

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

Pact, Inc. and Affiliates

September 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Pact, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of Pact, Inc. and Affiliates ("Pact"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Pact as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pact's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pact's ability to continue as a going concern for a reasonable period of time.

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, 2022 and 2021, 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, 2022 and 2021 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
June 27, 2023

Pact, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 72,731,871	\$ 98,566,568
Investments	2,871,051	3,392,488
Federal grants receivable	4,097,726	4,346,358
Other grants receivable	1,789,429	1,511,886
Advances and other receivables	1,365,639	11,186,679
Prepaid expenses and deposits	1,655,887	2,214,616
Notes receivable	156,370	156,370
Loan portfolio, net of loan loss reserve	181,067,609	259,987,976
Property and equipment, net	<u>2,657,767</u>	<u>3,409,815</u>
Total current assets	<u>\$ 268,393,349</u>	<u>\$ 384,772,756</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 23,100,471	\$ 38,972,588
Beneficiary savings and reserved funds	70,579,046	83,876,081
Net returns on loans, reinvested earnings	176,533	176,533
Notes payable	49,344,863	96,897,510
Refundable advances – federal	3,984,555	7,295,605
Refundable advances – other	5,601,027	7,301,811
Deferred rent	<u>5,475,173</u>	<u>5,116,000</u>
	<u>158,261,668</u>	<u>239,636,128</u>
Commitments and contingencies		
Net assets without donor restrictions	109,281,947	144,305,214
Net assets with donor restrictions	<u>849,734</u>	<u>831,414</u>
Total net assets	<u>110,131,681</u>	<u>145,136,628</u>
Total liabilities and net assets	<u>\$ 268,393,349</u>	<u>\$ 384,772,756</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, 2022 and 2021

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
Support and revenue				
Grants and contracts	\$ 162,454,926	\$ -	\$ 162,454,926	\$ 178,599,192
Contributions	41,999	146,263	188,262	61,600
Microfinance loan activities	59,501,061	-	59,501,061	96,756,091
Fee income on microfinance loans	6,665,931	-	6,665,931	7,484,955
Investment return	(500,156)	-	(500,156)	461,642
Other revenue	373,747	-	373,747	647,054
Net return on loans	-	-	-	6,329,109
Net assets released from restrictions	127,943	(127,943)	-	-
Total support and revenue	228,665,451	18,320	228,683,771	290,339,643
Expenses				
Program services	140,345,495	-	140,345,495	158,286,182
Supporting services				
Management and general	82,054,520	-	82,054,520	80,420,034
Fundraising	1,417	-	1,417	17,462
Total supporting services	82,055,937	-	82,055,937	80,437,496
Total expenses	222,401,432	-	222,401,432	238,723,678
Change in net assets before other gains and losses	6,264,019	18,320	6,282,339	51,615,965
Other gains and (losses)				
Unrealized foreign exchange gain (loss)	191,892	-	191,892	(73,760,781)
Bad debt expense	(41,479,178)	-	(41,479,178)	(42,494,345)
Recharacterization of net assets	(831,414)	831,414	-	-
CHANGE IN NET ASSETS	(35,023,267)	849,734	(35,004,947)	(64,639,161)
Net assets, beginning of year	144,305,214	-	145,136,628	209,775,789
Net assets, end of year	\$ 109,281,947	\$ 849,734	\$ 110,131,681	\$ 145,136,628

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, 2022

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related expenses	\$ 31,666,273	\$ 27,643,407	\$ 1,013	\$ 27,644,420	\$ 59,310,693
Fringe benefits	9,202,797	4,158,710	267	4,158,977	13,361,774
Allowances	1,165,960	233,427	-	233,427	1,399,387
Consultant fees	2,730,477	479,643	-	479,643	3,210,120
Travel	3,332,256	1,901,585	-	1,901,585	5,233,841
Vehicles and equipment	1,359,133	460,989	-	460,989	1,820,122
Supplies and other	2,299,368	21,656,424	-	21,656,424	23,955,792
Banking and professional fees	1,857,526	1,397,689	137	1,397,826	3,255,352
Occupancy	2,536,226	4,155,516	-	4,155,516	6,691,742
Training and conferences	10,381,001	207,346	-	207,346	10,588,347
Depreciation	4,287	973,467	-	973,467	977,754
Interest	42	18,786,317	-	18,786,317	18,786,359
	<u>66,535,346</u>	<u>82,054,520</u>	<u>1,417</u>	<u>82,055,937</u>	<u>148,591,283</u>
Total expenses before subgrants and subcontracts and bad debt expense					
Subgrants and subcontracts	<u>73,810,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,810,149</u>
	<u>\$ 140,345,495</u>	<u>\$ 82,054,520</u>	<u>\$ 1,417</u>	<u>\$ 82,055,937</u>	<u>\$ 222,401,432</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, 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>
Total expenses before subgrants and subcontracts and bad debt expense					
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 STATEMENTS OF CASH FLOWS

Years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (35,004,949)	\$ (64,639,161)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	977,754	1,269,909
Bad debt expenses	1,683	-
Loss on disposal of equipment	40,648	220,358
Provision for loan loss	41,477,495	42,494,345
Loss on lease	289,159	1,209,815
Unrealized loss (gain) on investment	564,138	(291,990)
Realized loss (gain) on investment	39,958	(129,854)
Loan write-off	1,427,509	-
Loan revaluation	196,605	1,399,587
Changes in assets and liabilities:		
Federal grants receivable	248,632	(44,731)
Other grants receivable	(277,543)	(214,693)
Advances and other receivables	9,821,041	(9,425,756)
Loans and notes receivable	35,817,074	(51,411)
Prepaid expense, deposits, other	558,729	(3,614)
Accounts payable and accrued expenses	(15,872,118)	20,327,394
Notes payable	(7,127)	-
Refundable advances - federal	(3,311,050)	(2,025,746)
Refundable advances - other	(1,700,784)	630,251
Beneficiary savings and reserved funds	(13,297,035)	(11,020,403)
Net returns on loans, reinvested earnings	-	(6,329,109)
Deferred rent	70,014	1,070,805
	<u>22,059,836</u>	<u>(25,554,004)</u>
Net cash provided by operating activities		
Cash flows used in investing activities		
Purchases of investments	(687,299)	(1,180,842)
Proceeds from sales of investments	604,640	716,307
Loan disbursements	(339,512,370)	(409,697,069)
Loan collections	349,814,551	412,606,733
Purchase of property and equipment	(298,698)	(2,161,050)
Proceeds from sales of PP&E	<u>32,344</u>	<u>6,608</u>
	<u>9,953,168</u>	<u>290,687</u>
Net cash used in investing activities		
Cash flows provided by financing activities		
Payments on notes payable	<u>(47,545,520)</u>	<u>(11,969,533)</u>
	<u>(43,865,953)</u>	<u>(11,969,533)</u>
Net cash used in financing activities		
Effect of exchange rates on cash	<u>(10,302,181)</u>	<u>38,017,249</u>
	<u>(25,834,697)</u>	<u>784,399</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents		
Beginning	<u>98,566,568</u>	<u>97,782,169</u>
Ending	<u>\$ 72,731,871</u>	<u>\$ 98,566,568</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 18,786,359</u>	<u>\$ 30,254,639</u>

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

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022 and 2021

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 Global (UK) Charitable Incorporated Organization ("PactUK"), and Pact Ventures ("Ventures").

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.

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. 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. Since 1997, PGMF's microfinance operations have reached nearly two million individuals, more than 98% of whom are women, across 88 townships. Please see Note 20 for details on the going concern related to PGMF.

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 program initiatives. With a particular focus on the Foreign, Commonwealth and Development Office ("FCDO") of the British Government, Pact UK has expanded 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 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 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 2022.

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 2022.

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").

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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 net assets with donor restrictions at September 30, 2022 and 2021, totaling \$849,734 and \$831,414, 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 \$53 million and \$73 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2022 and 2021, 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.

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, 2022 and 2021.

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, 2022 and 2021.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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, 2022 and 2021, there were no impairments. There were write-offs of \$1.4 million and \$0 for the fiscal years 2022 and 2021, 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.

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.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Revenue Recognition

Revenue from contracts is recognized in accordance with Accounting Standards Committee ("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 and the barriers to entitlement have been met. 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.

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.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

dollars used in the translation of the consolidated statements of financial position items denominated in foreign currencies was 2100.93 and 1,927.10 in Myanmar Kyat (“MMK”) at September 30, 2022 and 2021, respectively. A foreign exchange loss of \$19,176,602 was recorded in 2022 and a loss of \$73,760,781 in 2021.

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 consolidated 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

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.

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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 2021 financial statements have been reclassified to correspond to the presentation in the 2022 financial statements. The reclassifications had no impact on net assets at September 30, 2021.

NOTE 2 - FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Fair Value Measurement Topic of the 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, 2022 and 2021.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The following table presents Pact's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2022 and 2021:

Description	2022			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Fixed income - short-term bond	\$ 1,190,844	\$ -	\$ -	\$ 1,190,844
Fixed income - intermediate term bond	294,737	-	-	294,737
Equity - large value	765,676	-	-	765,676
Equity - diversified emerging markets	198,792	-	-	198,792
Equity - world stock	342,044	-	-	342,044
Equity - information technology sector	67,483	-	-	67,483
	2,859,576	-	-	2,859,576
Note investment	-	-	156,370	156,370
	2,859,576	-	156,370	156,370
Money market funds	11,475	-	-	11,475
	<u>\$ 2,871,051</u>	<u>\$ -</u>	<u>\$ 156,370</u>	<u>\$ 3,027,421</u>
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>

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Investment income (loss) consists of the following for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 82,658	\$ 55,798
Realized and unrealized gain (loss) on investments	(566,814)	421,844
Investment fees	<u>(16,000)</u>	<u>(16,000)</u>
	<u>\$ (500,156)</u>	<u>\$ 461,642</u>

Pact's investments as of September 30, 2022 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subrecipient advances	\$ 3,489	\$ 693,753
Employee advances	511,597	230,856
Cross currency swap	-	10,000,000
Other receivables	<u>850,553</u>	<u>262,070</u>
	<u>\$ 1,365,639</u>	<u>\$ 11,186,679</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, 2022 and 2021, are due within the next 12 months. Loans outstanding for the years ended September 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Loans receivable	\$ 261,036,151	\$ 295,897,187
Interest receivable	6,444,600	9,077,111
Less: loan loss allowance	<u>(86,413,142)</u>	<u>(45,130,569)</u>
Net loan portfolio	<u>\$ 181,067,609</u>	<u>\$ 259,843,729</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, 2022 and 2021

A summary of the activity in the allowance for loan losses for the years ended September 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 45,130,569	\$ 4,327,533
Provision for loan losses	41,479,178	42,202,623
Revaluation	<u>(196,605)</u>	<u>(1,399,587)</u>
 Balance at end of year	 <u>\$ 86,413,142</u>	 <u>\$ 45,130,569</u>

Loans are considered delinquent if they have not been repaid when due. See Note 16 for more information on the \$86 million loan loss provision. As of September 30, 2022 and 2021, PGMF had delinquencies totaling \$92 million and \$186 million, respectively. As of September 30, 2022 and 2021, the average effective yield on loans receivable was 29.5%.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at September 30, 2022 and 2021, and depreciation expense for the years ended September 30, 2022 and 2021, are as follows:

<u>2022</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	\$ 3,571,805	\$ (3,456,032)	\$ 115,773	\$ 214,631
Leasehold improvements	11	1,055,301	(563,337)	491,965	144,460
Property and equipment	3-10	<u>5,960,415</u>	<u>(4,021,889)</u>	<u>1,938,526</u>	<u>618,663</u>
		<u>\$10,699,025</u>	<u>\$ (8,041,258)</u>	<u>\$ 2,657,767</u>	<u>\$ 977,754</u>
<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>

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accrued personnel expenses	\$ 7,789,780	\$ 7,743,460
Accounts payable and accrued expenses	<u>15,310,691</u>	<u>31,229,128</u>
 Total accounts payable and accrued expenses	 <u>\$ 23,100,471</u>	 <u>\$ 38,972,588</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, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Savings (compulsory)	\$ 16,279,193	\$ 23,774,839
Savings (voluntary)	<u>32,266,561</u>	<u>37,344,666</u>
 Total deposits from customers	 <u>\$ 48,545,754</u>	 <u>\$ 61,119,505</u>

During fiscal years 2022 and 2021, the annual effective interest rate on compulsory deposits was 14% in 2022 and 14% in 2021 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, 2022 and 2021, other client liabilities consist of the following:

	<u>2022</u>	<u>2021</u>
Beneficiary Welfare Fund	\$ 18,627,334	\$ 19,261,689
Employee Benefit Fund	<u>3,405,958</u>	<u>3,494,887</u>
 Total other client liabilities	 <u>\$ 22,033,292</u>	 <u>\$ 22,756,576</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, 2022 and 2021

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, 2022 and 2021 was \$176,533. Loan fund assets (microfinance products) owned by various funding agencies experienced a net gain on loans of \$6,329,109 in 2021, on the consolidated statements of activities. There was no net gain in 2022.

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 \$1,677,465 and \$1,710,964, for the years ended September 30, 2022 and 2021, 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, 2022 and 2021

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 \$5.3 million and \$6 million for the years ended September 30, 2022 and 2021, respectively.

Total future lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Uline Payments</u>
2023	\$ 3,672,733
2024	4,339,472
2025	4,392,444
2026	2,940,000
2027	2,694,226
Thereafter	<u>22,730,544</u>
	<u>\$ 40,769,419</u>

Total future sub-lease receipts are as follows:

<u>Years Ending September 30,</u>	
2023	\$ 889,178
2024	920,272
2025	952,516
2026	<u>162,910</u>
	<u>\$ 2,924,876</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 2022 or FY 2021.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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, 2022 and 2021. A liability has not been recognized for countries where management is unable to make a reasonable estimate as of September 30, 2022 and 2021.

NOTE 12 - MAJOR GRANTOR

During the years ended September 30, 2022 and 2021, 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, 2022 and 2021, approximately 61% and 60%, respectively, of total revenue was related to grants funded directly by USAID. Another 15% and 12% of Pact's revenues in the fiscal years ended September 30, 2022 and 2021, respectively, were funded indirectly by USAID through subawards and subcontracts to other development partners that Pact engaged with during both fiscal years 2022 and 2021.

NOTE 13 - CONDITIONAL GRANTS AND CONTRIBUTIONS

Conditional promises to give are not recognized until all conditions are substantially met. As of September 30, 2022, Pact had approximately \$9.6 million in unrecognized conditional grants and contributions, of which \$4 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 \$2,821,811 and \$1,754,144 for the years ended September 30, 2022 and 2021, respectively. Pact's contract receivable balance as of September 30, 2022 was \$237,763. Deferred revenue for contracts which is recognized within other refundable advances on the statement of financial position was \$28,346 and \$167,590 on September 30, 2022 and 2021, respectively. The balance of deferred revenue will be recognized as revenue during the period services are rendered or milestones are achieved.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 15 - INTEREST EXPENSE

Interest expense for the years ended September 30, 2022 and 2021, includes:

	2022	2021
Interest on client deposits and other client liabilities	\$ 18,786,359	\$ 30,071,367
Interest on line of credit	-	183,264
Total interest expense	<u>\$ 18,786,359</u>	<u>\$ 30,254,631</u>

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 2022 and 2021.

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.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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.

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 33.1% loan loss provision in FY 2022 after considering actual cash collections, the Covid pandemic, security challenges related to the coup d'état in Myanmar, and other crises. The FY 2021 loss provision was based on the Myanmar statutory rate of 1% which management also determined was appropriate for the portfolio at September 30, 2021.

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

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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.

Loan Portfolio Summary

<u>2022</u>	<u>No. of Loans</u>	<u>Amount</u>
Current loan	712,281	\$ 168,870,673
Past due loans:		
1-90 days	21,530	3,652,110
91-180 days	18,730	2,942,120
181-270 days	54,240	8,833,201
271-365 days	97,107	16,536,767
Over 365 days	325,026	59,990,540
	<u>1,228,914</u>	
Total		
Gross carrying amount		260,825,411
Loan impairment allowance		<u>(44,779,852)</u>
Net carrying amount		<u>\$ 216,045,559</u>
<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>

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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:

	2022	2021
	<u>Amount (USD)</u>	<u>Amount (USD)</u>
Magway South	\$ 21,622,887	\$ 26,730,914
Magway North/Sagaing	25,390,455	29,883,347
Sagaing East	18,844,652	23,472,165
Sagaing West	12,758,346	15,468,371
Mandalay/ Shan North	28,760,659	34,845,329
Shan South	28,549,973	32,000,864
Shan (LIVE)	12,246,925	10,397,401
Delta West	28,511,539	31,131,641
Delta East	24,111,633	25,542,877
Rakhine	18,816,350	23,318,750
Delta North	20,986,926	22,360,295
Yangon	19,422,541	20,745,233
Tanintharyi	802,526	-
	<u>\$ 260,825,412</u>	<u>\$ 295,897,187</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, 2022 and 2021:

	2022	
	<u>No. of Loan to</u>	<u>Amount (USD)</u>
	<u>Borrowers</u>	
General loan	824,695	\$ 126,719,272
Extra loan	1,664	81,913
MSE loan	824	202,755
Health Care loan	1,093	84,345
Education loan	7,680	417,478
Agriculture loan	167,638	42,794,386
Lease loan	342	304,035
Individual loan	105,698	73,612,677
Home Improvement loan	60,190	11,085,060
Extra loan (individual)	199	102,365
COVID-19 Tea Shop loan	962	437,965
COVID-19 Respond loan	40,395	2,928,511
COVID-19 Relief loan	17	1,283
Fresh start loan	17,517	2,053,364
	<u>1,228,914</u>	<u>\$ 260,825,411</u>

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	2021	
	No. of Loan to Borrowers	Amount (USD)
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		

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 \$19 million in foreign exchange loss in FY2022 and \$74 million in foreign exchange loss in FY2021, due to the 9% and 14.7% changes in the value of the U.S. dollar compared to the MMK during the fiscal years ended September 30, 2022 and 2021, 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 \$42,215,755 and \$58,742,927 as of September 30, 2022 and 2021, respectively, which represents 18.7% and 17.7% of PGMF's total assets for the fiscal years ended September 30, 2022 and 2021, respectively.

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.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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.

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>2022</u>	<u>2021</u>
At period end	87%	96%
Average for the period	127%	78%
Maximum for the period	164%	104%
Minimum for the period	87%	48%

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;

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

- Documentation of controls and procedures;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation including insurance where this is effective.

NOTE 17 - 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, 2022 and 2021, was 7.25% and 4.25%, respectively, including a Prime Rate of 6.25% and 3.25% as of September 30, 2022 and 2021, respectively. 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 18 - 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 10 organizations have provided funds to PGMF.

PGMF has obtained funds from different sources to provide microfinance services to more and more borrowers as Myanmar are demanding microfinance services especially in remote areas. According to the success and reputation of PGMF, Government and below organizations have provided funds to PGMF. They are:

- A. Blue Orchard
- B. Yoma Bank
- C. CB Bank
- D. AGD Bank
- E. JAPAN ASEAN Women Empowerment Fund
- F. Microfinance Initiative for Asia (MIFA)
- G. Microfinance Enhancement Facility (MEF)
- H. Belgian Investment Company
- I. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO)
- J. SIFEM AG (acting by Obviam DFI AG)

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

In March 2020, a loan of MMK 4,505,552,500 valued at the end of September 2020 (or \$3.4 million) was taken out and 100 % was 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.

A. Blue Orchard

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

<u>Agreement No.</u>	<u>Loan Amount (USD)</u>	<u>Loan Amount (MMK)</u>	<u>Interest Rate</u>	<u>Loan Repayment Currency</u>	<u>Loan Repayment</u>
PACMY002	\$ 3,000,000	\$ 3,996,000,000	13%	MMK	100% in maturity date (April 2020)
PACMY003	3,000,000	3,996,000,000	13%	MMK	100% in maturity date (April 2020)
PACMY004	5,357,914	7,195,678,515	13%	MMK	100% in maturity date (May 2021)
PACMY011	5,000,000	7,562,500,000	13%	MMK	100% in maturity date (Aug. 2021)
PACMY010	2,500,000	3,605,500,000	16%	MMK	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	7,950,975,000	7.45%	USD	Four equal installments in Oct. 2020, Oct. 2021, April 2022 and Oct. 2022
PACMY012	5,000,000	6,625,812,500	6.75%	USD	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.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

B. 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.

C. 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.

D. AGD Bank

In 2019, PGMF borrowed MMK 10 billion (equivalent to \$6,553,900) from AGD Bank with an interest rate of 12% per annum payable on a quarterly basis, and a maturity date of September 3, 2022. This loan was paid in full during fiscal year 2022.

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.

E. 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.

F. 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.

G. 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.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

H. 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.

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

PGMF has taken \$15 million loan from 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.

J. 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.

Total accrued interest for these loans totaled \$595,628 and \$1,378,485 at September 30, 2022 and 2021, 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>Principal Payments for the Fiscal Year Ending September 30:</u>	<u>Amount</u>
2023	\$ 33,974,145
2024	13,268,355
2025	<u>2,102,363</u>
Total	<u>\$ 49,344,863</u>

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 19 - 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, 2022 and 2021, the following financial assets are available to meet annual operating needs of the 2022 and 2021 fiscal year:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 72,731,871	\$ 98,566,568
Federal grants receivable	4,097,726	4,346,358
Other grants receivable	1,789,430	1,511,886
Employee Advances and other receivables	749,620	230,856
Investments maturing within one year available for general purposes	<u>2,871,051</u>	<u>3,392,488</u>
Total financial assets at year end	82,239,698	108,048,155
Less amounts not available to be used within one year:		
Refundable advances - federal	3,984,555	7,295,605
Refundable advances - other	5,601,027	7,301,811
PGMF local currency cash	<u>42,215,755</u>	<u>58,723,199</u>
Financial assets not available to be used for general expenditures	<u>51,801,337</u>	<u>73,320,614</u>
Financial assets available to meet general expenditures within one year	<u>\$ 30,438,361</u>	<u>\$ 34,727,541</u>

NOTE 20 - 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 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 did not establish a swap with similar terms upon expiration.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 21 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have been restricted by donors at September 30, 2022 for the following purposes:

Alternate energy source projects	\$	812,897
Carbon footprint reduction		30,000
Women in artisanal mining		6,837
		<hr/>
	\$	849,734
		<hr/>

NOTE 22 - RELEASE OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions totaling \$ 127,943 were released from restriction for alternate energy source projects during the fiscal year ended September 30, 2022.

NOTE 23 - RISKS AND UNCERTAINTIES

Ukraine

On February 24, 2022, the Russian Federation invaded the country of Ukraine. While Pact programs in Ukraine have continued and new funding has been received, all programming is at risk of disruption by the ongoing warfare.

PGMF

The accompanying consolidated financial statements include the financial statements of the Pact Global Microfinance Fund (PGMF). As of June 26, 2023, management has identified the following conditions that raise substantial doubt about PGMF's ability to continue operating as a going concern in Myanmar in to the foreseeable future.

Under The Myanmar Companies Law (The Pyidaungsu Hluttaw Law No. 29, 2017), PGMF is required to transform from a non-profit microfinance organization to a private company registered to conduct microfinance activities. PGMF has been given a deadline of June 30, 2023, to complete that transformation. PGMF is waiting for final government approvals to register as a private company before the deadline, and it remains uncertain if such transformation will be complete by that date. Additionally, PGMF is not permitted to register or remain as a non-profit microfinance institution operating microfinance activity under the new Organization Registration Law - State Administration Council Law No. 45/2022.

Furthermore, the government of Myanmar has taken the following actions impacting PGMF's operations:

- In December 2022, visas were not extended to foreign staff.
- On December 27, 2022, FRD prohibited all MFIs from making principal payments on any foreign debt.

In January 2023, FRD issued a notification prohibiting PGMF from making any new loans to clients and limiting activities to payment collection and return of savings. FRD also issued a notification prohibiting the payment of principal on foreign debt.

- As of January 2023, FRD and the Central Bank have prohibited foreign payments greater than \$250,000.

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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

NOTE 24 - SUBSEQUENT EVENTS

Pact evaluated its consolidated financial statements for subsequent events through June 27, 2023, the date the consolidated financial statements were available to be issued.

PGMF continues to be required to transform to a private company, and as described in Note 20, management has the expectation that the necessary approvals will not be received and PGMF will be unable to continue operations in Myanmar. The government of Myanmar has taken the following steps since September 30, 2022:

- On October 28, 2022, the Myanmar Registration of Associations Law of 2022 required that all Micro Finance Institutions (MFI/s) must register as private companies in compliance with the Financial Regulatory Department (FRD) regulations (2019) and cannot remain registered as NGOs.
- On December 27, 2022, FRD prohibited all MFIs from making principal payments on any foreign debt.
- In January 2023, FRD issued a notification extending the transformation deadline from December 31, 2022 to June 30, 2023 and prohibiting PGMF from making any new loans to clients and limiting ongoing activities exclusively to payment collection and return of savings.
- As of January 2023, FRD and the Central Bank prohibited payments out of Myanmar greater than \$250,000.

SUPPLEMENTAL SCHEDULES

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2022

	Pact, Inc.	UK	PIGMY	Microfinance Holding	Pact Ventures	Eliminations	Total
ASSETS							
Cash and cash equivalents	\$ 28,973,110	\$ 1,543,006	\$ 42,215,755	\$ -	\$ -	\$ -	\$ 72,731,871
Investments	2,742,272	-	-	-	-	128,779	2,871,051
Federal grants receivable	4,097,726	-	-	-	-	-	4,097,726
Other grants receivable	1,122,369	353,547	313,513	-	-	-	1,789,429
Advances and other receivables	777,106	8,022	580,511	-	-	-	1,365,639
Prepaid expenses and deposits	1,102,304	17,841	535,742	-	-	-	1,655,887
Notes receivable	156,370	-	-	-	-	-	156,370
Loan portfolio, net of loan loss reserve	209,058	-	180,858,551	-	-	-	181,067,609
Due from related party	941,362	149,726	-	1	-	(1,091,089)	-
Property and equipment, net	1,877,872	-	779,895	-	-	-	2,657,767
Total assets	<u>\$ 41,999,549</u>	<u>\$ 2,072,142</u>	<u>\$ 225,283,967</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (962,310)</u>	<u>\$ 268,393,349</u>
LIABILITIES AND NET ASSETS							
Accounts payable and accrued expenses	\$ 16,725,643	\$ 37,770	\$ 6,335,231	\$ -	\$ 1,827	\$ -	\$ 23,100,471
Beneficiary savings and reserved funds	-	-	70,579,046	-	-	-	70,579,046
Net return on loans, reinvested earnings	-	-	176,533	-	-	-	176,533
Notes payable	7,856	-	49,337,007	-	-	-	49,344,863
Refundable advances - federal	3,984,555	-	-	-	-	-	3,984,555
Refundable advances - other	4,010,865	1,590,162	-	-	-	-	5,601,027
Deferred rent	5,475,173	-	-	-	-	-	5,475,173
Due to related party	554,282	370,456	39,398	-	126,952	(1,091,088)	-
Total liabilities	<u>30,758,374</u>	<u>1,998,388</u>	<u>126,467,215</u>	<u>-</u>	<u>128,779</u>	<u>(1,091,088)</u>	<u>158,261,668</u>
Net assets							
Without donor restrictions	10,391,441	73,754	98,816,752	1	(128,779)	128,778	109,281,947
With donor restrictions	849,734	-	-	-	-	-	849,734
Total net assets	<u>11,241,175</u>	<u>73,754</u>	<u>98,816,752</u>	<u>1</u>	<u>(128,779)</u>	<u>128,778</u>	<u>110,131,681</u>
Total liabilities and net assets	<u>\$ 41,999,549</u>	<u>\$ 2,072,142</u>	<u>\$ 225,283,967</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (962,310)</u>	<u>\$ 268,393,349</u>

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2021

	Pact, Inc.	Pact UK	PGMF	Pact Ventures	Eliminations	Total
ASSETS						
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>
LIABILITIES AND NET ASSETS						
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 ACTIVITIES

September 30, 2022

	<u>Inc</u>	<u>UK</u>	<u>PGMF</u>	<u>Microfinance Holding Co.</u>	<u>Pact Ventures LLC</u>	<u>Eliminations</u>	<u>Total</u>
Support and revenue							
Support:							
Grants and contracts	\$ 159,356,199	\$ 3,098,727	\$ -	\$ -	\$ -	\$ -	\$ 162,454,926
Contributions	187,725	300,089	-	448	-	(300,000)	188,262
Microfinance loan activities	-	-	59,501,061	-	-	-	59,501,061
Fee income on microfinance loans	-	-	6,665,931	-	-	-	6,665,931
Investment income (loss)	(512,337)	-	12,181	-	-	-	(500,156)
Other revenue	352,184	429	5,723,851	-	-	(5,702,717)	373,747
Total support and revenue	<u>159,383,771</u>	<u>3,399,245</u>	<u>71,903,024</u>	<u>448</u>	<u>-</u>	<u>(6,002,717)</u>	<u>228,683,771</u>
Expenses							
Program services	<u>137,426,825</u>	<u>2,829,206</u>	<u>89,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,345,495</u>
Total program services	<u>137,426,825</u>	<u>2,829,206</u>	<u>89,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,345,495</u>
Supporting service:							
Management and general	22,003,515	787,368	59,263,637	-	-	-	82,054,520
Fundraising	1,417	-	-	-	-	-	1,417
Total supporting expenses	<u>22,004,932</u>	<u>787,368</u>	<u>59,263,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,055,937</u>
Total expenses	<u>159,431,757</u>	<u>3,616,574</u>	<u>59,353,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,401,432</u>
Change in net assets before other gains and losses	<u>(47,986)</u>	<u>(217,329)</u>	<u>12,549,923</u>	<u>448</u>	<u>-</u>	<u>(6,002,717)</u>	<u>6,282,339</u>
Other gains and losses							
Bad debt expense	(5,704,400)	-	(41,477,495)	-	-	5,702,717	(41,479,178)
Unrealized foreign exchange gain	-	-	191,892	-	-	-	191,892
Contribution Expense	(300,000)	-	-	-	-	300,000	-
	<u>(6,004,400)</u>	<u>-</u>	<u>(41,285,603)</u>	<u>-</u>	<u>-</u>	<u>6,002,717</u>	<u>(41,287,286)</u>
CHANGE IN NET ASSETS	<u>(6,052,386)</u>	<u>(217,329)</u>	<u>(28,735,680)</u>	<u>448</u>	<u>-</u>	<u>-</u>	<u>(35,004,947)</u>
Net assets, beginning of the year	<u>17,293,561</u>	<u>291,083</u>	<u>127,552,432</u>	<u>(447)</u>	<u>(128,779)</u>	<u>128,778</u>	<u>145,136,628</u>
Net assets, end of the year	<u>\$ 11,241,175</u>	<u>\$ 73,754</u>	<u>\$ 98,816,752</u>	<u>\$ 1</u>	<u>\$ (128,779)</u>	<u>\$ 128,778</u>	<u>\$ 110,131,681</u>

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year ended September 30, 2021

	Pact, Inc.	Pact UK	PGMF	Pact Ventures	Eliminations	Total
Support and revenue						
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
Total support and revenue	185,714,924	3,851,751	114,675,880	-	(13,902,912)	290,339,643
Expenses						
Program services	154,355,134	3,159,830	771,218	-	-	158,286,182
Total program services	154,355,134	3,159,830	771,218	-	-	158,286,182
Supporting services:						
Management and general	22,803,955	616,066	63,077,980	-	(6,077,967)	80,420,034
Fundraising	17,462	-	-	-	-	17,462
Total supporting services	22,821,417	616,066	63,077,980	-	(6,077,967)	80,437,496
Total expenses	177,176,551	3,775,896	63,849,198	-	(6,077,967)	238,723,678
Change in net assets before other gains and losses	8,538,373	75,855	50,826,682	-	(7,824,945)	51,615,965
Other gains and losses						
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)
CHANGE IN NET ASSETS	673,954	60,991	(65,374,106)	-	-	(64,639,161)
Net assets (deficit) without donor restrictions						
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

SCHEDULE OF FUNCTIONAL EXPENSES - PACT, INC.

September 30, 2022

	Program Services					Supporting Services				
	USAID Funded Directly	USAID Funded Indirectly	Other Federal	Non-Federal	Unrestricted Program Expenses	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
	Salaries and related expense	\$ 19,873,076	\$ 5,366,548	\$ 1,130,893	\$ 4,207,479	\$ 154,044	\$ 30,732,040	\$ 12,359,074	\$ 1,013	\$ 12,360,087
Fringe benefit	5,814,065	1,535,136	339,575	1,125,634	81,704	8,896,114	3,290,997	267	3,291,264	12,187,378
Allowances	672,020	236,018	21,906	230,054	5,963	1,165,961	992	-	992	1,166,953
Consultant Fees	844,753	466,721	87,128	1,175,792	33,866	2,608,258	452,360	-	452,360	3,060,618
Travel	2,144,476	566,274	106,474	405,076	5,369	3,227,669	512,163	-	512,163	3,739,831
Vehicles and equipment	907,371	101,157	42,844	219,931	4,422	1,275,726	125,965	-	125,965	1,401,691
Supplies and other	1,453,799	305,627	28,079	161,880	116,000	2,065,385	1,391,422	-	1,391,422	3,456,807
Banking and professional fees	1,316,262	246,656	35,517	191,511	45,388	1,835,335	1,110,564	137	1,110,701	2,946,035
Occupancy	1,667,875	395,130	54,337	340,030	1,142	2,458,514	2,729,585	-	2,729,585	5,188,099
Training and conferences	7,064,930	1,121,833	157,219	1,474,755	44,025	9,862,762	113,411	-	113,411	9,976,173
Depreciation	250	-	-	50	-	300	334,918	-	334,918	335,218
Interest	-	-	-	-	42	42	169,584	-	169,584	169,626
Affiliate admin cost recovery	-	-	-	-	-	-	(587,521)	-	(587,521)	(587,521)
	<u>41,758,877</u>	<u>10,341,100</u>	<u>2,003,972</u>	<u>9,532,191</u>	<u>491,964</u>	<u>64,128,105</u>	<u>22,003,515</u>	<u>1,417</u>	<u>22,004,933</u>	<u>86,133,037</u>
Subgrants and subcontracts	<u>56,525,964</u>	<u>11,108,139</u>	<u>822,326</u>	<u>4,841,254</u>	<u>1,037</u>	<u>73,298,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,298,720</u>
	<u>98,284,841</u>	<u>21,449,239</u>	<u>2,826,298</u>	<u>14,373,446</u>	<u>493,002</u>	<u>137,426,825</u>	<u>22,003,515</u>	<u>1,417</u>	<u>22,004,933</u>	<u>159,431,757</u>
Bad debt expense	-	-	-	-	1,683	1,683	5,702,717	-	5,702,717	5,704,400
Contribution expense	-	-	-	-	-	-	300,000	-	300,000	300,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,683</u>	<u>1,683</u>	<u>6,002,717</u>	<u>-</u>	<u>6,002,717</u>	<u>6,004,400</u>
	<u>\$ 98,284,841</u>	<u>\$ 21,449,239</u>	<u>\$ 2,826,298</u>	<u>\$ 14,373,446</u>	<u>\$ 494,685</u>	<u>\$ 137,428,508</u>	<u>\$ 28,006,232</u>	<u>\$ 1,417</u>	<u>\$ 28,007,650</u>	<u>\$ 165,436,157</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 UK

September 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 865,722	\$ 99,832	\$ 965,553
Fringe benefits	306,683	26,429	333,112
Consultant fees	122,220	6,815	129,035
Travel	98,590	-	97,857
Vehicles and equipment	82,098	-	82,098
Supplies and others	230,831	22,214	253,778
Banking and professional fees	22,191	43,774	65,965
Occupancy	71,637	788	72,425
Training and conferences	517,804	-	517,804
Affiliate admin cost recovery	-	587,521	587,521
	<u>2,317,776</u>	<u>787,372</u>	<u>3,105,147</u>
Subgrants and subcontracts	<u>511,429</u>	<u>-</u>	<u>511,429</u>
	<u>\$ 2,829,206</u>	<u>\$ 787,372</u>	<u>\$ 3,616,577</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 GLOBAL MICROFINANCE FUND

September 30, 2022

	Program Services	Management and General	Total Expenses
Salaries and related expense	\$ 68,510	\$ 15,184,505	\$ 15,253,014
Fringe benefits	-	841,285	841,285
Allowances	-	232,436	232,436
Consultant fees	-	20,468	20,468
Travel	5,996	1,390,155	1,396,152
Vehicles and equipment	1,309	335,024	336,333
Supplies and others	3,152	20,242,055	20,245,207
Banking and professional fees	-	243,351	243,351
Occupancy	6,075	1,425,143	1,431,218
Training and conferences	435	93,935	94,370
Depreciation	3,987	638,549	642,536
Interest	-	18,616,733	18,616,733
	<u>89,464</u>	<u>59,263,638</u>	<u>59,353,101</u>
Bad debt expense	-	41,477,495	41,477,495
Foreign exchange gain	-	(191,892)	(191,892)
	<u>\$ 89,464</u>	<u>\$ 100,549,241</u>	<u>\$ 100,638,704</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	39,255	73,974,421	74,013,676
	<u>\$ 810,473</u>	<u>\$ 179,239,513</u>	<u>\$ 180,049,986</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, 2022

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received (Refunded)
EPRM Mauritania Gold	B1953	EPRM Mauritania Gold	\$ 202,622	\$ 268,824
European Union	B3001	SEEEK II	1,228,079	1,759,989
European Union	B3809	RASMI	(3,105)	28,942
European Union	B3818	SEIam, EKisil (SEEEK)	(4,777)	17,066
British Council	B3852	CSSP2	222,677	475,201
London Metals Exchange	B3950	Reducing Child Labour in Zambian ASM	385,430	-
The European Commission	B3962	RASMI II	656,871	-
Department for International Development (DFID)	B4786	Nepal's National Health Sector Program III-Monitor	363,707	399,084
Foreign, Commonwealth and Development Office	B4799	SPACE	6	-
World Bank	Z1002	State of the Artisanal & Small-Scale Mining Sector	42,827	33,271
JDE	Z1003	JDE Collaboration to Establish Carbon Footprint	32,511	-
Geological Institute of America, Inc.	Z1806	GIA Regional M2M Program	972	-
Tiffany and Company	Z1955	Strengthening ASM Across Africa	220,408	150,000
IKEA	Z2001	IKEA GF_Service Order 1_Responsible Cobalt Sourc	47,274	-
Trafigura	Z3023	DRC- Rubamin 2021 Capacity Development Program	41,390	42,178
World Bank	Z3030	Scaling Up and Out: Innovating Gemstone SC	226,477	220,000
Deutsche Gesellschaft fur Intr Zusammenarbeit	Z3043	Ethiopia Cash Transfers Program-Cash for Community	1,260,512	-
IKEA	Z3080	IKEA Rwanda Illuminating ASM Phase 1	185,846	-
ITA	Z3114	ITA DRC ITA Supply Chain Initiative (ITSCI) 2022	4,999,734	4,533,802
Shell International	Z3115	Capacity Building Support for Productive Use	176,526	315,952
Brilliant Earth Foundation	Z3116	Brilliant Earth Kenya Moyo Gems RMTW	60,012	190,000
Trafigura	Z3117	DRC Trafigura Artisanal Small-Scale Mining Cobalt	735,061	830,435
Geological Institute of America, Inc.	Z3118	GIA Kenya Gemology Guidebook, and OHS Training	93,135	116,078
3M	Z3119	3M Addressing Child Labor in Cobalt ASM in DRC	18,151	75,000
Trafigura	Z3120	CHEMAF DRC ASM-LSM Partnership	60,162	-
Apple	Z3447	Program Addressing Child Labor Artisanal Mining	367,386	347,892
Rio Tinto	Z3776	Rise Phase II	106,729	79,824
Global Fund To Fight AIDS, Tuberculosis and Malaria	Z3840	Multi-Sectoral Response TBHIV	60,384	-
Trafigura Foundation	Z3842	WIM Malemba-Nkulu	3,717	10,000
Trafigura Foundation	Z3849	WIM Kolwezi - Mutoshi	20,826	14,472
Responsible Business Alliance	Z3898	Apple/RBA Apprenticeship Program-Works 2	442,887	373,000
David and Lucile Packard Foundation	Z3924	Organizational Development Implementation Project	77,317	-
Department of Social Development	Z3930	DSD Government to Government Project	(192)	3,367
Trafigura	Z3944	ASM Cobalt Sector Intervention (ECG)	766,195	775,486
David and Lucile Packard Foundation	Z3947	Organizational Development Implementation Project	80,088	36,721
AOC International B.V.	Z3948	Capacity Building for Artisanal Mining in the Grea	44,492	53,200
Deutsche Gesellschaft fur Intr Zusammenarbeit	Z3951	Piloting NAP implementation in Sierra Leone	222,719	135,890
International Tin Association Ltd	Z3952	ITSCI Framework Agreement for Services	1,641,766	2,259,491
The Coca Cola Foundation	Z4011	The Empowerment for People in Need (E4PIN) project	307,838	400,000
United Nations Children's Fund	Z4020	Unilever Donation of Essential Food Packages	535	-
WorldFish	Z4100	Tracking and Sharing Multi-Sector Issues with Tech	138,965	120,000
The Coca Cola Foundation	Z4103	Myanmar Donation of Basic Food and WASH supplies	57,121	56,922
Foreign, Commonwealth and Development Office	Z4104	Ukraine Supporting Women, Peace and Security	205,755	-
Chevron	Z4105	Chevron Indonesia Aquaculture - Myanmar Funds Reap	1,686	-
Rockefeller Foundation	Z4829	Smart Power Myanmar Facility	15	-
The Coca Cola Foundation	Z4836	Swan Yi III	(7)	-
Global Affairs Canada	Z4867	Women's Voice and Leadership Program	793,729	715,653
Rockefeller Foundation	Z4905	SPM Data Concept	244,010	-
Chevron Corporation	Z4911	Yaung Chi	221,133	-
Global Affairs Canada	Z4917	Women Included: Nurturing Growth and Security (WINGS)	1,150,077	489,645
International Center for Living Aquatic Resources	Z4918	Small-Scale Aquaculture Investments for Livelihood	35	29,378
Rockefeller Foundation	Z4949	SPM Follow-on	2,179,225	2,500,000
Lowell Mineral Explo	Z5009	Pact Support to Solaris - Warintza Model ASM Strat	54,469	81,423
Stiching Aids Fonds	ZY006	Hosting-Program Manager Policy & Advocacy US	185,073	-
The Shell Company of Thailand Limited	ZY012	Shell Thailand - Access to Energy and Water Resour	24,745	41,168
Total			\$ 20,651,225	\$ 17,979,353

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	SElam, 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 and 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	-
Total			\$ 23,769,925	\$ 24,416,291