
Proceeds from note payable	<u>-</u>	<u>150,000</u>
Net cash provided by financing activities	<u>-</u>	<u>150,000</u>
Net change in cash and restricted cash	47,027	55,654
Cash and restricted cash, beginning of year	<u>194,418</u>	<u>138,764</u>
Cash and restricted cash, end of year	<u>\$ 241,445</u>	<u>\$ 194,418</u>
 <i>Reconciliation of cash and restricted cash:</i>		
Cash	\$ 218,772	\$ 110,901
Restricted cash	<u>22,673</u>	<u>83,517</u>
Total cash and restricted cash	<u>\$ 241,445</u>	<u>\$ 194,418</u>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

1. *Operations, Nonprofit Status and Significant Accounting Policies*

Operations, Nonprofit Status

Prosperity Catalyst, Inc. (PC) is a Vermont not-for-profit corporation founded in 2010. PC's mission is to develop and strengthen women-led businesses in distressed regions, providing business and technical training, and creating opportunities for women to achieve economic and social empowerment.

With current programs in Haiti and Iraq, PC is a young organization with an incredibly unique and innovative, market-driven model aimed at empowering women through a sustainable, for-profit business model and entrepreneurship opportunities.

In 2013, PC launched a program in Cap-Haïtien, Haiti through a separate entity, Fanm Limye. Fanm Limye (FL) is Haitian Creole for "Illuminated Women" and was incorporated both as a Haitian Association and as a Société Anonyme (S.A.) in Haiti. PC owns 97% of FL. Two Board members and the current Executive Director of PC share the remaining 3% ownership interest of FL (1% each) (see Note 5). FL was created to promote the economic empowerment of vulnerable Haitian women and has grown into a network of small businesses, including candle makers, metal workers, recyclers, and beekeepers. PC provides all funding to FL through grants and contributions in order to maintain the approved program expenses of FL. FL maintains its own cash accounts and processes payments for contractors and supplies.

In 2014, PC launched its Iraq program promoting the production of candles by widowed women in and around Baghdad. In 2015, a separate entity was incorporated in Iraq as Prosperity Catalyst for General Trade with Limited Liability - Private Company (PCGT). In order to facilitate the incorporation of the Iraq program, PC founded Prosperity Catalyst, LLC (the LLC), a Delaware limited liability company, in June 2014. The LLC and PCGT are wholly-owned subsidiaries of PC. The LLC and PCGT had no activity for the years ended September 30, 2022 and 2021, and had no assets or liabilities as of September 30, 2022 and 2021.

PC is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). PC is also exempt from state income taxes. Donors may deduct contributions made to PC within the IRC requirements.

Basis of Accounting

PC and FL prepare their consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
December 31, 2011 and 2010

1. *Operations, Nonprofit Status and Significant Accounting Policies – continued*

Principles of Consolidation

The consolidated financial statements include the accounts of PC and FL. All significant intercompany transactions and balances have been eliminated. PC also provides support on behalf of FL and PCGT; those expenses are included in program service expenses in the accompanying consolidated statements of functional expenses. PC and FL are collectively referred to as the Organization throughout these consolidated financial statements.

Consolidated Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying consolidated statements of activities and changes in net assets.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, Income Taxes. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at September 30, 2022 and 2021. PC's information returns are subject to examination by Federal and state jurisdictions.

FL accounts for applicable taxes on a cash basis. PC could be liable for up to 97% of FL's income tax liability. There was no material tax liability based upon FL's operations for the years ended September 30, 2022 and 2021.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2022 and 2021

1. *Operations, Nonprofit Status and Significant Accounting Policies – continued*

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic Fair Value Measurements for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The carrying value of all assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount less any implicit price concessions (see below). Implicit price concessions are based on management's experience and other circumstances which may affect the ability of customers to meet obligations.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2022 and 2021

1. *Operations, Nonprofit Status and Significant Accounting Policies – continued*

Foreign Currency

Transactions denominated in foreign currencies are translated to U.S. dollars using actual exchange rates at the time of the transaction, while assets and liabilities are translated at the exchange rate in effect at the reporting date. The effect of change in exchange rates between the designated functional currency and the currency in which a transaction is denominated would be recorded as a foreign currency gain or loss in the accompanying consolidated statements of activities and changes in net assets. There were no material foreign currency gains or losses for the years ended September 30, 2022 and 2021.

Contributions Receivable and Allowance for Doubtful Accounts

Contributions receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful contributions receivable is recorded based on the Organization's policy, which takes into account factors such as management's review of contributions receivable and their estimate of amounts that may become uncollectible. Amounts are written off as they are determined to be uncollectible. There was no allowance for doubtful accounts at September 30, 2022 and 2021.

Revenue Recognition

Artisan Sales

The Organization generally measures revenue for qualifying exchange transactions based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when the Organization satisfies its performance obligations under a sales contract.

The Organization determines the transaction price based on standard charges for goods reduced by discounts (explicit price concessions) and implicit price concessions. Implicit price concessions are based on management's experience and other circumstances which may affect the ability of customers to meet obligations. Performance obligations are considered met at the time of delivery of goods to the customer.

The Organization has elected the practical expedient allowed under FASB's ASC 606-10-32-18, and does not adjust the promised amount of consideration from customers for the effects of a significant financing component due to the Organization's expectation that the period between the date of invoice and the time the customer receives the goods will be one year or less.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2022 and 2021

1. Operations, Nonprofit Status and Significant Accounting Policies – continued

Revenue Recognition - continued

Grants, Contributions and Contract Revenue

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider the probability of compliance with the barrier when determining if such awards are conditional and they should be reported as conditional grant advance liabilities until such conditions are met. See Note 9 for conditional grants committed at September 30, 2022.

Grants and contributions without donor restrictions are recognized when unconditionally pledged or received. Gifts of cash and other assets are reported as support and net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Contract revenue is derived from Federal contracts, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. These contracts are considered nonreciprocal transactions because the Organization's clients and service area receive the benefit as a result of the assets transferred. This revenue is recognized in accordance with ASC Topic 958. Amounts received in advance of incurring qualifying expenditures are recorded as deferred grant revenue. At September 30, 2022 and 2021, the balance of deferred grant revenue was \$203,694 and \$0, respectively.

All other revenue is recorded when earned.

Vehicle and Depreciation

Donated vehicles are recorded at fair value at the time of donation. Depreciation is calculated using the straight-line method over five years. Depreciation expense was \$6,200 for the years ended September 30, 2022 and 2021.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2022 and 2021

1. *Operations, Nonprofit Status and Significant Accounting Policies – continued*

Functional Expenses

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses which are allocated are salaries and payroll taxes and benefits, which are allocated on the basis of estimates of time and effort; insurance, office expenses, marketing and printing, and postage which are allocated based on estimates of square footage or usage.

Program expenses in the accompanying consolidated statements of functional expenses include costs to support and fund the operations of FL and PCGT.

Inventory

Inventory consists of finished candle, jewelry and quilt products on hand as of September 30, 2022 and 2021, and is recorded at the lower of cost (as determined by the first-in, first-out method) or market.

Restricted Cash

Restricted cash consists of amounts held in general operating accounts which are included in net assets with donor restrictions (see Note 2). The balance in restricted cash as of September 30, 2022 and 2021 was \$22,673 and \$83,517, respectively.

2. *Net Assets*

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

Operating - Represents funds available to carry on the operations of the Organization.

Vehicles - Reflects the net book value of vehicles.

Net Assets With Donor Restrictions

Net assets with donor restrictions include funds designated for a specific purpose or for future periods. These amounts are recorded as net assets with donor restrictions until they are expended for their designated purposes or the time restrictions expire.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2022 and 2021

2. Net Assets – continued

Net assets with donor restrictions for the years ended September 30, 2022 and 2021 were as follows:

	<i>2022</i>	<i>2021</i>
<i>Passage of Time</i>		
Restricted loan	\$ 727	\$ 6,270
<i>Specific Purpose</i>		
Haiti operations	21,692	64,133
COVID-19 / Food for the Poor program	254	13,114
<i>Purpose and Time</i>		
Pledges for Haiti operations	58,090	-
Total net assets with donor restrictions	\$ 80,763	\$ 83,517

Net assets released from net assets with donor restrictions during fiscal years 2022 and 2021 comprised of:

	<i>2022</i>	<i>2021</i>
<i>Passage of Time</i>		
Restricted loan	\$ 20,543	\$ 22,790
<i>Specific Purpose</i>		
Haiti operations	60,890	83,580
COVID-19 / Food for the Poor program	12,860	68,986
Total net assets released from restrictions	\$ 94,293	\$ 175,356

3. Funding and Concentrations

The Organization was awarded U.S. Department of State (DOS) contracts to employ an innovative and market driven model to address the need for economic opportunity and sustainable market access for Iraqi war widows.

The Organization received approximately 39% and 74% of its total operating revenue and support without donor restrictions from DOS funded contracts during fiscal years 2022 and 2021. Payments to the Organization are subject to audit by DOS.

In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidated financial position of the Organization as of September 30, 2022 and 2021, or on its consolidated changes in net assets for the years then ended.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2022 and 2021

3. *Funding and Concentrations - continued*

At September 30, 2022 and 2021, 86% and 0%, respectively, of the Organization's pledges receivable were from members of the Board of Directors.

The Organization maintained 18% and 42% of its cash balance in Iraq and Haiti at September 30, 2022 and 2021, respectively. Additionally, the Organization maintains cash balances in a United States bank. The Federal Deposit Insurance Corporation (FDIC) insures balances at the bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

4. *Leases*

The Organization leases office space in Haiti under an agreement, which expires on December 31, 2022. Rental payments include base rent and the Organization's share of utilities and other operating costs. Rent expense under this agreement was \$9,000 for the years ended September 30, 2022 and 2021, respectively, and is included in rent in the accompanying consolidated statements of functional expenses.

The Organization leases office space in Iraq under an agreement, which expires on December 31, 2022. Rent expense, including a share of utilities and maintenance as defined under this agreement, was \$14,600 and \$12,800 for the years ended September 30, 2022 and 2021, respectively, and is included in rent in the accompanying consolidated statements of functional expenses.

The Organization leases an additional office space in Iraq under an agreement which expires on February 20, 2023. Rent expense under this agreement was \$8,750 and \$6,800 and for the years ended September 30, 2022 and 2021, respectively, and is included in rent in the accompanying consolidated statements of functional expenses.

PC leases additional warehouse space for storage under an agreement which expired March 31, 2022. Rent expense under this agreement was \$600 and \$1,200 for the years ended September 30, 2022 and 2021, respectively, and is included in rent in the accompanying consolidated statements of functional expenses.

Future minimum lease payments under these agreements are as follows:

<i>Year</i>	<i>Amount</i>
2023	\$ <u>7,850</u>
Total	\$ <u><u>7,850</u></u>

Prosperity Catalyst, Inc. And Affiliate
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2022

5. *Related Party Transactions*

Two Board members and one employee of the Organization each hold a 1% equity interest in FL at September 30, 2022 and 2021.

The Organization provides supporting services, including general and administrative functions, for FL and PCGT. These expenses are included in their natural classification under program expenses in the accompanying consolidated statements of functional expenses for the years ended September 30, 2022 and 2021.

6. *Notes Payable*

Revolving Loan

During fiscal year 2014, the Organization was granted two revolving loans (the loans) totaling \$100,000 from a private foundation. In each of the fiscal years 2017 through 2022, \$15,000 of the loans was forgiven and repurposed into a donor restricted grant. During fiscal year 2019, the remainder of the loans was amended with intent to transition the remaining loan balance of \$40,000 to donor restricted grants in \$15,000 and \$10,000 increments through July 2023. During the year ended September 30, 2019, the Organization recorded imputed interest on the note calculated at the Federal rate at the time of the loans of 2.26%. The net present value of the loans at September 30, 2022 and 2021, was \$9,594 and \$23,749, respectively.

Economic Injury Disaster Loan

During fiscal year 2021, PC borrowed \$150,000 from the Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program. The loan bears interest at 2.75% and matures in October 2050. Payments of principal and interest will commence in April 2023. At September 30, 2022, the outstanding balance was \$150,000.

Scheduled payments of principal for the next five years and thereafter, excluding the revolving loan amounts expected to be forgiven, are as follows:

<i>Year</i>	<i>Amount</i>
2023	\$ 1,794
2024	3,662
2025	3,764
2026	3,869
2027	3,977
Thereafter	<u>132,934</u>
Total	<u>\$ 150,000</u>

7. *Retirement Plan*

PC has a simple IRA plan (the Plan). The Plan covers one eligible employee, as defined in the plan document. Employees may make contributions to the plan up to the maximum allowed by statutory law. PC has the right to make discretionary contributions to the Plan. PC made no contributions to the Plan for the years ended September 30, 2022 and 2021.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2022 and 2021

8. *Foreign Operations*

PC's affiliates, FL and PCGT, have operations in Haiti and Iraq. Foreign operations are subject to the risks inherent in operating under different legal systems and various political and economic environments. Among these risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price of foreign exchange controls, political unrest, and restrictions on currency exchange. Net assets of foreign operations of FL and PCGT are zero at September 30, 2022 and 2021.

9. *Conditional Grants*

During fiscal year 2022, PC received a grant commitment from The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) for a grant period through November 30, 2022. This commitment is considered conditional under ASC Topic 958, as PC must incur qualified costs or meet performance requirements prior to recognizing revenue. The total grant committed but not recognized as of September 30, 2022, is approximately \$46,661.

10. *Paycheck Protection Program*

During fiscal year 2020, PC applied for, and was awarded, a loan of \$69,416 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs during a covered period, as defined in the CARES Act. The loan agreement stipulated that a portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds would be due over a two-year period with interest at 1%. Repayment was deferred for a period of ten months from the end of the covered period, when the note, plus interest, would be due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations are subject to review and approval by the lending bank and the SBA. PC accounted for the PPP loan as a conditional grant under ASC Subtopic 958-605 and as of September 30, 2020, \$69,416 of grant revenue was recognized in the consolidated statement of activities and changes in net assets. During fiscal year 2021, the loan was forgiven in full by the SBA.

During fiscal year 2021, PC applied for and was awarded a second PPP loan of \$69,935. The PPP loan was recognized as a conditional grant under ASC Subtopic 958-605 and as of September 30, 2021, \$69,935 of grant revenue was recognized in the consolidated statement of activities and changes in net assets. During fiscal year 2021, the loan was forgiven in full by the SBA.

11. *Partnership Grants in Subgrantees*

During 2021, PC entered into agreements with certain other organizations in order to fulfill its obligations under various Federal grants. Amounts are awarded and paid to subgrantees upon PC's approval, review of project-related expenditures by subrecipients, and upon meeting terms and conditions outlined in the subgrantee award document.

Prosperity Catalyst, Inc. And Affiliate
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2022

12. *Liquidity and Availability of Financial Assets*

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at September 30:

	<i>2022</i>	<i>2021</i>
<i>Financial assets at year end:</i>		
Cash and restricted cash	\$ 241,445	\$ 194,418
Contributions and trade accounts receivable	<u>58,090</u>	<u>50,493</u>
Total financial assets available	299,535	244,911
<i>Less amounts not available to be used within one year:</i>		
Net assets with donor restrictions	<u>(80,763)</u>	<u>(83,517)</u>
Total financial assets available within one year	<u>\$ 218,772</u>	<u>\$ 161,394</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. Program expenses, which were 85% of total expenses for the years ended September 30, 2022 and 2021, respectively, are only incurred when funding is available to offset those program costs. The Organization is seeking new and expanded funding sources in order to improve liquidity and availability of financial assets.

13. *Contingencies*

In March 2020, COVID-19 was recognized as a global pandemic. The impact of COVID-19 on PC's future operations and the demand for its products/services will depend upon, among other things, the duration, spread and intensity of the pandemic, related government responses such as required physical distancing, restrictions on business operations and travel, the pace of recovery of economic activity, and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to PC, if any, cannot be reasonably estimated at this time.

14. *Subsequent Event*

PC has performed an evaluation of subsequent events through April 13, 2023, which is the date PC's consolidated financial statements were available to be issued. No material subsequent events have occurred since September 30, 2022, that require recognition or disclosure in these consolidated financial statements, however, management has entered into several major grant agreements in fiscal year 2023.