REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

PROJECT CONCERN INTERNATIONAL

September 30, 2019 and 2018

MOSSADAMS

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Report of Independent Auditors

To the Board of Directors
Project Concern International

Report on the Financial Statements

We have audited the accompanying financial statements of Project Concern International, which comprise the statements of financial position as of September 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Concern International as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, Project Concern International adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Moss Adams LLP

San Diego, California
February 6, 2020

ASSETS

	September 30, 2019	September 30, 2018
CURRENT ASSETS		
Cash and cash equivalents	$ 7,099,093	$ 9,562,554
Investments	1,908,368	2,086,910
Grants and accounts receivable	5,905,310	4,376,274
Unconditional promises to give	2,144,672	2,210,350
Inventory	766,016	2,530,786
Other current assets	1,168,549	1,712,455
Total current assets	18,992,008	22,479,329
UNCONDITIONAL PROMISES TO GIVE	-	2,250,000
PROPERTY AND EQUIPMENT		
Land and leasehold improvements	43,181	216,604
Furniture, equipment, and software	613,302	613,302
	656,483	829,906
Less accumulated depreciation	626,788	779,223
Net property and equipment	29,695	50,683
ENDOWMENT ASSETS	704,795	679,709
Total assets	$ 19,726,498	$ 25,459,721

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Deferred revenue	$ 3,353,325	$ 7,992,867
Accounts payable and accrued expenses	4,452,349	4,214,162
Total current liabilities	7,805,674	12,207,029
COMMITMENTS AND CONTINGENCIES (NOTES 6 and 8)		
NET ASSETS		
Without donor restrictions:		
Undesignated	1,538,133	1,325,670
Board designated (Note 1)	1,475,072	1,398,967
Total without donor restrictions	3,013,205	2,724,637
With donor restrictions	8,907,619	10,528,055
Total net assets	11,920,824	13,252,692
Total liabilities and net assets	$ 19,726,498	$ 25,459,721

See accompanying notes.

Project Concern International
Statements of Activities

	Years Ended September 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government grants	$ 38,939,671	$ -	$ 38,939,671	$ 46,011,854	$ -	$ 46,011,854
Non-government grants	7,072,808	-	7,072,808	5,791,688	-	5,791,688
Agricultural commodities	3,683,659	-	3,683,659	4,196,736	-	4,196,736
Contributions, in-kind	2,947,842	-	2,947,842	9,304,362	-	9,304,362
Contributions	1,116,261	978,254	2,094,515	1,133,388	10,582,204	11,715,592
Other	285,658	-	285,658	76,801	-	76,801
Investment income, net of investment expenses	194,241	(3,479)	190,762	79,649	254	79,903
Net assets released from restrictions:						
Satisfaction of purpose and time restrictions	2,595,211	(2,595,211)	-	2,693,654	(2,693,654)	-
Total support and revenue	56,835,351	(1,620,436)	55,214,915	69,288,132	7,888,804	77,176,936
EXPENSES						
Program services	46,999,606	-	46,999,606	58,901,195	-	58,901,195
Supporting services:						-
Management and general	8,709,856	-	8,709,856 [1]	9,364,488	-	9,364,488 [1]
Fundraising	837,321	-	837,321 [1]	875,165	-	875,165 [1]
Total expenses	56,546,783	-	56,546,783	69,140,848	-	69,140,848
CHANGE IN NET ASSETS	288,568	(1,620,436)	(1,331,868)	147,284	7,888,804	8,036,088
NET ASSETS						
Beginning of year	2,724,637	10,528,055	13,252,692	2,577,353	2,639,251	5,216,604
End of year	$ 3,013,205	$ 8,907,619	$ 11,920,824	$ 2,724,637	$ 10,528,055	$ 13,252,692

[1] See (1) at Statement of Functional Expenses for the years ended September 30, 2019 and 2018, on page 5 and 6, respectively.

See accompanying notes.

	Year Ended September 30, 2019						
	Program Services			Supporting Services			
	International	Domestic	Total	Management and General	Fundraising	Total	Grand Total
Personnel costs	$ 15,840,823	$ 1,075,942	$ 16,916,765	$ 5,959,881	$ 412,064	$ 6,371,945	$ 23,288,710
Sub grants/consultants	10,925,431	335,241	11,260,672	670,744	103,275	774,019	12,034,691
Donated commodities and services	6,631,467	34	6,631,501	-	-	-	6,631,501
Travel/training	4,260,338	100,292	4,360,630	349,329	36,025	385,354	4,745,984
Equipment/supplies	4,387,070	15,494	4,402,564	21,018	52,201	73,219	4,475,783
Other direct costs	1,576,379	84,362	1,660,741	951,910	221,476	1,173,386	2,834,127
Facilities/communications	1,571,199	195,534	1,766,733	756,974	12,280	769,254	2,535,987
Total functional expenses per statement of activities	45,192,707	1,806,899	46,999,606	8,709,856 (1)	837,321 (1)	9,547,177	56,546,783
Indirect cost allocations	7,736,074	443,741	8,179,815	(8,179,815)	-	(8,179,815)	-
Total expenses with indirect cost allocations	$ 52,928,781	$ 2,250,640	$ 55,179,421	$ 530,041	$ 837,321	$ 1,367,362	$ 56,546,783

(1) Management and general and fundraising costs include all costs not directly charged to programs. Included in management and general costs are approximately $1,780,000 in program support costs for the year ended September 30, 2019.

Project Concern International
Statement of Functional Expenses (Continued)

	Year Ended September 30, 2018						
	Program Services			Supporting Services			
	International	Domestic	Total	Management and General	Fundraising	Total	Grand Total
Personnel costs	$ 16,740,112	$ 1,712,278	$ 18,452,390	$ 6,653,670	$ 394,843	$ 7,048,513	$ 25,500,903
Sub grants/consultants	11,084,998	246,035	11,331,033	767,785	169,080	936,865	12,267,898
Donated commodities and services	13,495,088	6,011	13,501,099	-	-	-	13,501,099
Equipment/supplies	5,687,046	42,310	5,729,356	22,068	44,297	66,365	5,795,721
Travel/training	5,544,296	110,051	5,654,347	445,966	28,103	474,069	6,128,416
Other direct costs	2,190,100	101,786	2,291,886	721,244	165,349	886,593	3,178,479
Facilities/communications	1,708,991	232,093	1,941,084	753,755	73,493	827,248	2,768,332
Total functional expenses per statement of activities	56,450,631	2,450,564	58,901,195	9,364,488 [1]	875,165 [1]	10,239,653	69,140,848
Indirect cost allocations	8,414,172	603,899	9,018,071	(9,018,071)	-	(9,018,071)	-
Total expenses with indirect cost allocations	$ 64,864,803	$ 3,054,463	$ 67,919,266	$ 346,417	$ 875,165	$ 1,221,582	$ 69,140,848

(1) Management and general and fundraising costs include all costs not directly charged to programs. Included in management and general costs are approximately $2,316,000 in program support costs for the year ended September 30, 2018.

	Years Ended September 30, 2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ (1,331,868)	$ 8,036,088
Reconciliation to net cash from operating activities:		
Depreciation	20,988	22,068
Contributions with donor restrictions	(28,565)	(21,773)
Unrealized loss (gain) on endowment investments	3,479	(254)
(Increase) decrease in operating assets:		
Grants and accounts receivable	(1,529,036)	797,527
Unconditional promises to give	2,315,678	(4,274,580)
Other current assets	543,906	(512,583)
Increase (decrease) in operating liabilities:		
Deferred revenue, net of change in inventory	(2,874,772)	1,948,503
Accounts payable and accrued expenses	238,187	(55,405)
Net cash (used in) provided by operating activities	(2,642,003)	5,939,591
INVESTING ACTIVITIES		
Proceeds from sale of investments	276,109	495,761
Purchase of investments	(97,567)	(1,132,036)
Increase in endowment assets	(28,565)	(21,773)
Purchases of property and equipment	-	(11,899)
Net cash provided by (used in) investing activities	149,977	(669,947)
FINANCING ACTIVITIES		
Contributions with donor restrictions received in cash	28,565	21,773
Net cash provided by financing activities	28,565	21,773
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,463,461)	5,291,417
CASH AND CASH EQUIVALENTS		
Beginning of year	9,562,554	4,271,137
End of year	$ 7,099,093	$ 9,562,554
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Inventory increases included in deferred revenue	$ 1,764,770	$ 2,258,716

Note 1 – Summary of Organization and Significant Accounting Policies

Nature of operations – Project Concern International ("PCI") is an international, non-governmental, non-profit 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 18 countries worldwide: Bangladesh*, Bolivia, Botswana, Burkina Faso*, Burundi*, Ethiopia, Guatemala, Haiti*, India, Kenya, Liberia, Malawi, Mali*, Mexico, Nicaragua, Tanzania, United States, and Zambia. The asterisk "*" indicates those countries where PCI works only through local partners.

Income tax status – PCI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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, 2019 and 2018. PCI had no unrecognized tax benefits or liabilities as of September 30, 2019 and 2018. PCI files an exempt organization return in the United States federal jurisdiction and with the Franchise Tax Board in the state of California.

Financial statement presentation – The financial statements of PCI have been prepared on the accrual basis of accounting. Resources are reported in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action from the Board of Directors (the "Board").

- *With donor restrictions* – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of PCI pursuant to those stipulations or that expire by a passage of time or net assets subject to donor-imposed stipulations that they be maintained in perpetuity for the purpose of generating investment income, net of investment expenses, to fund current operations or other donor-specified purposes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and cash equivalents – Cash and cash equivalents are defined as cash on hand in banks plus all short-term investments with an original maturity, at the date of purchase, of three months or less.

Investments and endowment investments (included in endowment assets)

- Investments are comprised of exchange traded funds (ETFs) and certificates of deposit (with an original maturity in excess of three months) at September 30, 2019 and 2018. The fair value of the ETFs is based on quoted prices in an active market. The fair value of certificates of deposit is determined by discounting the related cash flow based on the current yield on similar instruments with comparable durations considering the creditworthiness of the issuer.

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

- Investments within endowment assets consist of ETFs and funds held by The San Diego Foundation (TSDF). The fair value of the ETFs is based on quoted prices in an active market. The fair value of investments held by TSDF is based on values provided by TSDF. TSDF determines the fair values based on the unit value of PCI's interest in the pool in which the funds are invested. The unit value is based on the fair value of the underlying assets in the pool as reported to PCI by TSDF. The pool is invested primarily in publicly-traded fixed-income and equity funds. PCI's Controller, under the oversight of the Chief Financial Officer, reviews and evaluates the values provided by TSDF quarterly and agrees with the valuation methods used. PCI cannot withdraw the funds it has invested at TSDF and there are no commitments to invest additional funds.

Investment income, net of investment expenses or loss (including interest and unrealized and realized gains and losses) is included in revenues without donor restrictions, unless restricted by donor or law.

Grants and accounts receivable – Grants and accounts receivable consist of amounts billed and unbilled on grants and contracts for services provided through September 30. Any allowance for estimated uncollectible amounts is based on past experience and on an analysis of current receivable balances. Amounts are generally considered past due if not collected within 60 days of billings. Interest is not charged on outstanding balances. Amounts deemed uncollectible are written off against the allowance in the year deemed uncollectible. Management does not consider an allowance for doubtful receivables necessary at September 30, 2019 and 2018.

Unconditional promises to give – Unconditional promises to give consist of pledges receivable. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value. At September 30, 2019 and 2018, $2,144,672 and $2,210,350, respectively, of unconditional promises to give were due within one year. Conditional promises to give are not recorded as revenue until the conditions are substantially met.

An allowance for estimated uncollectible pledges is based on past experience and on an analysis of current amounts. Pledges deemed uncollectible are written off against the allowance in the year deemed uncollectible. Management determined that no allowance was necessary at September 30, 2019 and 2018.

Inventory – Agricultural commodities received from agencies of the United States federal government and other in-kind goods received from other non-federal entities for distribution are recorded as inventory and deferred revenue until distributed. Such goods are valued on the first-in, first-out basis at the lower of specified contract value or fair value.

Property and equipment – Property and equipment purchases greater than $5,000 are capitalized at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets; generally, five to ten years for furniture and equipment and three years for computer software, and over the life of the related leases (approximately five to six years) for leasehold improvements. Upon disposal or retirement, the cost of the assets and related accumulated depreciation are removed from the applicable accounts, and any gain or loss is recognized at that time.

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

Furniture and equipment acquired with grant funds are expensed in the year acquired. Although the equipment is considered to be owned by PCI while used in the program or in future authorized programs, the funding sources may have a reversionary interest in the property as well as the right to determine the use of any proceeds from the sale of assets purchased with their respective funds.

Impairment of long-lived assets – PCI evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. For the years ended September 30, 2019 and 2018, no such write-downs have occurred.

Revenue and Expense Recognition

Government grants and agricultural commodities – Government grant revenue consists of grants, cooperative agreements, and contracts from the United States federal government for program activities and commodity monetization and distribution. These revenues have been determined by PCI to be exchange transactions and are not recognized as contributions. Government grant revenue is recognized as revenue without donor restrictions to the extent of eligible costs incurred, up to the maximum agreement amount. Funds generated upon sale of the commodities inventory are recorded as revenue without donor restrictions when related expenditures are incurred.

Non-government grants – Non-government grants from corporations, foundations, and other non-government sources that have been determined by PCI to be exchange transactions based on the terms of the grant agreements are not recognized as contributions. Revenue is recognized as revenue without donor restrictions to the extent of eligible costs incurred, up to the maximum agreement amount.

In-kind contributions – The value of services, facilities, and equipment donated by foreign governmental agencies and other donors is recorded as in-kind contribution support without donor restrictions and program services expense in the year donated. Contributions include volunteer assistance of medical and other technical professionals, donated medicines and program supplies, storage, transportation, and donated office space and equipment usage.

These contributions are valued at fair value of similar services and materials in the country or locality in which the services or materials are distributed or the nearest market of scale. For the years ended September 30, 2019 and 2018, the fair value of these contributions was approximately $2,948,000 and $9,304,000, respectively; donated goods represented approximately 87 percent and 98 percent, respectively, of these totals.

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

Contributions – Contributions subject to donor-imposed restrictions for use in a future period, for a specific purpose, or to be held in perpetuity are reported as net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated assets are capitalized at fair value on the date of donation and are recorded as in-kind contribution support with or without donor restrictions, depending on the wishes of the donor. This is with the exception of donated assets for which the donors retain a reversionary interest in the property or the right to determine the use of any proceeds from the sale of the donated assets. These donated assets are not capitalized but are recorded as in-kind contributions and expenses.

Deferred revenue – Deferred revenue includes grant funds, agricultural commodities, and other in-kind goods received from granting agencies before PCI has incurred the expenses or distributed the commodities or goods. As PCI incurs expenses or distributes commodities or goods, the revenue is recognized.

Foreign currency translation – Due to the nature of its activities, PCI has cash accounts with foreign banks. These cash accounts are spread among several banks and countries, and foreign currency translation gains and losses are recorded. The cash deposited in local currencies in foreign banks, translated to United States dollars at rates of exchange in effect at September 30, 2019 and 2018, totaled approximately $1,811,000 and $1,261,000, respectively. During the years ended September 30, 2019 and 2018, foreign currency translation (gain)/losses of approximately $(13,000) and $105,000, respectively, were realized.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All shared costs are allocated using the percentage level of effort provided by all employees to the programs.

Use of estimates – The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 1 – Summary of Organization and Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. PCI recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. PCI's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued. PCI has evaluated subsequent events through February 6, 2020, which is the date the financial statements were available to be issued.

Recently adopted accounting pronouncement – For the year ended September 30, 2019, PCI adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance revises the not-for-profit reporting model and includes a reduction in the net asset classifications to two (with and without donor restrictions) and requires new disclosures on liquidity.

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers* in May 2014 and issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* in June 2018. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard, clarify accounting for contributions and require expanded disclosures. These standards become effective for annual reporting periods beginning after December 15, 2018, for non-public entities. PCI is currently evaluating the impact to the financial statements.

Note 2 – Concentrations

In addition to the cash held in foreign bank accounts (Note 1), PCI maintains cash in domestic bank accounts which, at times, exceed federally-insured deposit limits. PCI has not experienced any losses in such accounts.

Certain local donors and countries require PCI to hold cash related to the programs they fund in separate bank accounts until disbursed.

Note 2 – Concentrations (continued)

During the years ended September 30, 2019 and 2018, PCI received significant grants and contributions, including cash and commodities, from the following sources and recognized in revenue totaling:

	2019	2018
United States Agency for International Development	$ 19,594,355	$ 20,662,478
United States Department of Agriculture	11,901,277	12,092,319
The Bill and Melinda Gates Foundation	4,372,378	3,983,844
United States Department of Defense	3,910,846	6,315,933
United States Department of Health and Human Services	1,983,534	2,251,439
World Vision	1,341,352	1,559,030
Save the Children	64	1,637,944
The Neeley Foundation	-	8,500,000

As of September 30, 2019 and 2018, PCI had significant grant receivables and unconditional promises to give from the following sources:

	2019	2018
United States Department of Agriculture	$ 3,447,454	$ 1,081,036
The Neeley Foundation	1,500,000	4,000,000
United States Department of Defense	1,477,914	1,630,138
United States Agency for International Development	635,213	1,408,642

As of September 30, 2019 and 2018, one donor's unconditional promise to give represents approximately 70 and 90 percent of total unconditional promises to give, respectively.

Note 3 – Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities which are easily traded;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no active market quotes and that are significant to the fair value of the assets or liabilities.

Note 3 – Fair Value Measurements (continued)

See Note 1 for the valuation methodologies used for assets measured at fair value on a recurring basis. PCI had no liabilities required to be reported at fair value at September 30, 2019 and 2018.

The following fair value hierarchy table presents information about each major category of PCI's financial assets measured at fair value on a recurring basis as of September 30:

	2019			
	Level 1	Level 2	Level 3	Total
Investments - Exchange Traded Funds	$ 2,025,488	$ -	$ -	$ 2,025,488
Investment - certificates of deposit	-	433,296	-	433,296
Investments held by TSDF (Note 7)	-	-	135,814	135,814
Total	$ 2,025,488	$ 433,296	$ 135,814	$ 2,594,598

	2018			
	Level 1	Level 2	Level 3	Total
Investments - Exchange Traded Funds	$ 1,927,610	$ -	$ -	$ 1,927,610
Investment - certificates of deposit	-	687,943	-	687,943
Investments held by TSDF (Note 7)	-	-	139,293	139,293
Total	$ 1,927,610	$ 687,943	$ 139,293	$ 2,754,846

Investments totaling $1,908,368 and $2,086,910 are presented as investments on the statements of financial position at September 30, 2019 and 2018, respectively.

See Note 7 for investments included in endowment assets on the statements of financial position at September 30, 2019 and 2018.

Note 3 – Fair Value Measurements (continued)

The following table discloses the summary of changes in the fair value of PCI's Level 3 classified assets for the years ended September 30:

	Investments Held by TSDF
BALANCE, October 1, 2017	$ 139,039
Interest and dividends	6,581
Distributions	(6,581)
Unrealized gains	254
BALANCE, September 30, 2018	139,293
Interest and dividends	7,791
Distributions	(7,791)
Unrealized losses	(3,479)
BALANCE, September 30, 2019	$ 135,814

The unrealized gains (losses) are reported as a component of investment income, net of investment expenses in the statements of activities. The unrealized losses for the year ended September 30, 2019, relate to the Level 3 assets held at September 30, 2019.

Note 4 – Benefit Plan

PCI has a defined contribution plan (the "Plan") which covers substantially all full-time employees who are legal residents of the United States of America. PCI makes matching contributions to the Plan of up to 3 percent of an employee's salary. PCI also makes a non-elective contribution of 3 percent of an employee's salary. Contributions to the Plan by PCI for the years ended September 30, 2019 and 2018, were approximately $558,000 and $592,000, respectively.

Note 5 – Line of Credit and Term Loan

PCI has a $2,500,000 line of credit with a bank with an interest rate of prime plus 0.25 percent and a floor of 3.5 percent (rate is 5.25 percent at September 30, 2019). The line of credit is secured by all of PCI's assets and expires July 31, 2020. At September 30, 2019 and 2018, balances on the line of credit were $0. Under the terms of the line of credit agreement, PCI is required to maintain compliance with covenants. Financial covenants include having a minimum current-assets-to-current liabilities ratio of 1.2 to 1.

Note 5 – Line of Credit and Term Loan (continued)

In September 2018, PCI entered into a term loan with a bank that allows for advances up to $1,000,000 with an interest rate of 5.1 percent. The term loan is to be used to assist with cash flow requirements of a technology infrastructure project. The terms allow for interest-only payments on advances taken, if any, through January 2020, at which time any outstanding principal amounts will be paid back over a five-year term. The term loan agreement includes financial covenants with which PCI is required to be in compliance. At September 30, 2019 and 2018, the balance on the term loan was $0.

There was no interest expense for the years ended September 30, 2019 and 2018.

Note 6 – Commitments

PCI leases office space in San Diego under a non-cancelable lease that expires in December 2024. The lease has escalating payments with monthly payments starting at approximately $20,000 and provided for rent abatement for the second through sixth month of the agreement.

PCI leases office space in Washington D.C. under a non-cancelable lease that expires in November 2026. The least has escalating lease payments with monthly payments starting at approximately $34,000, and provided for rent abatement for the first six months of the agreement.

PCI leases certain office equipment and space for field offices under non-cancelable operating leases which expire through March 2024 and have monthly payments ranging from approximately $150 to $5,000.

Minimum lease payments under the lease agreements existing as of September 30, 2019, are as follows:

Years Ending September 30,	
2020	$ 1,059,992
2021	916,534
2022	840,750
2023	869,299
2024	839,309
Thereafter	1,151,418
Total	$ 5,677,302

PCI also has operating leases for office space under monthly agreements.

For the years ended September 30, 2019 and 2018, total worldwide rent expense amounted to approximately $1,487,000 and $1,659,000, respectively.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions represent contributions received by PCI that are limited in their use by donor, grant-imposed stipulations, or time restrictions, and amounts required to be held in perpetuity.

At September 30, net assets with donor restrictions are comprised of:

	2019	2018
Subject to expenditure for specific purpose in various programs in the following areas:		
San Diego and multi-country programs	$ 7,683,728	$ 9,301,968
India	129,713	35,156
Guatemala	79,100	64,663
Tanzania	61,361	-
Nicaragua	58,391	-
Mexico/U.S. Border Programs	56,538	138,359
Malawi	5,231	8,622
Nepal	1,666	1,666
Zambia	1,621	12,499
Botswana	411	413
Kenya	64	35,000
	8,077,824	9,598,346
Subject to time restriction - due within one year	125,000	250,000
Amounts to be held in perpetuity - endowment	704,795	679,709
Total net assets with donor restrictions	$ 8,907,619	$ 10,528,055

Net assets restricted for San Diego and multi-country programs primarily relate to gender equality and the empowerment of women and girls' programs.

Note 7 – Net Assets with Donor Restrictions (continued)

During the years ended September 30, net assets were released from net assets with donor restrictions by incurring expenditures satisfying the restrictions as follows:

	2019	2018
Satisfaction of purpose restrictions:		
San Diego and multi-country programs	$ 1,973,513	$ 1,928,394
Guatemala	174,464	182,781
Mexico/U.S. Border Programs	108,905	391,497
Kenya	103,312	-
India	83,367	62,717
Malawi	15,772	2,979
Zambia	10,878	-
Bolivia	-	142
Haiti	-	128
Liberia	-	16
Total releases from satisfcation of purpose restrictions	2,470,211	2,568,654
Satisfaction of time restriction	125,000	125,000
Total	$ 2,595,211	$ 2,693,654

Endowment assets are comprised of the following at September 30:

	2019	2018
Investments managed by PCI	$ 550,416	$ 528,643
Investments held by TSDF	135,814	139,293
Money-market savings	18,565	11,773
Total	$ 704,795	$ 679,709

The Board of PCI has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, PCI classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on the endowment are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by PCI in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 7 – Net Assets with Donor Restrictions (continued)

Endowment investments held by TSDF are managed in accordance with UPMIFA. PCI classifies as net assets with donor restrictions endowment investments held by TSDF consistently with (a) through (c) above and also classifies as net assets with donor restrictions investment income, net of investment expenses and realized and unrealized gains and losses on these investments in excess of amounts appropriated for expenditure.

Endowment assets managed by PCI – In accordance with UPMIFA, PCI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of PCI and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of PCI; and
7. The investment policies of PCI.

PCI has followed a conservative investment strategy with the endowment funds it manages to minimize risk. All PCI-managed endowment funds are invested in exchange traded funds. PCI has a policy of appropriating for expenditure each year all earnings on the endowment assets, not to exceed 5 percent of the assets' value.

Endowment assets held by TSDF – Endowment investments held by TSDF are invested in a "Balanced Pool" portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. TSDF's spending policy is to disburse 5 percent annually, based upon endowment principal market value over the last 36 months. If the market value of the endowment principal of any fund at the end of each month is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

As of September 30, 2019 and 2018, the Board has not designated any endowment funds.

Note 8 – Contingencies

Grants – Financial awards from federal and local government entities in the form of grants are subject to audit. Such audits could result in claims against PCI for disallowed costs or non-compliance with grantor restrictions. Management has not recorded an accrual as of September 30, 2019, related to such possible claims and believes that any liability which may result from these audits would not be material.

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 at September 30, 2019 and 2018.

Note 8 – Contingencies (continued)

Legal matters – PCI is party to certain legal actions arising in the ordinary course of business. Management is not aware of any legal matters that may have a material adverse impact on PCI's current financial position.

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 in 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. The various notices received are summarized below:

Date of Initial Notice	Year of Commodity Receipt	Commodity Value	Tax Assessed	Penalty and Interest	Total Assessment	
January 2009	2002	$ 352,473	$ 93,023	$ 193,931	$ 286,954	*(a)*
January 2009, resolved	2003	2,004,311	529,819	1,060,952	1,590,771	*(a)*
December 2010	2007	1,729,358	924,803	674,052	1,598,855	*(b)*
December 2011, resolved	2007	438,571	558,402	453,780	1,012,182	*(c)*
July 2017	2008	763,807	542,172	268,668	810,840	*(d)*
December 2017	2008, 2009	348,739	183,202	107,064	290,266	*(e)*
		$ 5,637,259	$ 2,831,421	$ 2,758,447	$ 5,589,868	

(a) During 2011, a favorable court ruling was received on $1,591,000 of the assessment dated January 2009. The government of this country appealed this court ruling, and during 2012 the court ruled in favor of the government. This decision was appealed by PCI to the Supreme Court of the country in question. In October 2014, PCI received the final decision of the Supreme Court that ruled in PCI's favor. Therefore, the amount of $1,591,000 for commodity received in 2003 is no longer a contested amount. No ruling has been received on the remaining $287,000 from the January 2009 assessment.

(b) The assessments received in 2010 are in court awaiting trial.

Note 8 – Contingencies (continued)

(c) *In August of 2012, the third group of notices in the amount of $1,012,182, were submitted to an administrative process within the Tax Appeal Authority in this country rather than the legal system due to a change in law that requires the taxpayer to deposit the amount of taxes disputed when pursuing action through the legal system. At the final level, the Tax Appeal Authority informed the Customs Office that it had not followed the proper procedures and the entire process must restart. The time to appeal this decision has expired. However, the government agency filed an appeal with the Supreme Court of the country in question challenging the authority of the administrative function to require the exception to the framework agreement. PCI's case was then reviewed by the Supreme Court and resolved in PCI's favor on March 30, 2016; therefore, the $1,012,182 is no longer a contested amount. Although PCI has received favorable court rulings on this group of notices, new assessments were received by PCI in November 2018. No legal actions have been taken.*

(d) *The assessments were received by PCI in July 2017. No legal actions have been taken.*

(e) *The assessments were received by PCI in December 2017. No legal actions have been taken.*

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 ("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 is currently pursuing resolution of this issue through both administrative and legal actions and will leverage the October 2014 and March 2016 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, 2019 and 2018.

Note 9 – Related-Party Transactions

In 2019 and 2018, PCI retained legal services from a law firm with which a member of PCI's Board of Directors is associated. PCI paid approximately $162,000 and $4,000 in fees to the law firm during the years ended September 30, 2019 and 2018, respectively.

In 2019, PCI received consulting services from a consulting firm with which a member of PCI's Board of Directors is associated. The services, valued at approximately $400,000, were received with no charge from the consulting firm and are recorded as an in-kind contribution and program services expense on the accompanying statement of activities for the year ended September 30, 2019.

Note 10 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, are comprised of the following:

Financial assets:	
Cash and cash equivalents	$ 7,099,093
Investments	1,908,368
Grants and accounts receivable	5,905,310
Unconditional promises to give	2,144,672
Endowment assets	704,795
Total financial assets	17,762,238
Less amounts not available for general expenditures within one year:	
Board-designated net assets included in investments	1,475,072
Endowment assets	704,795
Total not available for general expenditures within one year	2,179,867
Financial assets available for general expenditures within one year	$ 15,582,371

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. In addition, PCI invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, PCI has a line of credit in the amount of $2,500,000, which it could draw upon. Board-designated net assets could be drawn upon with the approval of the Board of Directors.