

COMBINED FINANCIAL STATEMENTS

**GLOBAL COMMUNITIES AND
RELATED ENTITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

GLOBAL COMMUNITIES AND RELATED ENTITIES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Communities and Related Entities
Silver Spring, Maryland

We have audited the accompanying combined financial statements of Global Communities and Related Entities (Global Communities), which comprise the combined statement of financial position as of September 30, 2019, and the related combined statements of activities, functional expenses, change in net assets and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Global Communities as of September 30, 2019, and the combined change in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Global Communities' 2018 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated March 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Schedule of Functional Expenses Without Related Entities on page 31, the Combining Schedule of Financial Position on page 32, the Combining Schedule of Activities on page 33 and the Combining Schedule of Change in Net Assets on page 34 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020 on our consideration of Global Communities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Global Communities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Global Communities' internal control over financial reporting and compliance.



March 12, 2020

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 73,188,442	\$ 50,202,694
Investments	46,188,314	45,691,858
Loans receivable, net of allowances	252,324,442	247,832,319
Federal grants and contracts receivable	6,880,767	4,207,774
Non-Federal grants and contracts receivable	15,276,713	11,609,875
Interest and accounts receivable	4,436,768	3,197,250
Prepaid expenses and other assets	3,626,738	1,326,770
Fixed and intangible assets, net	5,571,687	5,657,069
Security deposits	<u>434,242</u>	<u>882,086</u>
TOTAL ASSETS	\$ <u>407,928,113</u>	\$ <u>370,607,695</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Notes payable	\$ 207,013,896	\$ 183,092,603
Capital lease obligation	-	6,347
Accounts payable and accrued expenses	12,293,811	11,436,416
Accrued salaries and benefits	8,809,547	8,079,754
Deferred revenue	2,076,966	6,605,614
Deferred rent	2,232,584	2,406,231
Other liabilities	2,324,963	-
Funds held in trust	<u>4,799,222</u>	<u>5,809,362</u>
Total liabilities	<u>239,550,989</u>	<u>217,436,327</u>
NET ASSETS		
Without donor restrictions:		
Global Communities	90,821,352	85,603,087
Related Entities:		
Controlling interest	43,199,032	38,743,112
Noncontrolling interest	<u>6,963,608</u>	<u>5,843,975</u>
Total net assets without donor restrictions	<u>140,983,992</u>	<u>130,190,174</u>
With donor restrictions:		
Project Funds	25,556,370	21,144,432
Loan Capital	<u>1,836,762</u>	<u>1,836,762</u>
Total net assets with donor restrictions	<u>27,393,132</u>	<u>22,981,194</u>
Total net assets	<u>168,377,124</u>	<u>153,171,368</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>407,928,113</u>	\$ <u>370,607,695</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES

**COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 71,751,372	\$ 22,766,890	\$ 94,518,262	\$ 89,845,251
Contracts	20,750,569	-	20,750,569	18,445,844
In-kind contributions	79,112	-	79,112	117,885
Interest and investment income	59,375,005	-	59,375,005	57,738,988
Commission income	9,047,614	-	9,047,614	9,149,201
Other income	1,085,269	-	1,085,269	2,228,896
Net assets released from restrictions - satisfaction of donor restrictions	<u>18,354,952</u>	<u>(18,354,952)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>180,443,893</u>	<u>4,411,938</u>	<u>184,855,831</u>	<u>177,526,065</u>
EXPENSES				
Program Services:				
Technical Assistance	92,913,665	-	92,913,665	102,101,698
Capital Assistance	<u>53,042,979</u>	<u>-</u>	<u>53,042,979</u>	<u>55,537,730</u>
Total program services	<u>145,956,644</u>	<u>-</u>	<u>145,956,644</u>	<u>157,639,428</u>
Supporting Services:				
General and Administrative	<u>21,808,360</u>	<u>-</u>	<u>21,808,360</u>	<u>21,866,191</u>
Total supporting services	<u>21,808,360</u>	<u>-</u>	<u>21,808,360</u>	<u>21,866,191</u>
Total expenses	<u>167,765,004</u>	<u>-</u>	<u>167,765,004</u>	<u>179,505,619</u>
Change in net assets before other items	12,678,889	4,411,938	17,090,827	(1,979,554)
OTHER ITEMS				
(Loss) gain on currency translation	(87,513)	-	(87,513)	25,001
Loss resulting from write off of investment of related entities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,198,885)</u>
CHANGE IN NET ASSETS	\$ <u>12,591,376</u>	\$ <u>4,411,938</u>	\$ <u>17,003,314</u>	\$ <u>(5,153,438)</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019			2018		
	Program Services			Supporting Services	Total Expenses	Total Expenses
	Technical Assistance	Capital Assistance	Total Program Services	General and Administrative		
Salaries and wages	\$ 5,850,990	\$ 747,325	\$ 6,598,315	\$ 9,778,960	\$ 16,377,275	\$ 18,047,308
Fringe benefits	1,894,077	241,923	2,136,000	3,182,137	5,318,137	5,848,985
Local salaries and fringe	24,174,827	23,045,734	47,220,561	1,949,499	49,170,060	51,334,282
Other benefits	2,217,171	60,176	2,277,347	31,013	2,308,360	2,416,105
Printing and production	115,243	110,319	225,562	7,850	233,412	465,246
Professional fees	895,227	1,467,372	2,362,599	679,228	3,041,827	2,120,627
Occupancy	1,818,129	1,176,502	2,994,631	930,038	3,924,669	4,730,319
Security costs	215,134	921,089	1,136,223	-	1,136,223	1,001,752
Insurance	504,098	191,435	695,533	164,886	860,419	1,068,679
Depreciation and amortization	-	561,008	561,008	347,568	908,576	897,774
Lease amortization	-	302,745	302,745	130,788	433,533	-
Telecommunications	336,473	901,449	1,237,922	220,501	1,458,423	1,374,500
Travel	2,096,925	1,008,404	3,105,329	732,974	3,838,303	3,725,575
Consulting fees	1,623,705	-	1,623,705	933,574	2,557,279	2,788,815
Postage and delivery	47,216	9,164	56,380	17,016	73,396	84,797
Repairs and maintenance	289,683	358,267	647,950	436,277	1,084,227	1,124,837
Supplies	836,467	422,947	1,259,414	108,635	1,368,049	1,765,293
Dues, subscriptions and publications	26,649	49,486	76,135	291,378	367,513	370,006
Conferences	190,089	245,662	435,751	130,043	565,794	518,670
In-kind equipment and materials	11,017	-	11,017	-	11,017	-
In-kind professional fees	68,095	-	68,095	-	68,095	117,885
Equipment purchase and rental	1,302,224	964,096	2,266,320	431,723	2,698,043	3,077,824
Temporary help	215,045	46,768	261,813	112,622	374,435	332,667
Contracts	10,445,767	-	10,445,767	88,661	10,534,428	11,347,964
Assistance awards, not subject to OH	23,008,878	-	23,008,878	-	23,008,878	26,974,754
Assistance awards, subject to OH	1,523,559	-	1,523,559	-	1,523,559	1,430,600
Vehicle expense	474,665	38,896	513,561	120,612	634,173	751,043
Office operating expense	1,105	29,002	30,107	14,880	44,987	44,310
Participant training	5,074,495	-	5,074,495	11,607	5,086,102	4,292,324
Staff training and development	150,776	52,544	203,320	70,767	274,087	179,882
Construction expense and materials	7,424,550	-	7,424,550	94	7,424,644	7,750,049
Bad debt expense/recovery	-	1,303,847	1,303,847	-	1,303,847	5,010,798
Interest and taxes	-	17,737,894	17,737,894	116,099	17,853,993	13,304,629
Other	81,386	1,048,925	1,130,311	768,929	1,899,240	5,207,320
TOTAL	\$ 92,913,665	\$ 53,042,979	\$ 145,956,644	\$ 21,808,360	\$ 167,765,004	\$ 179,505,619

See accompanying notes to combined financial statements.

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINED STATEMENT OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	Without Donor Restrictions				With Donor Restrictions			2019 Total	2018 Total
	Global Communities	Related Entities		Total	Project Funds	Loan Capital Funds	Total		
		Controlling Interest	Noncontrolling Interest						
Balance at beginning of year	\$ 85,603,087	\$ 38,743,112	\$ 5,843,975	\$ 130,190,174	\$ 21,144,432	\$ 1,836,762	\$ 22,981,194	\$ 153,171,368	\$ 160,712,579
Colombia investment transfer	-	286,496	-	286,496	-	-	-	286,496	4,447,958
Adjustment for loan loss impairment	-	(1,703,389)	-	(1,703,389)	-	-	-	(1,703,389)	(6,545,523)
Dividends declared	-	-	(380,665)	(380,665)	-	-	-	(380,665)	(290,208)
Change in net assets	<u>5,218,265</u>	<u>5,872,813</u>	<u>1,500,298</u>	<u>12,591,376</u>	<u>4,411,938</u>	<u>-</u>	<u>4,411,938</u>	<u>17,003,314</u>	<u>(5,153,438)</u>
BALANCE AT END OF YEAR	<u>\$ 90,821,352</u>	<u>\$ 43,199,032</u>	<u>\$ 6,963,608</u>	<u>\$ 140,983,992</u>	<u>\$ 25,556,370</u>	<u>\$ 1,836,762</u>	<u>\$ 27,393,132</u>	<u>\$ 168,377,124</u>	<u>\$ 153,171,368</u>

See accompanying notes to combined financial statements.

GLOBAL COMMUNITIES AND RELATED ENTITIES

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,003,314	\$ (5,153,438)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in loan allowance	1,011,427	3,797,563
Change in present value discount for grants receivable	44,484	1,877
Realized and unrealized loss (gain) on investments	1,830,295	(2,002,602)
Depreciation and amortization	908,576	897,774
Lease amortization	433,533	-
Loss on sale/disposal of furniture and equipment	-	35,844
Adjustment for loan loss impairment	(1,703,389)	-
Colombia equity conversion	-	4,447,958
Colombia investment transfer	286,496	-
Bosnia exit from control	-	(6,545,523)
(Increase) decrease in:		
Federal grants and contracts receivable	(2,672,993)	3,018,851
Non-Federal grants and contracts receivable	(3,711,322)	5,245,249
Interest and accounts receivable	(1,239,518)	106,819
Prepaid expenses and other assets	(2,733,501)	138,821
Security deposits	447,844	92,931
Increase (decrease) in:		
Accounts payable and accrued expenses	857,396	1,152,922
Accrued salaries and benefits	729,793	(714,234)
Deferred revenue	(4,528,648)	3,935,901
Deferred rent	(173,647)	(156,116)
Other liabilities	2,324,963	-
Funds held in trust	(1,010,140)	(862,025)
Net cash provided by operating activities	<u>8,104,963</u>	<u>7,438,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in gross loans receivable	(5,503,550)	(28,380,350)
Purchase of fixed assets, net	(823,194)	(1,335,031)
Proceeds from sales of fixed assets	-	70,606
Investment purchases and reinvestments	(2,496,168)	(2,204,230)
Proceeds from sales of investments	169,417	1,691,497
Net cash used by investing activities	<u>(8,653,495)</u>	<u>(30,157,508)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	60,538,232	44,129,043
Principal payments on notes payable	(36,616,940)	(37,211,272)
Payment of dividends	(380,665)	(290,208)
Principal payments under capital lease obligation	(6,347)	(24,682)
Net cash provided by financing activities	<u>23,534,280</u>	<u>6,602,881</u>
Net increase (decrease) in cash and cash equivalents	22,985,748	(16,116,055)
Cash and cash equivalents at beginning of year	<u>50,202,694</u>	<u>66,318,749</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 73,188,442</u>	<u>\$ 50,202,694</u>

See accompanying notes to combined financial statements.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Global Communities (formerly CHF International) was incorporated as a non-profit organization under the laws of the State of New Jersey in 1952. Global Communities currently provides technical assistance to individuals, international governmental organizations, and private organizations that, in turn, assist their citizens or members in improving their homes and communities. Global Communities also provides capital assistance, which includes making home and community improvement loans to low income individuals in developing countries. Global Communities' programs are funded primarily through grants and cooperative agreements with the United States Agency for International Development.

Related entities -

Global Communities has assisted with the establishment of two non-profit entities with one located in Jordan, Entiqal for Training Company (Entiqal) and one located in Bosnia (LIDER); and for-profit entities registered in Lebanon (ATAS-M). These related entities are legally incorporated within their respective countries.

Global Communities' Board of Directors passed a resolution dated September 21, 2018 whereby the Board of Directors permitted Global Communities' exit from Lider, and as well as its deconsolidation of Lider from its balance sheet (such activity collectively referred to as the "Exit"). The Exit became effective as of September 30, 2018.

Global Communities now owns 100% of CHF Development Finance International, LLC. (Vitas Group) a for-profit limited liability corporation, established under the laws of the State of Maryland. On September 11, 2017, the Vitas Group repurchased the units that were previously owned by Bamboo Finance. Prior to the repurchase of units, Bamboo Finance owned 29% of the Vitas Group.

Global Communities also formed a for-profit limited liability corporation, Atas, Inc. (ATAS-DE), established under the laws of the State of Delaware. Global Communities owns 98% of ATAS-DE. In April of 2016, Global Communities transferred ownership interest in the ACSI loan portfolio to ATAS-DE. All activity is now reported under ATAS-DE.

On November 25, 2012, Global Communities established a Joint Stock Company in Egypt, (MCSE-CHF Management and Consulting Services Egypt S.A.E). Global Communities owns 99.9% of the Egyptian entity, which is organized and existing under the laws of the Arab Republic of Egypt. The Egyptian entity implements the services agreement dated September 22, 2011 between the Overseas Private Investment Corporation (OPIC) and Global Communities.

On July 11, 2014, Global Communities established a civil association in Brazil (GC Brazil), governed but its Bylaws and the applicable legal provisions in Brazil. Global Communities has full control of the entity's Board of Directors.

On November 4, 2014, Global Communities established a national society, Express Microfinanzas - S.A.S. (Express Microfinanzas), in Bogota, Colombia to operate the Microcredit T1 Loan Program. The loan program was formerly a program administered by the Global Communities Colombia field office. Express Microfinanzas-SAS promotes microfinance in Bogota and urban areas and provides access to credit and financial services.

On November 3, 2017, Express Microfinanzas, a wholly owned subsidiary of Global Communities, closed a transaction with Banco W, a Colombian commercial bank, to sell its entire loan portfolio to the aforementioned bank. On December 21, 2017, Global Communities began the process of liquidating Express Microfinanzas.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Related entities (continued) -

As a result of this transaction, Global Communities received approximately \$1.5 million in FY18 and FY19. The deregistration and the final liquidation of Express Microfinanzas is expected to be fully completed by March 31, 2020.

On January 25, 2015, Global Communities established a for profit microfinance company, Vitas Palestine, in Palestine. In early 2015, all of Ryada assets (a loan program of Global Communities) were transferred to Vitas Palestine which is registered with an authorized capital of \$14,453,744. Global Communities owns 97% of Vitas Palestine and Vitas Group owns the other 3%.

In late 2017, Vitas Group signed a shareholder's agreement with Egyptian private equity firm BPE Partners to create a new microfinance institution under the Financial Regulatory Authority in Egypt. BPE, through its subsidiary Ebtikar, and Vitas registered a new company, 'Vitas Mir for Microfinance SAE' (Commercial Register 112419), which received GAFI approval on November 8, 2018. Vitas Egypt received its Financial Regulatory Authority temporary license on February 27, 2018. On January 20, 2019 the FRA provided Vitas Egypt with a final approval of the operating license. Vitas Egypt began disbursing its first loans in April 2019.

On March 28, 2019, GAFI communicated verbally to local management that Vitas Group did not receive a security clearance and was thus blocked as an investor. Local management submitted a petition to appeal the decision. On October 26, 2019, Vitas Group finally received written notice from the Ministry of Investment and International Cooperation Investor Complaints Settlement Unit that "the concerned authorities" will not grant a security clearance. To resolve the situation, Ebtikar and Vitas Group drafted a suite of agreements to change the relationship from investor to know-how provider through a Trademark Agreement and a Software License and Purchase Agreement. Vitas will exit the company and have Ebtikar purchase the shares and become sole owner of the microfinance institution.

To further financial opportunities in Iraq, on July 2, 2019, Global Communities formed a for-profit limited liability company Bell Finance, LLC. The company is established under the laws of the State of Delaware. Global Communities owns 100% of Bell Finance LLC. There was no financial activity in the fiscal year 2019.

Global Communities maintains significant control over these related entities. All of these entities were established to manage micro-enterprise loan programs within their respective jurisdictions.

Principles of consolidation -

The accompanying combined financial statements have been prepared on the accrual basis of accounting and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. All significant intercompany accounts and transactions among Global Communities and Related Entities (collectively "Global Communities") have been eliminated in combination.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

As such, net asset are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net assets categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Global Communities' combined financial statements for the year ended September 30, 2018, from which the summarized information was derived.

The accompanying combined financial statements include the world-wide operations of Global Communities. At September 30, 2019, assets held in foreign countries totaled approximately \$315,000,000.

Income taxes -

Global Communities is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Global Communities is not a private foundation as described in Section 509(a)(1) of the Internal Revenue Code. Global Communities is subject to unrelated business income taxes under Section 512 (a)(7)of the Internal Revenue Code.

The related entity located in Jordan (Entiqal) is registered (in its respective country) as a tax-exempt organization. ATAS-M is a registered for-profit entity in Lebanon (with the majority of operations in Iraq) and is subject to tax on any profit during the given fiscal year. ATAS-DE files its income tax return on the accrual basis of accounting. Under Subchapter K of the Internal Revenue Code, ATAS-DE has elected not to be taxed as a corporation and the members have consented to include the profit or loss in their individual tax returns. MCSE-CAF is subject to income tax under the laws of the Arab Republic of Egypt.

GC Brazil is exempted from income tax under Law 9532 / 97, amended by Law No. 9718, of November 27, 1998.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

Express Microfinanzas-S.A.S is a National Society duly registered with the Chamber of Commerce in Colombia subject to tax on any profit during the given fiscal year. Vitas Palestine is subject to the local banking and microfinance sector regulations. It is registered by the Palestinian Monetary Authority as a for profit company and subject to local taxes.

Vitas Group and Bell Finance LLC are considered a disregarded entities for corporate tax reporting, therefore all financial transaction are reported under Global Communities' filing status.

Uncertain tax positions -

For the year ended September 30, 2019, Global Communities and Related Entities have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Cash equivalents -

Global Communities considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

For financial statement purposes, Global Communities considers money market accounts and funds invested with local banks in foreign countries (see Note 2) to be cash equivalents, excluding money market funds held by investment managers in the amount of \$749,191 as of September 30, 2019.

Cash equivalents also include amounts held in an escrow account in the amount of \$4,799,222 as of September 30, 2019 (see Funds held in trust note.)

Grants and contracts receivable -

Grants and contracts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Loans, interest and accounts receivable -

Loans, interest and accounts receivable is comprised of interest receivable, advances to staff, amounts due from suppliers, and commissions receivable. Interest and commissions receivable represent amounts due currently on loans and advances to customers as well as partner banks. All amounts are stated at net realizable value and considered fully collectible.

Investments -

Investments are recorded at their readily determinable fair value, with unrealized and realized gains and losses included in interest and investment income. Certain investments are valued at cost, as a readily obtainable fair value is undeterminable. Investments donated to Global Communities are recorded at fair value as of the date of donation.

Fixed assets -

Fixed assets purchased by Global Communities with unrestricted funds (and with an acquisition value of \$10,000 or more) are stated at cost and are depreciated on the straight-line basis over their related estimated useful lives, generally three to five years.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets (continued) -

Fixed assets purchased with restricted funds are expensed and charged to the corresponding program. Leasehold improvements are recorded at cost and are amortized over the life of the lease. The cost of software, which has been capitalized, is being amortized over three years. Intangible assets are recorded at cost and amortized over their related estimated useful lives.

Funds held in trust -

On August 4, 2016, pursuant to the service agreement with the Overseas Private Investment Corporation (OPIC) dated as of September 22, 2011, the remaining aggregate amount of expenses payable by OPIC of \$6,671,387 was deposited in an escrow account. U.S. Bank National Association (Escrow Agent) has agreed to accept, hold and disburse the funds deposited in accordance with the terms of the Escrow Agreement. The escrow account has a balance of \$4,799,222 as of September 30, 2019.

Grants, contributions and contracts -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

Global Communities receives awards under grants and contracts from the U.S. and foreign governments, international organizations and other sources for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as revenue "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Awards received under grants and contracts from the U.S. and foreign governments, international organizations and other sources for direct and indirect program costs (in which the claimed costs are deemed conditional until accepted by the donor) in advance of incurring the related expenses are recorded as refundable advances.

Foreign currency translation -

The dollar ("Dollars") is the functional currency for Global Communities' worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Combined Statement of Financial Position.

In-kind contributions -

In-kind contributions consisted of donated skilled labor, materials, and donations from local donors/municipalities. The value of these contributions is recorded at their fair value as of the date the donations were provided.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

In-kind contributions (continued) -

In-kind contributions of \$79,112 have been recorded as revenue and expenses in the accompanying combined financial statements for the year ended September 30, 2019. Global Communities also receives contributed services and materials (housing materials, supplies and tools) for which an estimate of the fair value is not determinable.

Additionally, Global Communities' programs are furthered through the contribution of land and buildings. Because the title does not vest with Global Communities, the value of these items are not reflected in the accompanying combined financial statements in accordance with accounting principles generally accepted in the United States of America.

Allocation of functional expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Global Communities are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Allowances for impairment -

Global Communities established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specified loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy -

All lending operations have established policies for writing off loans. ACSI (Iraq), Vitas Jordan, Vitas Lebanon and Vitas Palestine have established a write-off policy, whereby any loan more than 180 days overdue is written-off and any related allowance for impairment losses is deducted. However, collections procedures for written-off loans continue. In the case of Vitas Romania, the regulator prevents the entity from writing off a loan until all legal recourse is exhausted. At that time, a loan is written off and any related allowance for impairment loss is deducted.

Collaterals -

Global Communities holds collaterals against loans to customers in the form of mortgage interest over property, other registered advances to customers over assets and guarantees.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Collaterals (continued) -

Estimates of value are based on the value of the collateral assessed at the time of borrowing and generally are not updated. Changes in fair market value at various intervals is difficult to determine due to the fact that the loans made by Global Communities are generally short-term and the change in value of any collateral is negligible in relation to the term of the loan.

Collateral generally is not held over the cash deposited with banks and other financial institutions.

Credit risk -

Credit risk is the risk of financial loss to Global Communities if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Global Communities' lending activity.

Global Communities takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired.

Significant changes in the economy, depreciation of local currencies against currencies of the indexed portfolios, or in the health of a particular industry segment, could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, carefully monitors and manages its exposure to credit risk.

Market risk -

Market risk is defined as external influences, generally outside of the control of the organization's executive management, but which can be identified, assessed and mitigating actions put in place to reduce any adverse impact.

Interest rate risk -

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Global Communities takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a results of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly.

The loans receivable as well as notes payable are at fixed interest rates. The loans receivable mature much faster than the related borrowings, a fact that allows Global Communities to adjust the fixed interest of its receivables to market conditions. As part of its financing strategy, Global Communities also seeks to attract longer term, fixed-rate financing.

Currency risk -

Global Communities is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Currency risk (continued) -

There is also a Combined Statement of Financial Position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into U.S. Dollar as a result of currency movements.

Operational environment risk -

The identification and valuation of investments influenced by the illiquid market conditions, the determination of compliance with debt agreements and other contract covenants, and the evaluation of significant uncertainties, including uncertainties associated with an entity's ability to continue as a going concern for a reasonable period of time, bring their own challenges. The effects of these on the financial markets have been seen in the form of volatility of the foreign exchange rates and an increase in the country's credit default swap.

The debtors of Global Communities and Related Entities may also be affected by the lower liquidity and solvency situations, which could in turn impact their ability to repay their outstanding loans.

Deteriorating operating conditions for customers may also have an impact on the management of cash flow forecasts and assessments of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Management is unable to predict all development which could have an impact on the foreign financial institutions sector and, consequently, what effect, if any, they could have on these combined financial statements.

Liquidity risk -

Liquidity risk is the risk that a company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities. Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained. The average loan term is 12 months for Global Communities and Related Entities' share of the outstanding loan balance.

Fair value measurements -

Global Communities adopted the provisions of FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Global Communities accounts for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

In 2015, the FASB issued ASU 2015-07, *Fair Value Measurement* (Topic 820). The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU becomes effective for years beginning after December 15, 2016.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurements (continued) -

The ASU should be applied on a retrospective basis in the year the ASU is first applied. Global Communities adopted the new guidance above and applied it retrospectively.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of September 30, 2018 as unrestricted net assets in the amount of \$130,190,174 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$22,981,194 are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Global Communities has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of 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. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Global Communities has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its combined financial statements.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements (not yet adopted) (continued) -

Global Communities plans to adopt the new ASUs at the respective required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

2. CONCENTRATION OF CREDIT RISK

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times, Global Communities maintains cash balances at financial institutions in excess of FDIC limits. Management believes the risk in these situations to be minimal.

Global Communities maintains significant cash balances for short periods of time prior to transferring funds to its field offices. For additional protection of the funds in excess of FDIC limits, Global Communities opened sweep accounts to transfer the funds into U.S. Treasuries at the close of each business day.

Global Communities had approximately \$59,000,000 of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2019. The majority of funds invested in foreign countries are uninsured.

3. INVESTMENTS

Investments at September 30, 2019, consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 749,191	\$ 749,191
Common stocks and mutual funds	33,980,943	28,332,492
Fixed income	6,600,268	6,485,213
Hedge funds	2,626,232	2,781,392
Venture capital - Partnerships	963,254	826,764
Investment in Tanmyeh (Union Company of Micro Financiers in Jordan)	11,753	11,753
Investment in BOAFO (local microfinance institution in Ghana)	904,833	406,832
Investment in Vitas Egypt	<u>351,840</u>	<u>570,000</u>
TOTAL INVESTMENTS	<u>\$ 46,188,314</u>	<u>\$ 40,163,637</u>

During the year ended September 30, 2019, Global Communities recorded realized and unrealized losses on its investments of \$1,830,295. The gains have been included in interest and investment income in the accompanying Combined Statement of Activities.

There are no uncalled commitments, lock up or liquidity provisions associated with the hedge funds or partnerships.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

4. LOANS RECEIVABLE AND PROVISION FOR LOAN LOSSES

Loans receivable include loans made by Global Communities to financial institutions, who in turn lend these funds to low-income individuals or families in foreign countries for a variety of microfinance activities.

Loans receivable also include loans made directly by Global Communities to individuals for similar purposes. These loans, the majority of which are at the prevailing market interest rates ranging between 0.67% and 5.58% per month, mature at various times over the next five years and thereafter. The loans are disbursed and repaid in either U.S. Dollars or the local currency of the respective country.

Loans receivable, as of September 30, 2019, consisted of the following:

Loans receivable	\$ 273,602,758
Less: Allowance for bad debts	(10,494,672)
Less: Unearned revenue	<u>(10,783,644)</u>
NET LOANS RECEIVABLE	<u>\$ 252,324,442</u>

The following is a schedule of required principal receipts (due Global Communities) under the aforementioned loans (net of allowance):

Year Ending September 30,

2020	\$ 147,440,282
2021	65,070,512
2022	25,179,265
2023	9,136,550
2024	3,679,778
Thereafter	<u>1,818,055</u>
	<u>\$ 252,324,442</u>

During the year ended September 30, 2019, the total allowance for loan losses increased by \$1,011,427. The total bad debt expense was \$1,303,847. During the year ended September 30, 2018, interest and fee income earned on loans receivable totaled approximately \$67,392,000.

5. NON-FEDERAL GRANTS AND CONTRACTS RECEIVABLE

As of September 30, 2019, contributors to Global Communities have made written promises to give of which \$15,455,407 remained outstanding as of fiscal year-end. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 5.25%. As of September 30, 2019, non-federal grants and contracts are due as follows:

Less than one year	\$ 9,269,599
One to five years	<u>6,185,808</u>
	15,455,407
Less: Allowance to discount balance to present value	<u>(178,694)</u>
NON-FEDERAL GRANTS AND CONTRACTS RECEIVABLE	<u>\$ 15,276,713</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

6. FIXED AND INTANGIBLE ASSETS

Furniture, equipment and leasehold improvements consisted of the following at September 30, 2019:

Furniture and fixtures	\$ 2,962,179
Computers and equipment	1,818,359
Vehicles	1,191,825
Leasehold improvements	<u>4,655,606</u>
	10,627,969
Less: Accumulated depreciation and amortization	<u>(5,202,957)</u>
	5,425,012
Net intangible assets	<u>146,675</u>
FIXED ASSETS, NET	<u>\$ 5,571,687</u>

Total depreciation and amortization expense for the year ended September 30, 2019 was \$908,576, of which \$304,428 was related to assets held by Global Communities and \$604,148 was related to assets held by the related entities.

7. NOTES PAYABLE

As of September 30, 2019, Global Communities has outstanding notes payable aggregating \$207,013,896. The notes are due between October 1, 2019 and June 30, 2033. All notes payable are secured by Global Communities' loans receivable.

Following is a table of all notes payable as of September 30, 2019:

Entity	Lender's Name	Date of Issue	Loan Currency	Loan Original Amount (USD)	Date of Maturity	Interest Rate	Commission	Loan Balance September 30, 2019 (USD)
GC HQ	Calvert Foundation	04/04/2018	USD	\$ 5,000,000	04/03/2021	4.80%		\$ 5,000,000
ATAS DE	OPIC	03/14/2017	USD	65,000,000	12/30/2033	5.08%		73,000,000
Vitas Palestine	ResponsAbility SICAV	10/11/2016	USD	1,000,000	10/11/2019	4.95%		333,333
Vitas Palestine	ResponsAbility SICAV	11/10/2016	USD	1,000,000	11/10/2019	4.95%		333,333
Vitas Palestine	ResponsAbility SICAV	06/29/2017	USD	3,000,000	06/29/2020	5.00%		1,680,004
Vitas Palestine	ResponsAbility SICAV	06/26/2018	USD	3,500,000	06/28/2021	6.25%		1,665,003
Vitas Palestine	Quds Bank	03/20/2016	USD	2,000,000	03/20/2021	5.50%	1.00%	657,100
Vitas Palestine	Quds Bank	08/24/2016	USD	1,000,000	08/24/2021	5.51%	1.00%	432,959
Vitas Palestine	Quds Bank	02/27/2017	USD	1,000,000	02/27/2022	5.58%	1.00%	535,109
Vitas Palestine	Quds Bank	10/25/2017	USD	1,000,000	10/25/2022	5.54%	1.00%	728,979
Vitas Palestine	Quds Bank	11/21/2017	USD	2,000,000	11/21/2022	6.05%	1.00%	1,458,395
Vitas Palestine	Bank of Palestine	05/25/2016	USD	1,000,000	05/25/2021	4.65%	0.50%	467,519
Vitas Palestine	Bank of Palestine	09/07/2016	USD	1,000,000	03/20/2021	4.99%	0.50%	466,041
Vitas Palestine	Bank of Palestine	01/02/2017	USD	1,000,000	08/24/2021	5.07%	0.50%	463,074
Vitas Palestine	Bank of Palestine	04/17/2017	USD	1,000,000	02/27/2022	5.19%	0.50%	465,270
Vitas Palestine	SANAD	03/07/2017	USD	3,000,000	04/06/2020	5.00%	0.50%	2,000,000
Vitas Palestine	SANAD	12/17/2018	USD	2,000,000	10/05/2021	6.21%	0.50%	2,000,000
Vitas Palestine	SANAD	05/08/2019	USD	2,000,000	10/05/2021	5.00%	0.50%	2,000,000
Vitas Palestine	Palestinian Fund for Employment and Social Protection	02/05/2016	USD	1,050,000	02/05/2022	2.00%		538,193
Vitas Palestine	Palestinian Fund for Employment and Social Protection	01/30/2018	USD	2,011,022	01/30/2024	2.00%		2,011,022

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

7. NOTES PAYABLE (Continued)

Following is a table of all notes payable as of September 30, 2019 (continued):

Entity	Lender's Name	Date of Issue	Loan Currency	Loan Original Amount (USD)	Date of Maturity	Interest Rate	Commission	Loan Balance September 30, 2019 (USD)
Vitas Palestine	GGF (SANAD)	12/04/2017	USD	\$ 2,000,000	12/15/2020	4.80%	1.00%	\$ 1,200,000
Vitas Palestine	European Investment Bank	05/24/2018	USD	2,500,000	02/01/2023	5.31%		2,187,500
Vitas Palestine	European Investment Bank	03/22/2019	USD	2,500,000	02/01/2024	5.31%		2,500,000
Vitas Palestine	Palestinian Investment Fund	12/04/2017	USD	2,000,000	12/04/2021	3.50%		1,313,547
Vitas Palestine	Palestinian Investment Fund	08/20/2019	USD	3,000,000	11/20/2023	3.75%		2,999,999
Vitas Palestine	EPCGF	06/30/2019	USD	1,000,000	03/31/2024	5.75%		925,494
Vitas Jordan	Capital Bank	09/03/2015	JOD	4,000,000	Revolving	8.75%		2,168,547
Vitas Jordan	Al-Ethad Bank	07/01/2014	JOD	4,500,000	Revolving	8.50%	0.25%	4,094,186
Vitas Jordan	Cairo Amman Bank	03/01/2015	JOD	3,500,000	Revolving	9.50%		966,647
Vitas Jordan	SANAD	03/29/2018	USD	4,000,000	04/05/2021	8.10%	0.50%	3,200,000
Vitas Jordan	Societe Generale Bank Jordan	05/04/2016	JOD	1,000,000	12/31/2020	9.00%	0.25%	39,179
Vitas Jordan	Housing Bank For Trade And Finance	05/05/2016	JOD	4,000,000	Revolving	8.45%		4,618,103
Vitas Jordan	Societe Generale Bank Jordan	10/26/2015	JOD	1,000,000	Revolving	9.00%	0.50%	620,118
Vitas Jordan	Egyptian Arab Land Bank	03/23/2016	JOD	4,000,000	Revolving	9.00%		5,461,635
Vitas Jordan	Invest Bank	03/30/2017	JOD	6,000,000	Revolving	8.75%		6,353,336
Vitas Jordan	SANAD	04/15/2017	USD	4,000,000	04/05/2020	7.90%	0.50%	1,600,000
Vitas Jordan	Al-Ethad Bank	04/30/2017	JOD	2,000,000	07/30/2021	9.00%		1,295,935
Vitas Jordan	Jordan Kuwait Bank	04/30/2017	JOD	1,000,000	03/31/2020	9.00%		282,099
Vitas Jordan	Societe Generale Bank Jordan	04/30/2017	JOD	1,000,000	11/01/2020	8.75%	0.50%	470,145
Vitas Jordan	Egyptian Arab Land Bank	02/13/2018	JOD	200,000	02/13/2020	6.00%	1.00%	61,065
Vitas Jordan	Societe Generale Bank Jordan	03/19/2018	JOD	1,000,000	09/30/2021	8.75%	0.25%	940,292
Vitas Jordan	Housing Bank For Trade And Finance	03/01/2018	JOD	2,000,000	08/01/2021	9.25%		2,056,827
Vitas Jordan	Jordan Kuwait Bank	03/01/2018	JOD	730,000	10/01/2020	9.00%		514,804
Vitas Jordan	Jordan Kuwait Bank	03/01/2018	JOD	270,000	10/01/2020	8.00%		190,409
Vitas Jordan	Al-Ethad Bank	03/19/2019	JOD	2,000,000	12/01/2023	9.00%		2,529,214
Vitas Jordan	Jordan Kuwait Bank	02/06/2019	JOD	1,500,000	09/01/2021	8.00%	0.50%	2,044,324
Vitas Jordan	Societe Generale Bank Jordan	12/13/2018	JOD	1,500,000	06/30/2022	8.50%		1,880,583
Vitas Jordan	Jordan Commercial Bank	05/08/2019	JOD	3,000,000	Revolving	8.75%		1,800,975
Vitas Jordan	Capital Bank	05/15/2019	JOD	1,000,000	12/31/2019	9.00%		705,219
Vitas Lebanon	KIVA Microfunds	07/21/2008	USD	-	30-day notice	0.00%		674,429
Vitas Lebanon	Fransabank sal	08/24/2013	LBP	3,316,750	12/31/2021	4.79%		1,492,537
Vitas Lebanon	Liquidator under BDL	09/30/2013	LBP	3,316,750	09/30/2021	4.79%		1,510,808
Vitas Lebanon	Liquidator under BDL	02/28/2014	LBP	3,316,750	03/31/2022	4.79%		1,846,543
Vitas Lebanon	Fransabank sal	06/25/2014	LBP	3,316,750	09/30/2022	4.79%		1,989,999
Vitas Lebanon	Liquidator under BDL	11/14/2014	LBP	3,316,750	09/30/2022	4.79%		2,182,266
Vitas Lebanon	Fransabank sal	11/12/2015	LBP	3,316,750	12/31/2023	4.79%		2,819,209
Vitas Lebanon	International Finance Corporation	08/31/2016	USD	4,000,000	06/15/2020	6.75%	0.50%	1,152,349
Vitas Lebanon	SANAD	11/14/2016	USD	4,000,000	10/01/2020	5.75%	0.75%	821,498
Vitas Lebanon	Saradar Bank	02/20/2018	LBP	3,316,750	12/31/2025	4.00%		3,316,749
Vitas Lebanon	Saradar Bank	02/22/2018	LBP	3,316,750	12/31/2025	4.00%		3,316,749
Vitas Lebanon	Saradar Bank	04/11/2018	LBP	3,316,750	12/31/2025	4.00%		3,316,749
Vitas Lebanon	Symbiotics SA	12/19/2018	USD	5,000,000	12/19/2022	7.03%	1.00%	5,054,633
Vitas Lebanon	BlueOrchard Microfinance Fund	05/31/2019	USD	5,000,000	05/31/2023	7.00%	1.00%	5,068,139
Vitas Lebanon	responsAbility Investments AG	07/31/2019	USD	8,000,000	08/01/2022	6.50%	1.00%	8,012,555
Vitas Romania	European Fund for SouthEast (i)	03/08/2019	RON	9,400,000	03/15/2022	6.90%		2,148,770
Vitas Romania	CoopEst Netherlands B.V. - CoopEst 2 (iii)	05/15/2013	EUR	800,000	12/31/2019	4.30%	1.00%	881,378
Vitas Romania	CoopEst Netherlands B.V. - CoopEst 4 (iv)	05/10/2017	EUR	250,000	11/01/2021	4.30%	1.50%	272,296
Vitas Romania	CoopEst Netherlands B.V. - CoopEst 6 (vi)	06/11/2018	EUR	450,000	06/20/2021	4.25%	2.00%	491,254
Vitas Romania	CoopEst Netherlands B.V. - CoopEst 7 (vii)	12/19/2018	EUR	250,000	01/10/2022	4.25%	2.00%	272,037
Vitas Romania	CoopEst Netherlands B.V. - CoopEst 8 (viii)	06/26/2019	EUR	750,000	07/01/2022	4.25%	2.00%	813,125
Vitas Romania	Oikocredit, Ecumenical Development Co-operative Society U.A. - Oikocredit 4 (ix)	08/17/2016	RON	6,660,000	08/25/2021	8.68%	1.00%	683,502

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

7. NOTES PAYABLE (Continued)

Following is a table of all notes payable as of September 30, 2019 (continued):

<u>Entity</u>	<u>Lender's Name</u>	<u>Date of Issue</u>	<u>Loan Currency</u>	<u>Loan Original Amount (USD)</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Commission</u>	<u>Loan Balance September 30, 2019 (USD)</u>
Vitas Romania	Oikocredit, Ecumenical Development Co-operative Society U.A. - Oikocredit 5 (x)	12/14/2017	RON	\$ 5,000,000	06/20/2022	6.50%	1.00%	\$ 871,901
Vitas Romania	responsAbility SICAV, Global Microfinance Fund - responsAbility (C) (xi)	03/09/2017	EUR	250,000	03/09/2020	5.20%		91,319
Vitas Romania	responsAbility SICAV, Mikrofinanz Fonds - responsAbility (D) (xii)	03/09/2017	EUR	250,000	03/09/2020	5.20%		91,319
Vitas Romania	responsAbility SICAV, Global Microfinance Fund - responsAbility (E) (xiii)	03/13/2017	EUR	1,133,000	03/13/2020	6.25%		87,100
Vitas Romania	responsAbility SICAV, Mikrofinanz Fonds - responsAbility (F) (xiv)	03/13/2017	RON	1,133,000	03/13/2020	6.25%		87,100
Vitas Romania	responsAbility SICAV, Micro and SME Finance Leaders -responsAbility (G) (xv)	09/07/2017	RON	2,065,000	09/13/2021	6.00%		238,134
Vitas Romania	responsAbility SICAV, Mikro- und KMU-Finanz-Fonds - responsAbility (H) (xvi)	09/07/2017	RON	1,600,000	09/13/2021	6.00%		184,511
Vitas Romania	responsAbility SICAV, Financial Inclusion Fund - responsAbility (I) (xvii)	09/07/2017	RON	920,000	09/13/2021	6.00%		106,094
Vitas Romania	responsAbility SICAV, Financial Inclusion Fund - responsAbility (K) (xviii)	08/30/2018	RON	2,300,000	09/10/2021	7.15%	100%	351,370
Vitas Romania	responsAbility SICAV, Micro and SME Finance Leaders - responsAbility (L) (xix)	08/30/2018	RON	3,000,000	09/10/2021	7.15%	1.00%	458,310
Vitas Romania	responsAbility SICAV, Micro and SME Finance Leaders - responsAbility (M) (xx)	08/31/2018	RON	3,000,001	09/11/2021	7.15%	1.00%	997,885
Vitas Romania	Symbiotics SA - Symbiotics (xxi)	06/29/2017	EUR	500,000	06/29/2020	7.15%	1.00%	551,036
Vitas Romania	Symbiotics SICAV, Global Financial Inclusion Fund -Symbiotics (A) (xvii)	08/17/2017	RON	2,035,000	08/17/2020	4.70%	1.00%	469,808
Vitas Romania	Symbiotics SICAV, Global Financial Inclusion Fund- Symbiotics (B) (xxiii)	09/04/2017	RON	2,035,000	09/15/2020	6.00%	1.00%	467,464
Vitas Romania	Symbiotics SICAV, SEB V Microfinance Fund - Symbiotics (C) (xxiv)	05/23/2018	RON	5,000,000	05/25/2021	6.42%	1.00%	1,169,985
Vitas Romania	Symbiotics SICAV, Emerging Impact Bond Fund - Symbiotics (D) (xxv)	06/05/2018	RON	1,300,000	06/15/2021	6.50%	1.00%	302,869
Vitas Romania	OTP Bank (xxvi)	08/22/2019	RON	2,000,000	08/21/2020	6.32%	0.50%	(11,497)
Vitas Romania	CoopEst Netherlands B.V (xxvii)	10/03/2016	EUR	500,000	10/15/2023	6.50%	1.00%	552,035
Vitas Romania	responsAbility Management Company SA(xxviii)	01/28/2016	EUR	500,000	01/28/2021	8.17%		554,063
								\$ 207,013,896

The following is a schedule of required principal payments due under the aforementioned loans:

Year Ending September 30.

2020	\$ 58,536,273
2021	42,382,712
2022	18,732,398
2023	16,635,200
2024	11,489,751
Thereafter	<u>59,237,562</u>
	\$ 207,013,896

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets consisted primarily of cash and cash equivalents, loans receivable (net of allowance for bad debts) and grants receivable, received from governmental agencies, corporations and private foundations and loan capital, for which donor-imposed restrictions have not been met. All temporarily restricted net assets at September 30, 2019 are to provide support for Global Communities' programs. Following is a summary of temporarily restricted net assets at September 30, 2019:

Project Funds:	
Argentina	\$ 916,269
Brazil	223,150
Ghana	44,684
Haiti	837,654
Honduras	17,642,195
Kenya	169,110
Malawi	208,840
Palestine	1,028,747
South Sudan	13,058
Tanzania	316,519
Turkey-Syria	958,733
Various headquarters projects	<u>3,197,411</u>

PROJECT FUNDS TOTAL **\$ 25,556,370**

Loan Capital:	
Jordan	\$ 333,333
Lebanon	333,333
Palestine	<u>1,170,096</u>

LOAN CAPITAL TOTAL **\$ 1,836,762**

During the year ended September 30, 2019, temporarily restricted net assets of \$18,354,952 were released from restrictions by incurring programmatic expenses or through the passage of time, both satisfying Global Communities's donor-imposed restrictions. Following is a summary of net assets released from restrictions, by country program, for the year ended September 30, 2019:

Project Funds:	
Argentina	\$ 219,030
Brazil	1,024,852
Ghana	205,239
Haiti	4,581,924
Honduras	5,163,146
Kenya	2,139,751
Malawi	807,256
Palestine	610,850
Tanzania	814,873
Turkey-Syria	1,492,177
Various headquarters projects	<u>1,295,854</u>

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS **\$ 18,354,952**

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

9. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 73,188,442
Investments	46,188,314
Current portion of loans receivable, net of allowances	147,440,282
Federal grants and contracts receivable	6,880,767
Interest and accounts receivable	<u>4,436,768</u>
Subtotal financial assets available	278,134,573
Less: Donor restricted funds	(27,393,132)
Less: Funds held in trust	<u>(4,799,222)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 245,942,219**

As part of the Global Communities' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Global Communities works in numerous third world countries through its field offices and related entities. Cash accounts as well as loan portfolios are maintained in several of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate which could affect the liquidity and availability of Global Communities' available financial assets.

10. RETIREMENT PLANS

Defined contribution plan -

Global Communities sponsors a defined contribution plan (profit-sharing plan) that covers all current employees who have completed one year of service. Contributions to the Plan are discretionary and are determined each year by the management of Global Communities. The Plan has a four year graduated vesting schedule. In addition, Global Communities has also adopted a Safe Harbor Plan that contributes 3% of total compensation to each employees account that is vested immediately.

Deferred compensation plan -

Global Communities also has a deferred compensation plan for certain key staff. Amounts contributed are vested immediately.

During the year ended September 30, 2019, total retirement plan expense aggregated \$1,800,000.

11. COMMITMENTS

On November 6, 2014, Global Communities entered into a 156-month lease agreement for office space. The lease commences on April 1, 2015 and includes a 2.5% annual lease payment escalation. The lease agreement also stipulates that Global Communities will be obligated to pay a proportionate share of the building's operating expenses and real estate taxes.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

11. COMMITMENTS (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Combined Statement of Financial Position. Global Communities is also obligated under several non-cancelable leases for office equipment and vehicles.

The following is a schedule of future minimum payments required as of September 30, 2019:

Year Ending September 30,

2020	\$ 911,918
2021	930,156
2022	948,760
2023	937,735
2024	987,089
Thereafter	<u>3,610,245</u>
	<u>\$ 8,325,903</u>

Total rent expense under long-term lease commitments for the year ended September 30, 2019 was approximately \$899,000. The deferred rent liability was \$2,232,584.

Global Communities also leases office space in numerous foreign countries under short-term lease agreements. Total rent expense under short-term lease agreements for the year ended September 30, 2019 was approximately \$1,417,000 for Global Communities and approximately \$3,900,000 including related entities.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 related to *Leases* (Topic 842), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Combined Statement of Financial Position and disclosing key information about leasing arrangements for operating leases that are greater than one year in duration.

The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Combined Statement of Financial Position. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Vitas Lebanon elected to early implement the ASU during the year ended September 30, 2019. As a result, Vitas Lebanon recorded a right-of-use asset in the amount of \$1,275,425 and an offsetting lease liability in the amount of \$1,233,847, which is included in prepaid expenses and other assets and other liabilities in the accompanying financial statements, respectively. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. The discount rate applied was 7.03%.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

11. COMMITMENTS (Continued)

Global Communities and the remaining related entities will adopt the ASU by the required implementation date.

The following is a maturity analysis of the Vitas Lebanon operating lease liability as of September 30, 2019:

	<u>Vitas Lebanon</u>
1 year	\$ 226,946
1 to 3 years	375,235
3 to 5 years	315,950
5 to 10 years	286,563
Plus accrued interest	<u>29,153</u>
TOTAL LEASE LIABILITY	\$ <u>1,233,847</u>

The following is the detail of the operating lease cost components included in expense for the year ended September 30, 2019:

	<u>Vitas Lebanon</u>
Depreciation charge of right-of-use assets	\$ 161,173
Interest expense (included in finance costs)	45,777
Expenses related to short term leases	<u>68,040</u>
TOTAL	\$ <u>274,990</u>

12. CONTINGENCIES

United States Government funding -

Global Communities receives grants from various agencies of the United States Government. Beginning with the fiscal year ended September 30, 2016, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign operations -

Global Communities provides technical assistance and capital assistance in numerous third world countries through its field offices and related entities in each of those countries. Global Communities also maintains cash accounts as well as loan portfolios in several of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

12. CONTINGENCIES (Continued)

Foreign operations (continued) -

As of September 30, 2019, Global Communities had cash, loans receivable and fixed assets in various countries in the Middle East, Eastern Europe, Africa, Asia and Central and South America, totaling approximately \$315,000,000, which represents approximately 77% of Global Communities' total assets as of September 30, 2019.

13. ECONOMIC DEPENDENCY

Approximately 68% of Global Communities' total revenue and support, excluding in-kind contributions and related entity revenue for the year ended September 30, 2019 was derived from grants and contracts awarded directly by the United States Federal Government or from pass-through entities, excluding loan capital. Global Communities has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect Global Communities' ability to finance ongoing operations.

14. FUTURE COMMITMENTS FROM THE U.S. GOVERNMENT

Global Communities receives a significant amount of its funding from various agencies of the United States Government.

As of September 30, 2019, Global Communities has outstanding commitments from these agencies for future years totaling approximately \$183,000,000, of which the agencies have obligated, but Global Communities has not drawn down, approximately \$123,000,000. Such amounts have not been included in the accompanying combined financial statements.

15. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplementary information relating to the Combined Statement of Cash Flows:

Interest Paid - Global Communities International	\$ <u>77</u>
Interest Paid - Related Entities	\$ <u>14,505,325</u>
Taxes Paid - Related Entities	\$ <u>5,214,560</u>

16. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Global Communities has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

16. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Global Communities has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of September 30, 2019.

- *Money market funds* - The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is deemed to be actively traded.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Global Communities' are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Global Communities are deemed to be actively traded.
- *Fixed income* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Interests in hedge funds, limited partnerships, private equity funds and other investments* - Valued at net asset value (NAV) of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Global Communities uses net asset value (NAV) per share, or its equivalent, as a practical expedient: Certain alternative investments that are measured at fair value using the NAV (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy; however, the fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. Following is a description of those alternative investments:

- Rockefeller Opportunistic Credit Fund, LLC is a fund-of-funds that invests primarily in third-party hedge funds that focus on stressed and distressed credit, fixed income, and other investments, both domestically and outside of the US.
- Rockefeller Access Fund 2015, LLC is a fund-of-funds that provides a level of diversified exposure to private equity investments, primarily through investments in "top-tier" growth equity funds and buyout funds, with select exposure to venture funds, special situations funds and credit funds.

GLOBAL COMMUNITIES AND RELATED ENTITIES

**NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

16. FAIR VALUE MEASUREMENT (Continued)

- Aberdeen Private Ventures Fund is a fund-of-funds that provides a level of diversified exposure to early and multi-stage venture capital funds.

The table below summarizes, by level within the fair value hierarchy and those invested and measured at NAV for practical expedient as of September 30, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Money market funds	\$ 749,191	\$ -	\$ -	\$ 749,191
Common stocks and mutual funds	33,980,943	-	-	33,980,943
Fixed income	6,600,268	-	-	6,600,268
Other investments:				
Investment in Tanmyeh (Union Company of Micro Financiers in Jordan)	-	-	11,753	11,753
Investment in BOAFO (local microfinance institution in Ghana)	-	-	904,833	904,833
Investment in Vitas Egypt	-	-	351,840	351,840
Investments Measured at Net Asset Value:				
Hedge funds	-	-	-	2,626,232
Venture capital - Partnerships	-	-	-	963,254
TOTAL	<u>\$ 41,330,402</u>	<u>\$ -</u>	<u>\$ 1,268,426</u>	<u>\$ 46,188,314</u>

There were no transfers between levels in the fair value hierarchy during the year ended September 30, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

Level 3 Financial Assets

The following table provides a summary of changes in fair value of Global Communities' financial assets for the year ended September 30, 2019:

	<u>Investments</u>
Beginning balance as of September 30, 2018	\$ 1,213,721
Purchases	1,175
Net unrealized gain on investments	<u>53,530</u>
BALANCE AS OF SEPTEMBER 30, 2019	<u>\$ 1,268,426</u>

17. SUBSEQUENT EVENTS

In preparing these combined financial statements, Global Communities has evaluated events and transactions for potential recognition or disclosure through March 12, 2020, the date the combined financial statements were issued.

GLOBAL COMMUNITIES AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS SEPTEMBER 30, 2019

17. SUBSEQUENT EVENTS (Continued)

The following events took place subsequent to year end with respect to Global Communities

- In March 2020, the World Health Organization declared the Coronavirus (COVID-19) a global pandemic. COVID-19 has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also affected the normal operations of many businesses, including Global Communities' operations.
- Subsequent to year-end, the global financial markets have declined due to the worldwide Coronavirus Disease 2019 (COVID-19) pandemic. The fair value of the investment portfolio has decreased to approximately \$39,191,000 as of the date of the audit report.

The following events took place subsequent to year end with respect to Vitas Group:

- Since mid-November 2019, Commercial banks in Lebanon have not been able to send wire transfers in US dollars out of the country. There are no formal capital controls in place, but the banks have not permitted external USD transfers unless matching dollar inflows take place. During this time, Vitas Lebanon was not able to make payments to foreign creditors, even though it had sufficient US dollar liquidity in Lebanese banks. Multiple creditors have recognized that payments were not made in November in December, but have not declared a formal event of default or breach of lending covenants.
- At its meeting on December 2019, the Global Communities Board of Trustees approved up to \$1.5 million in seed funds for the Vitas Lab, a new initiative of the Vitas Group to use technology and digital tools to further its mission to be the trusted partner of small business. The timing of drawdowns of this amount from Global Communities to Vitas Group has yet to be determined.
- In August 2019 Romania signed a loan agreement with OTP Bank amounting to RON 8,000,000 for two years until November 2021 at a fixed margin + 3m Robor. The first tranche has been received by the Company in October 2019, amounting to RON 2,000,000.

SUPPLEMENTAL INFORMATION

GLOBAL COMMUNITIES AND RELATED ENTITIES

SCHEDULE OF FUNCTIONAL EXPENSES WITHOUT RELATED ENTITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Technical Assistance</u>	<u>Capital Assistance</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and wages	\$ 5,850,990	\$ 747,325	\$ 9,778,960	\$ 16,377,275
Fringe benefits	1,894,077	241,923	3,182,137	5,318,137
Local salaries and fringe	24,174,827	2,495	413,026	24,590,348
Other benefits	2,217,171	60,176	31,013	2,308,360
Printing and production	115,243	-	7,850	123,093
Professional fees	666,149	68,200	441,695	1,176,044
Occupancy	1,818,129	11,713	851,579	2,681,421
Security costs	215,134	-	-	215,134
Insurance	504,098	-	158,092	662,190
Depreciation and amortization	-	-	304,428	304,428
Telecommunications	336,473	2,284	202,044	540,801
Travel	2,022,159	42,077	506,185	2,570,421
Consulting fees	1,623,705	-	933,574	2,557,279
Postage and delivery	47,216	9,164	17,016	73,396
Repairs and maintenance	289,683	319	418,905	708,907
Supplies	836,467	7	45,367	881,841
Dues, subscriptions and publications	26,649	400	279,913	306,962
Conferences	190,089	-	78,122	268,211
In-kind equipment and materials	11,017	-	-	11,017
In-kind professional fees	68,095	-	-	68,095
Equipment purchase and rental	1,302,224	9,843	431,723	1,743,790
Temporary help	215,045	-	112,622	327,667
Contracts	10,445,767	-	88,661	10,534,428
Assistance awards, not subject to OH	23,008,878	-	-	23,008,878
Assistance awards, subject to OH	1,523,559	-	-	1,523,559
Vehicle expense	474,665	-	-	474,665
Office operating expense	1,105	309	14,880	16,294
Participant training	5,074,495	-	-	5,074,495
Staff training and development	78,954	-	99,937	178,891
Construction expense and materials	7,424,550	-	94	7,424,644
Other	74,104	8,036	345,160	427,300
TOTAL	<u>\$ 92,530,717</u>	<u>\$ 1,204,271</u>	<u>\$ 18,742,983</u>	<u>\$112,477,971</u>

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019

	Related Entities									Subtotal	Eliminations	Total
	Global Communities	ATAS-M	Entiqal	Vitas Group	ATAS-DE	MCSE	GC Brazil	Vitas Palestine	Express Microfinanzas- SAS - Colombia			
ASSETS												
Cash and cash equivalents	\$ 22,083,292	\$ 530,044	\$ 3,928,675	\$ 26,617,192	\$ 11,512,450	\$ 37,811	\$ 65,472	\$ 8,407,646	\$ 5,860	\$ 73,188,442	\$ -	\$ 73,188,442
Investments	112,612,084	-	4,378,618	941,450	-	-	-	-	-	117,932,152	(71,743,838)	46,188,314
Loans receivable, net of allowance	-	-	-	121,488,617	80,601,405	-	-	50,234,420	-	252,324,442	-	252,324,442
Federal grants and contracts receivable	6,880,767	-	-	-	-	-	-	-	-	6,880,767	-	6,880,767
Non-Federal grants and contracts receivable	15,276,713	-	-	-	-	-	-	-	-	15,276,713	-	15,276,713
Interest and accounts receivable	238,993	-	229,165	3,578,174	265,296	-	356	134,014	-	4,445,998	(9,230)	4,436,768
Intracompany receivables	112,725	-	-	-	-	-	-	-	-	112,725	(112,725)	-
Intercompany receivables	11,973,669	-	13,592,955	1,337,716	524,110	-	-	-	-	27,428,450	(27,428,450)	-
Prepaid expenses and other assets	520,435	1,074,600	29,472	1,907,737	-	1,488	-	93,006	-	3,626,738	-	3,626,738
Fixed and intangible assets	2,052,896	205,679	26,788	2,638,537	-	16,290	-	631,497	-	5,571,687	-	5,571,687
Security deposits	261,726	-	-	95,405	-	24,109	3,002	50,000	-	434,242	-	434,242
TOTAL ASSETS	\$ 172,013,300	\$ 1,810,323	\$ 22,185,673	\$ 158,604,828	\$ 92,903,261	\$ 79,698	\$ 68,830	\$ 59,550,583	\$ 5,860	\$ 507,222,356	\$ (99,294,243)	\$ 407,928,113
LIABILITIES												
Notes payable	5,000,000	-	-	110,598,736	73,000,000	-	-	29,361,874	-	217,960,610	(10,946,714)	207,013,896
Accounts payable and accrued expenses	4,446,907	24,728	132,129	2,580,240	970,065	9,654	6,433	4,127,752	-	12,297,908	(4,097)	12,293,811
Intracompany payables	112,725	-	-	-	-	-	-	-	-	112,725	(112,725)	-
Intercompany payables	1,300,000	524,110	-	6,179,235	684,365	37,824	7,708	5,069,670	-	13,802,912	(13,802,912)	-
Accrued salaries and benefits	5,433,497	83,735	121,616	1,390,279	-	8,748	54,689	1,716,983	-	8,809,547	-	8,809,547
Deferred revenue	2,076,966	-	-	-	-	-	-	-	-	2,076,966	-	2,076,966
Deferred rent	2,232,584	-	-	-	-	-	-	-	-	2,232,584	-	2,232,584
Other liabilities	-	1,040,050	-	1,284,913	-	-	-	-	-	2,324,963	-	2,324,963
Funds held in trust	4,799,222	-	-	-	-	-	-	-	-	4,799,222	-	4,799,222
Total liabilities	25,401,901	1,672,623	253,745	122,033,403	74,654,430	56,226	68,830	40,276,279	-	264,417,437	(24,866,448)	239,550,989
NET ASSETS												
Without donor restrictions:												
Controlling interest	119,218,267	137,700	21,931,928	21,886,452	18,248,831	23,472	-	19,274,304	5,860	200,726,814	(66,706,434)	134,020,380
Noncontrolling interest	-	-	-	14,684,973	-	-	-	-	-	14,684,973	(7,721,361)	6,963,612
With donor restrictions	27,393,132	-	-	-	-	-	-	-	-	27,393,132	-	27,393,132
Total net assets	146,611,399	137,700	21,931,928	36,571,425	18,248,831	23,472	-	19,274,304	5,860	242,804,919	(74,427,795)	168,377,124
TOTAL LIABILITIES AND NET ASSETS	\$ 172,013,300	\$ 1,810,323	\$ 22,185,673	\$ 158,604,828	\$ 92,903,261	\$ 79,698	\$ 68,830	\$ 59,550,583	\$ 5,860	\$ 507,222,356	\$ (99,294,243)	\$ 407,928,113

GLOBAL COMMUNITIES AND RELATED ENTITIES

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Related Entities											Total
	Global Communities	ATAS-M	Entiqal	Vitas Group	ATAS-DE	MCSE	GC Brazil	Vitas Palestine	Express Microfinance- SAS - Colombia	Eliminations	Related Entity Subtotal	
REVENUE AND SUPPORT												
Grants and contributions	\$ 94,518,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,518,262
Contracts	20,750,569	-	-	-	-	388,577	-	-	-	(388,577)	-	20,750,569
In-kind contributions	79,112	-	-	-	-	-	-	-	-	-	-	79,112
Interest and investment income	1,808,752	11,768	-	30,751,215	18,080,795	-	5,039	9,512,473	-	(795,037)	58,351,304	59,375,005
Commission income	-	-	-	3,542,593	4,594,600	-	-	910,421	-	-	9,047,614	9,047,614
Other income	8,957,548	1,171,537	2,116,266	453,809	-	-	577,132	107,460	3,930	(12,389,926)	878,693	997,756
Total revenue and support	126,114,243	1,183,305	2,116,266	34,747,617	22,675,395	388,577	582,171	10,530,354	3,930	(13,573,540)	68,277,611	184,768,318
EXPENSES	112,477,970	1,183,305	1,555,932	31,657,063	21,905,965	385,851	582,171	7,016,773	360,611	(9,360,637)	60,904,500	167,765,004
CHANGE IN NET ASSETS	\$ 13,636,273	\$ -	\$ 560,334	\$ 3,090,554	\$ 769,430	\$ 2,726	\$ -	\$ 3,513,581	\$ (356,681)	\$ (4,212,903)	\$ 7,373,111	\$ 17,003,314

GLOBAL COMMUNITIES AND RELATED ENTITIES
COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Related Entities							Subtotal	Eliminations	Total	
	Global Communities	ATAS-M	Entiqal	Vitas Group	ATAS-DE	MCSE	Vitas Palestine				Express Microfinanzas-SAS - Colombia
WITHOUT DONOR RESTRICTIONS											
Beginning of year net assets	\$ 109,993,932	\$ 137,700	\$ 21,371,594	\$ 33,296,035	\$ 17,479,401	\$ 20,746	\$ 17,629,112	\$ 362,541	\$ 200,291,061	\$ (70,100,887)	\$ 130,190,174
Proceeds from issuance of units	-	-	-	1,300,000	-	-	-	-	1,300,000	(1,300,000)	-
Colombia investment transfer	-	-	-	-	-	-	-	-	-	286,496	286,496
Adjustment for loan loss impairments	-	-	-	-	-	-	(1,703,389)	-	(1,703,389)	-	(1,703,389)
Convertible debt option reserve revaluation	-	-	-	43,062	-	-	-	-	43,062	(43,062)	-
Dividends declared	-	-	-	(1,158,226)	-	-	(165,000)	-	(1,323,226)	942,561	(380,665)
Change in net assets	9,224,335	-	560,334	3,090,554	769,430	2,726	3,513,581	(356,681)	16,804,279	(4,212,903)	12,591,376
END OF YEAR NET ASSETS	\$ 119,218,267	\$ 137,700	\$ 21,931,928	\$ 36,571,425	\$ 18,248,831	\$ 23,472	\$ 19,274,304	\$ 5,860	\$ 215,411,787	\$ (74,427,795)	\$ 140,983,992
WITH DONOR RESTRICTIONS											
Beginning of year net assets	\$ 22,981,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,981,194	\$ -	\$ 22,981,194
Change in net assets	4,411,938	-	-	-	-	-	-	-	4,411,938	-	4,411,938
END OF YEAR NET ASSETS	\$ 27,393,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,393,132	\$ -	\$ 27,393,132
TOTAL											
Beginning of year net assets	\$ 132,975,126	\$ 137,700	\$ 21,371,594	\$ 33,296,035	\$ 17,479,401	\$ 20,746	\$ 17,629,112	\$ 362,541	\$ 223,272,255	\$ (70,100,887)	\$ 153,171,368
Proceeds from issuance of units	-	-	-	1,300,000	-	-	-	-	1,300,000	(1,300,000)	-
Colombia investment transfer	-	-	-	-	-	-	-	-	-	286,496	286,496
Adjustment for loan loss impairments	-	-	-	-	-	-	(1,703,389)	-	(1,703,389)	-	(1,703,389)
Convertible debt option reserve revaluation	-	-	-	43,062	-	-	-	-	43,062	(43,062)	-
Dividends declared	-	-	-	(1,158,226)	-	-	(165,000)	-	(1,323,226)	942,561	(380,665)
Change in net assets	13,636,273	-	560,334	3,090,554	769,430	2,726	3,513,581	(356,681)	21,216,217	(4,212,903)	17,003,314
END OF YEAR NET ASSETS	\$ 146,611,399	\$ 137,700	\$ 21,931,928	\$ 36,571,425	\$ 18,248,831	\$ 23,472	\$ 19,274,304	\$ 5,860	\$ 242,804,919	\$ (74,427,795)	\$ 168,377,124