



**Prosperity Catalyst**

*Investing in women changes everything.*

**AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Contents  
September 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

*Alexander, Brown, Pinning & Co., P.C.*

Westborough, Massachusetts  
February 12, 2019

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Financial Position  
September 30, 2018 and 2017

<b>Assets</b>	<b>2018</b>			<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Current Assets:						
Cash	\$ 94,253	\$ 79,159	\$ 173,412	\$ 84,781	\$ 206,448	\$ 291,229
Accounts and grants receivable	95,669	-	95,669	135,004	7,760	142,764
Inventory	63,658	-	63,658	-	-	-
Prepaid expenses and other	5,809	-	5,809	5,554	-	5,554
Total current assets	259,389	79,159	338,548	225,339	214,208	439,547
Vehicles	31,000	-	31,000	-	-	-
Total assets	<u>\$ 290,389</u>	<u>\$ 79,159</u>	<u>\$ 369,548</u>	<u>\$ 225,339</u>	<u>\$ 214,208</u>	<u>\$ 439,547</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 57,137	\$ -	\$ 57,137	\$ 67,327	\$ -	\$ 67,327
Current portion of revolving loan	38,614	-	38,614	-	-	-
Total current liabilities	95,751	-	95,751	67,327	-	67,327
Revolving Loan, net of current portion	28,406	-	28,406	80,841	-	80,841
Total liabilities	124,157	-	124,157	148,168	-	148,168
Net Assets:						
Unrestricted:						
Operating	135,232	-	135,232	77,171	-	77,171
Vehicles	31,000	-	31,000	-	-	-
Total unrestricted	166,232	-	166,232	77,171	-	77,171
Temporarily restricted	-	79,159	79,159	-	214,208	214,208
Total net assets	166,232	79,159	245,391	77,171	214,208	291,379
Total liabilities and net assets	<u>\$ 290,389</u>	<u>\$ 79,159</u>	<u>\$ 369,548</u>	<u>\$ 225,339</u>	<u>\$ 214,208</u>	<u>\$ 439,547</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, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support:</b>						
Contract revenue	\$ 625,740	\$ -	\$ 625,740	\$ 704,573	\$ -	\$ 704,573
Grants and contributions	78,998	182,681	261,679	65,337	366,711	432,048
Candle sales, net of cost of sales of \$63,600 and \$119,107 as of September 30, 2018 and 2017, respectively	27,832	-	27,832	(2,650)	-	(2,650)
Donated goods and services	-	-	-	15,062	-	15,062
Net assets released from restrictions	317,730	(317,730)	-	266,213	(266,213)	-
Total operating revenue and support	1,050,300	(135,049)	915,251	1,048,535	100,498	1,149,033
<b>Operating Expenses:</b>						
Program services	867,679	-	867,679	927,355	-	927,355
General and administrative	115,553	-	115,553	58,805	-	58,805
Development	9,007	-	9,007	31,758	-	31,758
Total operating expenses	992,239	-	992,239	1,017,918	-	1,017,918
Changes in net assets from operations	58,061	(135,049)	(76,988)	30,617	100,498	131,115
<b>Non-Operating Revenue:</b>						
Donated vehicles	31,000	-	31,000	-	-	-
Changes in net assets	89,061	(135,049)	(45,988)	30,617	100,498	131,115
<b>Net Assets:</b>						
Beginning of year	77,171	214,208	291,379	46,554	113,710	160,264
End of year	\$ 166,232	\$ 79,159	\$ 245,391	\$ 77,171	\$ 214,208	\$ 291,379

**PROSPERITY CATALYST, INC. AND AFFILIATE**Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (45,988)	\$ 131,115
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Donated vehicles	(31,000)	-
Revolving loan converted to grant	(15,000)	(15,000)
Imputed interest contribution	-	(3,637)
Imputed interest expense	1,179	1,403
Changes in operating assets and liabilities:		
Accounts and grants receivable	47,095	(31,593)
Inventory	(63,658)	-
Prepaid expenses and other	(255)	4,697
Accounts payable and accrued expenses	<u>(10,190)</u>	<u>57,658</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	(117,817)	144,643
<b>Cash:</b>		
Beginning of year	<u>291,229</u>	<u>146,586</u>
End of year	<u>\$ 173,412</u>	<u>\$ 291,229</u>

**PROSPERITY CATALYST, INC. AND AFFILIATE**

Consolidated Statements of Functional Expenses  
For the Years Ended September 30, 2018 and 2017

	2018				2017			
	Program Services	General and Administrative	Development	Total	Program Services	General and Administrative	Development	Total
<b>Personnel and Related:</b>								
Salaries	\$ 170,280	\$ 54,871	\$ 7,501	\$ 232,652	\$ 171,060	\$ 29,694	\$ 24,039	\$ 224,793
Foreign contractors and consultants	334,050	12,852	-	346,902	168,595	-	-	168,595
Payroll taxes and benefits	39,830	17,586	1,169	58,585	36,547	6,197	4,234	46,978
Total personnel and related	544,160	85,309	8,670	638,139	376,202	35,891	28,273	440,366
<b>Other:</b>								
Subgrant award	98,585	-	-	98,585	119,995	-	-	119,995
Professional fees	61,195	6,232	297	67,724	114,480	6,622	2,353	123,455
Travel	55,889	3,821	-	59,710	79,502	597	106	80,205
Program supplies	41,394	-	-	41,394	77,153	-	104	77,257
Rent	22,594	3,000	-	25,594	29,582	1,500	-	31,082
Trainings and conferences	10,867	8,776	-	19,643	8,466	2,501	-	10,967
Miscellaneous	7,618	4,521	-	12,139	8,314	4,644	419	13,377
Insurance	8,662	1,666	-	10,328	11,525	1,726	88	13,339
Marketing	6,958	432	40	7,430	83,831	1,622	114	85,567
Office expenses	7,200	221	-	7,421	11,059	770	75	11,904
Printing and postage	2,063	396	-	2,459	2,020	259	151	2,430
Interest expense	-	1,179	-	1,179	-	1,403	-	1,403
Information technology	494	-	-	494	5,226	1,270	75	6,571
Total other	323,519	30,244	337	354,100	551,153	22,914	3,485	577,552
Total expenses	\$ 867,679	\$ 115,553	\$ 9,007	\$ 992,239	\$ 927,355	\$ 58,805	\$ 31,758	\$ 1,017,918

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

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

Notes to Consolidated Financial Statements  
September 30, 2018 and 2017

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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% 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, 2018 and 2017.

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 statements of activities and changes in net assets. 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. Non-operating activity reflects donated capital activity.



## PROSPERITY CATALYST, INC. AND AFFILIATE

Notes to Consolidated Financial Statements  
September 30, 2018 and 2017

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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.

##### 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, 2018 and 2017. 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.

##### 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, 2018 and 2017

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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 foreign currency gains or losses for the years ended September 30, 2018 and 2017.

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

Accounts and grants receivable at September 30, 2018 and 2017, 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, 2018 and 2017.

##### 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 revenue and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets 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 good 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 vehicles, goods and services were as follows for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Vehicles	\$ 31,000	\$ -
Supplies	-	9,980
Rent and storage	-	5,082
	<u>\$ 31,000</u>	<u>\$ 15,062</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, 2018 and 2017

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Inventory

Inventory consists of finished candle, jewelry, and quilt products on hand as of September 30, 2018, and is recorded at the lower of cost (as determined by the first-in, first-out method) or market.

##### 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. No depreciation was recorded for the year ended September 30, 2018. The vehicles will begin being depreciated in fiscal year 2019.

##### Subsequent Events

Subsequent events have been evaluated through February 12, 2019, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the consolidated financial statements, except as noted in Note 9.

### 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. The Organization has grouped its unrestricted net assets into the following categories:

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

**Vehicles** - Reflects and accounts for the activities relating to vehicles.

#### 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>2018</u>	<u>2017</u>
Purpose restricted	\$ 78,104	\$ 211,974
Time restricted (see Note 6)	<u>1,055</u>	<u>2,234</u>
	<u>\$ 79,159</u>	<u>\$ 214,208</u>

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

	<u>2018</u>	<u>2017</u>
Purpose restricted	\$ 316,551	\$ 264,810
Time restricted	<u>1,179</u>	<u>1,403</u>
	<u>\$ 317,730</u>	<u>\$ 266,213</u>

## PROSPERITY CATALYST, INC. AND AFFILIATE

Notes to Consolidated Financial Statements  
September 30, 2018 and 2017

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### 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 67% and 56% of its total unrestricted operating revenue and support from DOS during fiscal years 2018 and 2017, respectively. As of September 30, 2018 and 2017, 76% and 90%, respectively, of accounts and grants receivables were due from DOS. Payments to the Organization are subject to audit by the 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, 2018 and 2017, or on its consolidated changes in net assets for the years then ended.

As of September 30, 2018, 14% of accounts and grants receivables were due from a private entity. A separate private entity provided 14% of total operating revenue and support as of September 30, 2018.

The Organization maintained 2% and 1% of its cash balance in Iraq and Haiti at September 30, 2018 and 2017, 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 rents office space in Cambridge, Massachusetts as a tenant-at-will. Rent expense for this office space was \$3,000 for the years ended September 30, 2018 and 2017, and is included in rent in the accompanying consolidated statements of functional expenses.

The Organization leases office space in Haiti under an agreement which expired on January 1, 2019. Rent expense under this agreement was \$6,750 and \$11,000 for the years ended September 30, 2018 and 2017, respectively, and is included in rent in the accompanying consolidated statements of functional expenses. This lease is under negotiation as of February 12, 2019.

The Organization leases office space in Iraq under an agreement which expired on December 31, 2018. Rent expense under this agreement was \$14,700 and \$12,000 for the years ended September 30, 2018 and 2017, respectively, and is included in rent in the accompanying consolidated statements of functional expenses. This lease is under negotiation as of February 12, 2019.

### 5. RELATED PARTY TRANSACTIONS

Two Board members and one employee of the Organization each hold a 1% equity interest in FL at September 30, 2018. A different Board member held a 1% equity interest in FL at September 30, 2017.

A Board member of the Organization is the President of a foundation which awarded PC a \$150,000 contribution during fiscal year 2017. The foundation also purchased approximately \$55,000 and \$51,000 of candles from the Organization during fiscal years 2018 and 2017, respectively.

Board members of the Organization collectively donated approximately \$20,000 and \$29,000 to the Organization during fiscal years 2018 and 2017, respectively.

## PROSPERITY CATALYST, INC. AND AFFILIATE

Notes to Consolidated Financial Statements  
September 30, 2018 and 2017

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### 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, 2018 and 2017.

### 6. REVOLVING LOAN

During fiscal year 2014, the Organization was granted two unrestricted revolving loans (the loans) totaling \$100,000 from a private foundation. Effective July 1, 2017, \$15,000 of the revolving loans was forgiven and repurposed into a restricted grant. Effective July 1, 2018, an additional \$15,000 of the revolving loans was forgiven and repurposed into a restricted grant. The remaining loan balances are due in April and November 2019, and are non-interest bearing. During fiscal year 2017, the Organization recorded a temporarily restricted contribution of \$3,637 related to the net present value impact of extending the loans. During the years ended September 30, 2018 and 2017, the Organization released temporarily restricted net assets and recorded imputed interest expense of \$1,179 and \$1,403, respectively, calculated at the Federal rates at the time of each loan of 2.26% and 3.49%, respectively. The net present value of the loans at September 30, 2018 and 2017, was \$67,020 and \$80,841, 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, 2018 and 2017.

### 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, 2018 and 2017.

### 9. CONDITIONAL GRANT

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

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

Notes to Consolidated Financial Statements  
September 30, 2018 and 2017

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### **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. RECLASSIFICATIONS**

Certain amounts in the fiscal year 2017 consolidated financial statements have been reclassified to conform with the fiscal year 2018 consolidated presentation.