Prosperity Catalyst

Investing in women changes everything

**AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2019 AND 2018**

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Contents
September 30, 2019 and 2018

AAFCPAs
great minds | great hearts

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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 which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, 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. and Affiliate as of September 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
April 3, 2020

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Financial Position
September 30, 2019 and 2018

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Assets** | **Without Donor Restrictions** | **With Donor Restricted** | **Total** | **Without Donor Restrictions** | **With Donor Restricted** | **Total** |
| Current Assets: | | | | | | |
| Cash | $ - | $ 96,597 | $ 96,597 | $ 94,253 | $ 79,159 | $ 173,412 |
| Accounts and grants receivable | 118,363 | - | 118,363 | 95,888 | - | 95,888 |
| Inventory | 58,158 | - | 58,158 | 63,658 | - | 63,658 |
| Prepaid expenses and other | 4,811 | - | 4,811 | 5,590 | - | 5,590 |
| Due (to) from | (12,678) | 12,678 | - | - | - | - |
| Total current assets | 168,654 | 109,275 | 277,929 | 259,389 | 79,159 | 338,548 |
| Vehicles: | 31,000 | - | 31,000 | 31,000 | - | 31,000 |
| Less - accumulated depreciation | 6,200 | - | 6,200 | - | - | - |
| Net vehicles | 24,800 | - | 24,800 | 31,000 | - | 31,000 |
| Total assets | $ 193,454 | $ 109,275 | $ 302,729 | $ 290,389 | $ 79,159 | $ 369,548 |
| **Liabilities and Net Assets** | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued expenses | $ 12,576 | $ - | $ 12,576 | $ 57,137 | $ - | $ 57,137 |
| Current portion of revolving loan | - | - | - | 38,614 | - | 38,614 |
| Total current liabilities | 12,576 | - | 12,576 | 95,751 | - | 95,751 |
| Revolving Loan, net of current portion | 52,904 | - | 52,904 | 28,406 | - | 28,406 |
| Total liabilities | 65,480 | - | 65,480 | 124,157 | - | 124,157 |
| Net Assets: | | | | | | |
| Without donor restrictions | | | | | | |
| Operating | 103,174 | - | 103,174 | 135,232 | - | 135,232 |
| Vehicles | 24,800 | - | 24,800 | 31,000 | - | 31,000 |
| Total without donor restrictions | 127,974 | - | 127,974 | 166,232 | - | 166,232 |
| With donor restrictions | - | 109,275 | 109,275 | - | 79,159 | 79,159 |
| Total net assets | 127,974 | 109,275 | 237,249 | 166,232 | 79,159 | 245,391 |
| Total liabilities and net assets | $ 193,454 | $ 109,275 | $ 302,729 | $ 290,389 | $ 79,159 | $ 369,548 |

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, 2019 and 2018

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| **Operating Revenue and Support:** | | | | | | |
| Contract revenue | $ 934,666 | $ - | $ 934,666 | $ 612,484 | $ - | $ 612,484 |
| Grants, contributions and other | 90,688 | 313,793 | 404,481 | 92,254 | 182,681 | 274,935 |
| Candle sales, net of cost of sales of $49,588 and $63,600 as of September 30, 2019 and 2018, respectively | 14,831 | - | 14,831 | 27,832 | - | 27,832 |
| Net assets released from restrictions | 283,677 | (283,677) | - | 317,730 | (317,730) | - |
| Total operating revenue and support | 1,323,862 | 30,116 | 1,353,978 | 1,050,300 | (135,049) | 915,251 |
| **Operating Expenses:** | | | | | | |
| Program services | 1,201,216 | - | 1,201,216 | 867,679 | - | 867,679 |
| General and administrative | 99,620 | - | 99,620 | 115,553 | - | 115,553 |
| Development | 61,284 | - | 61,284 | 9,007 | - | 9,007 |
| Total operating expenses | 1,362,120 | - | 1,362,120 | 992,239 | - | 992,239 |
| Changes in net assets from operations | (38,258) | 30,116 | (8,142) | 58,061 | (135,049) | (76,988) |
| **Non-Operating Revenue:** | | | | | | |
| Donated vehicles | - | - | - | 31,000 | - | 31,000 |
| Changes in net assets | (38,258) | 30,116 | (8,142) | 89,061 | (135,049) | (45,988) |
| **Net Assets:** | | | | | | |
| Beginning of year | 166,232 | 79,159 | 245,391 | 77,171 | 214,208 | 291,379 |
| End of year | $ 127,974 | $ 109,275 | $ 237,249 | $ 166,232 | $ 79,159 | $ 245,391 |

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, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Changes in net assets | $ (8,142) | $ (45,988) |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Donated vehicles | - | (31,000) |
| Revolving loan converted to grant | (15,000) | (15,000) |
| Depreciation | 6,200 | - |
| Imputed interest expense | 884 | 1,179 |
| Changes in operating assets and liabilities: | | |
| Accounts and grants receivable | (22,475) | 47,095 |
| Inventory | 5,500 | (63,658) |
| Prepaid expenses and other | 779 | (255) |
| Accounts payable and accrued expenses | (44,561) | (10,190) |
| **Net Cash Used In Operating Activities** | (76,815) | (117,817) |
| **Cash:** | | |
| Beginning of year | 173,412 | 291,229 |
| End of year | $ 96,597 | $ 173,412 |

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

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Functional Expenses
For the Years Ended September 30, 2019 and 2018

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Services | General and Adminis-trative | Develop-ment | Total | Program Services | General and Adminis-trative | Develop-ment | Total |
| **Personnel and Related:** | | | | | | | | |
| Foreign contractors and consultants | $ 420,452 | $ - | $ - | $ 420,452 | $ 334,050 | $ 12,852 | $ - | $ 346,902 |
| Salaries | 225,114 | 51,753 | 45,971 | 322,838 | 170,280 | 54,871 | 7,501 | 232,652 |
| Payroll taxes and benefits | 46,336 | 13,967 | 9,667 | 69,970 | 39,830 | 17,586 | 1,169 | 58,585 |
| Total personnel and related | 691,902 | 65,720 | 55,638 | 813,260 | 544,160 | 85,309 | 8,670 | 638,139 |
| **Other:** | | | | | | | | |
| Subgrant awards | 175,412 | - | - | 175,412 | 98,585 | - | - | 98,585 |
| Program supplies | 99,468 | - | - | 99,468 | 41,394 | - | - | 41,394 |
| Travel | 89,891 | 6,808 | 294 | 96,993 | 55,889 | 3,821 | - | 59,710 |
| Professional fees | 66,985 | 5,949 | 3,124 | 76,058 | 61,195 | 6,232 | 297 | 67,724 |
| Rent | 28,200 | 2,750 | - | 30,950 | 22,594 | 3,000 | - | 25,594 |
| Trainings and conferences | 17,250 | 9,368 | 2,213 | 28,831 | 10,867 | 8,776 | - | 19,643 |
| Insurance | 7,166 | 2,980 | - | 10,146 | 8,662 | 1,666 | - | 10,328 |
| Office expenses | 4,973 | 4,326 | - | 9,299 | 7,200 | 221 | - | 7,421 |
| Information technology | 7,483 | - | - | 7,483 | 494 | - | - | 494 |
| Depreciation | 6,200 | - | - | 6,200 | - | - | - | - |
| Marketing | 3,474 | 581 | 15 | 4,070 | 6,958 | 432 | 40 | 7,430 |
| Printing and postage | 1,487 | 254 | - | 1,741 | 2,063 | 396 | - | 2,459 |
| Miscellaneous | 1,325 | - | - | 1,325 | 7,618 | 4,521 | - | 12,139 |
| Interest expense | - | 884 | - | 884 | - | 1,179 | - | 1,179 |
| Total other | 509,314 | 33,900 | 5,646 | 548,860 | 323,519 | 30,244 | 337 | 354,100 |
| Total expenses | $ 1,201,216 | $ 99,620 | $ 61,284 | $ 1,362,120 | $ 867,679 | $ 115,553 | $ 9,007 | $ 992,239 |

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

## 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% ownership interest 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 and PCGT are wholly-owned subsidiaries of PC. The LLC and PCGT had no activity for the years ended September 30, 2019 and 2018 and had no assets or liabilities at September 30, 2019 and 2018.

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 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.

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

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting Principle Adoption

During fiscal year 2019, the Organization adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This ASU modified the current guidance over several criteria, of which the following affected the Organization's consolidated financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions, as opposed to the previous requirement of three classes of net assets (see Note 2).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the consolidated statement of financial position date (see Note 11).
- An explanation of the methods used to allocate costs among program and supporting functions (see page 9).

The adoption of this ASU did not impact the Organization's net asset balances, changes in net assets, or cash flows for the year ended September 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the year ended September 30, 2018.

#### 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. Non-operating activity consists of donated vehicles.

#### 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

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, 2019 and 2018. 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, 2019 and 2018.

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

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### 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, 2019 and 2018.

#### Accounts and Grants Receivable and Allowance for Doubtful Accounts

Accounts and grants receivable at September 30, 2019 and 2018, consist mainly of amounts due for program services provided and grants and contributions. 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, 2019 and 2018.

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

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

Contract revenue is recognized over the contract period as services are provided and costs are incurred. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as net assets with donor restrictions when funds are received or unconditionally pledged. Transfers are made to net assets without donor restrictions as program costs are incurred or time restrictions lapse. Candle sales are recorded at the time of sale and are net of direct cost of goods sold in the accompanying consolidated statements of activities and changes in net assets. All other revenue is recorded when earned.

#### Donated Goods and Services

Volunteers and other organizations contribute goods and services to the Organization in support of various aspects of its programs. These goods, as well as consulting services, are reflected in the accompanying consolidated financial statements based upon the estimated value and/or the fair market value assigned to them by the volunteers, agencies or by management. Donated goods and services include $31,000 of donated vehicles for the year ended September 30, 2018. There were no donated goods or services for the year ended September 30, 2019.

#### Vehicles 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 year ended September 30, 2019. No depreciation was recorded for the year ended September 30, 2018.

#### 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 and marketing 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, 2019 and 2018, and is recorded at the lower of cost (as determined by the first-in, first-out method) or market.

#### Subsequent Events

Subsequent events have been evaluated through April 3, 2020, which is the date the consolidated financial statements were available to be issued. Events that met the criteria for recognition or disclosure in the consolidated financial statements are noted in Note 13.

## 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. Net assets with donor restrictions were as follows at September 30:

| | 2019 | 2018 |
|---|---|---|
| Purpose restricted | $ 109,275 | $ 78,104 |
| Time restricted | - | 1,055 |
| | $ 109,275 | $ 79,159 |

Net assets released from restrictions include the following for the years ended September 30:

| | 2019 | 2018 |
|---|---|---|
| Purpose restricted | $ 282,622 | $ 316,551 |
| Time restricted | 1,055 | 1,179 |
| | $ 283,677 | $ 317,730 |

## 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 65% and 58% of its total operating revenue and support without donor restrictions from DOS funded contracts during fiscal years 2019 and 2018, respectively. As of September 30, 2019 and 2018, 76% of accounts and grants receivables were due from DOS funded contracts. 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, 2019 and 2018, or on its consolidated changes in net assets for the years then ended.

**3. FUNDING AND CONCENTRATIONS** (Continued)

Concentrations of accounts and grants receivable and total operating revenue and support as of September 30, 2019 and 2018 are as follows:

| | Accounts and Grants Receivable | | Total Operating Revenue and Support | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Private Funder A | - | 14% | - | - |
| Private Funder B | 23% | - | - | - |
| Private Funder C | - | - | 19% | 12% |

The Organization maintained 2% of its cash balance in Iraq and Haiti at September 30, 2018. No material balances were maintained in Iraq or Haiti at September 30, 2019.

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 was renting office space in Cambridge, Massachusetts as a tenant-at will. Rent expense for this office space was $2,750 and $3,000 for the years ended September 30, 2019 and 2018, respectively and is included in rent in the accompanying consolidated statements of functional expenses. The Organization transitioned to a remote business model for the last month of fiscal year 2019 and, therefore, had no rent expense for September 2019.

The Organization leases office space in Haiti under an agreement which expires on January 1, 2021. Rent expense under this agreement was $10,000 and $7,894 for the years ended September 30, 2019 and 2018, respectively, and is included in rent in the accompanying consolidated statements of functional expenses. Rent expense is expected to be $10,000 for the year ended September 30, 2020.

The Organization leases office space in Iraq under an agreement which expired on December 31, 2018. Rent expense under this agreement was $18,200 and $14,700 for the years ended September 30, 2019 and 2018, respectively, and is included in rent in the accompanying consolidated statements of functional expenses. This lease is under negotiation as of April 3, 2020, and the Organization is leasing as a tenant at will.

**5. RELATED PARTY TRANSACTIONS**

Two Board members and one employee of the Organization each hold a 1% equity interest in FL at September 30, 2019.

A member of the Organization's Advisory Board is the President of a foundation which purchased approximately $32,000 and $55,000 of candles from the Organization during fiscal years 2019 and 2018, respectively.

Board members of the Organization collectively donated approximately $56,400 and $20,000 to the Organization during fiscal years 2019 and 2018, respectively.

## 5. RELATED PARTY TRANSACTIONS (Continued)

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, 2019 and 2018.

## 6. REVOLVING LOAN

During fiscal year 2014, the Organization was granted two revolving loans (the loans) totaling $100,000 from a private foundation. In both fiscal year 2017 and 2018, $15,000 of the revolving loans was forgiven and repurposed into a donor restricted grant. During fiscal year 2019, another $15,000 was transferred to a donor restricted grant and the remainder of the loan was extended through 2023, with intent to forgive and transition to donor restricted grants in $15,000 increments. During the year ended September 30, 2019 and 2018, the Organization recorded imputed interest expense of $884 and $1,179, respectively, calculated at the Federal rate at the time of each loan of 2.26%. The net present value of the loans at September 30, 2019 and 2018, was $52,904 and $67,020, respectively.

## 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 matching contribution for the years ended September 30, 2019 and 2018.

## 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, 2019 and 2018.

## 9. CONDITIONAL GRANT

As of September 30, 2019, PC had a conditional grant available from a private funder through fiscal year 2020 totaling $508,903. During fiscal year 2019 and 2018, PC earned $254,452 and $127,226 of this grant, respectively, which is included in grants and contributions in the accompanying consolidated statement of activities and changes in net assets. Since the remaining $127,225 of the grant is conditional upon PC meeting certain performance goals, it has not been reflected in the accompanying consolidated financial statements.

## 10. PARTNERSHIP GRANTS IN SUBGRANTEES

The Organization 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 the Organization's approval, review of project-related expenditures by subrecipients, and upon meeting terms and conditions outlined in the subgrantee award document.

## 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the consolidated statement of financial position date, comprise the following at September 30, 2019:

| | |
|---|---|
| Cash | $ 96,597 |
| Accounts and grants receivable | 118,363 |
| Total financial assets available | 214,960 |
| Less – donor-imposed restrictions | 109,275 |
| Total financial assets available within one year | $ 105,685 |

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. Program expenses, 88% of total expenses, 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.

## 12. RECLASSIFICATIONS

Certain amounts in the fiscal year 2018 consolidated financial statements have been reclassified to conform with the fiscal year 2019 consolidated presentation.

## 13. SUBSEQUENT EVENT

In March 2020, the COVID-19 coronavirus pandemic emerged in most nations, triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the global economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Organization, its operations and future consolidated financial statements. The accompanying consolidated financial statements have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the Organization is monitoring these events closely to assess the potential financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Organization is unable to accurately predict how the coronavirus will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.