



Prosperity Catalyst
Investing in women changes everything
AND AFFILIATE

Consolidated Financial Statements
And
Independent Auditors' Reports
September 30, 2021 and 2020

**PROSPERITY CATALYST, INC.
AND AFFILIATE**
September 30, 2021 and 2020

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Prosperity Catalyst, Inc. and Affiliate (a nonprofit corporation), which comprise the consolidated statement of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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.

Opinion

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

Other Matters

Report on Comparative Information

The consolidated financial statements as of and for the year ended September 30, 2020, were audited by other auditors, whose report dated April 16, 2021 expressed an unmodified opinion on those consolidated financial statements.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2022, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Daniel Dennis & Company LLP

July 22, 2022

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Financial Position
September 30, 2021 and 2020

<i>Assets</i>		
	<i>2021</i>	<i>2020</i>
<i>Current Assets</i>		
Cash	\$ 110,901	\$ 19,540
Accounts receivable	50,493	59,637
Inventory	84,606	62,727
Prepaid expenses and other current assets	<u>9,671</u>	<u>5,969</u>
Total current assets	<u>255,671</u>	<u>147,873</u>
<i>Other Assets</i>		
Vehicles	31,000	31,000
Less- accumulated depreciation	<u>(18,600)</u>	<u>(12,400)</u>
Net vehicles	12,400	18,600
Restricted cash	<u>83,517</u>	<u>119,224</u>
Total other assets	<u>95,917</u>	<u>137,824</u>
Total assets	<u><u>\$ 351,588</u></u>	<u><u>\$ 285,697</u></u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 51,618	\$ 33,496
Current portion of notes payable	<u>3,612</u>	<u>-</u>
Total current liabilities	<u>55,230</u>	<u>33,496</u>
<i>Other Liabilities</i>		
Notes payable	<u>170,137</u>	<u>37,904</u>
Total liabilities	<u>225,367</u>	<u>71,400</u>
<i>Net Assets</i>		
Without donor restrictions:		
Operating	30,304	76,473
Vehicles	<u>12,400</u>	<u>18,600</u>
Total without donor restrictions	42,704	95,073
With donor restrictions	<u>83,517</u>	<u>119,224</u>
Total net assets	<u>126,221</u>	<u>214,297</u>
Total liabilities and net assets	<u><u>\$ 351,588</u></u>	<u><u>\$ 285,697</u></u>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Activities
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<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	\$ 1,131,660	\$ -	\$ 1,131,660	\$ 1,273,996	\$ -	\$ 1,273,996
Grants, contributions and other	139,021	139,649	278,670	150,694	313,259	463,953
Artisan sales, net of cost of sales of \$42,293 and \$67,380 as of September 30, 2021 and 2020, respectively	35,797	-	35,797	(13,815)	-	(13,815)
Net assets released from restrictions	<u>175,356</u>	<u>(175,356)</u>	<u>-</u>	<u>303,310</u>	<u>(303,310)</u>	<u>-</u>
Total operating revenue and support	<u>1,481,834</u>	<u>(35,707)</u>	<u>1,446,127</u>	<u>1,714,185</u>	<u>9,949</u>	<u>1,724,134</u>
<i>Operating Expenses</i>						
Program Services	1,300,159	-	1,300,159	1,520,950	-	1,520,950
General and administrative	146,838	-	146,838	127,470	-	127,470
Development	<u>87,206</u>	<u>-</u>	<u>87,206</u>	<u>98,666</u>	<u>-</u>	<u>98,666</u>
Total operating expenses	<u>1,534,203</u>	<u>-</u>	<u>1,534,203</u>	<u>1,747,086</u>	<u>-</u>	<u>1,747,086</u>
Total change in net assets	(52,369)	(35,707)	(88,076)	(32,901)	9,949	(22,952)
Net assets at beginning of year	<u>95,073</u>	<u>119,224</u>	<u>214,297</u>	<u>127,974</u>	<u>109,275</u>	<u>237,249</u>
Net assets at end 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>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Functional Expenses
For the Years Ended September 30, 2021 and 2020

	<i>2021</i>				<i>2020</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	\$ 545,928	\$ 1,653	\$ -	\$ 547,581	\$ 654,334	\$ -	\$ -	\$ 654,334
Salaries	254,537	84,517	71,390	410,444	194,805	87,181	80,137	362,123
Payroll taxes and benefits	<u>32,016</u>	<u>24,601</u>	<u>8,112</u>	<u>64,729</u>	<u>36,633</u>	<u>13,669</u>	<u>12,993</u>	<u>63,295</u>
Total personnel and related	832,481	110,771	79,502	1,022,754	885,772	100,850	93,130	1,079,752
Subgrants awards	101,804	-	-	101,804	283,835	-	-	283,835
Travel	19,721	1,055	-	20,776	81,882	7,783	-	89,665
Program supplies	162,633	5,439	-	168,072	82,071	-	-	82,071
Professional fees	77,509	8,314	4,119	89,942	71,886	5,483	3,269	80,638
Trainings and conferences	7,655	10,837	2,914	21,406	43,068	7,562	991	51,621
Rent	29,800	-	-	29,800	32,581	-	-	32,581
Insurance	10,006	2,777	224	13,007	9,445	3,387	473	13,305
Miscellaneous	12,711	2,361	163	15,235	8,809	-	233	9,042
Office expenses	9,845	710	284	10,839	9,967	27	531	10,525
Depreciation	6,200	-	-	6,200	6,200	-	-	6,200
Marketing	17,360	4,357	-	21,717	3,336	1,992	39	5,367
Printing and postage	11,546	170	-	11,716	2,098	386	-	2,484
Information technology	<u>888</u>	<u>47</u>	<u>-</u>	<u>935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 1,300,159</u>	<u>\$ 146,838</u>	<u>\$ 87,206</u>	<u>\$1,534,203</u>	<u>\$ 1,520,950</u>	<u>\$ 127,470</u>	<u>\$ 98,666</u>	<u>\$ 1,747,086</u>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	2021	2020
<i>Operating activities:</i>		
Change in net assets	\$ (88,076)	\$ (22,952)
<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)	(15,000)
Depreciation	6,200	6,200
<i>Change in operating assets and liabilities:</i>		
Accounts receivable	9,144	58,726
Inventory	(21,879)	(4,569)
Prepaid expenses and other	(3,702)	(1,158)
Accounts payable and accrued expenses	<u>18,122</u>	<u>20,920</u>
Net cash (used in)/provided by operating activities	<u>(94,346)</u>	<u>42,167</u>
 <i>Financing activities:</i>		
Proceeds from note payable	<u>150,000</u>	<u>-</u>
Net cash provided by financing activities	<u>150,000</u>	<u>-</u>
Net change in cash and restricted cash	55,654	42,167
Cash and restricted cash, beginning of year	<u>138,764</u>	<u>96,597</u>
Cash and restricted cash, end of year	<u>\$ 194,418</u>	<u>\$ 138,764</u>
 <i>Reconciliation of cash and restricted cash:</i>		
Cash	\$ 110,901	\$ 19,540
Restricted cash	<u>83,517</u>	<u>119,224</u>
Total cash and restricted cash	<u>\$ 194,418</u>	<u>\$ 138,764</u>

See accompanying notes to consolidated financial statements.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

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, 2021 and 2020, and had no assets or liabilities as of September 30, 2021 and 2020.

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*
September 30, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020

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, 2021.

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.

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, 2021 and 2020.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020 was \$83,517 and \$119,224, respectively.

Reclassification

Certain amounts in the fiscal year 2020 consolidated financial statements have been reclassified to conform with the fiscal year 2021 consolidated presentation.

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.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2021 and 2020

2. Net Assets – continued

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.

Net assets with donor restrictions for the years ended September 30, 2021 and 2020 were as follows:

	<i>2021</i>	<i>2020</i>
<i>Passage of Time</i>		
Restricted loan	\$ 6,270	\$ -
<i>Specific Purpose</i>		
Haiti operations	64,133	37,124
COVID-19 / Food for the Poor program	13,114	82,100
Total net assets with donor restrictions	\$ 83,517	\$ 119,224

Net assets released from net assets with donor restrictions during fiscal years 2021 and 2020 comprised of:

	<i>2021</i>	<i>2020</i>
<i>Passage of Time</i>		
Restricted loan	\$ 22,790	\$ 15,004
<i>Specific Purpose</i>		
Haiti operations	83,580	199,514
COVID-19 / Food for the Poor program	68,986	88,792
Total net assets released from restrictions	\$ 175,356	\$ 303,310

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 74% of its total operating revenue and support without donor restrictions from DOS funded contracts during fiscal years 2021 and 2020. As of September 30, 2021 and 2020, 1% and 100% of contributions receivable, respectively, were due from DOS funded contracts. Payments to the Organization are subject to audit by DOS.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2021 and 2020

3. *Funding and Concentrations - continued*

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, 2021 and 2020, or on its consolidated statements of activities for the years then ended.

The Organization maintained 42% and 12% of its cash balance in Iraq and Haiti at September 30, 2021 and 2020, 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, 2021. Rental payments include base rent and the Organization's share of utilities and other operating costs. Rent expense under this agreement was \$9,000 and \$11,381 for the years ended September 30, 2021 and 2020, 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 September 30, 2022. Rent expense, including a share of utilities and maintenance as defined under this agreement, was \$12,800 and \$15,600 for the years ended September 30, 2021 and 2020, 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 \$6,800 and \$5,600 for the years ended September 30, 2021 and 2020, 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 expires December 31, 2021. Rent expense under this agreement was \$1,200 for the years ended September 30, 2021 and 2020, 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>
2022	\$ 22,100
2023	<u>4,200</u>
Total	<u>\$ 26,300</u>

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2021 and 2020

5. *Related Party Transactions*

Two Board members and one employee of the Organization each hold a 1% equity interest in FL at September 30, 2021 and 2020.

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, 2021 and 2020.

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 2021, \$15,000 of the loans were 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, 2021 and 2020, was \$23,749 and \$37,904, 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 twelve months from the date of the promissory note, October 27, 2020. At September 30, 2021, 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>
2022	\$ 3,612
2023	2,462
2024	3,816
2025	3,923
2026	4,032
Thereafter	<u>132,155</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, 2021 and 2020.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2021 and 2020

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, 2021 and 2020.

9. *Conditional Grants*

PC had received a grant commitment from DOS for a grant period through fiscal year 2021, however during fiscal year 2021, the grant was amended to increase the total commitment and extend the grant period through March 31, 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, 2021 **and 2020** is \$325,694.

During fiscal year 2021, PC received a grant commitment from Catholic Relief Services for a grant period through January 31, 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, 2021, is \$81,727.

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 statements of activities. 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.

Prosperity Catalyst, Inc. And Affiliate
Notes to Consolidated Financial Statements - *continued*
September 30, 2021 and 2020

11. Partnership Grants in Subgrantees

PC has 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.

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>2021</i>	<i>2020</i>
<i>Financial assets at year end:</i>		
Cash and restricted cash	\$ 194,418	\$ 138,764
Contributions and trade accounts receivable	50,493	59,637
Total financial assets available	244,911	198,401
 <i>Less amounts not available to be used within one year:</i>		
Net assets with donor restrictions	(83,517)	(119,224)
Total financial assets available within one year	\$ 161,394	\$ 79,177

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% and 87% of total expenses for the years ended September 30, 2021 and 2020, 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

The Organization has performed an evaluation of subsequent events through July 22, 2022, which is the date the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred since September 30, 2021, that require recognition or disclosure in these consolidated financial statements.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Prosperity Catalyst, Inc. And Affiliate
Schedule of Expenditures of Federal Awards
September 30, 2021

<i>Federal Grantor (Pass-Through Grantor) Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<i>U.S. Department of State</i>				
International Programs to Support Democracy, Human Rights and Labor	19.345	N/A	\$ 1,064,406	\$ 101,804
<i>U.S. Agency for International Development</i>				
Pass-through from Catholic Relief Services: Foreign Assistance for Programs Overseas	98.001	HT.21.SUBAGR.20545.61697.01.00	67,254	-
<i>Small Business Administration</i>				
Disaster Assistance Loans	59.008	N/A	<u>150,000</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,281,660</u>	<u>\$ 101,804</u>

See accompanying notes to schedule of federal awards.

Prosperity Catalyst, Inc. And Affiliate
Notes to Schedule of Expenditures of Federal Awards
September 30, 2021

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal assistance activity of the Organization under programs of the Federal government for the year ended September 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated statement of financial position, consolidated statement of activities or consolidated cash flows of the Organization.

2. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected to use the 10% de minimis cost rate for its Federal programs.

3. *Disaster Assistance Loans*

During fiscal year 2021, PC received loan proceeds of \$150,000 from the SBA under the Economic Injury Disaster Loan program (Federal Assistance Listing Number 59.008). During fiscal year 2021, no repayments were made against the loan. At September 30, 2021, the outstanding balance of the loan was \$150,000.

**REPORT ON INTERNAL CONTROL AND
COMPLIANCE IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

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

We have audited, in accordance with the 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, the financial statements of Prosperity Catalyst, Inc. and Affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Dennis & Company LLP

July 22, 2022

**REPORT IN ACCORDANCE
WITH
THE UNIFORM GUIDANCE**



DANIEL DENNIS & Co
Certified Public Accountants

*Independent Auditors' Report on Compliance For Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance*

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

Report on Compliance for the Major Federal Program

We have audited Prosperity Catalyst, Inc. and Affiliate's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2021. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Daniel Dennis & Company LLP

July 22, 2022

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

Prosperity Catalyst, Inc. And Affiliate
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance? _____ yes X no

Identification of major programs:

Federal Assistance Listing Number
19.345

Name of Program or Cluster
*International Programs to Support
Democracy, Human Rights and Labor*

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

Prosperity Catalyst, Inc. And Affiliate
Schedule of Findings and Questioned Costs - *continued*
For the Year Ended September 30, 2021

SECTION II – Financial Statement Findings

No matters were reported.

SECTION III – Federal Award Findings and Questioned Costs

No matters were reported.

Prosperity Catalyst, Inc. And Affiliate
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2021

There were no unresolved audit findings from prior years' audits of Prosperity Catalyst, Inc. and Affiliate.