

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**Pact, Inc. and Affiliates**

September 30, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Pact, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Pact, Inc. and Affiliates ("Pact"), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pact as of September 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position as of September 30, 2021 and 2020, and the Consolidating Schedule of Activities, Schedule of Functional Expenses - Pact, Inc., Schedule of Functional Expenses - Pact UK, Schedule of Functional Expenses - Pact Global Microfinance Fund, and the Schedule of Program Expenditures and Cash Received of Non-U.S. Federal Government Awards - Pact, Inc. and Pact UK for the years ended September 30, 2021 and 2020, and the Schedule of Functional Expenses - Pact Institute, Inc., Schedule of Functional Expenses - Pact Ventures, and the Schedule of Program Expenditures and Cash Received - Pact Institute, Inc. for the year ended September 30, 2020 are presented for additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Grant Thornton LLP*

Arlington, Virginia  
May 10, 2022

Pact, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 98,566,568	\$ 97,782,169
Investments	3,392,488	2,922,328
Federal grants receivable	4,346,358	4,301,627
Other grants receivable	1,511,886	1,328,552
Advances and other receivables	11,186,679	1,855,486
Prepaid expenses and deposits	2,214,616	2,396,918
Notes receivable	156,370	156,370
Loan portfolio, net of loan loss reserve	259,987,976	432,529,321
Property and equipment, net	3,409,815	3,437,219
	<u>384,772,756</u>	<u>546,709,990</u>
Total current assets	<u>\$ 384,772,756</u>	<u>\$ 546,709,990</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 38,972,588	\$ 20,068,932
Beneficiary savings and reserved funds	83,876,081	136,682,320
Net returns on loans, reinvested earnings	176,533	6,505,642
Notes payable	96,897,510	155,645,422
Refundable advances - federal	7,295,605	9,321,351
Refundable advances - other	7,301,811	6,671,560
Deferred rent	5,116,000	2,038,974
	<u>239,636,128</u>	<u>336,934,201</u>
Commitments and contingencies		
<b>Net assets (deficit) (all without donor restrictions)</b>		
Without donor restrictions - Pact, Inc.	17,293,561	12,037,764
Without donor restrictions - Pact Institute, Inc.	-	4,581,843
Without donor restrictions - Pact UK	291,083	230,092
Without donor restrictions - Pact Global Microfinance Fund	127,551,984	192,926,088
Without donor restrictions - Pact Microfinance Holding	-	-
Without donor restrictions - Pact Global	-	-
Without donor restrictions - Pact Ventures	-	2
	<u>145,136,628</u>	<u>209,775,789</u>
	<u>\$ 384,772,756</u>	<u>\$ 546,709,990</u>

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

**Pact, Inc. and Affiliates**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Years ended September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>SUPPORT AND REVENUE</b>		
Grants and contracts	\$ 178,599,192	\$ 148,328,745
Contributions	61,600	103,086
Microfinance loan activities	96,756,091	92,950,704
Fee income on microfinance loans	7,484,955	9,106,317
Investment gain (loss)	461,642	(812,947)
Other revenue	647,054	554,885
Net return on loans	6,329,109	1,648,141
Total support and revenue	290,339,643	251,878,931
<b>EXPENSES</b>		
Program services	158,286,182	129,895,596
Total program services	158,286,182	129,895,596
<b>SUPPORTING SERVICES</b>		
Management and general	80,420,034	75,224,414
Fundraising	17,462	27,817
Total supporting services	80,437,496	75,252,231
Total expenses	238,723,678	205,147,827
Change in net assets before other gains and losses	51,615,965	46,731,104
<b>OTHER GAINS AND (LOSSES)</b>		
Unrealized foreign exchange (loss) gain	(73,760,781)	23,379,871
Bad debt expense	(42,494,345)	(254,338)
<b>CHANGE IN NET ASSETS</b>	(64,639,161)	70,110,975
<b>NET ASSETS (ALL WITHOUT DONOR RESTRICTIONS)</b>		
Beginning	209,775,789	139,664,814
Ending	\$ 145,136,628	\$ 209,775,789

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

Pact, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2021

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and related expenses	\$ 32,521,425	\$ 31,016,933	\$ 2,226	\$ 31,019,159	\$ 63,540,584
Fringe benefits	8,828,341	5,024,454	591	5,025,045	13,853,386
Allowances	1,209,834	325,130	-	325,130	1,534,964
Consultant fees	3,449,015	428,441	-	428,441	3,877,456
Travel	2,995,202	1,069,154	-	1,069,154	4,064,356
Vehicles and equipment	1,158,006	173,887	-	173,887	1,331,893
Supplies and other	2,942,317	3,143,635	6,283	3,149,918	6,092,235
Banking and professional fees	3,627,933	1,599,240	8,362	1,607,602	5,235,535
Occupancy	2,707,585	5,982,069	-	5,982,069	8,689,654
Training and conferences	16,881,636	157,427	-	157,427	17,039,063
Depreciation	24,824	1,245,085	-	1,245,085	1,269,909
Interest	52	30,254,579	-	30,254,579	30,254,631
	<u>76,346,170</u>	<u>80,420,034</u>	<u>17,462</u>	<u>80,437,496</u>	<u>156,783,666</u>
Subgrants and subcontracts	<u>81,940,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,940,012</u>
	<u>\$ 158,286,182</u>	<u>\$ 80,420,034</u>	<u>\$ 17,462</u>	<u>\$ 80,437,496</u>	<u>\$ 238,723,678</u>

The accompanying notes are an integral part of this consolidated financial statement.

Pact, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2020

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries and related expenses	\$ 29,893,396	\$ 32,428,704	\$ 3,793	\$ 32,432,497	\$ 62,325,893
Fringe benefits	8,285,519	5,549,340	1,127	5,550,467	13,835,986
Allowances	1,740,998	288,356	-	288,356	2,029,354
Consultant fees	2,336,545	254,031	-	254,031	2,590,576
Travel	2,929,978	1,830,706	-	1,830,706	4,760,684
Vehicles and equipment	787,947	188,287	-	188,287	976,234
Supplies and other	2,973,987	3,780,287	14,475	3,794,762	6,768,749
Banking and professional fees	2,234,034	1,899,550	8,422	1,907,972	4,142,006
Occupancy	2,712,550	3,878,086	-	3,878,086	6,590,636
Training and conferences	10,036,441	223,450	-	223,450	10,259,891
Depreciation	26,376	1,167,879	-	1,167,879	1,194,255
Interest	139	23,421,821	-	23,421,821	23,421,960
Bad debt expense	(18,432)	263,540	-	263,540	245,108
	<u>63,939,478</u>	<u>75,174,037</u>	<u>27,817</u>	<u>75,201,854</u>	<u>139,141,332</u>
Subgrants and subcontracts	<u>65,956,118</u>	<u>50,377</u>	<u>-</u>	<u>50,377</u>	<u>66,006,496</u>
	<u>\$ 129,895,596</u>	<u>\$ 75,224,414</u>	<u>\$ 27,817</u>	<u>\$ 75,252,231</u>	<u>\$ 205,147,827</u>

The accompanying notes are an integral part of this consolidated financial statement.



Pact, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (64,639,161)	\$ 70,110,975
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(291,990)	(224,020)
Realized (gain) loss on investments	(129,854)	1,225,932
Loss on lease and sublease	1,209,815	-
Provision for loan loss	42,494,345	254,338
Loan write-off	-	(593,863)
Loan revaluation	1,399,587	592,807
Depreciation	1,269,909	1,194,255
Loss (gain) on sales of property and equipment	220,358	(33,394)
Changes in assets and liabilities:		
Federal grants receivable	(44,731)	2,479,857
Other grants receivable	(214,693)	1,587,430
Advances and other receivables	(9,425,756)	(2,631)
Prepaid expenses and deposits	(3,614)	164,393
Notes receivable	(51,411)	215,605
Accounts payable and accrued expenses	20,327,394	5,308,111
Beneficiary savings and reserved funds	(11,020,403)	28,106,085
Net returns on loans, reinvested earnings	(6,329,109)	(1,648,141)
Deferred rent	1,070,805	524,018
Refundable advances – federal	(2,025,746)	6,108,557
Refundable advances – other	630,251	(2,460,206)
Net cash (used in) provided by operating activities	<u>(25,554,004)</u>	<u>112,910,108</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,180,842)	(3,631,303)
Proceeds from sales of investments	716,307	5,098,406
Disbursements for loans	(409,697,069)	(663,996,518)
Receipts from collections of loans	412,606,733	504,599,880
Purchase of property and equipment	(2,161,050)	(1,909,600)
Proceeds from sales of PP&E	6,608	18,617
Net cash provided by (used in) investing activities	<u>290,687</u>	<u>(159,820,518)</u>
<b>Cash flows from financing activities</b>		
Proceeds from notes payables issuance	-	104,834,568
Principal payments on notes payable	(11,969,533)	(6,015,262)
Net cash provided by financing activities	<u>(11,969,533)</u>	<u>98,819,306</u>
Effect of Exchange Rates on Cash	<u>38,017,249</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>784,399</u>	<u>51,908,896</u>
<b>Cash and cash equivalents</b>		
Beginning	<u>97,782,169</u>	<u>45,873,273</u>
Ending	<u>\$ 98,566,568</u>	<u>\$ 97,782,169</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 30,254,639</u>	<u>\$ 23,422,028</u>

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

## Pact, Inc. and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021 and 2020

#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

##### *Nature of Activities*

Pact, Inc. and Affiliates (collectively, "Pact") consist of the activities of Pact, Inc., Pact Global Microfinance Fund ("PGMF"), Pact Microfinance Holding Co PTE Ltd, Pact Institute, Inc. (the "Institute"), Pact Global Charitable Incorporated Organization ("Pact UK"), Pact Ventures ("Ventures") and Pact Global ("Global").

Pact Inc. is an international nonprofit that works in nearly 40 countries building solutions for human development that are evidence-based, data-driven and owned by the communities we serve. Our vision is thriving, resilient and engaged communities leading their own development. Founded in 1971, Pact works with partners to build resilience, improve accountability, and strengthen knowledge and skills for sustainable social impact. We are a recognized global leader in creating social impact. Our staff have a range of expertise in areas including capacity development, public health, governance and civil society, climate change adaptation and mitigation, energy, women's economic empowerment, fragile states, artisanal and small-scale mining communities, monitoring and evaluation, microfinance and more. The business and property of Pact are managed and controlled by Pact's volunteer Board of Directors. Pact receives most of its funding from U.S. federal agencies, both directly and as pass-through awards. Other donors include corporations, private foundations, foreign government agencies and multilaterals.

The PGMF is a wholly controlled subsidiary of Pact; it is structured to qualify as a Type I Supporting Organization under Section 509(a)(3) of the Internal Revenue Code (the "IRC"). PGMF was incorporated in the state of Delaware on February 2, 2012, as an outgrowth of Pact's 15 years of microfinance operations in Myanmar. One of the oldest and largest microfinance institutions in Myanmar, PGMF is organized and operates to support Pact's charitable purposes and shares the vision of Pact: "A world where everyone owns their future." With its loan portfolio, PGMF today manages a significant portion of NGO-provided microfinance in Myanmar. Since 1997, PGMF's microfinance operations have reached nearly two million individuals, more than 98% of whom are women, across 88 townships. PGMF facilitates access to microfinance services for the poor using a group lending methodology and stimulates small business ventures through a range of basic small business development support services.

The Institute was organized in 1999 to support the activities of Pact, Inc. and to contribute to the growth of civil society, strengthen the community-focused nonprofit sector worldwide, and implement innovative program initiatives in the fields of health, natural resource management, economic empowerment and peace building. The Institute was a public charity under IRC 501(c)(3) as a supporting organization, Type I to Pact, Inc. The Board of Pact, Inc. agreed to absorb and continue the activities of the Institute effective April 30, 2021. The Institute was dissolved as a legal entity on June 9, 2021.

Pact UK was established in the United Kingdom ("UK") in February 2016 to support the activities of Pact, Inc. and to contribute to the growth of civil society, strengthen the community-focused nonprofit sector worldwide, and implement innovative programmer initiatives. Pact UK is a registered charity, number 1165725, in the UK. The Board of Trustees of Pact UK has decided to complete current projects and then cease operations. The cycle for current projects will end during 2023.

Pact UK serves Pact, Inc. by enabling, supporting and carrying out programmer activities in the UK and European international development markets where Pact, Inc. sees to strengthen its presence. With a particular focus on the Department for International Development ("DFID"), Pact UK is expanding initiatives, such as mines to markets, growing in the health and social accountability, and informing UK policy development on modern slavery, notably child labor.

## Pact, Inc. and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

Pact Global was incorporated on March 14, 2018, to serve communities challenged by poverty and marginalization. Pact Global is a public charity under IRC 501(c)(3) and is further classified under IRC 170(b)(1)(A)(vi). It was dissolved on December 9, 2020.

Pact Ventures Limited Liability Company ("LLC") was incorporated on October 3, 2018. Its goal is to deliver positive social impact through investments and business activities. Pact Global is the sole member of Pact Ventures LLC. Pact Ventures had no activity during 2021.

Pact Microfinance Holding Co. PTE Ltd. is a private company limited by share that was incorporated on June 15, 2020 in Singapore. PGMF is the sole shareholder of the holding company, which was established to hold the shares of a separate microfinance company that PGMF will be required to establish in Myanmar under local laws. Pact Microfinance Holding had no activity during 2021.

A summary of Pact's significant accounting policies follows:

**Basis of accounting:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Basis of presentation:** Pact reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction, as applicable. There were no net assets with donor restrictions at September 30, 2021 and 2020, respectively.

**Principles of consolidation:** The consolidated financial statements include the accounts of Pact, Inc., PGMF and its subsidiary Pact Microfinance Holding Co., Pact UK, the Institute, Pact Global and Pact Ventures. All significant intercompany transactions have been eliminated.

**Financial risk:** Pact maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. Pact has not experienced any losses in such accounts. Pact believes it is not exposed to any significant financial risk on cash and cash equivalents.

Pact had approximately \$73 million and \$64 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2021 and 2020, respectively.

Pact invests its reserves in mutual funds and money market funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, Pact considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

#### **Investments**

Investments consist of mutual funds and money market funds and are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is included as a component of investment income, net in the consolidated statements of activities.

## **Pact, Inc. and Affiliates**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

#### ***Grants Receivable***

Receivables are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. The majority of Pact's receivables with the exception of loans receivable are comprised of amounts billed on federal and other grants, which are billable when expenditures are incurred. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. There was no provision for doubtful grants receivable accounts at September 30, 2021 and 2020.

#### ***Advances and Other Receivables***

Advances and other receivables consist primarily of advances to subrecipients. Advances are liquidated when allowable expenditures, under the terms of the respective subrecipient agreements, are incurred and reported by the subrecipient. Management determines an allowance for advances by reviewing the listing of advances outstanding and identifying any troubled accounts. Amounts are written off when deemed uncollectible. There was no provision for doubtful advance and other receivables accounts at September 30, 2021 and 2020.

#### ***Loans Receivable***

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that PGMF does not intend to sell immediately or in the near future term. Loans are reported at the principal amount outstanding, net of allowances for loan losses, impairments and unearned loan fees (see Notes 4 and 15). All loans are recognized when cash is advanced to borrowers.

#### ***Allowances for Loan Losses***

Allowances have been established for probable loan losses. The Board of Directors has delegated responsibility of credit risk assessment to PGMF's senior management. The provisions for losses charged to operations are based on management's judgment of current economic conditions, the value of the underlying collateral and the credit risk of the loan portfolio. Management believes that these allowances are adequate for loan losses inherent in the loan portfolio based on available information; however, future additions to the allowances may be necessary based on changes in economic conditions.

#### ***Impairment***

A loan is impaired when it is probable that all principal and interest amounts due will not be collected according to contractual terms of the loan agreement. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate. Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures. As of September 30, 2021 and 2020, there were no impairments. There were write-offs of \$1.7 million and \$1.6 million for the fiscal years 2021 and 2020, respectively.

#### ***Notes Payable***

Notes payable are recognized initially at the transaction price (that is the present value of cash payable to lenders, including transaction costs). Notes payable are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective-interest method and is included in interest expense.

## Pact, Inc. and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

Notes payable are classified as current liabilities unless PGMF has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### ***Property and Equipment***

Property and equipment with a cost of \$5,000 or more are capitalized. Improvements to property and equipment that extend the useful lives of the assets are also capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

#### ***Valuation of Long-Lived Assets***

Pact reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

#### ***Revenue Recognition***

Pact adopted Accounting Standards Codification ("ASC") *Topic 606, Revenue from Contracts with Customers* ("ASC 606"), effective October 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five steps of the model include: 1) identify the contract(s) with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when (or as) Pact satisfies a performance obligation. Pact recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration Pact expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amounts, timing and uncertainty of revenue and cash flows arising from contracts with customers.

*Pact, Inc. and Pact UK:* Grants are deemed to be non-exchange transactions and are reported as revenues in net assets without donor restrictions when expenses have been incurred in compliance with the grant requirements. Such amounts received but not yet earned (advances and reimbursements in excess of costs incurred) are reported as refundable advances. Costs incurred in excess of amounts received are reported as receivables.

Contracts classified as exchange transactions are recorded as revenue at a point in time when performance obligations are met. Such contracts are treated as exchange transactions as such agreements are based on a set transaction price and are not a function of reimbursed costs. Funds received in advance of revenue recognition are recorded as deferred revenue.

*PGMF:* Loan income and expenses are recognized based on the effective interest rate of the interest earning asset or the interest-bearing liability. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount if maturity is calculated on an effective-interest rate basis. Revenue from grants and contracts is recognized as related reimbursable expenses are incurred. Cash received in excess of allowable expenditures incurred is reported as refundable advances.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain management and staff expenses have been allocated to programs on the basis of time spent. Other expenses have been allocated to programs based upon salaries expense.

***Foreign Currency Translation and Transactions - Pact, Inc. and Pact UK***

The reporting currency and functional currency is the U.S. dollar. Monthly expenses that are incurred by field offices in foreign countries in foreign currencies are translated into U.S. dollars at the rate of exchange in effect during the month of the transaction. Gains and losses from foreign currency transactions are netted with expenses on the consolidated statements of activities.

***Foreign Currency Translation and Transactions - PGMF***

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the ruling rate in effect at the consolidated statements of financial position date. Foreign exchange differences arising from translation are recognized in the consolidated statements of activities. The official exchange rate for U.S. dollars used in the translation of the consolidated statements of financial position items denominated in foreign currencies was 1,927.10 and 1,325.16 in Myanmar Kyat ("MMK") at September 30, 2021 and 2020, respectively. A foreign exchange loss of \$73,760,781 was recorded in 2021 and a gain of \$23,379,871 and in 2020.

***Derivative Instruments***

Pact's affiliate PGMF uses derivative financial instruments in the form of cross currency swap contracts to manage foreign currency exposures. All derivatives contracts are recognized on the statement of financial position at their fair value as level 2. The fair value of the derivative financial instruments was estimated based on quoted market foreign exchange rates and market discount rates. Judgment was employed in interpreting market data to develop estimates of fair value; accordingly, the estimates presented herein are not necessarily indicative of the amounts that PGMF could realize in a current market exchange. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts.

***Income Taxes***

Pact follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Pact, Inc. and PGMF are exempt from federal income tax under IRC section 501(c)(3), though they are subject to tax on income unrelated to the organizations' exempt purpose, unless that income is otherwise excluded by the Code. Pact UK is registered as a charity in the UK. Pact has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Pact has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***Use of Estimates***

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Recently Adopted Accounting Pronouncement***

Effective October 1, 2019, Pact adopted Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. If the agreement includes both a barrier and a right of return or release, the recipient shall consider it a conditional contribution until it has overcome the barriers in the agreement. The adoption of ASU 2018-08 did not have a material impact on the Pact’s consolidated financial statements.

***Upcoming Accounting Pronouncement***

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. The new standard is effective for Pact for the fiscal year beginning October 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Pact is currently assessing the potential impact of this ASU on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset. For all other entities (nonpublic), the ASU is effective for fiscal years beginning October 1, 2023. Pact is currently assessing the potential impact of this ASU on the consolidated financial statements.

***Reclassifications***

Certain items in the 2020 financial statements have been reclassified to correspond to the presentation in the 2021 financial statements. The reclassifications had no impact on net assets at September 30, 2020.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 2 - FAIR VALUE MEASUREMENTS AND INVESTMENTS**

The Fair Value Measurement Topic of the Accounting Standards Codification (“ASC”) defines fair value as 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 and sets out a 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). Inputs are broadly defined under the Fair Value Topic of the Codification as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Fair Value Topic of the Codification are described below:

Level 1 - Quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data; and

Level 3 - Unobservable inputs that are not corroborated by market data.

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Pact’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Investments in securities traded on a national securities exchange or reported on the NASDAQ national market are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy. There were no Level 2 or 3 investments at September 30, 2021 and 2020.



**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The following table presents Pact's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2021 and 2020:

Description	2021			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Fixed income - short-term bond	\$ 1,273,516	\$ -	\$ -	\$ 1,273,516
Fixed income - intermediate term bond	420,960	-	-	420,960
Equity - large value	844,690	-	-	844,690
Equity - diversified emerging markets	261,737	-	-	261,737
Equity - world stock	496,384	-	-	496,384
Equity - information technology sector	84,823	-	-	84,823
	3,382,108	-	-	3,382,108
Note investment	-	-	156,370	156,370
	3,382,108	-	156,370	3,538,478
Money market funds	10,379	-	-	10,379
	<u>\$ 3,392,488</u>	<u>\$ -</u>	<u>\$ 156,370</u>	<u>\$ 3,548,857</u>
Description	2020			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Fixed income - short-term bond	\$ 350,801	\$ -	\$ -	\$ 350,801
Fixed income - intermediate term bond	1,055,858	-	-	1,055,858
Equity - large value	732,406	-	-	732,406
Equity - diversified emerging markets	260,048	-	-	260,048
Equity - world stock	436,703	-	-	436,703
Equity - information technology sector	81,759	-	-	81,759
	2,917,575	-	-	2,917,575
Note investment	-	-	156,370	156,370
	2,917,575	-	156,370	3,073,945
Money market funds	4,753	-	-	4,753
	<u>\$ 2,922,328</u>	<u>\$ -</u>	<u>\$ 156,370</u>	<u>\$ 3,078,698</u>

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

Investment income consists of the following for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 55,798	\$ 203,765
Realized and unrealized gain (loss) on investments	421,844	(1,001,912)
Investment fees	<u>(16,000)</u>	<u>(14,800)</u>
	<u>\$ 461,642</u>	<u>\$ (812,947)</u>

Pact's investments as of September 30, 2021 did not include investments whose fair value is estimated using the NAV per share (or equivalent) practical expedient.

**NOTE 3 - ADVANCES AND OTHER RECEIVABLES**

Advances and other receivables consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subrecipient advances	\$ 693,753	\$ 894,121
Employee advances	230,856	218,537
Cross currency swap	10,000,000	-
Other receivables	<u>262,070</u>	<u>742,828</u>
	<u>\$ 11,186,679</u>	<u>\$ 1,855,486</u>

**NOTE 4 - LOANS RECEIVABLE - PGMF**

Loans receivable consists of loans granted to individuals and groups (customers). These loans are made for the purpose of financing agriculture activities, trading, small-scale artisan work and other services. No collateral or security is taken for these loans. These loans are granted generally for a period of between four and 12 months at an annual effective interest rate of 30%. All loans outstanding as of September 30, 2021 and 2020, are due within the next 12 months. Loans outstanding for the years ended September 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Loans receivable	\$ 295,897,187	\$ 432,753,343
Interest receivable	9,077,111	4,010,675
Less loan loss allowance	<u>(45,130,569)</u>	<u>(4,327,533)</u>
Net loan portfolio	<u>\$ 259,843,729</u>	<u>\$ 432,436,485</u>

PGMF will often make loans to borrowers who would be unable to secure financing from commercial sources. The ability of each borrower to repay its respective loan depends on the entrepreneurial success of each borrower. In addition, payments to PGMF depend on the economic and political environment of each locality in which loans are made.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

A summary of the activity in the allowance for loan losses for the years ended September 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 4,327,533	\$ 4,072,417
Provision for loan losses	42,202,623	245,108
Loans written off	-	(593,863)
Revaluation	<u>(1,399,587)</u>	<u>603,871</u>
 Balance at end of year	 <u>\$ 45,130,569</u>	 <u>\$ 4,327,533</u>

Loans are considered delinquent if they have not been repaid when due. See Note 16 for more information on the increase in loan loss provision. As of September 30, 2021 and 2020, PGMF had delinquencies totaling \$186,097,507 and \$47,137,374, respectively. As of September 30, 2021 and 2020, the average effective yield on loans receivable was 29.5%.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment and accumulated depreciation at September 30, 2021 and 2020, and depreciation expense for the years ended September 30, 2021 and 2020, are as follows:

<u>2021</u>					
<u>Asset Category</u>	<u>Estimated Lives (Years)</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Expense</u>
Software	3	\$ 3,596,234	\$ (3,298,803)	\$ 297,430	\$ 314,965
Leasehold improvements	11	1,081,145	(444,804)	636,341	165,844
Property and equipment	3-10	<u>6,279,237</u>	<u>(3,803,193)</u>	<u>2,476,044</u>	<u>789,100</u>
		<u>\$10,956,615</u>	<u>\$ (7,546,800)</u>	<u>\$ 3,409,815</u>	<u>\$ 1,269,909</u>
<u>2020</u>					
<u>Asset Category</u>	<u>Estimated Lives (Years)</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Expense</u>
Software	3	\$ 3,807,043	\$ (3,214,459)	\$ 592,584	\$ 345,722
Leasehold improvements	11	1,936,640	(1,031,589)	905,051	139,062
Property and equipment	3-10	<u>5,987,590</u>	<u>(4,048,006)</u>	<u>1,939,584</u>	<u>709,471</u>
		<u>\$11,731,273</u>	<u>\$ (8,294,054)</u>	<u>\$ 3,437,219</u>	<u>\$ 1,194,255</u>

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accrued personnel expenses	\$ 7,743,460	\$ 7,851,842
Accounts payable and accrued expenses	<u>31,229,128</u>	<u>12,217,090</u>
 Total accounts payable and accrued expenses	 <u>\$ 38,972,588</u>	 <u>\$ 20,068,932</u>

**NOTE 7 - BENEFICIARY SAVINGS AND RESERVED FUNDS**

Beneficiary savings and reserved funds consist of deposits from loan customers and other client liabilities. Deposits from customers as of September 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Savings (compulsory)	\$ 23,774,839	\$ 27,575,411
Savings (voluntary)	<u>37,344,666</u>	<u>76,357,282</u>
 Total deposits from customers	 <u>\$ 61,119,505</u>	 <u>\$ 103,932,693</u>

During fiscal years 2021 and 2020, the annual effective interest rate on compulsory deposits was 14% in 2021 and 15% in 2020 and on voluntary deposits was 10% - 13%; all deposits are interest bearing. Interest is accrued monthly and capitalized on customer deposit accounts at the end of the year. Therefore, accrued interest on deposits is included in the deposits from loan customers on the consolidated statements of financial position while interest expense on deposits is part of banking and professional fees, which are included in the program services on the consolidated statements of activities. Each of these types of customer deposits are available on demand with two weeks' notice.

As of September 30, 2021 and 2020, other client liabilities consist of the following:

	<u>2021</u>	<u>2020</u>
Beneficiary Welfare Fund	\$ 19,261,689	\$ 27,233,976
Employee Benefit Fund	<u>3,494,887</u>	<u>5,515,651</u>
 Total other client liabilities	 <u>\$ 22,756,576</u>	 <u>\$ 32,749,627</u>

The Beneficiary Welfare Fund is designed for microfinance customers who currently have outstanding loans, have completed a loan or are waiting to receive a loan from PGMF. To qualify for the funding program, clients must be current microfinance customers, take at least one loan per year to continue program coverage and agree to follow all the rules and regulations. It offers two types of benefits: (1) a one-time cash benefit; and (2) the settling of outstanding loans with the Beneficiary Welfare Program funds. When a borrower dies or faces certain risk defined by the program, PGMF will settle the outstanding loans and also provide cash benefits, depending on the risks.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

The Beneficiary Welfare Fund is created by the following contributions:

- 1 - The collection of 1.5% of loan disbursements from borrowers;
- 2 - Clients will contribute an additional 0.5% on a voluntary basis for natural disaster coverage for risky agriculture;
- 3 - 1% of gross income monthly contributed by PGMF; and
- 4 - 10% annual interest, 0.83% monthly.

The Employee Benefit Plan (“EBP”) Fund was created on October 1, 2014, to provide a safety net for those employees in time of difficulty and to promote a supportive and healthy working environment. The EBP Fund was initially funded from current PGMF Microfinance Program Staff Healthcare Plan funds. PGMF employees contribute 3,000/MMK per month towards the EBP Fund. PGMF will also contribute an amount equal to 15% of the EBP Fund balance on an annual basis. The EBP Fund will provide several benefits to PGMF employees, including retirement and medical, childbirth and bereavement assistance.

**NOTE 8 - NET RETURNS ON LOANS**

PGMF generates earnings from interest charged and collected, net of operating expenses, on loan fund assets (microfinance products) owned by various funding agencies. As ownership of the underlying assets does not transfer to PGMF until the point in time in which the projects have ended and the donors who originally contributed the initial funds for the microfinance loans have released those funds to PGMF, the net earnings or net return on loans from those loan funds are recorded as a liability due to the donors until released by the donors. The cumulative amount recorded as net returns on loans as of September 30, 2021 and 2020, was \$176,533 and \$6,505,642, respectively. Loan fund assets (microfinance products) owned by various funding agencies experienced a net gain on loans of \$6,329,109 and \$1,648,141 in 2021 and 2020, respectively, on the consolidated statements of activities.

**NOTE 9 - RETIREMENT FUND**

Pact has a 403(b) defined contribution salary deferral plan covering substantially all employees who have completed one year of employment. Contributions are based on a percentage of the employees' compensation; 8.8% for employer contributions for employees who have completed their first year and are in effect until their third year of service, increasing to 13% thereafter. Employees may contribute the maximum amount permitted by law. Pact's contributions to the 403(b) plan which are recorded as retirement expense were \$1,710,964 and \$1,728,190 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 10 - LEASES**

Pact's corporate headquarters occupies office space in Washington, D.C. under the terms of a non-cancellable operating lease, and various foreign countries offices are occupied under leases on a month-to-month basis. The headquarters lease expires on November 30, 2025.

On April 1, 2019, Pact signed a lease for additional office space. The lease expires April 30, 2035.

On March 5, 2021, Pact entered into an agreement to sub-lease a portion of its existing office space. The sublease expires November 1, 2025.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

All lease expenditures are recognized on a straight-line basis ratably over the term of the lease. The difference between the straight-line expense and the required lease payment is reflected as deferred rent in the accompanying consolidated statements of financial position.

Total rent expense was \$6,045,906 and \$5,658,125 for the years ended September 30, 2021 and 2020, respectively.

Total future lease payments are as follows:

Years Ending September 30,

2022	\$ 3,518,015
2023	3,174,829
2024	4,199,272
2025	4,409,053
2026	2,929,414
Thereafter	<u>25,424,770</u>
	<u>\$ 43,655,353</u>

Total future sub-lease receipts are as follows:

Years Ending September 30,

2022	\$ 362,323
2023	889,178
2024	920,272
2025	952,516
2026	<u>162,910</u>
	<u>\$ 3,287,199</u>

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

*Federal awards:* Pact participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the federal government or its representative. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate significant adjustments as a result of such audits.

*Grants to subrecipients:* Pact has authorized subgrants contingent upon the receipt of acceptable progress reports towards negotiated workplans. The contingent subgrants will be considered authorized when the contingency requirements are met. No liability has been recorded for these unobligated subaward amounts in the accompanying consolidated financial statements.

As part of Pact's efforts to increase access to financing for young women entrepreneurs ("YWE") in Cambodia, in FY 2021 the organization entered into loan guarantee agreements with two financial institutions. In the event that these financial institutions are not able to collect principal and interest payments on loans granted to YWE, these agreements support any losses up to a maximum amount of \$120,000. No losses were incurred and the guarantee funds were not used by these financial institutions during FY 2021.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

In connection with its mission, Pact maintains facilities outside the United States in 24 countries. Compliance with laws and regulations within each of these countries is subject to review by the corresponding governmental agencies. Management has identified potential tax liabilities related to doing business in various foreign countries. Where an estimate is determinable, a liability has been recognized as of September 30, 2021 and 2020. A liability has not been recognized for countries where management is unable to make a reasonable estimate as of September 30, 2021 and 2020.

**NOTE 12 - MAJOR GRANTOR**

During the years ended September 30, 2021 and 2020, Pact received significant direct funding from United States Agency for International Development (“USAID”). A reduction in funding from USAID would have a significant impact on the operations of Pact. For the years ended September 30, 2021 and 2020, approximately 60% and 55%, respectively, of total revenue was related to grants funded directly by USAID. Another 12% of Pact’s revenues were funded indirectly by USAID through subawards and subcontracts to other development partners that Pact engaged with during both fiscal years 2021 and 2020.

**NOTE 13 - CONDITIONAL GRANTS AND CONTRIBUTIONS**

Conditional promises to give are not recognized until all conditions are substantially met. As of September 30, 2021, Pact had approximately \$14.4 million in unrecognized conditional grants and contributions, of which \$7.3 million was related to federal grants. The revenue related to these agreements is conditioned on requirements such as Pact incurring allowable expenditures under the terms of the agreements or the agreement of continued funding.

**NOTE 14 - REVENUE FROM CONTRACTS**

Pact enters into written contract with funders to perform services in mining communities around the world. The payment terms and conditions vary by funder based on the individual contract. At contract inception, Pact assesses the services promised in its contracts with the funder and identifies performance obligations for each promise to transfer to the customer a service that is distinct. Pact satisfies its performance obligations over time as services are provided or milestones are achieved. Pact recognized revenue for contracts over time of \$1,754,144 and \$4,500 for the years ended September 30, 2021 and 2020, respectively. Pact’s contract receivable balance as of September 30, 2021 was \$195,192. Deferred revenue for contracts which is recognized within other refundable advances on the statement of financial position was \$167,590 on September 30, 2021. The balance of deferred revenue will be recognized as revenue during the period services are rendered or milestones are achieved.

**NOTE 15 - INTEREST EXPENSE**

Interest expense for the years ended September 30, 2021 and 2020, includes:

	<u>2021</u>	<u>2020</u>
Interest on client deposits and other client liabilities	\$ 30,071,367	\$ 23,205,430
Interest on line of credit	<u>183,264</u>	<u>216,530</u>
Total interest expense	<u>\$ 30,254,631</u>	<u>\$ 23,421,960</u>

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 16 - FINANCIAL RISK MANAGEMENT - PGMF OPERATIONS**

By its nature, PGMF's activities are principally related to the use of financial instruments. A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party or the obligation to deliver cash or another financial asset to another party. Financial instruments result in certain risks to PGMF. The most significant risks facing PGMF are outlined below.

Credit risk: Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to PGMF as they fall due. This is an inherent risk associated with the microfinance industry. The majority of loans are short term in nature; approximately 40% of the loans fall due within nine months and very few loans are over 12 months in duration in 2021 and 2020.

The Board of Directors has delegated responsibility for the management of credit risk to senior management. A separate program (operations) department is responsible for oversight of PGMF's credit risk including:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit officers;
- Reviewing and assessing credit risk. PGMF's program department assesses all credit exposures in excess of designated limits prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure to geographies and market segments for loans and advances;
- Developing and maintaining PGMF's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures;
- Reviewing compliance of business units with agreed exposure limits including those for selected industries' country risk and product types. Regular reports are provided to PGMF's program department on the credit quality of local portfolios and appropriate corrective actions to be taken; and
- Providing advice, guidance and specialist skills to business units to promote best practice throughout PGMF in the management of credit risk.

Each branch is required to implement PGMF's credit policies and procedures with credit approval authorities delegated from management. Each business unit has a branch manager who reports on all credit-related matters to senior management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

PGMF does not hold collateral against loans. The lending portfolio consists of non-securitized microfinance loans mutually guaranteed by group members. Customers are clustered into solidarity groups, which collectively secure the loans. Regular audits of branches and credit processes are undertaken by internal audit.



**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

***Impaired Loans***

Impaired loans are loans for which PGMF determines that it is probable that it will be unable to collect the principal and interest due according to the contractual terms of the loan.

Objective evidence that loans are impaired can include default or delinquency by a borrower, restructuring of a loan, indications that a borrower will enter bankruptcy or other observable data relating to a group of loans such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

***Past Due but Not Impaired Loans***

Loans where contractual interest or principal payments are past due but PGMF believes that impairment is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to PGMF.

***Allowance for Loan Losses***

PGMF establishes an allowance for loan losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific 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.

PGMF considers loans past due when contracted installments are delinquent more than 90 days. The loan loss provisions is calculated based on the aging of default loans in the portfolio on the following basis:

<u>Period of Default</u>	<u>Provision Percentage on Default Loans</u>
1-30 days	10%
Between 31-60 days	50%
Between 61-90 days	75%
More than 90 days	100%

Management established a 15.3% loan loss provision in FY 2021 after considering actual cash collections, the Covid pandemic, security challenges related to the coup d'état in Myanmar, and other crises. The FY 2020 loss provision was based on the Myanmar statutory rate of 1% which management also determined was appropriate for the portfolio at September 30, 2020.

PGMF reports loans at their outstanding balance, net of allowance made from loan loss provisions.

***Write-Off Policy***

PGMF writes off a loan/security balance (and any related allowances for impairment losses) when PGMF's Program department determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from the group guarantee will not be sufficient to pay back the entire exposure.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

**Loan Portfolio Summary**

<u>2021</u>	<u>No. of Loans</u>	<u>Amount</u>
Current loan	408,576	\$ 109,799,681
Past due loans:		
1-90 days	484,287	103,011,349
91-180 days	316,182	63,952,013
181-270 days	48,932	11,929,141
271-365 days	20,960	4,719,776
Over 365 days	14,118	2,485,227
	<u>1,293,055</u>	
Total		
Gross carrying amount		295,897,187
Loan impairment allowance		<u>(45,130,569)</u>
Net carrying amount		<u>\$ 250,766,618</u>
 <u>2020</u>	 <u>No. of Loans</u>	 <u>Amount</u>
Current loan	1,132,954	\$ 385,615,968
Past due loans:		
1-90 days	149,537	43,568,311
91-180 days	5,906	1,815,022
181-270 days	3,084	850,926
271-365 days	710	165,415
Over 365 days	3,752	737,701
	<u>1,295,943</u>	
Total		
Gross carrying amount		432,753,343
Loan impairment allowance		<u>(4,327,533)</u>
Net carrying amount		<u>\$ 428,425,810</u>

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**Credit Risk Management**

PGMF monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date, which are all located in Myanmar, is shown below:

	2021 <u>Amount (USD)</u>	2020 <u>Amount (USD)</u>
Magway South	\$ 26,730,914	\$ 25,124,727
Magway Central	-	43,382,379
Magway north/Sagaing	29,883,347	37,428,539
Sagaing East	23,472,165	39,917,436
Sagaing West	15,468,371	-
Mandalay/ Shan North	34,845,329	53,706,595
Shan South	32,000,864	44,965,586
Shan (LIVE)	10,397,401	10,664,062
Delta West	31,131,641	51,262,822
Delta East	25,542,877	27,430,630
Rakhine	23,318,750	28,319,135
Delta North	22,360,295	43,600,519
Yangon	20,745,233	26,950,913
	<u>\$ 295,897,187</u>	<u>\$ 432,753,343</u>

Concentration by location for loans is measured based on the location of the PGMF unit holding the asset, which has a high correlation with the location of the borrower.

PGMF also monitors credit risk by product concentration. An analysis of concentrations of credit risk at the reporting date is shown below for the years ended September 30, 2021 and 2020:

	2021	
	<u>No. of Loan to Borrowers</u>	<u>Amount (USD)</u>
General loan	802,552	\$ 141,940,054
Extra loan	3,282	205,188
MSE loan	991	266,615
Health Care loan	1,488	119,122
Education loan	7,678	359,376
Agriculture loan	183,123	45,992,429
Lease loan	611	663,032
Individual loan	97,824	79,529,958
Home Improvement loan	83,107	17,948,495
Extra loan (individual)	325	103,711
COVID-19 Tea Shop loan	2,498	1,329,266
COVID-19 Respond loan	109,484	7,435,973
COVID-19 Relief loan	92	3,968
	<u>1,293,055</u>	<u>\$ 295,897,187</u>
Total		

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

	2020	
	No. of Loan to Borrowers	Amount (USD)
General loan	888,390	\$ 208,161,458
Extra loan	12,204	1,510,145
MSE loan	12,739	3,795,102
Health Care loan	2,985	362,665
Education loan	33,883	4,926,926
Agriculture loan	183,301	66,768,929
Lease loan	997	1,615,391
Individual loan	79,768	105,604,434
Home Improvement loan	77,921	34,110,676
COVID-19 Tea Shop loan	3,755	5,897,617
Total	1,295,943	\$ 432,753,343

***Foreign Currency Risk***

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. PGMF recorded \$73.8 million in foreign exchange loss in FY2021 and \$23.4 million in foreign exchange gain in FY2020, due to the 14.7% and (15%) changes in the value of the U.S. dollar compared to the MMK during the fiscal years ended September 30, 2021 and 2020, respectively.

***Liquidity Risk***

Liquidity risk is the risk that PGMF will encounter difficulty in raising funds to meet commitments associated with financial instruments. The objective of liquidity management is to ensure that PGMF has the ability to generate sufficient funds to meet all cash flow obligations as they become due. In managing its liquidity, PGMF takes into account various legal requirements and limitations and the need to maintain market confidence. Total PGMF cash is \$58,742,927 and \$60,257,625 as of September 30, 2021 and 2020, respectively, which represents 12% of PGMF's total assets for both years.

***Management of Liquidity Risk***

PGMF's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to PGMF's reputation.

Head office receives information from other units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Weekly reports cover the liquidity position of both PGMF and operating units.

***Exposure to Liquidity Risk***

A key measure used by PGMF for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose only net liquid assets are considered including cash. A similar but not identical calculation is used to measure PGMF's compliance with the liquidity limit established by the regulator.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

Details of PGMF's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	<u>2021</u>	<u>2020</u>
At period end	96%	58%
Average for the period	78%	37%
Maximum for the period	104%	58%
Minimum for the period	48%	23%

In response to COVID-19 and probable uncertainty, PGMF has taken the following actions:

- a) Monitor liquidity frequently;
- b) Has obtained from lenders a waiver letter/no action letter of the forecast breaches of covenants;
- c) Has taken new loan facilities from local and international lenders;
- d) Delayed fixed assets procurement for some months;
- e) Continuously updated its stakeholders about COVID-19 situation in Myanmar, PGMF's position, response and performance; and
- f) Maintained regular communications with its clients and ensured continuous financial services.

***Operational Risk***

Operational risk is the risk caused by failures in operational processes or the systems that support them. This includes errors, omissions, system breakdowns, natural disasters, terrorist attacks and fraudulent activity, causing an impact in terms of unavailability of services, financial loss, increased costs and loss of reputation or failure to make anticipated income or profit.

The goal of operational risk management is to balance cost and risk within the constraints of the risk appetite of PGMF, but to be consistent with the prudent management required of a financial institution. Risk management priorities are identified through a combination of experience and observation, internal audit assessment and knowledge, internal controls, detailed risk assessment work, change management procedures, incident reports and common sense.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall organizational standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties including authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

- Training and professional development;
- Ethical and business standards; and
- Risk mitigation including insurance where this is effective.

**NOTE 17 - ASSETS TRANSFERRED FROM DONOR-ENDED PROJECTS**

Under the Asset and Liability Transfer Agreement dated June 2014, PGMF assumed ownership of the net assets of the United Nations Development Programme (“UNDP”) project. Under the revenue sharing clause of the transfer agreement dated September 23, 2015, PGMF agreed to pay a total of MMK 12,543,666,400 (\$9,742,656 at September 23, 2015) over four years through semi-annual installments of MMK 1,567,958,300 (\$1,217,832 at September 23, 2015) each. The final installment was paid in January 2019. There is no liability owed to UNDP as of September 30, 2020.

**NOTE 18 - LINE OF CREDIT**

Pact, Inc. has an express credit line loan agreement, which will expire on October 13, 2023. The line bears interest at Prime Rate plus 1.0% (subject to a floor of 4.25%) and is secured by Pact Inc.’s assets. The interest rate at September 30, 2021 and 2020, was 4.25% and 6.25%, respectively, including a Prime Rate of 3.25% in both fiscal years. The line of credit had no balance and all debt was paid off as of September 30, 2021. This line of credit is included in notes payable on the consolidated statements of financial position.

**NOTE 19 - NOTES PAYABLE**

PGMF has obtained funds from different sources in order to provide microfinance services borrowers as Myanmar is demanding Microfinance services especially in remote areas. According to the success and reputation of PGMF, Government and 12 organizations have provided funds to PGMF.

**A. Cordaid**

In 2016-17, PGMF borrowed loans amounting to MMK 1,135,080,000 (equivalent to \$840,800) and MMK 3,266,436,930 (equivalent to \$2,398,265) from Cordaid at the fixed interest rate of 10% per annum. The first payment of interest was made six months after the disbursement date. These loans were repaid in local currency (“MMK”) in four equal installments, exactly 18, 24, 30 and 36 months after the disbursement date of December 19, 2016 and May 15, 2017.

The loans were repaid in December 2019 and May 2020.

In March 2020, a new loan of MMK 4,505,552,500 valued at the end of September 2020 (or \$3.4 million) was taken out and 100 % will be repaid in U.S. dollars on the maturity date of March 25, 2023. The fixed interest rate is 7% per annum. Interest payments will be made every six months.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**B. Blue Orchard**

PGMF has also received seven loans from Blue Orchard Microfinance Fund:

Agreement No.	Loan Amount (USD)	Interest Rate	Loan Repayment
PACMY002	\$ 3,000,000	13%	100% in maturity date (April 2020)
PACMY003	3,000,000	13%	100% in maturity date (April 2020)
PACMY004	5,357,914	13%	100% in maturity date (May 2021)
PACMY011	5,000,000	13%	100% in maturity date (Aug. 2021)
PACMY010	2,500,000	16%	10% in 30th Mo. (Sept. 2022), 20% in 36th Mo. (March 2023), 30% in 42nd Mo. (Sept. 2023), 40% in 46th Mo. (March 2024)
PACMY005	6,000,000	7.45%	Four equal installments in Oct. 2020, Oct. 2021, April 2022 and Oct. 2022
PACMY012	5,000,000	6.75%	Three installments in Sept. 2022, Mar. 2023, Sept. 2023

The first four loans (PACMY002, 003, 004, 011) were repaid in local currency (MMK) on their maturity date.

The interest rate on these loans was 13% per annum and was repaid every six months after disbursement. PACMY002 & PACMY003 were repaid in April 2020.

**PACMY010** will be repaid in local currency (MMK) in four installments amounting to 10%, 20%, 30% and 40% of principal in the 30th month, 36th month, 42nd month and 46th month after disbursement, respectively. Interest is paid every six months after disbursement. The interest rate is 16% per annum.

**PACMY005** will be repaid in U.S. Dollars in four equal installments in the months noted in the table above. Interest is paid every six months after disbursement. The interest rate is 7.45% per annum.

**PACMY012** will be repaid in U.S. Dollars in three equal installments in the months noted in the table above. Interest is paid every six months after disbursement. The interest rate is 6.75% per annum.

**C. Yoma Bank**

Further, PGMF had taken out a loan amounting to MMK 15.85 billion (equivalent to \$11,736,133) from Yoma Bank Limited. PGMF was required to deposit MMK 6.34 billion (equivalent to \$4,784,319) as collateral. This represents 40% of the loan amount. Interest rate was 13% per annum. This loan was prepaid in January 2021 and a new loan (MMK 25 billion equivalent to \$18,358,877) has been borrowed immediately with interest rate 12.1% per annum on a quarterly basis. The principal of this loan will be repaid on the expiry date in January 2024.

**D. CB Bank**

Moreover, PGMF has borrowed MMK 10 billion (equivalent to \$6,525,000) from CB Bank with 13% interest rate per annum. The loan was completely settled in September 2021.

**E. AGD Bank**

In 2019, PGMF borrowed MMK 10 billion (equivalent to \$6,553,900) from AGD Bank which is to be repaid by September 3, 2022. Interest rate is 12% per annum payable on a quarterly basis.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

In 2020, AGD granted to PGMF a cash-backed loan facility MMK 28,543,000,000 (equivalent of 85% of \$25 million fixed deposit) with interest rate 8% per annum. This loan is to be repaid in August 2022 and interest will be paid on a quarterly basis.

**F. MAB Bank**

In 2019, PGMF borrowed MMK 12 billion (equivalent to \$7,864,680) from MAB Bank with a two-year loan term period and a 13% per annum interest rate. This loan was completely repaid in September 2021.

**G. JAPAN ASEAN Women Empowerment Fund (“JAWEF”)**

In 2020, PGMF borrowed MMK 3,585,750,000 (equivalent to \$2.5 million) from JAWEF. Repayment will be in local currency (MMK) with installments of 10% in 30th month, 20% in 36th month, 30% in 42nd month and 40% in 46th month after disbursement. Interest rate is 16% per annum and interest will be paid every six months.

In June 2020, another loan of \$5 million was borrowed (equivalent MMK 6,625,812,500). It is to be repaid in three equal installments in the 24th, 30th and 36th months of the loan. The interest rate is 6.75% per annum and will be paid every six months.

**H. Microfinance Initiative for Asia (“MIFA”)**

In August 2020, MIFA provided a \$7 million loan taken out on August 18, 2020 which is to be repaid in USD in four equal installments (18th, 24th, 30th and 36th months). Interest rate 6.75% per annum. Interest will be paid every six months.

**I. Microfinance Enhancement Facility (“MEF”)**

PGMF took out two loans from MEF on August 18, 2020. The first loan is MMK 7,249,000,000 (equivalent of \$5 million). The loan will be repaid in local currency (MMK) with installments of 10% in 30th month, 20% in 36th month, 30% in 42nd month, 40% in 48th month. The interest rate is 16% per annum. Interest is paid every six months.

The second loan is MMK 4,108,800,000 (equivalent of \$3 million). The full principal amount is to be repaid in local currency (MMK) on the loan maturity date. The interest rate is 16% per annum. Interest is paid every six months.

**J. Belgian Investment Company (“BIO”)**

Belgian Investment Company has lent MMK 17,039,777,980 (equivalent of \$12 million) to PGMF. Repayment of the loan will be local currency in six equal installments on September 2022, March 2023, September 2023, March 2024, September 2024 and March 2025. The interest rate is 16%. Interest is to be paid every six months.

**K. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (“FMO”)**

PGMF has taken \$15 million loan from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (“FMO”). The loan repayment currency is U.S. Dollars. The loan repayment is scheduled in six equal installments in February 2023, August 2023, February 2024, August 2024, February 2025 and August 2025. The interest rate is 5% per annum. It is due every six months.



Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

**L. SIFEM AG (acting by “Obviam DFI AG”)**

Obviam has lent MMK 10,679,200,000 (equivalent of \$8 million) to PGMF. Repayment is in local currency in 5 equal installments in December 2022, June 2023, December 2023, June 2024 and September 2024. The interest rate is 16% per annum and payment is due in June and December.

**M. Government Supported Loan Through Myanmar Economic Bank (“MEB”)**

In 2020, the Government has given concessionary loans to Microfinance institutions for lending to small tea shops and food shops whose business has been affected by COVID-19. The loan term is one year and interest rate is 1% per annum. There is a grace period of three months and in the remaining nine months, principal and interest will be repaid equally every three months.

Total accrued interest for these loans totaled \$1,378,485 and \$1,866,690 at September 30, 2021 and 2020, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

The aggregate required principal payments on all debt for each of the next four fiscal years, and thereafter to maturity are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2022	\$ 32,056,542
2023	31,109,775
2024	27,242,513
2025	<u>6,473,697</u>
Total	<u>\$ 96,882,527</u>

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 20 - AVAILABILITY OF LIQUIDITY OF RESOURCES**

Pact regularly monitors its liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investments of its funds not required for annual operations. As of September 30, 2021 and 2020, the following financial assets are available to meet annual operating needs of the 2022 and 2021 fiscal year:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 98,566,568	\$ 97,782,169
Federal grants receivable	4,346,358	4,301,627
Other grants receivable	1,511,886	1,328,552
Employee Advances and other receivables	230,856	1,855,486
Investments maturing within one year available for general purposes	<u>3,392,488</u>	<u>2,922,328</u>
 Total financial assets at year end	 108,048,155	 108,190,162
 Less amounts not available to be used within one year:		
Refundable advances - federal	7,295,605	9,321,351
Refundable advances - other	7,301,811	6,671,560
PGMF local currency cash	<u>58,723,199</u>	<u>60,257,625</u>
 Financial assets not available to be used for general expenditures	 <u>73,320,614</u>	 <u>76,250,536</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 34,727,541</u>	 <u>\$ 31,939,626</u>

**NOTE 21 - RISKS AND UNCERTAINTIES**

***COVID-19 Pandemic***

The COVID-19 pandemic, whose effects first became apparent in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on Pact's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Pact's future consolidated financial position and changes in net assets and cash flows is uncertain.

***Military Coup***

On February 1, 2021 in Myanmar, there was a military coup that remains ongoing and has caused subsequent civil unrest. As such, the microfinance activities of PGMF as well as community development programming of Pact Inc. have slowed.

**NOTE 22 - DERIVATIVE INSTRUMENTS**

Pact's affiliate PGMF uses derivative financial instruments in the form of a cross currency swap to manage its exposures to movements in foreign exchange rates primarily related to the MMK. Notional amounts are stated in United States dollar equivalents at spot exchange rates at the respective dates. PGMF does not enter these arrangements for trading or speculation purposes. Derivative financial instruments involve

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

credit risk in the event the counterparty should default. It is the PGMF's policy to execute such instruments with global financial institutions that Pact believes to be creditworthy.

All derivative financial instruments are recognized at fair value in the consolidated statement financial position. Realized gains or losses on the derivative are included in the consolidated statement of activities upon expiration of the derivative.

The notional amount of a single cross currency swap contract is reported in advances and other receivables on the consolidated statement of financial position at September 30, 2021 in the amount of \$10,000,000. The cross currency swap contract has a maturity date of September 30, 2021 and a currency fixed rate of 9%. At maturity, PGMF will deliver the notional amount of \$10,000,000 and will receive 15,010,000,000 MMK from the counterparty. A new cross currency swap contract was established at October 1, 2021 under similar terms with an expiration date of April 30, 2022. Management intends to establish a swap with similar terms upon expiration.

**NOTE 23 - SUBSEQUENT EVENTS**

Pact evaluated its consolidated financial statements for subsequent events through May 6, 2022, the date the consolidated financial statements were available to be issued.

On February 24, 2022, the Russian Federation invaded the country of Ukraine. This action has had a negative impact on Pact Ukraine's operations.

A Directive by the Myanmar Regulator – Financial Regulatory Department has an effect on PGMF. A notification was made in the prior year to all non-governmental organizations based in Myanmar Inc. with Microfinance Institution operations that they must become a private company. The deadline for this transformation has been extended to June 2022.

Pact is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2021

	Pact, Inc.	Pact UK	PGMF	Pact Ventures	Eliminations	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 38,263,623	\$ 1,560,018	\$ 58,742,927	\$ -	\$ -	\$ 98,566,568
Investments	3,263,709	-	-	-	128,779	3,392,488
Federal grants receivable	4,346,358	-	-	-	-	4,346,358
Other grants receivable	829,740	368,632	313,514	-	-	1,511,886
Advances and other receivables	854,828	48,597	10,283,254	-	-	11,186,679
Prepaid expenses and deposits	1,693,466	22,806	498,344	-	-	2,214,616
Notes receivable	156,370	-	-	-	-	156,370
Loan portfolio, net of loan loss reserve	144,247	-	259,843,729	-	-	259,987,976
Due from related party	6,149,638	499,541	1	-	(6,649,180)	-
Property and equipment, net	2,119,510	-	1,290,305	-	-	3,409,815
	<u>\$ 57,821,489</u>	<u>\$ 2,499,594</u>	<u>\$ 330,972,074</u>	<u>\$ -</u>	<u>\$ (6,520,401)</u>	<u>\$ 384,772,756</u>
<b>LIABILITIES AND NET ASSETS</b>						
Accounts payable and accrued expenses	\$ 22,087,470	\$ 101,508	\$ 16,781,914	\$ 1,827	\$ (131)	\$ 38,972,588
Beneficiary savings and reserved funds	-	-	83,876,081	-	-	83,876,081
Net returns on loans, reinvested earnings	-	-	176,533	-	-	176,533
Notes payable	14,983	-	96,882,527	-	-	96,897,510
Refundable advances – federal	7,295,605	-	-	-	-	7,295,605
Refundable advances – other	5,514,329	1,787,482	-	-	-	7,301,811
Deferred rent	5,116,000	-	-	-	-	5,116,000
Due to related party	499,541	319,521	5,703,035	126,951	(6,649,048)	-
	40,527,928	2,208,511	203,420,090	128,778	(6,649,179)	239,636,128
Net assets (deficit) all without donor restrictions	<u>17,293,561</u>	<u>291,083</u>	<u>127,551,984</u>	<u>(128,778)</u>	<u>128,778</u>	<u>145,136,628</u>
Ending net assets and liabilities	<u>\$ 57,821,489</u>	<u>\$ 2,499,594</u>	<u>\$ 330,972,074</u>	<u>\$ -</u>	<u>\$ (6,520,401)</u>	<u>\$ 384,772,756</u>

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2020

	Pact, Inc.	Pact Institute	Pact UK	Pact Global	PGMF	Pact Ventures	Eliminations	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 26,701,897	\$ 9,586,596	\$ 1,186,051	\$ -	\$ 60,257,625	\$ 50,000	\$ -	\$ 97,782,169
Investments	2,793,549	-	-	-	-	-	128,777	2,922,326
Federal grants receivable	4,301,627	-	-	-	-	-	-	4,301,627
Other grants receivable	-	664,460	353,870	-	310,222	-	-	1,328,552
Advances and other receivables	1,344,690	230,768	6,144	-	270,884	3,000	-	1,855,486
Prepaid expenses and deposits	1,503,962	203,770	6,340	-	682,846	-	-	2,396,918
Notes receivable	156,370	-	-	-	-	-	-	156,370
Loan portfolio, net of loan loss reserve	-	92,836	-	-	432,436,485	-	-	432,529,321
Due (to) from related party	5,119,388	-	64,586	-	-	-	(5,183,974)	-
Property and equipment, net	906,801	-	-	-	2,530,418	-	-	3,437,219
	<u>\$ 42,828,284</u>	<u>\$ 10,778,430</u>	<u>\$ 1,616,991</u>	<u>\$ -</u>	<u>\$ 496,488,480</u>	<u>\$ 53,000</u>	<u>\$ (5,055,197)</u>	<u>\$ 546,709,988</u>
<b>LIABILITIES AND NET ASSETS</b>								
Accounts payable and accrued expenses	\$ 16,430,847	\$ 325,671	\$ 102,810	\$ -	\$ 3,209,114	\$ 490	\$ -	\$ 20,068,932
Beneficiary savings and reserved funds	-	-	-	-	136,682,320	-	-	136,682,320
Net returns on loans, reinvested earnings	-	-	-	-	6,505,642	-	-	6,505,642
Notes payable	2,999,348	-	-	-	152,646,074	-	-	155,645,422
Refundable advances – federal	9,321,351	-	-	-	-	-	-	9,321,351
Refundable advances – other	-	5,387,471	1,284,089	-	-	-	-	6,671,560
Deferred rent	2,038,974	-	-	-	-	-	-	2,038,974
Due to related party	-	483,445	-	-	4,519,242	181,288	(5,183,975)	-
	<u>30,790,520</u>	<u>6,196,587</u>	<u>1,386,899</u>	<u>-</u>	<u>303,562,392</u>	<u>181,778</u>	<u>(5,183,975)</u>	<u>336,934,201</u>
Net assets (deficit) all without donor restrictions	<u>12,037,764</u>	<u>4,581,843</u>	<u>230,092</u>	<u>-</u>	<u>192,926,088</u>	<u>(128,778)</u>	<u>128,778</u>	<u>209,775,789</u>
Ending net assets and liabilities	<u>\$ 42,828,284</u>	<u>\$ 10,778,430</u>	<u>\$ 1,616,991</u>	<u>\$ -</u>	<u>\$ 496,488,480</u>	<u>\$ 53,000</u>	<u>\$ (5,055,197)</u>	<u>\$ 546,709,988</u>

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year ended September 30, 2021

	Pact, Inc.	Pact UK	PGMF	Pact Ventures	Eliminations	Total
<b>SUPPORT AND REVENUE</b>						
Grants and contracts	\$ 174,064,754	\$ 3,851,598	\$ 682,840	\$ -	\$ -	\$ 178,599,192
Contributions	4,470,954	73	-	-	(4,409,427)	61,600
Microfinance loan activities	-	-	96,756,091	-	-	96,756,091
Fee income on microfinance loans	-	-	7,484,955	-	-	7,484,955
Investment income	459,555	80	2,007	-	-	461,642
Other revenue	641,694	-	3,420,878	-	(3,415,518)	647,054
Affiliate admin fees	6,077,967	-	-	-	(6,077,967)	-
Net return on loans	-	-	6,329,109	-	-	6,329,109
<b>Total support and revenue</b>	<b>185,714,924</b>	<b>3,851,751</b>	<b>114,675,880</b>	<b>-</b>	<b>(13,902,912)</b>	<b>290,339,643</b>
<b>EXPENSES</b>						
Program services	154,355,134	3,159,830	771,218	-	-	158,286,182
<b>Total program services</b>	<b>154,355,134</b>	<b>3,159,830</b>	<b>771,218</b>	<b>-</b>	<b>-</b>	<b>158,286,182</b>
Supporting services:						
Management and general	22,803,955	616,066	63,077,980	-	(6,077,967)	80,420,034
Fundraising	17,462	-	-	-	-	17,462
<b>Total supporting services</b>	<b>22,821,417</b>	<b>616,066</b>	<b>63,077,980</b>	<b>-</b>	<b>(6,077,967)</b>	<b>80,437,496</b>
<b>Total expenses</b>	<b>177,176,551</b>	<b>3,775,896</b>	<b>63,849,198</b>	<b>-</b>	<b>(6,077,967)</b>	<b>238,723,678</b>
Change in net assets before other gains and losses	8,538,373	75,855	50,826,682	-	(7,824,945)	51,615,965
<b>OTHER GAINS AND LOSSES</b>						
Unrealized foreign exchange gain (loss)	267,759	(14,864)	(74,013,676)	-	-	(73,760,781)
Contribution expense	(4,409,427)	-	-	-	4,409,427	-
Bad debt expense	(3,722,751)	-	(42,187,112)	-	3,415,518	(42,494,345)
<b>CHANGE IN NET ASSETS</b>	<b>673,954</b>	<b>60,991</b>	<b>(65,374,106)</b>	<b>-</b>	<b>-</b>	<b>(64,639,161)</b>
<b>NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS</b>						
Beginning	16,619,607	230,092	192,926,090	(128,779)	128,779	209,775,789
Ending	\$ 17,293,561	\$ 291,083	\$ 127,551,984	\$ (128,779)	\$ 128,779	\$ 145,136,628

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year ended September 30, 2020

	<u>Pact, Inc.</u>	<u>Pact Institute</u>	<u>Pact UK</u>	<u>Pact Global</u>	<u>PGMF</u>	<u>Pact Ventures</u>	<u>Eliminations</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>								
Grants and contracts	\$ 125,874,855	\$ 17,789,102	\$ 4,214,356	\$ -	\$ 450,432	\$ -	\$ -	\$ 148,328,745
Contributions	10,654	4,017	101	88,314	-	-	-	103,086
Microfinance loan activities	-	-	-	-	92,950,704	-	-	92,950,704
Fee income on microfinance loans	-	-	-	-	9,106,317	-	-	9,106,317
Investment income (loss)	(910,909)	97,962	-	-	-	-	-	(812,947)
Other revenue	83,676	400,173	-	-	15,036	56,000	-	554,885
Affiliate admin fees	8,255,676	-	-	-	-	-	(8,255,676)	-
Net return on loans	-	-	-	-	1,648,141	-	-	1,648,141
Total support and revenue	<u>133,313,952</u>	<u>18,291,254</u>	<u>4,214,457</u>	<u>88,314</u>	<u>104,170,630</u>	<u>56,000</u>	<u>(8,255,676)</u>	<u>251,878,931</u>
<b>EXPENSES</b>								
Program services	<u>110,239,109</u>	<u>15,787,721</u>	<u>3,447,200</u>	<u>-</u>	<u>440,087</u>	<u>-</u>	<u>-</u>	<u>129,914,117</u>
Total program services	<u>110,239,109</u>	<u>15,787,721</u>	<u>3,447,200</u>	<u>-</u>	<u>440,087</u>	<u>-</u>	<u>-</u>	<u>129,914,117</u>
Supporting services:								
Management and general	18,192,675	3,320,192	866,716	-	60,696,874	140,095	(8,255,677)	74,960,875
Fundraising	<u>27,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,817</u>
Total supporting services	<u>18,220,492</u>	<u>3,320,192</u>	<u>866,716</u>	<u>-</u>	<u>60,696,874</u>	<u>140,095</u>	<u>(8,255,677)</u>	<u>74,988,692</u>
Total expenses	<u>128,459,601</u>	<u>19,107,913</u>	<u>4,313,916</u>	<u>-</u>	<u>61,136,961</u>	<u>140,095</u>	<u>(8,255,677)</u>	<u>204,902,809</u>
Change in net assets before other gains and losses	4,854,351	(816,659)	(99,459)	88,314	43,033,669	(84,095)	1	46,976,122
<b>OTHER GAINS AND (LOSSES)</b>								
Unrealized foreign exchange gain	-	-	-	-	23,379,871	-	-	23,379,871
Bad debt expense	-	(9,230)	-	-	(245,108)	-	-	(254,338)
Unrealized loss from subsidiary	<u>(84,095)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,095</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	4,770,256	(825,889)	(99,459)	88,314	66,168,432	(84,095)	84,096	70,101,655
<b>NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS</b>								
Beginning	<u>7,267,507</u>	<u>5,398,411</u>	<u>329,553</u>	<u>(88,314)</u>	<u>126,757,657</u>	<u>(44,684)</u>	<u>44,684</u>	<u>139,664,814</u>
Ending	<u>\$ 12,037,763</u>	<u>\$ 4,572,522</u>	<u>\$ 230,094</u>	<u>\$ -</u>	<u>\$ 192,926,089</u>	<u>\$ (128,779)</u>	<u>\$ 128,780</u>	<u>\$ 209,766,469</u>



Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT, INC. AND PACT INSTITUTE

Year ended September 30, 2021

	Program Services					Supporting Services				Total Expenses
	USAID Funded Directly	USAID Funded Indirectly	Other Federal	Non-Federal	Other Program Expenses	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 20,284,344	\$ 4,337,048	\$ 1,188,515	\$ 4,941,897	\$ 276,212	\$ 31,028,016	\$ 11,310,025	\$ 2,226	\$ 11,312,251	\$ 42,340,267
Fringe benefits	5,640,248	1,222,778	269,321	1,277,074	73,025	8,482,446	3,010,333	591	3,010,924	11,493,370
Allowances	749,364	251,173	2,080	207,217	-	1,209,834	6,440	-	6,440	1,216,274
Consultant fees	1,703,206	434,045	118,156	941,918	26,807	3,224,132	393,731	-	393,731	3,617,863
Travel	2,089,760	312,383	48,080	375,156	10,579	2,835,958	23,907	-	23,907	2,859,865
Vehicles and equipment	835,138	18,590	532	257,476	4,285	1,116,021	2,679	-	2,679	1,118,700
Supplies and other	1,879,715	317,541	20,835	534,595	(10,188)	2,742,498	1,995,955	6,283	2,002,238	4,744,736
Banking and professional fees	1,864,212	500,347	91,646	553,240	564,300	3,573,745	1,290,222	8,362	1,298,584	4,872,329
Occupancy	1,714,215	407,693	44,447	425,401	36,706	2,628,462	4,480,546	-	4,480,546	7,109,008
Training and conferences	13,799,017	765,073	218,311	1,680,563	56,110	16,519,074	87,919	-	87,919	16,606,993
Depreciation	-	-	-	-	23	23	340,677	-	340,677	340,700
Interest	-	-	-	-	52	52	183,264	-	183,264	183,316
Affiliate admin cost recovery	-	-	-	-	-	-	(321,743)	-	(321,743)	(321,743)
	<u>50,559,219</u>	<u>8,566,671</u>	<u>2,001,923</u>	<u>11,194,537</u>	<u>1,037,911</u>	<u>73,360,261</u>	<u>22,803,955</u>	<u>17,462</u>	<u>22,821,417</u>	<u>96,181,678</u>
Subgrants and subcontracts	<u>63,457,404</u>	<u>11,158,885</u>	<u>268,465</u>	<u>6,086,114</u>	<u>24,005</u>	<u>80,994,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,994,873</u>
	<u>114,016,623</u>	<u>19,725,556</u>	<u>2,270,388</u>	<u>17,280,651</u>	<u>1,061,916</u>	<u>154,355,134</u>	<u>22,803,955</u>	<u>17,462</u>	<u>22,821,417</u>	<u>177,176,551</u>
Bad debt expense	-	-	-	-	67,492	67,492	3,655,259	-	3,655,259	3,722,751
Unrealized foreign exchange (gain) loss	(249,755)	14,612	11,068	(46,302)	(2)	(270,378)	2,620	-	2,620	(267,759)
Contribution expense	-	-	-	-	-	-	4,409,427	-	4,409,427	4,409,427
	<u>\$ 113,766,868</u>	<u>\$ 19,740,168</u>	<u>\$ 2,281,456</u>	<u>\$ 17,234,349</u>	<u>\$ 1,129,406</u>	<u>\$ 154,152,248</u>	<u>\$ 30,871,261</u>	<u>\$ 17,462</u>	<u>\$ 30,888,723</u>	<u>\$ 185,040,970</u>

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT, INC.

Year ended September 30, 2020

	Program Services					Supporting Services			Total Expenses	
	USAID Funded Directly	USAID Funded Indirectly	Other Federal	Other Non-Federal	Other Program Expenses	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and related expenses	\$ 18,005,408	\$ 3,734,893	\$ 1,069,931	\$ -	\$ 987,237	\$ 23,797,469	\$ 9,829,014	\$ 3,793	\$ 9,832,807	\$ 33,630,276
Fringe benefits	5,336,073	971,259	229,424	-	100,972	6,637,728	2,930,117	1,127	2,931,244	9,568,972
Allowances	1,170,296	187,246	47,748	3,020	367,311	1,775,621	1,453,995	8,422	1,462,417	3,238,038
Consultant fees	1,712,482	355,536	52,066	-	17,413	2,137,497	2,558,322	-	2,558,322	4,695,819
Travel	1,011,010	345,662	82,371	-	6,250	1,445,293	205,676	-	205,676	1,650,969
Vehicles and equipment	7,708,943	378,362	208,950	19	25,276	8,321,550	113,302	-	113,302	8,434,852
Supplies and other	980,923	376,047	122	-	75,647	1,432,739	12,613	-	12,613	1,445,352
Banking and professional fees	380,668	68,870	-	-	-	449,538	1,266	-	1,266	450,804
Occupancy	1,982,050	308,871	53,330	-	135,502	2,479,753	1,847,773	14,475	1,862,248	4,342,001
Training and conferences	1,843,801	328,338	36,589	762	17,335	2,226,825	439,959	-	439,959	2,666,784
Depreciation	778	-	702	-	-	1,480	274,437	-	274,437	275,917
Interest	-	100	3	-	36	139	216,530	-	216,530	216,669
Affiliate admin cost recovery	-	-	-	-	-	-	(1,690,329)	-	(1,690,329)	(1,690,329)
	<u>40,132,432</u>	<u>7,055,184</u>	<u>1,781,236</u>	<u>3,801</u>	<u>1,732,979</u>	<u>50,705,632</u>	<u>18,192,675</u>	<u>27,817</u>	<u>18,220,492</u>	<u>68,926,124</u>
Subgrants and subcontracts	<u>52,977,164</u>	<u>6,096,724</u>	<u>228,557</u>	<u>4,671</u>	<u>226,361</u>	<u>59,533,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,533,477</u>
	<u>\$ 93,109,596</u>	<u>\$ 13,151,908</u>	<u>\$ 2,009,793</u>	<u>\$ 8,472</u>	<u>\$ 1,959,340</u>	<u>\$ 110,239,109</u>	<u>\$ 18,192,675</u>	<u>\$ 27,817</u>	<u>\$ 18,220,492</u>	<u>\$ 128,459,601</u>

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT INSTITUTE, INC.

Year ended September 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 4,624,823	\$ 1,285,452	\$ 5,910,275
Fringe benefits	1,323,987	409,074	1,733,061
Allowances	272,967	1,984	274,951
Consultant fees	694,174	2,650	696,824
Travel	543,025	54,896	597,921
Vehicles and equipment	259,044	-	259,044
Supplies and others	345,473	10,253	355,726
Banking and professional fees	294,702	75,006	369,708
Occupancy	428,216	-	428,216
Training and conferences	1,449,349	1,420	1,450,769
Affiliate admin cost recovery	-	1,429,080	1,429,080
	<u>10,235,760</u>	<u>3,269,815</u>	<u>13,505,575</u>
Subgrants and subcontracts	<u>5,542,641</u>	<u>50,377</u>	<u>5,593,018</u>
	15,778,401	3,320,192	19,098,593
Bad debt expense	<u>9,320</u>	<u>-</u>	<u>9,320</u>
	<u>\$ 15,787,721</u>	<u>\$ 3,320,192</u>	<u>\$ 19,107,913</u>

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT UK

Year ended September 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 1,002,028	\$ 362,200	\$ 1,364,228
Fringe benefits	290,916	97,047	387,963
Allowances	-	71	71
Consultant fees	224,883	11,280	236,163
Travel	105,400	98	105,498
Vehicles and equipment	35,699	-	35,699
Supplies and others	79,002	637	79,639
Banking and professional fees	54,177	24,753	78,930
Occupancy	61,593	-	61,593
Training and conferences	360,993	-	360,993
Affiliate admin cost recovery	-	119,979	119,979
	<u>2,214,691</u>	<u>616,065</u>	<u>2,830,756</u>
Subgrants and subcontracts	<u>945,139</u>	<u>-</u>	<u>945,139</u>
	<u>3,159,830</u>	<u>616,065</u>	<u>3,775,895</u>
Unrealized foreign exchange loss	<u>14,864</u>	<u>-</u>	<u>14,864</u>
	<u>\$ 3,174,694</u>	<u>\$ 616,065</u>	<u>\$ 3,775,895</u>

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT UK

Year ended September 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 1,147,904	\$ 534,839	\$ 1,682,743
Fringe benefits	328,613	158,392	487,005
Allowances	35,294	4,487	39,781
Consultant fees	197,078	-	197,078
Travel	111,812	23,080	134,892
Vehicles and equipment	73,815	138	73,953
Supplies and others	169,081	21,331	190,412
Banking and professional fees	163,049	30,057	193,106
Occupancy	82,489	-	82,489
Training and conferences	258,066	925	258,991
Affiliate admin cost recovery	-	93,467	93,467
	<u>2,567,201</u>	<u>866,716</u>	<u>3,433,917</u>
Subgrants and subcontracts	<u>879,999</u>	<u>-</u>	<u>879,999</u>
	<u>\$ 3,447,200</u>	<u>\$ 866,716</u>	<u>\$ 4,313,916</u>

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT GLOBAL MICROFINANCE FUND

Year ended September 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 491,381	\$ 19,344,708	\$ 19,836,089
Fringe benefits	54,979	1,917,074	1,972,053
Allowances	-	318,619	318,619
Consultant fees	-	23,430	23,430
Travel	53,844	1,045,149	1,098,993
Vehicles and equipment	6,286	171,208	177,494
Supplies and others	120,817	1,147,043	1,267,860
Banking and professional fees	11	284,265	284,276
Occupancy	17,530	1,501,523	1,519,053
Training and conferences	1,569	69,508	71,077
Depreciation	24,801	904,407	929,208
Interest	-	30,071,315	30,071,315
Affiliate admin cost recovery	-	6,279,731	6,279,731
	<u>771,218</u>	<u>63,077,980</u>	<u>63,849,198</u>
Bad debt expense	-	42,187,112	42,187,112
Unrealized foreign exchange loss	<u>39,255</u>	<u>73,974,421</u>	<u>74,013,676</u>
	<u>\$ 810,473</u>	<u>\$ 179,239,513</u>	<u>\$ 180,049,986</u>

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT GLOBAL MICROFINANCE FUND

Year ended September 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 323,201	\$ 20,713,205	\$ 21,036,406
Fringe benefits	(4,808)	2,032,100	2,027,292
Allowances	-	269,272	269,272
Consultant fees	-	43,458	43,458
Travel	48,316	1,309,699	1,358,015
Vehicles and equipment	5,548	186,884	192,432
Supplies and others	(29,549)	1,886,940	1,857,391
Banking and professional fees	663	340,043	340,706
Occupancy	64,347	1,319,764	1,384,111
Training and conferences	7,473	107,175	114,648
Depreciation	24,896	893,443	918,339
Interest	-	23,205,291	23,205,291
Affiliate admin cost recovery	-	8,389,600	8,389,600
	<u>440,087</u>	<u>60,696,874</u>	<u>61,136,961</u>
Unrealized foreign exchange gain	-	(23,379,871)	(23,379,871)
Bad debt expense	<u>(18,432)</u>	<u>263,540</u>	<u>245,108</u>
	<u>\$ 440,087</u>	<u>\$ 60,696,874</u>	<u>\$ 61,136,961</u>

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES - PACT VENTURES

Year ended September 30, 2020

	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 66,195	\$ 66,195
Fringe benefit	19,658	19,658
Consultant fees	2,246	2,246
Travel	3,072	3,072
Supplies and others	7,892	7,892
Training and conferences	627	627
Affiliate admin cost recovery	40,405	40,405
	<u>\$ 140,095</u>	<u>\$ 140,095</u>



Pact, Inc. and Affiliates

SCHEDULE OF PROGRAM EXPENDITURES AND CASH RECEIVED OF NON-U.S. FEDERAL GOVERNMENT AWARDS - PACT, INC. AND PACT UK

Year ended September 30, 2021

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received (Refunded)
EPRM Mauritania Gold	B1953	EPRM Mauritania Gold	\$ 62,803	\$ 192,656
European Union	B3001	SEEK II	432,284	1,164,203
European Union	B3809	RASMI	619,079	-
European Union	B3818	SEIam, EKisil (SEEK)	812,746	318,400
European Union	B3831	Ethiopia Conflict Early Warning	(695)	-
British Council	B3852	CSSP2	195,694	759,603
DAI Europe Ltd	B3900	ZAAMP Follow-on	50,411	38,113
DAI Europe Ltd	B3901	IFF Follow-on	29,439	27,448
London Metals Exchange	B3950	Reducing Child Labour in Zambian ASM	121,292	364,000
Foreign, Commonwealth and Development Office	B3956	Modern Slavery in DRC Minerals Dissemination Proje	90,472	100,438
The European Commission	B3962	RASMI II	575,698	966,000
Department for International Development (DFID)	B4786	Nepal's National Health Sector Program III-Monitor	400,486	356,492
Foreign, Commonwealth and Development Office	B4799	SPACE	16,657	52,923
Pear Asia Pacific Pte LTD	PY004	Facebook Trainers under WE Act	32,568	-
ABSA Bank	PY005	ABSA Handwashing Sponsorship	2,453	4,333
IKEA	Z1001	Raw Materials Deep Dive	18,127	20,900
Geological Institute of America, Inc.	Z1806	GIa Regional M2M Program	17,599	-
World Bank	Z1908	Delve M2M Database Continuation Funding FY19	93,963	180,000
Tiffany and Company	Z1955	Strengthening ASM Across Africa	53,838	175,000
Trafigura	Z3023	DRC- Rubamin 2021 Capacity Development Program	142	-
World Bank	Z3030	Scaling Up and Out: Innovating Gemstone SC	19,720	-
Deutsche Gesellschaft fur Intr Zusammenarbeit	Z3043	Ethiopia Cash Transfers Program-Cash for Community	7,428	965,070
Apple	Z3447	Program Addressing Child Labor Artisanal Mining	412,694	471,510
United Nations Children's Fund (UNICEF)	Z3738	Accelerating Stunting Reduction	75,639	89,523
Rio Tinto	Z3776	Rise Phase II	156,720	132,731
Tulu Kapi Gold Mines S.C.	Z3816	Livelihood Restoration Partnership Engagement	-	51,244
Microsoft Corporation	Z3820	Baadaye ya Watoto ("Children's Future")	95,657	-
Global Fund To Fight AIDS, Tuberculosis & Malaria	Z3840	Multi-Sectoral Response TBHIV	3,091,084	2,177,392
Trafigura Foundation	Z3842	WIM Malemba-Nkulu	631,409	531,000
Dutch Ministry of Foreign Affairs	Z3843	Piloting Conflict Early Warning and Rapid Response	410,561	-
Trafigura Foundation	Z3849	WIM Kolwezi - Mutoshi	321,633	220,000
Eurasian Resources Group ERG	Z3868	ERG WIM- Northern Kolwezi Community Impact	(21,270)	-
Responsible Business Alliance	Z3898	Apple/RBA Apprenticeship Program-Works 2	541,103	584,897
Trafigura	Z3895	Trafigura Corporate parent agreement for 2019-2020	-	18,905
International Tin Association Ltd	Z3907	ITSCI 2020 Funding	1,487,051	1,869,241
United Nations Development Programme (UNDP)	Z3923	Preparatory support to the sustainability- Zimbabwe	25,408	-
David and Lucile Packard Foundation	Z3924	Organizational Development Implementation Project	64,741	75,000
Department of Social Development	Z3930	DSD Government to Government Project	709,120	669,644
Trafigura	Z3939	Trafigura COVID-19	397,999	403,540
IKEA	Z3942	Priority Minerals Assessment	27,312	36,000
Development Alternatives Inc. (DAI)	Z3943	Gombe State Primary Health Care Diagnostic	116,459	174,269
Trafigura	Z3944	ASM Cobalt Sector Intervention (ECG)	904,345	1,165,543
David and Lucile Packard Foundation	Z3947	Organizational Development Implementation Project	19,693	146,884
AOC International B.V.	Z3948	Capacity Building for Artisanal Mining in the Grea	52,960	73,804
Deutsche Gesellschaft fur Intr Zusammenarbeit	Z3951	Piloting NAP implementation in Sierra Leone	91,837	118,983
International Tin Association Ltd	Z3952	ITSCI Framework Agreement for Services	4,847,914	4,321,803
Trafigura	Z3963	ASM Intervention (ECG) Zambia Funding	6,752	11,754
The Coca Cola Foundation	Z4011	The Empowerment for People in Need (E4PIN) project	9,745	400,000
United Nations Children's Fund (UNICEF)	Z4020	Unilever Donation of Essential Food Packages	479	-
International Center for Living Aquatic Resources	Z4740	MYCulture	-	2,037
United Nations Office for Project Svcs (UNOPS)	Z4784	Lift Small Grants Fund for Civil Society	-	25,916
Rockefeller Foundation	Z4829	Smart Power Myanmar Facility	635,392	-
The Coca Cola Foundation	Z4836	Swan Yi III	229,153	-
Global Affairs Canada	Z4867	Women's Voice and Leadership Program	737,780	711,684
Rockefeller Foundation	Z4905	SPM Data Concept	430,760	-
Chevron Corporation	Z4911	Yaung Chi	419,943	-
Chevron Corporation	Z4913	Partnering to Support Entrepreneurs in Electric	14,834	-
Global Affairs Canada	Z4917	Women Included: Nurturing Growth & Security (WINGS)	1,014,693	1,432,868
International Center for Living Aquatic Resources	Z4918	Small-Scale Aquaculture Investments for Livelihood	164,719	156,546
Rockefeller Foundation	Z4949	SPM Follow-on	1,787,691	2,500,000
Lowell Mineral Explo	Z5009	Pact Support to Solaris - Warintza Model ASM Strat	10,439	-
Stiching Aids Fonds	ZY006	Hosting-Program Manager Policy & Advocacy US	172,800	142,994
Natural Resources Defense Council, Inc.	ZY008	NRDC Consulting Agreement 21-01	17,785	15,000
The Shell Company of Thailand Limited	ZY012	Shell Thailand - Access to Energy and Water Resour	4,687	-
			<u>\$ 23,769,925</u>	<u>\$ 24,416,291</u>

Pact, Inc. and Affiliates

SCHEDULE OF PROGRAM EXPENDITURES AND CASH RECEIVED OF NON-U.S. FEDERAL GOVERNMENT AWARDS - PACT, INC. AND PACT UK

Year ended September 30, 2020

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received (Refunded)
PricewaterhouseCoopers Limited	B1754	ASM EARF Research	\$ 128	\$ -
Development Alternatives Inc. ("DAI")	B3763	Zimbabwe Accountability and Artisanal Mining-ZAAMP	794	-
Cardno - Emerging Markets Division	B3800	SDMR	32,656	111,897
European Union	B3809	RASMI	890,579	756,663
European Union	B3818	SElam, EKisil ("SEEK")	1,073,647	1,175,890
European Union	B3831	Ethiopia Conflict Early Warning	629,550	-
British Council	B3852	CSSP2	179,384	489,056
Oxford Policy Manage	B3889	BSF Mining Agric. Research	24,032	40,593
DAI Europe Ltd	B3900	ZAAMP Follow-on	243,556	229,278
DAI Europe Ltd	B3901	IFF Follow-on	37,970	34,278
British Foreign & Commonwealth Office	B3909	Confronting modern slavery within the mineral supp	123,901	141,245
Oxford Policy Manage	B3922	Oxford Policy Management Presentation	546	2,003
Department for International Development ("DFID")	B4786	Nepal's National Health Sector Program III-Monitor	353,451	342,955
Cardno - Emerging Markets Division	B4799	SPACE	117,971	109,103
Barclays	PY003	Barclays VETA Sponsorship	4,807	-
Pear Asia Pacific Pte LTD	PY004	Facebook Trainers under WE Act	4,934	19,604
Total non-U.S. federal government awards			<u>\$ 3,717,906</u>	<u>\$ 3,452,565</u>