



**Prosperity Catalyst**  
Investing in women changes everything

**AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Contents  
September 30, 2016 and 2015

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## Independent Auditor's 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. (a Vermont corporation, not-for-profit) and Affiliate (collectively, the Organization) which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Prosperity Catalyst, Inc. as of September 30, 2016 and 2015, and the consolidated 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.

Westborough, Massachusetts  
April 28, 2017

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Financial Position  
September 30, 2016 and 2015

| <b>Assets</b>                         | <b>2016</b>         |                               |                   | <b>2015</b>         |                               |                   |
|---------------------------------------|---------------------|-------------------------------|-------------------|---------------------|-------------------------------|-------------------|
|                                       | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Total</b>      | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Total</b>      |
| <b>Current Assets:</b>                |                     |                               |                   |                     |                               |                   |
| Cash                                  | \$ 97,876           | \$ 48,710                     | \$ 146,586        | \$ 158,331          | \$ 5,170                      | \$ 163,501        |
| Accounts and pledges receivable       | 46,171              | 65,000                        | 111,171           | 65,160              | 55,000                        | 120,160           |
| Prepaid expenses and other            | 10,251              | -                             | 10,251            | 8,052               | -                             | 8,052             |
| Total current assets                  | <u>\$ 154,298</u>   | <u>\$ 113,710</u>             | <u>\$ 268,008</u> | <u>\$ 231,543</u>   | <u>\$ 60,170</u>              | <u>\$ 291,713</u> |
| <b>Liabilities and Net Assets</b>     |                     |                               |                   |                     |                               |                   |
| <b>Current Liabilities:</b>           |                     |                               |                   |                     |                               |                   |
| Accounts payable and accrued expenses | \$ 9,669            | \$ -                          | \$ 9,669          | 39,561              | -                             | 39,561            |
| Revolving Loan                        | 98,075              | -                             | 98,075            | 94,830              | -                             | 94,830            |
| Total liabilities                     | <u>107,744</u>      | <u>-</u>                      | <u>107,744</u>    | <u>134,391</u>      | <u>-</u>                      | <u>134,391</u>    |
| <b>Net Assets:</b>                    |                     |                               |                   |                     |                               |                   |
| Unrestricted                          | 46,554              | -                             | 46,554            | 97,152              | -                             | 97,152            |
| Temporarily restricted                | -                   | 113,710                       | 113,710           | -                   | 60,170                        | 60,170            |
| Total net assets                      | <u>46,554</u>       | <u>113,710</u>                | <u>160,264</u>    | <u>97,152</u>       | <u>60,170</u>                 | <u>157,322</u>    |
| Total liabilities and net assets      | <u>\$ 154,298</u>   | <u>\$ 113,710</u>             | <u>\$ 268,008</u> | <u>\$ 231,543</u>   | <u>\$ 60,170</u>              | <u>\$ 291,713</u> |

The accompanying notes are an integral part of these consolidated statements.

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Activities and Changes in Net Assets  
For the Years Ended September 30, 2016 and 2015

|  | 2016         |                        |            | 2015         |                        |            |
|--|--------------|------------------------|------------|--------------|------------------------|------------|
|  | Unrestricted | Temporarily Restricted | Total      | Unrestricted | Temporarily Restricted | Total      |
| <b>Operating Revenues and Support:</b> |              |                        |            |              |                        |            |
| Contract revenue                       | \$ 658,001   | \$ -                   | \$ 658,001 | \$ 767,927   | \$ -                   | \$ 767,927 |
| Grants and contributions               | 102,991      | 199,070                | 302,061    | 233,395      | 46,400                 | 279,795    |
| Candle sales                           | 29,806       | -                      | 29,806     | -            | -                      | -          |
| Donated goods and services             | 25,065       | -                      | 25,065     | 132,183      | -                      | 132,183    |
| Net assets released from restrictions  | 145,530      | (145,530)              | -          | 188,907      | (188,907)              | -          |
| Total operating revenues and support   | 961,393      | 53,540                 | 1,014,933  | 1,322,412    | (142,507)              | 1,179,905  |
| <b>Operating Expenses:</b>             |              |                        |            |              |                        |            |
| Program services                       | 851,650      | -                      | 851,650    | 1,102,351    | -                      | 1,102,351  |
| General and administrative             | 112,664      | -                      | 112,664    | 69,923       | -                      | 69,923     |
| Development                            | 47,677       | -                      | 47,677     | 63,574       | -                      | 63,574     |
| Total operating expenses               | 1,011,991    | -                      | 1,011,991  | 1,235,848    | -                      | 1,235,848  |
| Changes in net assets                  | (50,598)     | 53,540                 | 2,942      | 86,564       | (142,507)              | (55,943)   |
| <b>Net Assets:</b>                     |              |                        |            |              |                        |            |
| Beginning of year                      | 97,152       | 60,170                 | 157,322    | 10,588       | 202,677                | 213,265    |
| End of year                            | \$ 46,554    | \$ 113,710             | \$ 160,264 | \$ 97,152    | \$ 60,170              | \$ 157,322 |

The accompanying notes are an integral part of these consolidated statements.

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2016 and 2015

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|  | <u>2016</u>              | <u>2015</u>              |
|--|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities:</b>   |                          |                          |
| Changes in net assets  | \$ 2,942                 | \$ (55,943)              |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: |                          |                          |
| Imputed interest on revolving loan   | 3,245                    | 3,138                    |
| Changes in operating assets and liabilities:   |                          |                          |
| Accounts and pledges receivable  | 8,989                    | 54,755                   |
| Prepaid expenses and other   | (2,199)                  | (898)                    |
| Advances   | -                        | 11,387                   |
| Deferred revenue   | -                        | (9,702)                  |
| Accounts payable and accrued expenses  | <u>(29,892)</u>          | <u>31,518</u>            |
| <b>Net Change in Cash</b>  | (16,915)                 | 34,255                   |
| <b>Cash:</b>   |                          |                          |
| Beginning of year  | <u>163,501</u>           | <u>129,246</u>           |
| End of year  | <u><u>\$ 146,586</u></u> | <u><u>\$ 163,501</u></u> |

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Functional Expenses  
For the Years Ended September 30, 2016 and 2015

|                                     | 2016             |                            |             |              | 2015             |                            |             |              |
|-------------------------------------|------------------|----------------------------|-------------|--------------|------------------|----------------------------|-------------|--------------|
|                                     | Program Services | General and Administrative | Development | Total        | Program Services | General and Administrative | Development | Total        |
| <b>Personnel and Related:</b>       |                  |                            |             |              |                  |                            |             |              |
| Salaries                            | \$ 154,411       | \$ 21,985                  | \$ 39,979   | \$ 216,375   | \$ 223,971       | \$ 29,324                  | \$ 45,677   | \$ 298,972   |
| Foreign contractors and consultants | 150,224          | -                          | -           | 150,224      | 247,933          | -                          | -           | 247,933      |
| Payroll taxes and benefits          | 28,679           | 4,090                      | 3,757       | 36,526       | 40,518           | 3,449                      | 5,766       | 49,733       |
| Total personnel and related         | 333,314          | 26,075                     | 43,736      | 403,125      | 512,422          | 32,773                     | 51,443      | 596,638      |
| <b>Other:</b>                       |                  |                            |             |              |                  |                            |             |              |
| Subgrant award                      | 224,988          | -                          | -           | 224,988      | 196,518          | -                          | -           | 196,518      |
| Candle supplies                     | 151,148          | -                          | -           | 151,148      | 54,529           | -                          | -           | 54,529       |
| Professional fees                   | 1,600            | 74,210                     | -           | 75,810       | 2,425            | 21,733                     | -           | 24,158       |
| Travel                              | 43,916           | 111                        | 1,530       | 45,557       | 60,228           | 322                        | 4,186       | 64,736       |
| Rent                                | 26,748           | 1,550                      | 700         | 28,998       | 13,249           | 1,800                      | 1,200       | 16,249       |
| In-kind goods and services          | 24,841           | 224                        | -           | 25,065       | 131,911          | -                          | 272         | 132,183      |
| Miscellaneous                       | 11,557           | 3,704                      | 1,029       | 16,290       | 4,843            | 2,192                      | 2,725       | 9,760        |
| Insurance                           | 9,924            | 1,827                      | 72          | 11,823       | 9,456            | 1,763                      | 123         | 11,342       |
| Monitoring and evaluations          | 11,240           | -                          | -           | 11,240       | 34,500           | -                          | -           | 34,500       |
| Marketing                           | 8,670            | -                          | -           | 8,670        | 1,345            | -                          | 175         | 1,520        |
| Interest expense                    | -                | 3,245                      | -           | 3,245        | -                | 3,138                      | -           | 3,138        |
| Office expenses                     | 2,519            | 43                         | -           | 2,562        | 1,296            | 221                        | -           | 1,517        |
| Printing and postage                | 948              | 430                        | 9           | 1,387        | 288              | 113                        | 466         | 867          |
| Telephone and internet              | 194              | 632                        | 198         | 1,024        | 6,780            | 511                        | -           | 7,291        |
| Trainings and conferences           | 43               | 484                        | 403         | 930          | -                | 5,012                      | 2,984       | 7,996        |
| Information technology              | -                | 129                        | -           | 129          | -                | 345                        | -           | 345          |
| Program partners                    | -                | -                          | -           | -            | 72,561           | -                          | -           | 72,561       |
| Total other                         | 518,336          | 86,589                     | 3,941       | 608,866      | 589,929          | 37,150                     | 12,131      | 639,210      |
| Total expenses                      | \$ 851,650       | \$ 112,664                 | \$ 47,677   | \$ 1,011,991 | \$ 1,102,351     | \$ 69,923                  | \$ 63,574   | \$ 1,235,848 |

The accompanying notes are an integral part of these consolidated statements.

## **PROSPERITY CATALYST, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements  
September 30, 2016 and 2015

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### **1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

#### **OPERATIONS AND NONPROFIT STATUS**

Prosperity Catalyst, Inc. (PC) is a Vermont not-for-profit corporation founded in 2010. PC's mission is to launch, incubate, and then exit independent women-led and owned businesses in distressed countries, creating opportunities for vulnerable women to become empowered entrepreneurs. The impact is two-fold, first for the entrepreneurs and their families by having financial independence, and second by the social and economic change that transforms communities when women become successful entrepreneurs.

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 pilot project in Cap Haitien, Haiti. The project, Fanm Limye (FL), was incorporated as a Société Anonyme (S.A.) in Haiti. PC owns 97% of FL. A Board member of PC, the former Executive Director of PC and one Haitian woman share the remaining 3% of FL (1% each) (see Note 5). 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 is a wholly-owned subsidiary of the Organization. The LLC had no activity for the years ended September 30, 2016 and 2015.

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.

#### **SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of PC and FL. All significant inter-company transactions and balances have been eliminated. PC also provides support on behalf of FL; those expenses are included in program service expenses in the accompanying consolidated statement of activities and changes in net assets. PC and FL are collectively referred to as the Organization throughout these consolidated financial statements.



## PROSPERITY CATALYST, INC. AND AFFILIATE

Notes to Consolidated Financial Statements  
September 30, 2016 and 2015

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Income Taxes

PC 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, 2016 and 2015. 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 98% of FL's income tax liability. At September 30, 2016 and 2015, PC has determined there is no tax liability related to FL.

##### Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to *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.

## PROSPERITY CATALYST, INC. AND AFFILIATE

Notes to Consolidated Financial Statements  
September 30, 2016 and 2015

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 gains or losses for the years ended September 30, 2016 and 2015.

##### Accounts and Pledges Receivable and Allowance for Doubtful Accounts

Accounts and pledges receivable at September 30, 2016 and 2015, consist mainly of amounts due for program services provided and pledges due. The allowance for doubtful accounts is based on collection experience and other circumstances which may affect the ability of the Organization to collect. No allowance was deemed necessary at September 30, 2016 and 2015. All pledges are due in the following year and no discount was deemed necessary at September 30, 2016 and 2015.

##### Revenue Recognition

Contract revenue is recorded as unrestricted revenue over the contract period as services are provided and costs are incurred. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as program costs are incurred or time restrictions lapse. All other revenue is recorded when earned.

##### Donated Goods and Services

Volunteers and other organizations contribute services to the Organization in support of various aspects of its programs. These services, as well as consulting services, are reflected in the accompanying consolidated financial statements based upon the estimated value assigned to them by the volunteers, agencies or by management. Donated goods and services were as follows for the years ended September 30:

|                       | <u>2016</u>      | <u>2015</u>       |
|-----------------------|------------------|-------------------|
| Supplies              | \$ 18,704        | \$ 113,718        |
| Lodging               | 4,700            | 2,611             |
| Rent and storage      | 1,661            | 12,243            |
| Professional services | <u>-</u>         | <u>3,611</u>      |
|                       | <u>\$ 25,065</u> | <u>\$ 132,183</u> |

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

## PROSPERITY CATALYST, INC. AND AFFILIATE

Notes to Consolidated Financial Statements  
September 30, 2016 and 2015

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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.

##### Subsequent Events

Subsequent events have been evaluated through April 28, 2017, which is the date the consolidated financial statements were available to be issued.

### 2. NET ASSETS

#### Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds designated for a specific purpose or for future periods. These amounts are recorded as temporarily restricted net assets until they are expended for their designated purposes or the time restrictions expire. Temporarily restricted net assets were restricted as follows at September 30:

|   | <u>2016</u>       | <u>2015</u>      |
|---|-------------------|------------------|
| Purpose restricted to fund operations of FL | \$ 111,785        | \$ 55,000        |
| Time restricted (see Note 6)                | <u>1,925</u>      | <u>5,170</u>     |
|   | <u>\$ 113,710</u> | <u>\$ 60,170</u> |

Net assets released include \$142,285 and \$185,769 released for purpose restrictions and \$3,245 and \$3,138 for time restrictions for the years ended September 30, 2016 and 2015, respectively.

### 3. FUNDING AND CONCENTRATIONS

The Organization was awarded a \$2 million U.S. Department of State (DOS) contract in September 2013, 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 68% and 58% of its total unrestricted operating revenues and support from DOS during fiscal years 2016 and 2015, respectively. As of September 30, 2016 and 2015, 34% and 55%, respectively, of accounts and pledges receivables were due from DOS. 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, 2016 and 2015, or on its consolidated changes in net assets for the years then ended.

## PROSPERITY CATALYST, INC. AND AFFILIATE

Notes to Consolidated Financial Statements  
September 30, 2016 and 2015

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### 3. FUNDING AND CONCENTRATIONS (Continued)

The Organization maintained cash accounts in foreign countries at September 30, 2016 and 2015; 1% of cash and cash equivalents are held in banks in Iraq and Haiti.

Additionally, the Organization maintains its cash balances in various banks in the United States. The Federal Deposit Insurance Corporation (FDIC) insures balances at each 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 and cash equivalents.

### 4. LEASES

The Organization leases office space in Haiti under an agreement which expires June 30, 2017. Rent expense under this agreement was \$10,000 and \$7,500 for the years ended September 30, 2016 and 2015, respectively, and is included in rent in the accompanying consolidated statements of functional expenses.

The Organization rents office space in Cambridge, Massachusetts as a tenant-at-will. On April 1, 2016, the Organization's rent was reduced from \$500 per month to \$250 per month. Rent expense for this office space was \$4,500 and \$6,000 for the years ended September 30, 2016 and 2015, respectively, and is included in rent in the accompanying consolidated statements of functional expenses for the years then ended.

The Organization rents office space under various leases in Iraq. Rent expense for this office space was \$12,500 and \$1,250 for the years ended September 30, 2016 and 2015, respectively, and is included in rent in the accompanying consolidated statements of functional expenses for the years then ended.

Future minimum lease payments for the year ended September 30, 2017 are \$1,000.

### 5. RELATED PARTY TRANSACTIONS

A Board member of the Organization has 1% equity in FL at September 30, 2016 and 2015.

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, 2016 and 2015.

### 6. REVOLVING LOAN

During fiscal year 2014, the Organization was granted two unrestricted revolving loans (the loans) totaling \$100,000 from a private funder. The loans are due in April and November, 2019, and are non-interest bearing. The Organization has recorded the loans at net present value of \$89,789 and as a temporarily restricted contribution of \$10,211. During the years ended September 30, 2016 and 2015, the Organization released temporarily restricted net assets and recorded interest expense of \$3,245 and \$3,138, respectively, calculated at the Federal rates at the time of each loan of 3.49% and 3.2%. The net present value of the loans at September 30, 2016 and 2015, was \$98,075 and \$94,830, respectively.

During December 2016, \$15,000 of the revolving loans were forgiven and repurposed into a restricted grant effective July 1, 2017.

## **PROSPERITY CATALYST, INC. AND AFFILIATE**

Notes to Consolidated Financial Statements  
September 30, 2016 and 2015

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### **7. RETIREMENT PLAN**

The Organization began a simple IRA plan (the Plan) during the year ended September 30, 2015. 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. The Organization has the right to make discretionary contributions to the Plan. The Organization made matching contributions of \$192 and \$342 to the plan during the years ended September 30, 2016 and 2015, respectively, which is included in payroll taxes and benefits in the accompanying consolidated statements of functional expenses for the years then ended.

### **8. FOREIGN OPERATIONS**

The Organization'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 nil at September 30, 2016 and 2015.

### **9. CONDITIONAL GRANT**

As of September 30, 2016, the Organization had a conditional grant available through fiscal year 2017, totaling \$99,844, of which \$50,000 was earned and is included in grants and contributions in the accompanying fiscal year 2016 consolidated statement of activities and changes in net assets. Since the remaining \$49,844 available under this grant is conditional upon the Organization meeting certain performance goals, it has not been reflected in the accompanying consolidated financial statements.

### **10. RECLASSIFICATIONS**

Certain amounts in the fiscal year 2015 consolidated financial statements have been reclassified to conform with the fiscal year 2016 presentation.