

CONSOLIDATED FINANCIAL STATEMENTS



PROJECT CONCERN INTERNATIONAL

**FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022**

PROJECT CONCERN INTERNATIONAL

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project Concern International
San Diego, California

Opinion

We have audited the accompanying consolidated financial statements of Project Concern International (PCI), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PCI as of September 30, 2023 and 2022, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of PCI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PCI's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PCI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PCI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of PCI's 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 PCI's 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 PCI's internal control over financial reporting and compliance.



March 22, 2024

PROJECT CONCERN INTERNATIONAL
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

ASSETS		<u>2023</u>	<u>2022</u>
ASSETS			
Cash and cash equivalents	\$	903,977	\$ 3,419,225
Pledges receivable		-	6,906,295
Grants receivable		450,496	5,928
Other assets		<u>488</u>	<u>500</u>
TOTAL ASSETS		<u>\$ 1,354,961</u>	<u>\$ 10,331,948</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	\$	681,022	\$ 1,124,713
Refundable advance		<u>312,174</u>	<u>310,303</u>
Total liabilities		<u>993,196</u>	<u>1,435,016</u>
NET ASSETS			
Without donor restrictions		99,998	725,628
With donor restrictions		<u>261,767</u>	<u>8,171,304</u>
Total net assets		<u>361,765</u>	<u>8,896,932</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,354,961</u>	<u>\$ 10,331,948</u>

PROJECT CONCERN INTERNATIONAL

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 4,477,653	\$ -	\$ 4,477,653
Contributions	-	80,563	80,563
Non-government grants	326,502	-	326,502
Interest	23,316	21,038	44,354
Other revenue	26	-	26
Net assets released from donor restrictions	<u>3,396,319</u>	<u>(3,396,319)</u>	<u>-</u>
Total support and revenue	<u>8,223,816</u>	<u>(3,294,718)</u>	<u>4,929,098</u>
EXPENSES			
Program Services	<u>7,683,284</u>	<u>-</u>	<u>7,683,284</u>
Supporting Services:			
Management and General	306,059	-	306,059
Fundraising	<u>(6,311)</u>	<u>-</u>	<u>(6,311)</u>
Total supporting services	<u>299,748</u>	<u>-</u>	<u>299,748</u>
Total expenses	<u>7,983,032</u>	<u>-</u>	<u>7,983,032</u>
Changes in net assets before other item	240,784	(3,294,718)	(3,053,934)
OTHER ITEM			
Transfer of net assets	<u>(866,414)</u>	<u>(4,614,819)</u>	<u>(5,481,233)</u>
Changes in net assets	(625,630)	(7,909,537)	(8,535,167)
Net assets at beginning of year	<u>725,628</u>	<u>8,171,304</u>	<u>8,896,932</u>
NET ASSETS AT END OF YEAR	<u>\$ 99,998</u>	<u>\$ 261,767</u>	<u>\$ 361,765</u>

PROJECT CONCERN INTERNATIONAL

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 4,159,754	\$ -	\$ 4,159,754
Contributions	-	7,742,761	7,742,761
Non-government grants	213,749	-	213,749
Interest	41,155	-	41,155
Other revenue	12,231	-	12,231
Net assets released from donor restrictions	<u>8,671,863</u>	<u>(8,671,863)</u>	<u>-</u>
Total support and revenue	<u>13,098,752</u>	<u>(929,102)</u>	<u>12,169,650</u>
EXPENSES			
Program Services	<u>11,909,456</u>	<u>-</u>	<u>11,909,456</u>
Supporting Services:			
Management and General	1,124,358	-	1,124,358
Fundraising	<u>13,867</u>	<u>-</u>	<u>13,867</u>
Total supporting services	<u>1,138,225</u>	<u>-</u>	<u>1,138,225</u>
Total expenses	<u>13,047,681</u>	<u>-</u>	<u>13,047,681</u>
Changes in net assets	51,071	(929,102)	(878,031)
Net assets at beginning of year	<u>674,557</u>	<u>9,100,406</u>	<u>9,774,963</u>
NET ASSETS AT END OF YEAR	<u>\$ 725,628</u>	<u>\$ 8,171,304</u>	<u>\$ 8,896,932</u>

PROJECT CONCERN INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
	International	Management and General	Fundraising		
Personnel costs	\$ 111,117	\$ -	\$ -	\$ -	\$ 111,117
Sub grants/consultants	7,542,108	94,005	-	94,005	7,636,113
Other direct costs	8,538	212,054	(6,311)	205,743	214,281
Facilities/communications	11,973	-	-	-	11,973
Travel/training	9,548	-	-	-	9,548
TOTAL EXPENSES WITH INDIRECT	\$ 7,683,284	\$ 306,059	\$ (6,311)	\$ 299,748	\$ 7,983,032

⁽¹⁾ Management and General and Fundraising costs include all costs not directly charged to programs. Included in Management and General costs are approximately \$50,000 in program support costs for the year ended September 30, 2023.

PROJECT CONCERN INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>International</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Personnel costs	\$ 135,185	\$ 520,159	\$ -	\$ 520,159	\$ 655,344
Sub grants/consultants	11,730,335	147,425	-	147,425	11,877,760
Equipment/supplies	37	261	-	261	298
Other direct costs	52,132	451,286	13,867	465,153	517,285
Facilities/communications	4,432	2,684	-	2,684	7,116
Travel/training	(12,665)	2,543	-	2,543	(10,122)
TOTAL EXPENSES WITH INDIRECT	\$ 11,909,456	\$ 1,124,358	\$ 13,867	\$ 1,138,225	\$ 13,047,681

⁽¹⁾ Management and general and fundraising costs include all costs not directly charged to programs. Included in management and general costs are approximately \$351,000 in program support costs for the year ended September 30, 2023.

PROJECT CONCERN INTERNATIONAL
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (8,535,167)	\$ (878,031)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Change in discount on long-term receivables	(80,563)	80,563
Transfer to Global Communities	5,481,233	-
Decrease (increase) in:		
Pledges receivable	3,217,284	(1,363,608)
Grants receivable	(1,762,308)	169,885
Other assets	12	(380)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(837,610)	(5,867,442)
Refundable advance	<u>1,871</u>	<u>(55,745)</u>
Net cash used by operating activities	<u>(2,515,248)</u>	<u>(7,914,758)</u>
Net decrease in cash and cash equivalents	(2,515,248)	(7,914,758)
Cash and cash equivalents at beginning of year	<u>3,419,225</u>	<u>11,333,983</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 903,977</u>	<u>\$ 3,419,225</u>

PROJECT CONCERN INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Project Concern International (PCI) is an international, non-governmental, nonprofit organization whose mission is to empower people to enhance health, end hunger, overcome hardship, and advance women and girls. Programmatic focus areas include disease prevention, health and nutrition, water and sanitation, food and livelihood security, humanitarian assistance, and disaster risk management. PCI is currently operating in two countries worldwide: India and Nicaragua.

AfriScout, LLC is a limited liability company, incorporated in California. In May 2022, AfriScout, LLC was merged into a limited liability company of Global Communities, incorporated in Maryland.

In April 2020, PCI merged with Global Communities, a non-profit organization incorporated 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. PCI will operate as a wholly-owned subsidiary of Global Communities until the time it is fully integrated into Global Communities' operations.

During the year ended September 30, 2023, a donor fully accepted and signed a Novation Agreement that replaced PCI with Global Communities as the awardee for two grants. Accordingly, a portion of PCI's assets and liabilities were transferred to Global Communities during the year ended September 30, 2023. PCI will continue to maintain certain projects funded by private foundations and other donors with the assistance of Global Communities.

Principles of consolidation -

The accounts of PCI were consolidated with activities of AfriScout, LLC (collectively, PCI) through May 2022, the date when AfriScout, LLC was merged into Global Communities. The accounts were consolidated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances were eliminated.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset 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. As of September 30, 2023 and 2022, there were no Board Designated net assets.

PROJECT CONCERN INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

Basis of presentation (continued) -

- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than PCI's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 accompanying consolidated financial statements represent the activity of PCI only. For the years ended September 30, 2023 and 2022, the financial statements of PCI have been consolidated with Global Communities in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The consolidated financial statements are available at PCI's headquarters.

Cash and cash equivalents -

PCI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, PCI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

PCI had approximately \$72,000 and \$66,000 of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2023 and 2022, respectively. The majority of funds invested in foreign countries are uninsured.

Pledges and grants receivable -

Pledges and grants receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statements of Activities and Changes in Net Assets, to its current fair value. For the years ended September 30, 2023 and 2022, no such write-downs have occurred.

PROJECT CONCERN INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

Income taxes -

PCI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. PCI had no provision for unrelated business income taxes for the years ended September 30, 2023 and 2022. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. PCI files an exempt organization return in the United States Federal jurisdiction and with the Franchise Tax Board in the state of California. PCI is not a private foundation.

Uncertain tax positions -

For the years ended September 30, 2023 and 2022, PCI has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Revenue recognition -

The majority of PCI's activities are supported by grants and contributions from the U.S. Government and other private entities. These awards are for various activities performed by PCI. Grants and contributions are recognized in the appropriate category of net assets in the period received. PCI performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return from obligation provision that limits PCI on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. PCI recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Agricultural commodities revenue is recognized as conditions are met which is upon the distribution of commodities to beneficiaries. When certain commodities are sold, funds generated upon sale are recognized as government grant revenue when the funds are expended per the terms of the related agreements. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as contributions, PCI had approximately \$33,600,000 and \$5,900,000 in unrecognized conditional awards as of September 30, 2023 and 2022.

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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

Foreign currency translation -

The U.S. Dollar is the functional currency for PCI's 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 Consolidated Statements of Financial Position.

Currency risk -

PCI is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar. There is also a Consolidated Statements of Financial Position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into U.S. Dollars as a result of currency movements.

Use of estimates -

The preparation of the consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of PCI 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.

2. PLEDGES RECEIVABLE

During the year ended September 30, 2023, a donor fully accepted and signed a Novation Agreement that replaced PCI with Global Communities as the awardee for two grants. Accordingly, the receivable balance related to these awards was transferred to Global Communities during the year ended September 30, 2023. PCI had no pledges receivable as of September 30, 2023.

As of September 30, 2022, contributors to PCI made unconditional written promises to give, of which \$6,906,295, remained due and outstanding. Following is a schedule of amounts due, by year, as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ -	\$ 5,617,284
One to five years	-	1,369,574
Less: Allowance to discount balance to present value	-	(80,563)
TOTAL	\$ -	\$ 6,906,295

PROJECT CONCERN INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2023 and 2022:

	2023	2022
Subject to Expenditure for Specified Purpose:		
India	\$ <u>261,767</u>	\$ <u>8,171,304</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2023	2022
Purpose restrictions accomplished:		
India	\$ 3,396,319	\$ 8,651,863
Kenya	-	20,000
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>3,396,319</u>	\$ <u>8,671,863</u>

4. LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and cash equivalents	\$ 903,977	\$ 3,419,225
Pledges receivable	-	6,906,295
Grants receivable	450,496	5,928
Subtotal financial assets available within one year	1,354,473	10,331,448
Less: Donor restricted funds	(261,767)	(8,171,304)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>1,092,706</u>	\$ <u>2,160,144</u>

As part of PCI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

5. LEASE COMMITMENTS

During the years ended September 30, 2023 and 2022, PCI occupied office spaces in both San Diego and Washington D.C. Global Communities became the tenant on record for both the San Diego and Washington D.C. office spaces during the year ended September 30, 2022. Accordingly, PCI has no future minimum lease obligations under these agreements.

PCI leased certain office equipment and space for field offices under non-cancelable operating leases which expired through March 2022 and had monthly payments ranging from approximately \$90 to \$750.

Worldwide rent expense for the years ended September 30, 2023 and 2022 totaled approximately \$500 and \$3,500, respectively.

PROJECT CONCERN INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

6. RETIREMENT PLAN

PCI had a defined contribution plan (the Plan), which was terminated effective March 31, 2022. The Plan covered substantially all full-time employees who were legal residents of the United States of America. Through December 31, 2020, PCI made matching contributions to the Plan of up to 3 percent of an employee's salary and a non-elective contribution of 3 percent of an employee's salary.

The Plan was amended effective January 1, 2021. After the amendment, PCI made safe harbor non-elective contributions of 3 percent of Employee's compensation for the year. Additionally, under Plan provisions, PCI could elect to contribute a discretionary amount each year. There were no contributions to the Plan by PCI for the year ended September 30, 2023. For the year ended September 30, 2022, contributions to the Plan by PCI were approximately \$29,500.

7. CONCENTRATION OF REVENUE

During the years ended September 30, 2023 and 2022, PCI received significant grants and contributions, including cash and commodities, from the following sources and recognized in revenue as follows:

	<u>2023</u>	<u>2022</u>
United States Department of Agriculture	\$ 4,486,944	\$ 3,302,330
The Bill and Melinda Gates Foundation	-	7,850,000
World Vision	-	<u>856,938</u>
TOTAL	<u>\$ 4,486,944</u>	<u>\$ 12,009,268</u>

As of September 30, 2023 PCI had no significant pledges and grants receivable. As of September 30, 2022, PCI had significant pledges and grant receivables from the following source:

	<u>2023</u>	<u>2022</u>
The Bill and Melinda Gates Foundation	<u>\$ -</u>	<u>\$ 6,906,295</u>

Due to the merger with Global Communities, PCI does anticipate changes in its funding structure. However, these changes are not expected to adversely affect PCI's ability to finance ongoing operations

8. CONTINGENCY

Grants -

PCI receives grants from various agencies of the United States Government. 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 (Uniform Guidance)*. 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.

PROJECT CONCERN INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

8. CONTINGENCY (Continued)

Grants (continued) -

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2023. 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.

PCI has entered into grant agreements with Federal entities that require PCI to provide additional funding through cash or other in-kind services and supplies. If PCI does not meet the terms of the agreements, funding from the grantor could be required to be returned. Management is not aware of any unmet match requirements as of September 30, 2023 and 2022.

Legal matters -

Various lawsuits and other contingent liabilities arise in the ordinary course of PCI's activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on PCI's consolidated financial statements.

Customs fees -

In 2002, 2003, 2007, 2008 and 2009, PCI imported commodities for its program in a South American country. These commodities were for both monetization (resale to generate program resources) and distribution to program participants. No commodities were imported from 2004 to 2006.

There is currently a bilateral agreement signed between the United States Federal Government and the local government that exempts commodity transactions from customs fees. Additional agreements exist between PCI and ministries of the local government exempting PCI from any customs fees. Additionally, a framework agreement exists between PCI and the government of this country, which may exempt such commodities from tax.

PCI received notifications from the Customs Office in this country that the commodities it imports for monetization are subject to customs fees, taxes and penalties. The amount being requested as of September 30, 2023 is approximately \$2,250,000.

Several other major United States-based organizations working in the same country on similar programs during that timeframe received similar notifications. Funding for all of these programs has been provided by the United States Agency for International Development (USAID) and the United States Department of Agriculture (together "the Donors"). PCI and legal counsel believe that a 2009 law change, with which PCI is in compliance, appears to have been incorrectly applied retroactively in this situation. PCI and legal counsel also believe that other agreements between PCI and the local government provide further support that there is no liability as asserted.

PCI has contested these claims through the Tax Appeal Authority and Supreme Court in country, with some success in the past. PCI is currently pursuing resolution of this issue through both administrative and legal actions and will leverage the previous Supreme Court decisions during this process. The Donors have also intervened with the local government. A liability resulting from this matter is not considered probable; accordingly, no amounts have been accrued as of September 30, 2023 and 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

9. RELATED PARTY

During the years ended September 30, 2023 and 2022, there were intercompany billings between Global Communities and PCI in the amount of \$340,363 and \$277,329, respectively. These amounts are included in the appropriate expense category in the accompanying Consolidated Statements of Activities and Changes in Net Assets and Consolidated Statements of Functional Expenses. Additionally, PCI incurred expenses under subawards to Global Communities totaling \$4,466,023 and \$3,289,230 during the years ended September 30, 2023 and 2022. These amounts are included in Sub grants/consultants expense in the accompanying Consolidated Statements of Functional Expenses.

As of September 30, 2023, Global Communities owed PCI \$391,367. This amount is included with grants receivable in the accompanying Consolidated Statements of Financial Position. As of September 30, 2022, PCI owed Global Communities \$723,161. This amount is included in accounts payable and accrued expenses in the accompanying Consolidated Statements of Financial Position.

During the year ended September 30, 2023, a donor fully accepted and signed a Novation Agreement that replaced PCI with Global Communities as the awardee for two grants. Accordingly, a portion of PCI's assets and liabilities were transferred to Global Communities during the year ended September 30, 2023.

10. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, PCI has evaluated events and transactions for potential recognition or disclosure through March 22, 2024, the date the consolidated financial statements were issued.