Prosperity Catalyst

Investing in women changes everything

AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

PROSPERITY CATALYST, INC. AND AFFILIATE

Contents
September 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 16, 2021

PROSPERITY CATALYST, INC. AND AFFILIATE

Consolidated Statements of Financial Position
September 30, 2020 and 2019

	2020			2019		
Assets	**Without Donor Restrictions**	**With Donor Restricted**	**Total**	**Without Donor Restrictions**	**With Donor Restricted**	**Total**
Current Assets:						
Cash	$ 19,540	$ 119,224	$ 138,764	$ -	$ 96,597	$ 96,597
Contributions receivable	59,637	-	59,637	95,434	-	95,434
Trade accounts receivable	-	-	-	22,929	-	22,929
Inventory	62,727	-	62,727	58,158	-	58,158
Prepaid expenses and other	5,969	-	5,969	4,811	-	4,811
Due (to) from	-	-	-	(12,678)	12,678	-
Total current assets	147,873	119,224	267,097	168,654	109,275	277,929
Vehicles	31,000	-	31,000	31,000	-	31,000
Less - accumulated depreciation	12,400	-	12,400	6,200	-	6,200
Net vehicles	18,600	-	18,600	24,800	-	24,800
Total assets	$ 166,473	$ 119,224	$ 285,697	$ 193,454	$ 109,275	$ 302,729
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	$ 33,496	$ -	$ 33,496	$ 12,576	$ -	$ 12,576
Revolving Loan	37,904	-	37,904	52,904	-	52,904
Total liabilities	71,400	-	71,400	65,480	-	65,480
Net Assets:						
Without donor restrictions:						
Operating	76,473	-	76,473	103,174	-	103,174
Vehicles	18,600	-	18,600	24,800	-	24,800
Total without donor restrictions	95,073	-	95,073	127,974	-	127,974
With donor restrictions	-	119,224	119,224	-	109,275	109,275
Total net assets	95,073	119,224	214,297	127,974	109,275	237,249
Total liabilities and net assets	$ 166,473	$ 119,224	$ 285,697	$ 193,454	$ 109,275	$ 302,729

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

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Operating Revenue and Support:						
Contract revenue	$ 1,273,996	$ -	$ 1,273,996	$ 934,666	$ -	$ 934,666
Grants, contributions and other	150,694	313,259	463,953	90,688	313,793	404,481
Artisan sales, net of cost of sales of $67,380 and $92,831 as of September 30, 2020 and 2019, respectively	(13,815)	-	(13,815)	(28,409)	-	(28,409)
Net assets released from restrictions	303,310	(303,310)	-	283,677	(283,677)	-
Total operating revenue and support	1,714,185	9,949	1,724,134	1,280,622	30,116	1,310,738
Operating Expenses:						
Program services	1,520,950	-	1,520,950	1,157,976	-	1,157,976
General and administrative	127,470	-	127,470	99,620	-	99,620
Development	98,666	-	98,666	61,284	-	61,284
Total operating expenses	1,747,086	-	1,747,086	1,318,880	-	1,318,880
Changes in net assets	(32,901)	9,949	(22,952)	(38,258)	30,116	(8,142)
Net Assets:						
Beginning of year	127,974	109,275	237,249	166,232	79,159	245,391
End of year	$ 95,073	$ 119,224	$ 214,297	$ 127,974	$ 109,275	$ 237,249

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Changes in net assets	$ (22,952)	$ (8,142)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Revolving loan converted to grant	(15,000)	(15,000)
Depreciation	6,200	6,200
Imputed interest expense	-	884
Changes in operating assets and liabilities:		
Contributions receivable	35,797	(3,166)
Trade accounts receivable	22,929	(19,309)
Inventory	(4,569)	5,500
Prepaid expenses and other	(1,158)	779
Accounts payable and accrued expenses	20,920	(44,561)
Net Cash Provided By (Used In) Operating Activities	42,167	(76,815)
Cash:		
Beginning of year	96,597	173,412
End of year	$ 138,764	$ 96,597

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, 2020 and 2019

	2020				2019			
	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	$ 654,334	$ -	$ -	$ 654,334	$ 420,452	$ -	$ -	$ 420,452
Salaries	194,805	87,181	80,137	362,123	225,114	51,753	45,971	322,838
Payroll taxes and benefits	36,633	13,669	12,993	63,295	46,336	13,967	9,667	69,970
Total personnel and related	885,772	100,850	93,130	1,079,752	691,902	65,720	55,638	813,260
Other:								
Subgrant awards	283,835	-	-	283,835	175,412	-	-	175,412
Travel	81,882	7,783	-	89,665	89,891	6,808	294	96,993
Program supplies	82,071	-	-	82,071	56,228	-	-	56,228
Professional fees	69,042	5,483	3,269	77,794	66,985	5,949	3,124	76,058
Trainings and conferences	43,068	7,562	991	51,621	17,250	9,368	2,213	28,831
Rent	32,581	-	-	32,581	28,200	2,750	-	30,950
Insurance	9,445	3,387	473	13,305	7,166	2,980	-	10,146
Miscellaneous	11,653	-	233	11,886	1,325	-	-	1,325
Office expenses	9,967	27	531	10,525	4,973	4,326	-	9,299
Depreciation	6,200	-	-	6,200	6,200	-	-	6,200
Marketing	3,336	1,992	39	5,367	3,474	581	15	4,070
Printing and postage	2,098	386	-	2,484	1,487	254	-	1,741
Interest expense	-	-	-	-	-	884	-	884
Information technology	-	-	-	-	7,483	-	-	7,483
Total other	635,178	26,620	5,536	667,334	466,074	33,900	5,646	505,620
Total expenses	$ 1,520,950	$ 127,470	$ 98,666	$ 1,747,086	$ 1,157,976	$ 99,620	$ 61,284	$ 1,318,880

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 develop and strengthen women-led businesses in distressed regions, providing business and technical training, and creating opportunities for women to achieve economic and social empowerment.

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

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

In 2014, PC launched its Iraq program promoting the production of candles by widowed women in and around Baghdad. In 2015, a separate entity was incorporated in Iraq as Prosperity Catalyst for General Trade with Limited Liability - Private Company (PCGT). In order to facilitate the incorporation of the Iraq program, PC founded Prosperity Catalyst, LLC (the LLC), a Delaware limited liability company, in June 2014. The LLC and PCGT are wholly-owned subsidiaries of PC. The LLC and PCGT had no activity for the years ended September 30, 2020 and 2019, and had no assets or liabilities as of September 30, 2020 and 2019.

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 (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

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)

Adoption of New Accounting Standards

Revenue Recognition - Revenue from Contracts with Customers

On October 1, 2019, the Organization adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASC Topic 606).* The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. PC adopted Topic 606 using the modified retrospective method applied to those contracts which are not completed as of October 1, 2019. There were no material changes in the timing of recognition of revenue as a result of this adoption and, therefore, there was no adjustment to the opening balance of net assets without donor restrictions. PC does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

Revenue Recognition - Contributions

On October 1, 2019, the Organization adopted FASB's ASU 2018-08, *Not-for-Profit Entities (ASC Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. PC adopted ASU 2018-08 using a modified prospective method effective October 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of October 1, 2019. As a result, the fiscal year 2019 consolidated financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of October 1, 2019.

Consolidated Statements of Activities and Changes in Net Assets

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

Estimates

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at September 30, 2020 and 2019. 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, 2020 and 2019.

Fair Value Measurements

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

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

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

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

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

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

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, 2020 and 2019.

Contributions Receivable and Allowance for Doubtful Accounts

Contributions receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful contributions receivable is recorded based on the Organization's policy, which takes into account factors such as management's review of contributions receivable and their estimate of amounts that may become uncollectible. Amounts are written off as they are determined to be uncollectible. There was no allowance for doubtful accounts at September 30, 2020 and 2019.

Trade Accounts Receivable

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

Revenue Recognition

Artisan Sales

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Grants, Contributions and Contract Revenue

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider the probability of compliance with the barrier when determining if such awards are conditional and they should be reported as conditional grant advance liabilities until such conditions are met. See Note 9 for conditional grants committed at September 30, 2020.

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

Contract revenue is derived from Federal contracts, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. These contracts are considered nonreciprocal transactions because the Organization’s clients and service area receive the benefit as a result of the assets transferred. This revenue is recognized in accordance with ASC Topic 958.

All other revenue is recorded when earned.

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 years ended September 30, 2020 and 2019.

Expenses

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management’s estimate of the percentage attributable to each function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses which are allocated are salaries and payroll taxes and benefits, which are allocated on the basis of estimates of time and effort; insurance, office expenses, marketing and printing, and postage which are allocated based on estimates of square footage or usage.

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

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, 2020 and 2019, 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 16, 2021, 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 disclosed 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 of $119,224 and $109,275 at September 30, 2020 and 2019, respectively, are purpose restricted for programs.

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

	2020	2019
Purpose restricted	$ 303,310	$ 282,622
Time restricted	-	1,055
	$ 303,310	$ 283,677

3. FUNDING AND CONCENTRATIONS

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

The Organization received approximately 74% and 73% of its total operating revenue and support without donor restrictions from DOS funded contracts during fiscal years 2020 and 2019, respectively. As of September 30, 2020 and 2019, 100% and 76% of contributions receivable, respectively, were due from DOS funded contracts. Payments to the Organization are subject to audit by DOS.

3. FUNDING AND CONCENTRATIONS (Continued)

In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidated financial position of the Organization as of September 30, 2020 and 2019, or on its consolidated changes in net assets for the years then ended.

During fiscal year 2019, the Organization received approximately 19% of its total operating revenue and support without donor restrictions from one private funder.

The Organization maintained 12% and 40% of its cash balance in Iraq and Haiti at September 30, 2020 and 2019, 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 was renting office space in Cambridge, Massachusetts as a tenant-at-will. Rent expense for this office space was $2,750 for the year ended September 30, 2019, and is included in rent in the accompanying consolidated statements of functional expenses. The Organization transitioned to a remote business model in August 2019 and, therefore, had no administrative rent expense for the year ended September 30, 2020.

The Organization leases office space in Haiti under an agreement which expired on January 1, 2021. Rental payments include base rent and the Organization's share of utilities and other operating costs. Rent expense under this agreement was $11,381 and $10,000 for the years ended September 30, 2020 and 2019, respectively, and is included in rent in the accompanying consolidated statements of functional expenses. Base rent expense is expected to be $9,000 for the year ended September 30, 2021. This lease is under negotiation as of April 16, 2021, and the Organization is leasing this space as a tenant-at-will.

The Organization leases office space in Iraq under an agreement which expires on September 30, 2021. Rent expense, including a share of utilities and maintenance as defined under this agreement, was $15,600 and $18,200 for the years ended September 30, 2020 and 2019, respectively, and is included in rent in the accompanying consolidated statements of functional expenses.

The Organization leases an additional office space in Iraq under an agreement which expired on February 20, 2021. Rent expense under this agreement was $5,600 for the year ended September 30, 2020, and is included in rent in the accompanying consolidated statements of functional expenses. This lease is under negotiation as of April 16, 2021, and the Organization is leasing this space 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, 2020.

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

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, 2020 and 2019.

6. REVOLVING LOAN

During fiscal year 2014, the Organization was granted two revolving loans (the loans) totaling $100,000 from a private foundation. In each of the fiscal years 2017 through 2020, $15,000 of the loans was forgiven and repurposed into a donor restricted grant. During fiscal year 2019, the remainder of the loans was amended with intent to transition the remaining loan balance of $40,000 to donor restricted grants in $15,000 and $10,000 increments through July 2023. During the year ended September 30, 2019, the Organization recorded imputed interest expense of $884 calculated at the Federal rate at the time of the loans of 2.26%. No imputed interest was recorded for the year ended September 30, 2020. The net present value of the loans at September 30, 2020 and 2019, was $37,904 and $52,904, 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 contributions to the Plan for the years ended September 30, 2020 and 2019.

8. FOREIGN OPERATIONS

PC's affiliates, FL and PCGT, have operations in Haiti and Iraq. Foreign operations are subject to the risks inherent in operating under different legal systems and various political and economic environments. Among these risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price of foreign exchange controls, political unrest, and restrictions on currency exchange. Net assets of foreign operations of FL and PCGT are nil at September 30, 2020 and 2019.

9. CONDITIONAL GRANTS

As of September 30, 2019, PC had a conditional grant available from a private funder through fiscal year 2020 totaling $508,903. During fiscal years 2020 and 2019, PC earned the remaining $127,226 and $254,452, respectively, of this grant, which is included in grants, contributions and other in the accompanying consolidated statements of activities and changes in net assets.

PC has received a grant commitment from DOS for a grant period through fiscal year 2021. This commitment is considered conditional under ASC Topic 958, as PC must incur qualified costs or meet performance requirements prior to recognizing revenue. The total grant committed but not recognized as of September 30, 2020, is $2,076,977.

During fiscal year 2020, PC applied for, and was awarded, a loan of $69,416 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs during a covered period, as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations are subject to review and approval by the lending bank and the Small Business Administration (SBA). In the opinion of management, the results of such reviews, will not have a material effect on the financial position of PC as of September 30, 2020, and on the changes in its net assets for the year then ended.

9. CONDITIONAL GRANTS (Continued)

PC believes there is less than a remote chance this loan will not be forgiven and, therefore, is accounting for it as a conditional grant under ASC Subtopic 958-605. It has been determined that this grant is conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received are recognized as revenue when PC has incurred expenditures in compliance with the loan application and CARES Act requirements.

As of September 30, 2020, PC recognized $69,416 of grant revenue, which is included in grants, contributions and other in the accompanying fiscal year 2020 consolidated statement of activities and changes in net assets. PC has not accrued interest as of September 30, 2020, since it expects the interest to be forgiven.

Subsequent to year end, this loan was forgiven in full.

10. PARTNERSHIP GRANTS IN SUBGRANTEES

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

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 statements of financial position date, comprise the following at September 30:

	2020	**2019**
Cash	$ 138,764	$ 96,597
Contributions and trade accounts receivable	59,637	118,363
Total financial assets available	198,401	214,960
Less - donor-imposed restrictions	119,224	109,275
Total financial assets available within one year	$ 79,177	$ 105,685

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. Program expenses which were 87% and 88% of total expenses for the years ended September 30, 2020 and 2019, respectively, are only incurred when funding is available to offset those program costs. The Organization is seeking new and expanded funding sources in order to improve liquidity and availability of financial assets.

12. RECLASSIFICATIONS

Certain amounts in the fiscal year 2019 consolidated financial statements have been reclassified to conform with the fiscal year 2020 consolidated presentation.

13. SUBSEQUENT EVENT

Subsequent to fiscal year end 2020, PC applied for and obtained an Economic Injury Disaster Loan (EIDL) from the SBA in the principal amount of $150,000. The funds will be used for business working capital, including raw materials, labor, shipping, etc. as defined in SBA loan terms. The note bears interest at a fixed rate of 2.57%. Monthly payments of principal and interest of $641 are due beginning in October 2021 through October 2050, at which time all outstanding principal and interest are due.

14. CONTINGENCIES

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