

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**Pact, Inc. and Affiliates**

September 30, 2020 and 2019

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Pact, Inc. and Affiliates

### Report on the financial statements

We have audited the accompanying consolidated financial statements of Pact, Inc. and Affiliates ("Pact"), which comprise the consolidated statements of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

**Opinion**

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

**Other matters**

The consolidated financial statements of Pact as of and for the year ended September 30, 2019 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2019 consolidated financial statements in their report dated May 11, 2020.

**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, 2020 and 2019, and the Consolidating Schedule of Activities, Schedule of Functional Expenses - Pact, Inc., Schedule of Functional Expenses - Pact Institute, Inc., Schedule of Functional Expenses – Pact UK, Schedule of Functional Expenses – Pact Global Microfinance Fund, Schedule of Functional Expenses – Pact Ventures, Schedule of Program Expenditures and Cash Received of Non-U.S. Federal Government Awards - Pact, Inc. and Pact UK, and the Schedule of Program Expenditures and Cash Received - Pact Institute, Inc. for the years ended September 30, 2020 and 2019 are presented for additional analysis and are not a required part of the consolidated financial statements. The predecessor auditors expressed an unmodified opinion on the 2019 supplementary information in their report dated May 11, 2020. 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.



Arlington, Virginia  
June 28, 2021

**Pact, Inc. and Affiliates**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2020 and 2019**

|  | <b>2020</b>           | <b>2019</b>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Cash and cash equivalents                                    | \$ 97,782,169         | \$ 45,873,273         |
| Investments  | 2,922,328             | 5,391,343             |
| Federal grants receivable                                    | 4,301,627             | 6,781,484             |
| Other grants receivable                                      | 1,328,552             | 2,915,982             |
| Advances and other receivables                               | 1,855,486             | 1,852,855             |
| Prepaid expenses and deposits                                | 2,396,918             | 2,561,311             |
| Notes receivable   | 156,370               | 371,975               |
| Loan portfolio, net of loan loss reserve                     | 432,529,321           | 273,385,965           |
| Property and equipment, net                                  | 3,437,219             | 2,707,097             |
| Total current assets   | <b>\$ 546,709,990</b> | <b>\$ 341,841,285</b> |
| <b>LIABILITIES AND NET ASSETS</b>                            |                       |                       |
| Accounts payable and accrued expenses                        | \$ 20,068,932         | \$ 14,760,821         |
| Beneficiary savings and reserved funds                       | 136,682,320           | 108,576,235           |
| Net returns on loans, reinvested earnings                    | 6,505,642             | 8,153,783             |
| Notes payable  | 155,645,422           | 56,826,116            |
| Refundable advances – federal                                | 9,321,351             | 3,212,794             |
| Refundable advances – other                                  | 6,671,560             | 9,131,766             |
| Deferred rent  | 2,038,974             | 1,514,956             |
|  | <b>336,934,201</b>    | <b>202,176,471</b>    |
| Commitments and contingencies                                |                       |                       |
| <b>Net assets (deficit) (all without donor restrictions)</b> |                       |                       |
| Without donor restrictions – Pact, Inc.                      | 12,037,764            | 7,267,507             |
| Without donor restrictions – Pact Institute, Inc.            | 4,581,843             | 5,398,411             |
| Without donor restrictions – Pact UK                         | 230,092               | 329,553               |
| Without donor restrictions – Pact Global Microfinance Fund   | 192,926,088           | 126,757,657           |
| Without donor restrictions – Pact Global                     | -                     | (43,630)              |
| Without donor restrictions – Pact Ventures                   | 2                     | (44,684)              |
|  | <b>209,775,789</b>    | <b>139,664,814</b>    |
|  | <b>\$ 546,709,990</b> | <b>\$ 341,841,285</b> |

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

**Pact, Inc. and Affiliates**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Years ended September 30, 2020 and 2019**

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| <b>SUPPORT AND REVENUE</b>                         |                |                |
| Grants and contracts                               | \$ 148,328,745 | \$ 148,220,741 |
| Contributions                                      | 103,086        | 10,789         |
| Microfinance loan activities                       | 92,950,704     | 68,518,178     |
| Fee income on microfinance loans                   | 9,106,317      | 879,125        |
| Investment loss                                    | (812,947)      | (555,713)      |
| Other revenue                                      | 554,885        | 418,155        |
| Net return on loans                                | 1,648,141      | 506,737        |
| Total support and revenue                          | 251,878,931    | 217,998,012    |
| <b>EXPENSES</b>                                    |                |                |
| Program services                                   | 129,895,596    | 126,886,523    |
| Total program services                             | 129,895,596    | 126,886,523    |
| <b>SUPPORTING SERVICES</b>                         |                |                |
| Management and general                             | 75,224,414     | 66,512,751     |
| Fundraising  | 27,817         | 10,387         |
| Total supporting services                          | 75,252,231     | 66,523,138     |
| Total expenses                                     | 205,147,827    | 193,409,661    |
| Change in net assets before other gains and losses | 46,731,104     | 24,588,351     |
| <b>OTHER GAINS AND LOSSES</b>                      |                |                |
| Unrealized foreign exchange gain                   | 23,379,871     | 1,025,046      |
| <b>CHANGE IN NET ASSETS</b>                        | 70,110,975     | 25,613,397     |
| <b>NET ASSETS (ALL WITHOUT DONOR RESTRICTIONS)</b> |                |                |
| Beginning  | 139,664,814    | 114,051,417    |
| Ending   | \$ 209,775,789 | \$ 139,664,814 |

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, 2020

|                               | <b>Supporting Services</b> |                               |                    |                                  | <b>Total Expenses</b> |
|-------------------------------|----------------------------|-------------------------------|--------------------|----------------------------------|-----------------------|
|                               | <b>Program Services</b>    | <b>Management and General</b> | <b>Fundraising</b> | <b>Total Supporting Services</b> |                       |
| Salaries and related expenses | \$ 29,893,396              | \$ 32,428,704                 | \$ 3,793           | \$ 32,432,497                    | \$ 62,325,893         |
| Fringe benefits               | 8,285,519                  | 5,549,340                     | 1,127              | 5,550,467                        | 13,835,986            |
| Allowances                    | 1,740,998                  | 288,356                       | -                  | 288,356                          | 2,029,354             |
| Consultant fees               | 2,336,545                  | 254,031                       | -                  | 254,031                          | 2,590,576             |
| Travel                        | 2,929,978                  | 1,830,706                     | -                  | 1,830,706                        | 4,760,684             |
| Vehicles and equipment        | 787,947                    | 188,287                       | -                  | 188,287                          | 976,234               |
| Supplies and other            | 2,973,987                  | 3,780,287                     | 14,475             | 3,794,762                        | 6,768,749             |
| Banking and professional fees | 2,234,034                  | 1,899,550                     | 8,422              | 1,907,972                        | 4,142,006             |
| Occupancy                     | 2,712,550                  | 3,878,086                     | -                  | 3,878,086                        | 6,590,636             |
| Training and conferences      | 10,036,440                 | 223,450                       | -                  | 223,450                          | 10,259,890            |
| Depreciation                  | 26,376                     | 1,167,879                     | -                  | 1,167,879                        | 1,194,255             |
| Interest                      | 139                        | 23,421,821                    | -                  | 23,421,821                       | 23,421,960            |
| Bad debt expense              | (18,432)                   | 263,540                       | -                  | 263,540                          | 245,108               |
|                               | <u>63,939,477</u>          | <u>75,174,037</u>             | <u>27,817</u>      | <u>75,201,854</u>                | <u>139,141,331</u>    |
| Subgrants and subcontracts    | <u>65,956,118</u>          | <u>50,377</u>                 | <u>-</u>           | <u>50,377</u>                    | <u>66,006,496</u>     |
|                               | <u>\$ 129,895,595</u>      | <u>\$ 75,224,414</u>          | <u>\$ 27,817</u>   | <u>\$ 75,252,231</u>             | <u>\$ 205,147,826</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, 2019

|                               | <b>Supporting Services</b> |                               |                    |                                  | <b>Total Expenses</b> |
|-------------------------------|----------------------------|-------------------------------|--------------------|----------------------------------|-----------------------|
|                               | <b>Program Services</b>    | <b>Management and General</b> | <b>Fundraising</b> | <b>Total Supporting Services</b> |                       |
| Salaries and related expenses | \$ 28,830,591              | \$ 29,593,189                 | \$ -               | \$ 29,593,189                    | \$ 58,423,780         |
| Fringe benefits               | 8,192,634                  | 4,261,006                     | -                  | 4,261,006                        | 12,453,640            |
| Allowances                    | 2,041,247                  | 430,280                       | -                  | 430,280                          | 2,471,527             |
| Consultant fees               | 2,783,505                  | 801,383                       | -                  | 801,383                          | 3,584,888             |
| Travel                        | 4,939,252                  | 3,247,550                     | -                  | 3,247,550                        | 8,186,802             |
| Vehicles and equipment        | 374,264                    | 133,422                       | -                  | 133,422                          | 507,686               |
| Supplies and other            | 4,102,039                  | 5,309,738                     | 112                | 5,309,850                        | 9,411,889             |
| Banking and professional fees | 1,182,306                  | 2,914,734                     | 10,275             | 2,925,009                        | 4,107,315             |
| Occupancy                     | 2,750,242                  | 2,344,222                     | -                  | 2,344,222                        | 5,094,464             |
| Training and conferences      | 11,076,073                 | 946,643                       | -                  | 946,643                          | 12,022,716            |
| Depreciation                  | 35,899                     | 923,892                       | -                  | 923,892                          | 959,791               |
| Interest expense              | 274,248                    | 15,329,030                    | -                  | 15,329,030                       | 15,603,278            |
|                               | <u>66,582,300</u>          | <u>66,235,089</u>             | <u>10,387</u>      | <u>66,245,476</u>                | <u>132,827,776</u>    |
| Subgrants and subcontracts    | <u>60,304,223</u>          | <u>277,662</u>                | <u>-</u>           | <u>277,662</u>                   | <u>60,581,885</u>     |
|                               | <u>\$ 126,886,523</u>      | <u>\$ 66,512,751</u>          | <u>\$ 10,387</u>   | <u>\$ 66,523,138</u>             | <u>\$ 193,409,661</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, 2020 and 2019

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| <b>Cash flows from operating activities</b>   |                      |                      |
| Change in net assets  | \$ 70,110,975        | \$ 25,613,397        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                      |                      |
| Unrealized (gain) loss on investments   | (224,020)            | 266,811              |
| Realized loss on investments  | 1,225,932            | -                    |
| Provision for loan loss   | 254,338              | 981,697              |
| Loan write-off  | (593,863)            | (123,096)            |
| Loan revaluation  | 592,807              | 16,117               |
| Depreciation  | 1,194,255            | 959,013              |
| Gain on sales of property and equipment   | (33,394)             | (1,827)              |
| Changes in assets and liabilities:  |                      |                      |
| Federal grants receivable   | 2,479,857            | 5,367,292            |
| Other grants receivable   | 1,587,430            | (931,615)            |
| Advances and other receivables  | (2,631)              | 1,303,913            |
| Prepaid expenses and deposits   | 164,393              | (927,939)            |
| Notes receivable  | 215,605              | (371,975)            |
| Increase (decrease) in:   |                      |                      |
| Accounts payable and accrued expenses   | 5,308,111            | 46,917               |
| Beneficiary savings and reserved funds  | 28,106,085           | 22,193,583           |
| Net returns on loans, reinvested earnings   | (1,648,141)          | (506,738)            |
| Deferred rent   | 524,018              | (95,810)             |
| Refundable advances – federal   | 6,108,557            | 295,707              |
| Refundable advances – other   | (2,460,206)          | (2,108,014)          |
| Client loan funds   | -                    | (1,023,792)          |
| Net cash provided by operating activities   | <u>112,910,108</u>   | <u>50,953,641</u>    |
| <b>Cash flows from investing activities</b>   |                      |                      |
| Purchases of investments  | (3,631,303)          | (3,096,290)          |
| Proceeds from sales of investments  | 5,098,406            | 1,560,902            |
| Disbursements for loans   | (663,996,518)        | (273,385,965)        |
| Receipts from collections of loans  | 504,599,880          | 208,110,313          |
| Purchase of property and equipment  | (1,909,600)          | (1,148,233)          |
| Proceeds from sales of PP&E   | 18,617               | -                    |
| Net cash used in investing activities   | <u>(159,820,518)</u> | <u>(67,959,273)</u>  |
| <b>Cash flows from financing activities</b>   |                      |                      |
| Proceeds from notes payables issuance   | 104,834,568          | 31,056,170           |
| Principal payments on notes payable   | (6,015,262)          | -                    |
| Net cash provided by financing activities   | <u>98,819,306</u>    | <u>31,056,170</u>    |
| Net increase in cash and cash equivalents   | 51,908,896           | 14,050,538           |
| <b>Cash and cash equivalents</b>  |                      |                      |
| Beginning   | <u>45,873,273</u>    | <u>31,822,735</u>    |
| Ending  | <u>\$ 97,782,169</u> | <u>\$ 45,873,273</u> |
| <b>Supplemental disclosure of cash flow information</b>                                     |                      |                      |
| Cash paid for interest  | <u>\$ 23,422,028</u> | <u>\$ 15,932,688</u> |

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

## Pact, Inc. and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 and 2019

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

##### *Nature of Activities*

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

Pact, Inc. is an international nonprofit corporation whose mission is to strengthen civil societies around the world in order to achieve social, economic and environmental justice. The business and property of Pact, Inc. are managed and controlled by Pact, Inc.'s volunteer Board of Directors. Pact, Inc. receives a majority of its funding from the U.S. Agency for International Development ("USAID") and other federal agencies, both directly and as pass-through awards from prime recipients. Other donors include instrumentalities of the United Nations, private foundations, foreign government agencies and multilateral alliances of foreign governments. Pact, Inc. provides high-quality capacity building and grants management services to grassroots organizations through its Washington, D.C.-based corporate office and its 24 local field offices. Through various strategic approaches, including capacity building, good governance and utilizing markets, Pact, Inc. makes programmatic impact in the areas of health, natural resource management and livelihoods. Pact, Inc. staff provides technical assistance in a wide range of capacity strengthening areas, including financial management, project design and implementation, information management and communications, governance and strategic planning.

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

The Institute was organized in 1999 to support the activities of Pact, Inc. and to contribute to the growth of civil society, strengthen the community-focused nonprofit sector worldwide, and implement innovative program initiatives. The Institute serves Pact, Inc. by enabling, supporting and carrying out program activities, such as feasibility studies and pilot programs in fields that Pact, Inc. seeks to strengthen its experience. Such fields include health, natural resource management, economic empowerment and peace building. The Institute is also a public charity under IRC 501(c)(3) as a supporting organization, Type I to Pact, Inc.

Pact UK was established in the United Kingdom ("UK") in February 2016 to support the activities of Pact, Inc. and to contribute to the growth of civil society, strengthen the community-focused nonprofit sector worldwide, and implement innovative programmer initiatives. Pact UK is a registered charity, number 1165725, in the UK.

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

## Pact, Inc. and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

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

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 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.

A summary of Pact's significant accounting policies follows:

*Basis of accounting:* The consolidated financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

*Basis of presentation:* Pact reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction, as applicable. There were no net assets with donor restriction at September 30, 2020 and 2019, 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 \$64 million and \$34 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2020 and 2019, respectively.

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

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

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

#### ***Investments***

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

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

***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 accounts at September 30, 2020 and 2019.

***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 accounts at September 30, 2020 and 2019.

***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, 2020 and 2019, there were no impairments. There were write-offs of \$1.6 million and \$0.7 million for the fiscal years 2020 and 2019, 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.

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

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

**September 30, 2020 and 2019**

#### ***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.

#### ***Grants and Contracts Revenue – Pact, Inc., Pact UK and the Institute***

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

#### ***Support and 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., Pact UK and the Institute***

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, 2020 and 2019

dollars used in the translation of the consolidated statements of financial position items denominated in foreign currencies was 1,325.16 and 1,525.82 in Myanmar Kyat ("MMK") at September 30, 2020 and 2019, respectively. A foreign exchange gain of \$23,379,871 and \$1,025,046 was recorded in 2020 and 2019, respectively.

#### **Income Taxes**

The Organization 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., PGMF, Pact Global, and the Institute 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. The Organization 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. The Organization 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.

#### **Recently Adopted Accounting Pronouncement**

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

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in consolidated financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. Pact retrospectively adopted the ASU in 2019.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

***Upcoming Accounting Pronouncement***

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

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

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

The Fair Value Measurement Topic of the Accounting Standards Codification ("ASC") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Topic of the Codification as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Fair Value Topic of the Codification are described below:

- Level 1: Quoted market prices in active markets for identical assets or liabilities;
- Level 2: Observable market-based inputs or unobservable inputs corroborated by market data; and
- Level 3: Unobservable inputs that are not corroborated by market data.

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

Investments in securities traded on a national securities exchange or reported on the NASDAQ national market are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy. There were no Level 2 or 3 investments at September 30, 2020 and 2019.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

The following table presents Pact's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2020 and 2019:

| <u>Description</u>                     | 2020                |                |                   | <u>Total</u>        |
|--|---------------------|----------------|-------------------|---------------------|
|  | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>    |                     |
| Mutual funds:                          |                     |                |                   |                     |
| Fixed income – short-term bond         | \$ 350,801          | \$ -           | \$ -              | \$ 350,801          |
| Fixed income – intermediate term bond  | 1,055,858           | -              | -                 | 1,055,858           |
| Equity – large value                   | 732,406             | -              | -                 | 732,406             |
| Equity – diversified emerging markets  | 260,048             | -              | -                 | 260,048             |
| Equity – world stock                   | 436,703             | -              | -                 | 436,703             |
| Equity – information technology sector | 81,759              | -              | -                 | 81,759              |
|  | <u>2,917,575</u>    | <u>-</u>       | <u>-</u>          | <u>2,917,575</u>    |
| Note investment                        | <u>-</u>            | <u>-</u>       | <u>156,370</u>    | <u>156,370</u>      |
| Money market funds                     | <u>4,753</u>        | <u>-</u>       | <u>-</u>          | <u>4,753</u>        |
|  | <u>\$ 2,922,328</u> | <u>\$ -</u>    | <u>\$ 156,370</u> | <u>\$ 3,078,698</u> |
|  |                     |                |                   |                     |
| <u>Description</u>                     | 2019                |                |                   | <u>Total</u>        |
|  | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u>    |                     |
| Mutual funds:                          |                     |                |                   |                     |
| Fixed income – short-term bond         | \$ 578,870          | \$ -           | \$ -              | \$ 578,870          |
| Fixed income – ultrashort bond         | 579,903             | -              | -                 | 579,903             |
| Fixed income – intermediate term bond  | 203,503             | -              | -                 | 203,503             |
| Equity – large blend                   | 406,637             | -              | -                 | 406,637             |
| Equity – foreign large value           | 238,083             | -              | -                 | 238,083             |
| Equity – diversified emerging markets  | 186,419             | -              | -                 | 186,419             |
| Equity – small value                   | 78,850              | -              | -                 | 78,850              |
| Equity – small blend                   | 78,059              | -              | -                 | 78,059              |
| Equity – world stock                   | 71,905              | -              | -                 | 71,905              |
| Equity – global real estate            | 35,035              | -              | -                 | 35,035              |
| Equity – dimensional fund advisor      | 347,107             | -              | -                 | 347,107             |
|  | <u>2,804,371</u>    | <u>-</u>       | <u>-</u>          | <u>2,804,371</u>    |
| Alternative investments <sup>(a)</sup> |                     |                |                   | <u>2,577,147</u>    |
| Note investment                        | <u>-</u>            | <u>-</u>       | <u>371,975</u>    | <u>371,975</u>      |
| Money market funds                     | <u>9,825</u>        | <u>-</u>       | <u>-</u>          | <u>9,825</u>        |
|  | <u>\$ 2,814,196</u> | <u>\$ -</u>    | <u>\$ 371,975</u> | <u>\$ 5,763,318</u> |

<sup>(a)</sup> Certain investments which are measured at net asset value (“NAV”) per share are not required to be classified in the fair value hierarchy according to ASU 2015-07. The fair value amounts are presented in this table are intended to permit reconciliation to the fair value hierarchy to the line items presented in the consolidated statements of financial position.



**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

Investment income consists of the following for the years ended September 30, 2020 and 2019:

|   | 2020         | 2019         |
|---|--------------|--------------|
| Interest and dividends                      | \$ 203,765   | \$ 207,734   |
| Realized and unrealized loss on investments | (1,001,912)  | (266,811)    |
| Investment fees                             | (14,800)     | (496,636)    |
|   | \$ (812,947) | \$ (555,713) |

Pact's investments as of September 30, 2020 did not include investments whose fair value is estimated using the NAV per share (or equivalent) practical expedient. The table below presents additional information for Pact's investments, as of September 30, 2019, whose fair value is estimated using the NAV per share (or equivalent) practical expedient and presents the nature and risk of assets with fair values estimated using NAV.

|   | Fair Value at<br>September 30,<br>2019 | Unfunded<br>Commitment | Redemption<br>Frequency | Redemption<br>Notice Period |
|---|--|------------------------|-------------------------|-----------------------------|
| Fund of funds - multi-strategy <sup>(b)</sup> | \$ 2,577,147                           | \$ 7,086,066           | None                    | None                        |

<sup>(b)</sup> This includes investments in equity and equity related securities in businesses primarily located in Africa and Asia that provide financial services or healthcare products and services to low income and financially excluded people, including insurance and adjacent products. This investment is engaged towards holding standards of corporate governance through awareness of business ethics and supervision by the General Partner.

**NOTE 3 - ADVANCES AND OTHER RECEIVABLES**

Advances and other receivables consist of the following at September 30, 2020 and 2019:

|                       | 2020         | 2019         |
|-----------------------|--------------|--------------|
| Subrecipient advances | \$ 894,121   | \$ 1,256,064 |
| Employee advances     | 218,537      | 480,717      |
| Other receivables     | 742,828      | 116,074      |
|                       | \$ 1,855,486 | \$ 1,852,855 |

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**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, 2020 and 2019, are due within the next 12 months. Loans outstanding for the years ended September 30, 2020 and 2019, consist of the following:

|                          | <u>2020</u>               | <u>2019</u>               |
|--------------------------|---------------------------|---------------------------|
| Loans receivable         | \$ 436,764,019            | \$ 277,458,382            |
| Less loan loss allowance | <u>(4,327,533)</u>        | <u>(4,072,417)</u>        |
| <br>Net loan portfolio   | <br><u>\$ 432,436,486</u> | <br><u>\$ 273,385,965</u> |

Interest receivable of \$4,010,675 and \$2,552,203 is included in the loans receivable amount at September 30, 2020 and 2019, respectively.

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.

A summary of the activity in the allowance for loan losses for the years ended September 30, 2020 and 2019, are as follows:

|                              | <u>2020</u>             | <u>2019</u>             |
|------------------------------|-------------------------|-------------------------|
| Balance at beginning of year | \$ 4,072,417            | \$ 3,197,699            |
| Provision for loan losses    | 245,108                 | 981,697                 |
| Loans written off            | (593,863)               | (123,096)               |
| Revaluation                  | <u>603,871</u>          | <u>16,117</u>           |
| <br>Balance at end of year   | <br><u>\$ 4,327,533</u> | <br><u>\$ 4,072,417</u> |

Loans are considered delinquent if they have not been repaid when due. See Note 15 for more information. As of September 30, 2020 and 2019, PGMF had delinquencies totaling \$47,137,374 and \$1,491,386, respectively. As of September 30, 2020 and 2019, the average effective yield on loans receivable was 30%.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment and accumulated depreciation at September 30, 2020 and 2019, and depreciation expense for the years ended September 30, 2020 and 2019, are as follows:

| <u>Asset Category</u>  | <u>Estimated Lives<br/>(Years)</u> | 2020                 |                                     |                     |                                 |
|------------------------|------------------------------------|----------------------|-------------------------------------|---------------------|---------------------------------|
|                        |                                    | <u>Cost</u>          | <u>Accumulated<br/>Depreciation</u> | <u>Net</u>          | <u>Depreciation<br/>Expense</u> |
| Software               | 3                                  | \$ 3,807,043         | \$ (3,214,459)                      | \$ 592,584          | \$ 345,722                      |
| Leasehold improvements | 11                                 | 1,936,640            | (1,031,589)                         | 905,051             | 139,062                         |
| Property and equipment | 3-10                               | <u>5,987,590</u>     | <u>(4,048,006)</u>                  | <u>1,939,584</u>    | <u>709,471</u>                  |
|                        |                                    | <u>\$ 11,731,273</u> | <u>\$ (8,294,054)</u>               | <u>\$ 3,437,219</u> | <u>\$ 1,194,255</u>             |

  

| <u>Asset Category</u>  | <u>Estimated Lives<br/>(Years)</u> | 2019                |                                     |                     |                                 |
|------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------------------|
|                        |                                    | <u>Cost</u>         | <u>Accumulated<br/>Depreciation</u> | <u>Net</u>          | <u>Depreciation<br/>Expense</u> |
| Software               | 3                                  | \$ 3,268,162        | \$ 2,798,659                        | \$ 469,503          | \$ 255,774                      |
| Leasehold improvements | 11                                 | 1,487,602           | 839,368                             | 648,234             | 51,536                          |
| Property and equipment | 3-10                               | <u>4,777,905</u>    | <u>3,188,545</u>                    | <u>1,589,360</u>    | <u>651,703</u>                  |
|                        |                                    | <u>\$ 9,533,669</u> | <u>\$ 6,826,572</u>                 | <u>\$ 2,707,097</u> | <u>\$ 959,013</u>               |

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

Accounts payable and accrued expenses consist of the following at September 30, 2020 and 2019:

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| Accrued personnel expenses                  | \$ 7,851,842         | \$ 7,282,426         |
| Accounts payable and accrued expenses       | <u>12,217,090</u>    | <u>7,478,395</u>     |
| Total accounts payable and accrued expenses | <u>\$ 20,068,932</u> | <u>\$ 14,760,821</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, 2020 and 2019, consist of the following:

|                               | <u>2020</u>           | <u>2019</u>          |
|-------------------------------|-----------------------|----------------------|
| Savings (compulsory)          | \$ 27,575,411         | \$ 28,362,457        |
| Savings (voluntary)           | <u>76,357,282</u>     | <u>54,175,270</u>    |
| Total deposits from customers | <u>\$ 103,932,693</u> | <u>\$ 82,537,727</u> |

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

During fiscal years 2020 and 2019, the annual effective interest rate on compulsory deposits was 15% 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, 2020 and 2019, other client liabilities consist of the following:

|                          | <u>2020</u>          | <u>2019</u>          |
|--------------------------|----------------------|----------------------|
| Beneficiary Welfare Fund | \$ 27,233,976        | \$ 22,083,277        |
| Employee Benefit Fund    | 5,515,651            | 3,954,610            |
| Other deposits           | -                    | 621                  |
|                          | <u>\$ 32,749,627</u> | <u>\$ 26,038,508</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.

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/Kyat 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.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**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, 2020 and 2019, was \$6,505,642 and \$8,153,783, respectively. Loan fund assets (microfinance products) owned by various funding agencies experienced a net gain on loans of \$1,648,141 and \$506,737 in 2020 and 2019, respectively, on the consolidated statements of activities.

**NOTE 9 - RETIREMENT FUND**

Pact has a 403(b) defined contribution salary deferral plan covering substantially all employees who have completed one year of employment. Contributions are based on a percentage of the employees' compensation; 8.8% for employer contributions for employees who have completed their first year and are in effect until their third year of service, increasing to 13% thereafter. Employees may contribute the maximum amount permitted by law. Retirement expense for the years ended September 30, 2020 and 2019, was \$ 1,728,190 and \$1,739,058, 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.

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 \$5,658,125 and \$4,119,897 for the years ended September 30, 2020 and 2019, respectively.

Total future lease payments are as follows:

|                            |                      |
|----------------------------|----------------------|
| Years Ending September 30: |                      |
| 2021                       | \$ 4,135,738         |
| 2022                       | 2,923,913            |
| 2023                       | 2,973,379            |
| 2024                       | 4,187,554            |
| 2025                       | 4,402,539            |
| Thereafter                 | <u>28,414,984</u>    |
|                            | <u>\$ 47,038,107</u> |

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**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.

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, 2020 and 2019. A liability has not been recognized for countries where management is unable to make a reasonable estimate as of September 30, 2020 and 2019.

**NOTE 12 - MAJOR GRANTOR**

During the years ended September 30, 2020 and 2019, Pact received significant direct funding from USAID. A reduction in funding from USAID would have a significant impact on the operations of Pact. For the years ended September 30, 2020 and 2019, approximately 55% and 53%, respectively, of total revenue was related to grants funded directly by USAID. Another 10% of Pact's revenues were funded indirectly by USAID through subawards and subcontracts to other development partners that Pact engaged with during both fiscal years 2020 and 2019.

**NOTE 13 - CONDITIONAL GRANTS AND CONTRIBUTIONS**

Conditional promises to give are not recognized until all conditions are substantially met. As of September 30, 2020, Pact had approximately \$16 million in unrecognized conditional grants and contributions, of which \$ 9.3 million was related to federal grants. The revenue related to these agreements is conditioned on requirements such as Pact incurring allowable expenditures under the terms of the agreements or the agreement of continued funding.

**NOTE 14 - INTEREST EXPENSE**

Interest expense for the years ended September 30, 2020 and 2019, includes:

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| Interest on client deposits and other client liabilities | \$ 23,205,430        | \$ 15,438,365        |
| Interest on line of credit                               | 216,530              | 164,913              |
| Total interest expense                                   | <u>\$ 23,421,960</u> | <u>\$ 15,603,278</u> |

## Pact, Inc. and Affiliates

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

#### NOTE 15 - 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 2020 and 2019.

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

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

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

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

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

***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.

Until August 2018, the loan loss impairment was calculated as the higher of 2% on total loans outstanding or a 2% loan loss provision (“LLP”) on performing loans plus and LLP on default loans based on the 2017 aging categories shown in the schedule below. After August 2018, PGMF calculated an LLP of 1% on all regularly performing loans and an LLP on past due loans based on the 2018 aging categories showing the schedule that follows. 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 for the year ended September 30, 2019:

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

Due to the COVID-19 pandemic, microfinance institutions in Myanmar have been informed of a “Temporary Provisioning policy” from the Financial Regulatory Department (“FRD”). FRD instructed that the loan loss provision must be 1% of gross loan outstanding until December 31, 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, 2020 and 2019

**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>No. of Loans</u> | <u>Amount</u>         |
|---------------------------|---------------------|-----------------------|
| <u>2020</u>               |                     |                       |
| Current loan              | 1,132,954           | \$ 385,615,968        |
| Past due loans:           |                     |                       |
| 1-90 days                 | 149,537             | 43,568,311            |
| 91-180 days               | 5,906               | 1,815,022             |
| 181-270 days              | 3,084               | 850,926               |
| 271-365 days              | 710                 | 165,415               |
| Over 365 days             | 3,752               | 737,701               |
|                           | <u>1,295,943</u>    |                       |
| Total                     |                     |                       |
| Gross carrying amount     |                     | 432,753,343           |
| Loan impairment allowance |                     | <u>(4,327,533)</u>    |
| Net carrying amount       |                     | <u>\$ 428,425,810</u> |
| <u>2019</u>               |                     |                       |
| Current loan              | 1,140,313           | \$ 273,414,793        |
| Past due loans:           |                     |                       |
| 1-90 days                 | 1,395               | 229,401               |
| 91-180 days               | 632                 | 126,014               |
| 181-270 days              | 736                 | 115,327               |
| 271-365 days              | 444                 | 130,012               |
| Over 365 days             | 3,355               | 890,631               |
|                           | <u>1,146,875</u>    |                       |
| Total                     |                     |                       |
| Gross carrying amount     |                     | 274,906,178           |
| Loan impairment allowance |                     | <u>(4,072,417)</u>    |
| Net carrying amount       |                     | <u>\$ 270,833,761</u> |

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

**Credit Risk Management**

PGMF monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

|                      | 2020<br>Amount (USD)  | 2019<br>Amount (USD)  |
|----------------------|-----------------------|-----------------------|
| Magway South         | \$ 25,124,727         | \$ 16,420,047         |
| Magway Central       | 43,382,379            | 26,844,833            |
| Magway north/Sagaing | 37,428,539            | 24,253,848            |
| Sagaing East         | 39,917,436            | 19,053,618            |
| Mandalay/ Shan North | 53,706,595            | 35,295,969            |
| Shan South           | 44,965,586            | 29,547,029            |
| Shan (LIVE)          | 10,664,062            | -                     |
| Delta West           | 51,262,822            | 38,058,844            |
| Delta East           | 27,430,630            | 20,721,625            |
| Rakhine              | 28,319,135            | 18,382,842            |
| Delta North          | 43,600,519            | 30,024,146            |
| Yangon               | 26,950,913            | 16,303,377            |
|                      | <u>\$ 432,753,343</u> | <u>\$ 274,906,178</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, 2020 and 2019:

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

Pact, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2020 and 2019

|                  | 2019                        |                |
|------------------|-----------------------------|----------------|
|                  | No. of Loan to<br>Borrowers | Amount (USD)   |
| General loan     | 888,766                     | \$ 167,873,436 |
| Extra loan       | 5,791                       | 502,440        |
| MSE loan         | 31,560                      | 18,190,363     |
| Health Care loan | 3,667                       | 357,571        |
| Education loan   | 32,738                      | 3,750,194      |
| Agriculture loan | 157,649                     | 47,561,201     |
| Lease loan       | 885                         | 1,319,894      |
| Individual loan  | 25,819                      | 35,351,079     |
|                  | <hr/>                       | <hr/>          |
| Total            | 1,146,875                   | \$ 274,906,178 |

**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 \$23,379,871 and \$1,025,046 in foreign exchange gain, respectively, due to the 13% and 0.37% decreases in the value of the U.S. dollar compared to the MMK during the fiscal years ended September 30, 2020 and 2019, 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 \$ 60,257,625 which is 12% of PGMF's total assets as of September 30, 2020, and \$24,556,249, which is 8% of PGMF's total assets as of September 30, 2019.

**Management of Liquidity Risk**

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

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

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

**Exposure to Liquidity Risk**

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

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

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

|                        | <u>2020</u> | <u>2019</u> |
|------------------------|-------------|-------------|
| At period end          | 58%         | 30%         |
| Average for the period | 37%         | 33%         |
| Maximum for the period | 58%         | 49%         |
| Minimum for the period | 23%         | 19%         |

In response to COVID-19 1st & 2nd wave and probable uncertainty, PGMF has taken the following actions:

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

***Operational Risk***

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

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

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

- Requirements for appropriate segregation of duties including authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation including insurance where this is effective.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**NOTE 16 - ASSETS TRANSFERRED FROM DONOR-ENDED PROJECTS**

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

**NOTE 17 - LINE OF CREDIT**

Pact, Inc. has an express credit line loan agreement, which will expire on October 13, 2021. The line bears interest at Prime Rate plus 3.0% (subject to a floor of 4.0%) and is secured by Pact Inc.'s assets. The interest rate at September 30, 2020 and 2019, was 6.25% and 7.75% including a Prime Rate of 3.25% and 4.75%, respectively. The outstanding debt balance of the \$3 million line of credit was \$2,999,348 at September 30, 2020 and 2019, respectively, and 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 12 organizations have provided funds to PGMF.

**A. Cordaid**

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

Both loans were repaid in December 2019 and May 2020, respectively.

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

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**B. Blue Orchard**

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

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

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

The interest rate on these loans is 13% per annum and will be paid 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 30<sup>th</sup> month, 36<sup>th</sup> month, 42<sup>nd</sup> month and 46<sup>th</sup> month after disbursement, respectively. Interest is paid every six months after disbursement. The interest rate is 16% per annum.

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

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

**C. Yoma Bank**

Further, PGMF has 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. This loan is to be repaid in three equal installments on the days corresponding to 30<sup>th</sup>, 33<sup>rd</sup> and 36<sup>th</sup> months respectively from the date of disbursement of loan which was 29<sup>th</sup> June 2018. Interest rate is 13% per annum. This loan will be prepaid and a new loan will be borrowed immediately with a higher amount and tenure.

**D. CB Bank**

Moreover, PGMF has borrowed MMK 10 billion (equivalent to \$6,525,000) from CB Bank with 13% interest rate per annum. Interest is due every 3 months. This loan is to be repaid in two equal installments in the 24<sup>th</sup> and 36<sup>th</sup> months after the disbursement date of June 7, 2019.

**E. AGD Bank**

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

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

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

**F. MAB Bank**

In 2019, PGMF borrowed MMK 12 billion (equivalent to \$7,864,680) from MAB Bank with a two-year loan term period that will end on September 26, 2021. 13% per annum interest is paid quarterly and principal is due at the end of the loan term period.

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

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

Another loan of \$5 million (equivalent MMK 6,625,812,500) is to be repaid in three equal installments in the 24<sup>th</sup>, 30<sup>th</sup> and 36<sup>th</sup> months of the loan. The interest rate is 6.75% per annum and will be paid every six months.

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

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

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

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

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

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

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

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

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

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

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

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

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

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

Total accrued interest for these loans totaled \$1,866,690 and \$1,342,133 at September 30, 2020 and 2019, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

In May 2019, Pact Inc. made a secured loan agreement for six months at 9% interest for a principal amount of \$300,000. This loan was fully paid off on November 26, 2019.

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

| <u>Year</u> | <u>Amount</u>         |
|-------------|-----------------------|
| 2021        | \$ 47,971,822         |
| 2022        | 45,924,415            |
| 2023        | 36,125,810            |
| 2024        | 18,480,269            |
| 2025        | 7,143,106             |
| Total       | <u>\$ 155,645,422</u> |



**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

**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, 2020 and 2019, the following financial assets are available to meet annual operating needs of the 2021 and 2020 fiscal year:

|   | <u>2020</u>              | <u>2019</u>              |
|---|--------------------------|--------------------------|
| Cash and cash equivalents   | \$ 97,782,169            | \$ 45,873,273            |
| Federal grants receivable   | 4,301,627                | 6,781,484                |
| Other grants receivable   | 1,328,552                | 2,915,982                |
| Advances and other receivables  | 1,855,486                | 1,852,855                |
| Investments maturing within one year available for general purposes         | <u>2,922,328</u>         | <u>5,391,343</u>         |
| <br>Total financial assets at year end                                      | <br>108,190,162          | <br>62,814,937           |
| <br>Less amounts not available to be used within one year:                  |                          |                          |
| Refundable advances – federal   | 9,321,351                | 3,212,794                |
| Refundable advances – other   | 6,671,560                | 9,131,766                |
| Alternative investments   | -                        | 2,577,147                |
| PGMF local currency cash  | <u>60,257,625</u>        | <u>18,783,678</u>        |
| <br>Financial assets not available to be used for general expenditures      | <br><u>76,250,536</u>    | <br><u>33,705,385</u>    |
| <br>Financial assets available to meet general expenditures within one year | <br><u>\$ 31,939,626</u> | <br><u>\$ 29,109,552</u> |

**NOTE 20 - RISKS AND UNCERTAINTIES**

***COVID-19 Pandemic***

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

**NOTE 21 - SUBSEQUENT EVENTS**

Pact evaluated its consolidated financial statements for subsequent events through June 28, 2021, the date the consolidated financial statements were available to be issued.

On July 14, 2020, the Board of Directors approved the dissolution of Pact Institute. The dissolution and the assignment of all of Pact Institute's contracts and funds to Pact Inc. were completed on April 30, 2021.

Pact Global was dissolved, effective December 9, 2020.

**Pact, Inc. and Affiliates**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2020 and 2019**

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

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

Additionally, the following items occurred that affected PGMF subsequent to year end:

- a) FRD approved an MMK 11 billion commercial loan on December 2, 2020, MMK 27.315 billion zero interest loan on December 10, 2020 and MMK 8.5 billion Tea Shop loan on December 10, 2020 for PGMF under Govt Economic recovery program. This is equivalent to \$35.3 million in new borrowings.
- b) In January 2021, an \$18 million loan was obtained from a fund managed by Incofin.
- c) FRD issued a notification in prior year to all non-governmental organizations based in Myanmar with Microfinance Institution operations that they must become a private company. Subsequent to September 30, 2020, this deadline was extended until December 2021.

SUPPLEMENTAL INFORMATION

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2020

|   | <u>Pact, Inc.</u>    | <u>Pact Institute</u> | <u>Pact UK</u>      | <u>Pact Global</u> | <u>PGMF</u>           | <u>Pact Ventures</u> | <u>Eliminations</u>   | <u>Total</u>          |
|---|----------------------|-----------------------|---------------------|--------------------|-----------------------|----------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                       |                      |                       |                     |                    |                       |                      |                       |                       |
| Cash and cash equivalents                           | \$ 26,701,897        | \$ 9,586,596          | \$ 1,186,051        | \$ -               | \$ 60,257,625         | \$ 50,000            | \$ -                  | \$ 97,782,169         |
| Investments   | 2,793,549            | -                     | -                   | -                  | -                     | -                    | 128,779               | 2,922,328             |
| Federal grants receivable                           | 4,301,627            | -                     | -                   | -                  | -                     | -                    | -                     | 4,301,627             |
| Other grants receivable                             | -                    | 664,460               | 353,870             | -                  | 310,222               | -                    | -                     | 1,328,552             |
| Advances and other receivables                      | 1,344,690            | 230,768               | 6,144               | -                  | 270,884               | 3,000                | -                     | 1,855,486             |
| Prepaid expenses and deposits                       | 1,503,962            | 203,770               | 6,340               | -                  | 682,846               | -                    | -                     | 2,396,918             |
| Notes receivable                                    | 156,370              | -                     | -                   | -                  | -                     | -                    | -                     | 156,370               |
| Loan portfolio, net of loan loss reserve            | -                    | 92,836                | -                   | -                  | 432,436,485           | -                    | -                     | 432,529,321           |
| Due (to) from related party                         | 5,119,388            | -                     | 64,586              | -                  | -                     | -                    | (5,183,974)           | -                     |
| Property and equipment, net                         | 906,801              | -                     | -                   | -                  | 2,530,418             | -                    | -                     | 3,437,219             |
|   | <u>\$ 42,828,284</u> | <u>\$ 10,778,430</u>  | <u>\$ 1,616,991</u> | <u>\$ -</u>        | <u>\$ 496,488,480</u> | <u>\$ 53,000</u>     | <u>\$ (5,055,195)</u> | <u>\$ 546,709,990</u> |
| <b>LIABILITIES AND NET ASSETS</b>                   |                      |                       |                     |                    |                       |                      |                       |                       |
| Accounts payable and accrued expenses               | \$ 16,430,847        | \$ 325,671            | \$ 102,810          | \$ -               | \$ 3,209,114          | \$ 490               | \$ -                  | \$ 20,068,932         |
| Beneficiary savings and reserved funds              | -                    | -                     | -                   | -                  | 136,682,320           | -                    | -                     | 136,682,320           |
| Net returns on loans, reinvested earnings           | -                    | -                     | -                   | -                  | 6,505,642             | -                    | -                     | 6,505,642             |
| Notes payable                                       | 2,999,348            | -                     | -                   | -                  | 152,646,074           | -                    | -                     | 155,645,422           |
| Refundable advances – federal                       | 9,321,351            | -                     | -                   | -                  | -                     | -                    | -                     | 9,321,351             |
| Refundable advances – other                         | -                    | 5,387,471             | 1,284,089           | -                  | -                     | -                    | -                     | 6,671,560             |
| Deferred rent                                       | 2,038,974            | -                     | -                   | -                  | -                     | -                    | -                     | 2,038,974             |
| Due to related party                                | -                    | 483,445               | -                   | -                  | 4,519,242             | 181,288              | (5,183,975)           | -                     |
|   | <u>30,790,520</u>    | <u>6,196,587</u>      | <u>1,386,899</u>    | <u>-</u>           | <u>303,562,392</u>    | <u>181,778</u>       | <u>(5,183,975)</u>    | <u>336,934,201</u>    |
| Net assets (deficit) all without donor restrictions | <u>12,037,764</u>    | <u>4,581,843</u>      | <u>230,092</u>      | <u>-</u>           | <u>192,926,088</u>    | <u>(128,778)</u>     | <u>128,780</u>        | <u>209,775,789</u>    |
| Ending net assets and liabilities                   | <u>\$ 42,828,284</u> | <u>\$ 10,778,430</u>  | <u>\$ 1,616,991</u> | <u>\$ -</u>        | <u>\$ 496,488,480</u> | <u>\$ 53,000</u>     | <u>\$ (5,055,195)</u> | <u>\$ 546,709,990</u> |

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2019

|   | Pact, Inc.           | Pact Institute       | Pact UK             | PGMF                  | Pact Global        | Pact Ventures    | Eliminations          | Total                 |
|---|----------------------|----------------------|---------------------|-----------------------|--------------------|------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                       |                      |                      |                     |                       |                    |                  |                       |                       |
| Cash and cash equivalents                           | \$ 14,275,288        | \$ 5,441,229         | \$ 1,600,507        | \$ 24,556,249         | \$ -               | \$ -             | \$ -                  | \$ 45,873,273         |
| Investments   | 5,391,343            | -                    | -                   | -                     | -                  | -                | -                     | 5,391,343             |
| Federal grants receivable                           | 6,781,484            | -                    | -                   | -                     | -                  | -                | -                     | 6,781,484             |
| Other grants receivable                             | -                    | 1,475,531            | 805,232             | 635,219               | (44,684)           | -                | 44,684                | 2,915,982             |
| Advances and other receivables                      | 1,026,358            | 379,892              | 39,255              | 402,350               | -                  | 5,000            | -                     | 1,852,855             |
| Prepaid expenses and deposits                       | 1,817,107            | 289,801              | 9,488               | 444,915               | -                  | -                | -                     | 2,561,311             |
| Notes receivable                                    | 371,975              | -                    | -                   | -                     | -                  | -                | -                     | 371,975               |
| Loan portfolio, net of loan loss reserve            | -                    | -                    | -                   | 273,385,965           | -                  | -                | -                     | 273,385,965           |
| Due (to) from related party                         | -                    | 4,830,831            | 511,156             | -                     | -                  | 50,000           | (5,391,987)           | -                     |
| Property and equipment, net                         | 1,053,857            | -                    | -                   | 1,653,240             | -                  | -                | -                     | 2,707,097             |
|   | <u>\$ 30,717,412</u> | <u>\$ 12,417,284</u> | <u>\$ 2,965,638</u> | <u>\$ 301,077,938</u> | <u>\$ (44,684)</u> | <u>\$ 55,000</u> | <u>\$ (5,347,303)</u> | <u>\$ 341,841,285</u> |
| <b>LIABILITIES AND NET ASSETS</b>                   |                      |                      |                     |                       |                    |                  |                       |                       |
| Accounts payable and accrued expenses               | \$ 12,482,737        | \$ 403,953           | \$ 119,239          | \$ 1,739,077          | \$ -               | \$ 15,815        | \$ -                  | \$ 14,760,821         |
| Beneficiary savings and reserved funds              | -                    | -                    | -                   | 108,576,235           | -                  | -                | -                     | 108,576,235           |
| Net returns on loans, reinvested earnings           | -                    | -                    | -                   | 8,153,783             | -                  | -                | -                     | 8,153,783             |
| Notes payable                                       | 3,299,348            | -                    | -                   | 53,526,768            | -                  | -                | -                     | 56,826,116            |
| Refundable advances – federal                       | 3,212,794            | -                    | -                   | -                     | -                  | -                | -                     | 3,212,794             |
| Refundable advances – other                         | -                    | 6,614,920            | 2,516,846           | -                     | -                  | -                | -                     | 9,131,766             |
| Deferred rent                                       | 1,514,956            | -                    | -                   | -                     | -                  | -                | -                     | 1,514,956             |
| Due to related party                                | 2,940,070            | -                    | -                   | 2,324,418             | 43,630             | 83,869           | (5,391,987)           | -                     |
|   | <u>23,449,905</u>    | <u>7,018,873</u>     | <u>2,636,085</u>    | <u>174,320,281</u>    | <u>43,630</u>      | <u>99,684</u>    | <u>(5,391,987)</u>    | <u>202,176,471</u>    |
| Net assets (deficit) all without donor restrictions | <u>7,267,507</u>     | <u>5,398,411</u>     | <u>329,553</u>      | <u>126,757,657</u>    | <u>(88,314)</u>    | <u>(44,684)</u>  | <u>44,684</u>         | <u>139,664,814</u>    |
| Ending net assets and liabilities                   | <u>\$ 30,717,412</u> | <u>\$ 12,417,284</u> | <u>\$ 2,965,638</u> | <u>\$ 301,077,938</u> | <u>\$ (44,684)</u> | <u>\$ 55,000</u> | <u>\$ (5,347,303)</u> | <u>\$ 341,841,285</u> |

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year ended September 30, 2020

|  | <u>Pact, Inc.</u>    | <u>Pact Institute</u> | <u>Pact UK</u>    | <u>Pact Global</u> | <u>PGMF</u>           | <u>Pact Ventures</u> | <u>Eliminations</u> | <u>Total</u>          |
|--|----------------------|-----------------------|-------------------|--------------------|-----------------------|----------------------|---------------------|-----------------------|
| <b>SUPPORT AND REVENUE</b>                             |                      |                       |                   |                    |                       |                      |                     |                       |
| Grants and contracts                                   | \$ 125,874,855       | \$ 17,789,102         | \$ 4,214,356      | \$ -               | \$ 450,432            | \$ -                 | \$ -                | \$ 148,328,745        |
| Contributions  | 10,654               | 4,017                 | 101               | 88,314             | -                     | -                    | -                   | 103,086               |
| Microfinance loan activities                           | -                    | -                     | -                 | -                  | 92,950,704            | -                    | -                   | 92,950,704            |
| Fee income on microfinance loans                       | -                    | -                     | -                 | -                  | 9,106,317             | -                    | -                   | 9,106,317             |
| Investment income (loss)                               | (910,909)            | 97,962                | -                 | -                  | -                     | -                    | -                   | (812,947)             |
| Other revenue  | 83,676               | 400,173               | -                 | -                  | 15,036                | 56,000               | -                   | 554,885               |
| Affiliate admin fees                                   | 8,255,676            | -                     | -                 | -                  | -                     | -                    | (8,255,676)         | -                     |
| Net return on loans                                    | -                    | -                     | -                 | -                  | 1,648,141             | -                    | -                   | 1,648,141             |
| Total support and revenue                              | <u>133,313,952</u>   | <u>18,291,254</u>     | <u>4,214,457</u>  | <u>88,314</u>      | <u>104,170,630</u>    | <u>56,000</u>        | <u>(8,255,676)</u>  | <u>251,878,931</u>    |
| <b>EXPENSES</b>  |                      |                       |                   |                    |                       |                      |                     |                       |
| Program services                                       | <u>110,239,109</u>   | <u>15,787,632</u>     | <u>3,447,200</u>  | <u>-</u>           | <u>421,655</u>        | <u>-</u>             | <u>-</u>            | <u>129,895,596</u>    |
| Total program services                                 | <u>110,239,109</u>   | <u>15,787,632</u>     | <u>3,447,200</u>  | <u>-</u>           | <u>421,655</u>        | <u>-</u>             | <u>-</u>            | <u>129,895,596</u>    |
| Supporting services:                                   |                      |                       |                   |                    |                       |                      |                     |                       |
| Management and general                                 | 18,192,675           | 3,320,191             | 866,716           | -                  | 60,960,414            | 140,095              | (8,255,677)         | 75,224,414            |
| Fundraising  | 27,817               | -                     | -                 | -                  | -                     | -                    | -                   | 27,817                |
| Total supporting services                              | <u>18,220,492</u>    | <u>3,320,191</u>      | <u>866,716</u>    | <u>-</u>           | <u>60,960,414</u>     | <u>140,095</u>       | <u>(8,255,677)</u>  | <u>75,252,231</u>     |
| Total expenses   | <u>128,459,601</u>   | <u>19,107,823</u>     | <u>4,313,916</u>  | <u>-</u>           | <u>61,382,069</u>     | <u>140,095</u>       | <u>(8,255,677)</u>  | <u>205,147,827</u>    |
| Change in net assets before other gains and losses     | 4,854,351            | (816,569)             | (99,459)          | 88,314             | 42,788,561            | (84,095)             | 1                   | 46,731,104            |
| <b>OTHER GAINS AND LOSSES</b>                          |                      |                       |                   |                    |                       |                      |                     |                       |
| Unrealized foreign exchange gain                       | -                    | -                     | -                 | -                  | 23,379,871            | -                    | -                   | 23,379,871            |
| Unrealized loss from subsidiary                        | (84,095)             | -                     | -                 | -                  | -                     | -                    | 84,095              | -                     |
| <b>CHANGE IN NET ASSETS</b>                            | <u>4,770,256</u>     | <u>(816,569)</u>      | <u>(99,459)</u>   | <u>88,314</u>      | <u>66,168,432</u>     | <u>(84,095)</u>      | <u>84,096</u>       | <u>70,110,975</u>     |
| <b>NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS</b> |                      |                       |                   |                    |                       |                      |                     |                       |
| Beginning  | <u>7,267,507</u>     | <u>5,398,411</u>      | <u>329,553</u>    | <u>(88,314)</u>    | <u>126,757,657</u>    | <u>(44,684)</u>      | <u>44,684</u>       | <u>139,664,814</u>    |
| Ending   | <u>\$ 12,037,763</u> | <u>\$ 4,581,842</u>   | <u>\$ 230,094</u> | <u>\$ -</u>        | <u>\$ 192,926,089</u> | <u>\$ (128,779)</u>  | <u>\$ 128,780</u>   | <u>\$ 209,775,789</u> |

Pact, Inc. and Affiliates

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year ended September 30, 2019

|  | Pact, Inc.     | Pact Institute | Pact UK      | PGMF           | Pact Global | Pact Ventures | Eliminations | Total          |
|--|----------------|----------------|--------------|----------------|-------------|---------------|--------------|----------------|
| <b>SUPPORT AND REVENUE</b>                             |                |                |              |                |             |               |              |                |
| Grants and contracts                                   | \$ 120,639,433 | \$ 21,580,226  | \$ 3,909,519 | \$ 2,091,563   | \$ -        | \$ -          | \$ -         | \$ 148,220,741 |
| Contributions  | 10,789         | -              | 272,751      | -              | -           | -             | (272,751)    | 10,789         |
| Microfinance loan activities                           | -              | -              | -            | 68,518,178     | -           | -             | -            | 68,518,178     |
| Fee income on microfinance loans                       | -              | -              | -            | 863,899        | -           | 15,226        | -            | 879,125        |
| Investment loss, net                                   | (562,083)      | -              | -            | -              | 6,370       | -             | -            | (555,713)      |
| Other revenue  | 84,588         | 333,567        | -            | -              | -           | -             | -            | 418,155        |
| Affiliate admin fees                                   | 2,663,638      | -              | -            | -              | -           | -             | (2,663,638)  | -              |
| Net return on loans                                    | -              | -              | -            | 506,737        | -           | -             | -            | 506,737        |
| Total support and revenue                              | 122,836,365    | 21,913,793     | 4,182,270    | 71,980,377     | 6,370       | 15,226        | (2,936,389)  | 217,998,012    |
| <b>EXPENSES</b>  |                |                |              |                |             |               |              |                |
| Program services                                       | 100,217,215    | 19,191,954     | 3,445,231    | 4,032,123      | -           | -             | -            | 126,886,523    |
| Total program services                                 | 100,217,215    | 19,191,954     | 3,445,231    | 4,032,123      | -           | -             | -            | 126,886,523    |
| Supporting services:                                   |                |                |              |                |             |               |              |                |
| Management and general                                 | 22,203,529     | 2,358,801      | 643,737      | 44,133,163     | -           | 109,910       | (2,936,389)  | 66,512,751     |
| Fundraising  | 10,387         | -              | -            | -              | -           | -             | -            | 10,387         |
| Total supporting services                              | 22,213,916     | 2,358,801      | 643,737      | 44,133,163     | -           | 109,910       | (2,936,389)  | 66,523,138     |
| Total expenses   | 122,431,131    | 21,550,755     | 4,088,968    | 48,165,286     | -           | 109,910       | (2,936,389)  | 193,409,661    |
| Change in net assets before other gains and losses     | 405,234        | 363,038        | 93,302       | 23,815,091     | 6,370       | (94,684)      | -            | 24,588,351     |
| <b>OTHER GAINS AND LOSSES</b>                          |                |                |              |                |             |               |              |                |
| Unrealized foreign exchange gain                       | -              | -              | -            | 1,025,046      | -           | -             | -            | 1,025,046      |
| Unrealized loss from subsidiary                        | -              | -              | -            | -              | (44,684)    | -             | 44,684       | -              |
| <b>CHANGE IN NET ASSETS</b>                            | 405,234        | 363,038        | 93,302       | 24,840,137     | (38,314)    | (94,684)      | 44,684       | 25,613,397     |
| <b>NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS</b> |                |                |              |                |             |               |              |                |
| Beginning  | 6,862,273      | 5,035,373      | 236,251      | 101,917,520    | -           | -             | -            | 114,051,417    |
| Contribution (from) to member                          | -              | -              | -            | -              | (50,000)    | 50,000        | -            | -              |
| Ending   | \$ 7,267,507   | \$ 5,398,411   | \$ 329,553   | \$ 126,757,657 | \$ (88,314) | \$ (44,684)   | \$ 44,684    | \$ 139,664,814 |

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES – PACT, INC.

Year ended September 30, 2020

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



Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES – PACT, INC.

Year ended September 30, 2019

|                               | Program Services      |                         |                     |                        | Supporting Services    |                  |                           | Total Expenses        |
|-------------------------------|-----------------------|-------------------------|---------------------|------------------------|------------------------|------------------|---------------------------|-----------------------|
|                               | USAID Funded Directly | USAID Funded Indirectly | Other Federal       | Total Program Services | Management and General | Fundraising      | Total Supporting Services |                       |
| Salaries and related expenses | \$ 17,413,862         | \$ 3,662,980            | \$ 808,517          | \$ 21,885,359          | \$ 13,106,572          | \$ -             | \$ 13,106,572             | \$ 34,991,931         |
| Fringe benefits               | 5,107,620             | 974,030                 | 175,665             | 6,257,315              | 3,905,433              | -                | 3,905,433                 | 10,162,748            |
| Allowances                    | 1,366,261             | 337,606                 | 1,817               | 1,705,684              | 130,688                | -                | 130,688                   | 1,836,372             |
| Consultant fees               | 970,377               | 451,845                 | 32,705              | 1,454,927              | 721,849                | -                | 721,849                   | 2,176,776             |
| Travel                        | 2,980,999             | 636,063                 | 92,459              | 3,709,521              | 1,660,479              | -                | 1,660,479                 | 5,370,000             |
| Vehicles and equipment        | 383,602               | 21,229                  | -                   | 404,831                | 46,751                 | -                | 46,751                    | 451,582               |
| Supplies and other            | 2,186,041             | 368,610                 | 37,822              | 2,592,473              | 2,394,130              | 112              | 2,394,242                 | 4,986,715             |
| Banking and professional fees | 681,028               | 128,360                 | 37,918              | 847,306                | 2,648,829              | 10,275           | 2,659,104                 | 3,506,410             |
| Occupancy                     | 1,677,174             | 296,149                 | 50,196              | 2,023,519              | 1,546,350              | -                | 1,546,350                 | 3,569,869             |
| Training and conferences      | 6,470,365             | 757,267                 | 196,464             | 7,424,096              | 526,846                | -                | 526,846                   | 7,950,942             |
| Depreciation                  | -                     | -                       | -                   | -                      | 383,757                | -                | 383,757                   | 383,757               |
| Interest                      | -                     | -                       | -                   | -                      | 164,913                | -                | 164,913                   | 164,913               |
| Affiliate admin cost recovery | -                     | -                       | -                   | -                      | (5,310,730)            | -                | (5,310,730)               | (5,310,730)           |
|                               | <u>39,237,329</u>     | <u>7,634,139</u>        | <u>1,433,563</u>    | <u>48,305,031</u>      | <u>21,925,867</u>      | <u>10,387</u>    | <u>21,936,254</u>         | <u>70,241,285</u>     |
| Subgrants and subcontracts    | 47,551,431            | 4,150,112               | 210,641             | 51,912,184             | 277,662                | -                | -                         | 51,912,184            |
|                               | <u>\$ 86,788,760</u>  | <u>\$ 11,784,251</u>    | <u>\$ 1,644,204</u> | <u>\$ 100,217,215</u>  | <u>\$ 22,203,529</u>   | <u>\$ 10,387</u> | <u>\$ 21,936,254</u>      | <u>\$ 122,153,469</u> |

**Pact, Inc. and Affiliates**

**SCHEDULE OF FUNCTIONAL EXPENSES – PACT INSTITUTE, INC.**

**Year ended September 30, 2020**

|                                | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total<br/>Expenses</u>   |
|--------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Salaries and related expense   | \$ 4,624,823                | \$ 1,285,452                      | \$ 5,910,275                |
| Fringe benefits                | 1,323,987                   | 409,074                           | 1,733,061                   |
| Allowances                     | 272,967                     | 1,984                             | 274,951                     |
| Consultant fees                | 694,174                     | 2,650                             | 696,824                     |
| Travel                         | 543,025                     | 54,896                            | 597,921                     |
| Vehicles and equipment         | 259,045                     | (1)                               | 259,044                     |
| Supplies and others            | 354,703                     | 10,253                            | 364,956                     |
| Banking and professional fees  | 294,702                     | 75,006                            | 369,708                     |
| Occupancy                      | 428,216                     | -                                 | 428,216                     |
| Training and conferences       | 1,449,349                   | 1,420                             | 1,450,769                   |
| Affiliate admin cost recovery  | -                           | 1,429,080                         | 1,429,080                   |
|                                | <u>10,244,991</u>           | <u>3,269,814</u>                  | <u>13,514,805</u>           |
| <br>Subgrants and subcontracts | <br><u>5,542,641</u>        | <br><u>50,377</u>                 | <br><u>5,593,018</u>        |
|                                | <u><u>\$ 15,787,632</u></u> | <u><u>\$ 3,320,191</u></u>        | <u><u>\$ 19,107,823</u></u> |

**Pact, Inc. and Affiliates**

**SCHEDULE OF FUNCTIONAL EXPENSES – PACT INSTITUTE, INC.**

**Year ended September 30, 2019**

|                                | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total<br/>Expenses</u>   |
|--------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Salaries and related expenses  | \$ 5,066,526                | \$ 620,064                        | \$ 5,686,590                |
| Fringe benefits                | 1,623,392                   | 174,895                           | 1,798,287                   |
| Allowances                     | 313,800                     | 16                                | 313,816                     |
| Consultant fees                | 1,045,303                   | 29,987                            | 1,075,290                   |
| Travel                         | 923,285                     | 78,434                            | 1,001,719                   |
| Vehicles and equipment         | (41,526)                    | -                                 | (41,526)                    |
| Supplies and other             | 634,909                     | 5,198                             | 640,107                     |
| Banking and professional fees  | 238,093                     | 18,642                            | 256,735                     |
| Occupancy                      | 604,357                     | -                                 | 604,357                     |
| Training and conferences       | 1,437,409                   | 27,179                            | 1,464,588                   |
| Admin cost recovery            | -                           | 1,404,386                         | 1,404,386                   |
|                                | <u>11,845,548</u>           | <u>2,358,801</u>                  | <u>14,204,349</u>           |
| <br>Subgrants and subcontracts | <br><u>7,346,406</u>        | <br><u>-</u>                      | <br><u>7,346,406</u>        |
|                                | <u><u>\$ 19,191,954</u></u> | <u><u>\$ 2,358,801</u></u>        | <u><u>\$ 21,550,755</u></u> |

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES – PACT UK

Year ended September 30, 2020

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

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES – PACT UK

Year ended September 30, 2019

|                               | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total<br/>Expenses</u> |
|-------------------------------|-----------------------------|-----------------------------------|---------------------------|
| Salaries and related expenses | \$ 1,001,695                | \$ 355,870                        | \$ 1,357,565              |
| Fringe benefits               | 318,247                     | 122,134                           | 440,381                   |
| Allowances                    | 14,833                      | 16                                | 14,849                    |
| Consultant fees               | 283,275                     | 40,384                            | 323,659                   |
| Travel                        | 174,860                     | 101,508                           | 276,368                   |
| Vehicles and equipment        | 8,922                       | (4,521)                           | 4,401                     |
| Supplies and other            | 127,080                     | (4,519)                           | 122,561                   |
| Banking and professional fees | 36,213                      | 29,050                            | 65,263                    |
| Occupancy                     | 87,041                      | 71                                | 87,112                    |
| Training and conferences      | <u>386,114</u>              | <u>3,744</u>                      | <u>389,858</u>            |
|                               | <u>2,438,280</u>            | <u>643,737</u>                    | <u>3,082,017</u>          |
| Subgrants and subcontracts    | <u>1,006,951</u>            | <u>-</u>                          | <u>1,006,951</u>          |
|                               | <u>\$ 3,445,231</u>         | <u>\$ 643,737</u>                 | <u>\$ 4,088,968</u>       |

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES – PACT GLOBAL MICROFINANCE FUND

Year ended September 30, 2020

|                               | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total<br/>Expenses</u> |
|-------------------------------|-----------------------------|-----------------------------------|---------------------------|
| Salaries and related expense  | \$ 323,201                  | \$ 20,713,205                     | \$ 21,036,406             |
| Fringe benefits               | (4,808)                     | 2,032,100                         | 2,027,292                 |
| Allowances                    | -                           | 269,272                           | 269,272                   |
| Consultant fees               | -                           | 43,458                            | 43,458                    |
| Travel                        | 48,316                      | 1,309,699                         | 1,358,015                 |
| Vehicles and equipment        | 5,548                       | 186,884                           | 192,432                   |
| Supplies and others           | (29,549)                    | 1,886,940                         | 1,857,391                 |
| Banking and professional fees | 663                         | 340,043                           | 340,706                   |
| Occupancy                     | 64,347                      | 1,319,764                         | 1,384,111                 |
| Training and conferences      | 7,473                       | 107,175                           | 114,648                   |
| Depreciation                  | 24,896                      | 893,443                           | 918,339                   |
| Interest                      | -                           | 23,205,291                        | 23,205,291                |
| Bad debt expense              | (18,432)                    | 263,540                           | 245,108                   |
| Affiliate admin cost recovery | -                           | 8,389,600                         | 8,389,600                 |
|                               | <u>\$ 421,655</u>           | <u>\$ 60,960,414</u>              | <u>\$ 61,382,069</u>      |

**Pact, Inc. and Affiliates**

**SCHEDULE OF FUNCTIONAL EXPENSES – PACT GLOBAL MICROFINANCE FUND**

**Year ended September 30, 2019**

|                               | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total<br/>Expenses</u> |
|-------------------------------|-----------------------------|-----------------------------------|---------------------------|
| Salaries and related expenses | \$ 877,011                  | \$ 15,467,816                     | \$ 16,344,827             |
| Fringe benefits               | (6,320)                     | 45,775                            | 39,455                    |
| Allowances                    | 6,930                       | 299,560                           | 306,490                   |
| Consultant fees               | -                           | 9,163                             | 9,163                     |
| Travel                        | 131,586                     | 1,393,917                         | 1,525,503                 |
| Vehicles and equipment        | 2,037                       | 91,192                            | 93,229                    |
| Supplies and other            | 747,577                     | 2,914,643                         | 3,662,220                 |
| Banking and professional fees | 60,694                      | 450,188                           | 510,882                   |
| Occupancy                     | 35,325                      | 797,801                           | 833,126                   |
| Training and conferences      | 1,828,454                   | 388,874                           | 2,217,328                 |
| Depreciation                  | 35,899                      | 540,135                           | 576,034                   |
| Interest expense              | 274,248                     | 15,164,117                        | 15,438,365                |
| Affiliate admin cost recovery | -                           | 6,569,982                         | 6,569,982                 |
|                               | <u>3,993,441</u>            | <u>44,133,163</u>                 | <u>48,126,604</u>         |
| Subgrants and subcontracts    | <u>38,682</u>               | <u>-</u>                          | <u>38,682</u>             |
|                               | <u>\$ 4,032,123</u>         | <u>\$ 44,133,163</u>              | <u>\$ 48,165,286</u>      |

Pact, Inc. and Affiliates

SCHEDULE OF FUNCTIONAL EXPENSES – PACT VENTURES

Year ended September 30, 2020

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



**Pact, Inc. and Affiliates**

**SCHEDULE OF FUNCTIONAL EXPENSES – PACT VENTURES**

**Year ended September 30, 2019**

|                               | <b>Management<br/>and General</b> | <b>Total<br/>Expenses</b> |
|-------------------------------|-----------------------------------|---------------------------|
| Salaries and related expenses | \$ 42,867                         | \$ 42,867                 |
| Fringe benefits               | 12,769                            | 12,769                    |
| Travel                        | 13,212                            | 13,212                    |
| Supplies and other            | 286                               | 286                       |
| Banking and professional fees | 40,776                            | 40,776                    |
|                               | <u>\$ 109,910</u>                 | <u>\$ 109,910</u>         |

Pact, Inc. and Affiliates

SCHEDULE OF PROGRAM EXPENDITURES AND CASH RECEIVED OF NON-U.S. FEDERAL GOVERNMENT  
Awards – Pact, Inc. and Pact UK

Year ended September 30, 2020

| Funding Agency                                    | Pact Ref. | Program or Project                                 | Expenditures        | Cash<br>Received<br>(Refunded) |
|---|-----------|--|---------------------|--------------------------------|
| PricewaterhouseCoopers Limited                    | B1754     | ASM EARF Research                                  | \$ 128              | \$ -                           |
| Development Alternatives Inc. ("DAI")             | B3763     | Zimbabwe Accountability and Artisanal Mining-ZAAMP | 794                 | -                              |
| Cardno - Emerging Markets Division                | B3800     | SDMR   | 32,656              | 111,897                        |
| European Union                                    | B3809     | RASMI  | 890,579             | 756,663                        |
| European Union                                    | B3818     | SElam, EKisil ("SEEK")                             | 1,073,647           | 1,175,890                      |
| European Union                                    | B3831     | Ethiopia Conflict Early Warning                    | 629,550             | -                              |
| British Council                                   | B3852     | CSPP2  | 179,384             | 489,056                        |
| Oxford Policy Manage                              | B3889     | BSF Mining Agric. Research                         | 24,032              | 40,593                         |
| DAI Europe Ltd                                    | B3900     | ZAAMP Follow-on                                    | 243,556             | 229,278                        |
| DAI Europe Ltd                                    | B3901     | IFF Follow-on                                      | 37,970              | 34,278                         |
| British Foreign & Commonwealth Office             | B3909     | Confronting modern slavery within the mineral supp | 123,901             | 141,245                        |
| Oxford Policy Manage                              | B3922     | Oxford Policy Management Presentation              | 546                 | 2,003                          |
| Department for International Development ("DFID") | B4786     | Nepal's National Health Sector Program III-Monitor | 353,451             | 342,955                        |
| Cardno - Emerging Markets Division                | B4799     | SPACE  | 117,971             | 109,103                        |
| Barclays  | PY003     | Barclays VETA Sponsorship                          | 4,807               | -                              |
| Pear Asia Pacific Pte LTD                         | PY004     | Facebook Trainers under WE Act                     | 4,934               | 19,604                         |
| Total non-U.S. federal government awards          |           |  | <u>\$ 3,717,906</u> | <u>\$ 3,452,565</u>            |

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, 2019

| <u>Funding Agency</u>                               | <u>Pact Ref.</u> | <u>Program or Project</u>   | <u>Expenditures</u> | <u>Cash<br/>Received<br/>(Refunded)</u> |
|---|------------------|---|---------------------|---|
| PricewaterhouseCoopers Limited                      | B1754            | ASM EARF Research   | \$ (158)            | \$ -                                    |
| Development Alternatives Inc.                       | B3763            | Zimbabwe Accountability and Artisanal Mining-ZAAMP                                  | 428,986             | 398,004                                 |
| Cardno - Emerging Markets Division                  | B3800            | SDMR  | 119,504             | 70,806                                  |
| European Union                                      | B3809            | Regional Approaches for Sustainable Conflict Management and Integration (RASMI)     | 1,147,039           | 1,035,748                               |
| European Union                                      | B3818            | SElam, EKisil (SEEK)  | 809,607             | 543,367                                 |
| DAI Europe Ltd                                      | B3824            | THRACE  | 59,458              | 57,600                                  |
| British Council                                     | B3852            | CSPP2   | 188,057             | 284,922                                 |
| European Union                                      | B3831            | Piloting Conflict Early Warning and Rapid Response Reforms and Upgrades in Ethiopia | 416,034             | -                                       |
| Fairtrade Foundation                                | B3841            | Kenya Strengthening Gold Mine Associations  | -                   | 9,031                                   |
| Oxford Policy Management                            | B3889            | BSF Mining Agriculture Research   | 9,305               | -                                       |
| Foreign, Commonwealth, & Development Office         | B4786            | Nepal's National Health Sector Program III-Monitor                                  | 453,991             | 460,171                                 |
| Foreign, Commonwealth, & Development Office         | B4799            | SPACE   | 74,007              | 69,035                                  |
| Global Fund To Fight AIDS, Tuberculosis and Malaria | P3190            | GF Round and Tuberculosis Fund  | (2,622)             | -                                       |
| Global Fund To Fight AIDS, Tuberculosis and Malaria | P3193            | Malaria Control Towards Malaria Eradication   | 8                   | (119,376)                               |
| Total non-U.S. federal government awards            |                  |   | <u>\$ 3,703,216</u> | <u>\$ 2,809,308</u>                     |

Pact, Inc. and Affiliates

SCHEDULE OF PROGRAM EXPENDITURES AND CASH RECEIVED – PACT INSTITUTE, INC.

Year ended September 30, 2020

| Funding Agency                                     | Pact Ref. | Program or Project  | Expenditures         | Cash Received        |
|--|-----------|---|----------------------|----------------------|
| World Bank   | Z1768     | ASM Global Database   | \$ -                 | \$ 57,708            |
| Geological Institute of America, Inc.              | Z1806     | GIA Regional M2M Program  | 110,450              | 105,500              |
| Natural Resources Defense Council, Inc.            | Z1904     | Learning Report on Mercury Abatement Development Programs in ASGM   | -                    | 4,500                |
| World Bank   | Z1908     | Delve M2M Database Continuation Funding FY19  | 85,593               | 20,000               |
| World Bank   | Z1921     | Delve COVID-19 Impact Reporting   | 33,684               | 37,276               |
| Bill & Melinda Gates Foundation                    | Z3098     | SAQIP   | 1,056,765            | -                    |
| Apple  | Z3447     | Program Addressing Child Labor Artisanal Mining   | 437,416              | 346,584              |
| United Nations Children's Fund ("UNICEF")          | Z3738     | Accelerating Stunting Reduction   | 593,157              | 506,051              |
| Rio Tinto  | Z3776     | Rise Phase II   | 106,787              | 117,401              |
| Tulu Kapi Gold Mines S.C.                          | Z3816     | Livelihood Restoration Partnership Engagement   | 138                  | -                    |
| International Tin Association Ltd                  | Z3819     | ITSCI 2018  | 104                  | -                    |
| Microsoft Corporation                              | Z3820     | Baadaye ya Watoto ("Children's Future")   | 75,185               | 100,000              |
| Trafigura  | Z3826     | Trafigura Mutoshi   | 844                  | 98,902               |
| Global Fund To Fight AIDS, Tuberculosis & Malaria  | Z3840     | Multi-Sectoral Response TBHIV   | 2,911,089            | 1,637,642            |
| Trafigura Foundation                               | Z3842     | TF WIM Malemba-Nkulu  | 447,687              | 518,000              |
| Dutch Ministry of Foreign Affairs                  | Z3843     | Piloting Conflict Early Warning and Rapid Response  | 372,638              | 592,761              |
| Population Services International ("PSI")          | Z3848     | Nzatonse Phase III  | 105                  | 86,168               |
| Trafigura Foundation                               | Z3849     | TF Mutoshi Child Labor- Kolwezi   | 215,383              | 240,000              |
| International Tin Association Ltd                  | Z3858     | ITSCI 2019 Funding  | 1,941,858            | 2,370,757            |
| Eurasian Resources Group ERG                       | Z3868     | ERG WIM- Northern Kolwezi Community Impact  | 631,514              | 428,294              |
| Organization for Economic Co-Operation and Develop | Z3870     | OECD Forum 2019   | 1                    | 4,315                |
| Eurasian Resources Group ERG                       | Z3872     | ERG Scoping Mission   | 23,278               | -                    |
| United Nations Development Programme ("UNDP")      | Z3882     | Preparatory support to the Sustainability of the Extractives Sector in Zimbabwe   | 50,244               | 3,743                |
| The Swedish International Development Agency       | Z3887     | Applied Political Economy Analysis of Illicit Financial Flows in Zimbabwe   | 82,299               | -                    |
| Trafigura  | Z3895     | Trafigura Corporate parent agreement for 2019-2020  | 303,946              | 314,446              |
| David and Lucile Packard Foundation                | Z3896     | Facilitated Capacity Assessment and Development of Two-Year Organizational Capacity Development Plan for Ethiopia-Based Organizations | 51,843               | 52,700               |
| Responsible Business Alliance                      | Z3898     | Apple/RBA Apprenticeship Program-Works 2  | 341,428              | 400,000              |
| International Tin Association Ltd                  | Z3907     | ITSCI 2020 Funding  | 3,925,463            | 3,402,272            |
| United Nations Development Programme ("UNDP")      | Z3923     | Preparatory support to the sustainability of extractives- Zimbabwe  | 1,103                | 23,000               |
| David and Lucile Packard Foundation                | Z3924     | Organizational Development Implementation Project   | 8,416                | 100,000              |
| Chevron Corporation                                | Z4083     | SHINE II Sustainable Health Improvement and empowerment   | 263                  | -                    |
| United Nations Office for Project Svcs ("UNOPS")   | Z4087     | Organizational capacity development for 3MDG local  | 41                   | -                    |
| Chevron Corporation                                | Z4088     | Start-up phase for rural electrification project  | 1                    | -                    |
| Chevron Corporation                                | Z4094     | Renewable Energy Project - Phase I  | 67                   | -                    |
| The Coca Cola Foundation                           | Z4097     | Swan Yi II  | 95                   | -                    |
| International Center for Living Aquatic Resources  | Z4740     | MYCulture   | 52,474               | 18,331               |
| Ooredoo Myanmar Limited                            | Z4744     | Expansion of Mobile Health Clinics  | 5                    | -                    |
| United Nations Office for Project Svcs ("UNOPS")   | Z4784     | Lift Small Grants Fund for Civil Society  | 9                    | -                    |
| Rockefeller Foundation                             | Z4829     | Smart Power Myanmar Facility  | 1,739,829            | 2,000,000            |
| The Coca Cola Foundation                           | Z4836     | Swan Yi III   | 364,603              | -                    |
| Global Affairs Canada                              | Z4867     | Women of Ukraine (WoU)  | 717,560              | 646,266              |
| Global Environment Facility                        | Z4884     | GEF GOLD Component 2  | 132,318              | 119,534              |
| Rockefeller Foundation                             | Z4905     | SPM Data Concept  | 82,366               | 1,000,000            |
| Chevron Corporation                                | Z4911     | Yaung Chi   | 237,222              | 1,348,941            |
| Chevron Corporation                                | Z4913     | Partnering to Support Entrepreneurs in Electrification of Myanmar   | 109,581              | 125,000              |
| Global Affairs Canada                              | Z4917     | Women Included: Nurturing Growth & Security ("WINGS")   | 206,844              | 489,633              |
| International Center for Living Aquatic Resources  | Z4918     | Fish for Livelihoods  | 88,346               | 57,000               |
| Stitching Aids Fonds                               | ZY006     | Hosting-Program Manager Policy & Advocacy US  | 184,705              | -                    |
| AIDS Strategy Advocacy and Policy                  | ZY007     | Lesotho ASAP Consultancy  | 6,223                | -                    |
|  |           |   | <u>\$ 17,731,150</u> | <u>\$ 17,372,725</u> |

Pact, Inc. and Affiliates

SCHEDULE OF PROGRAM EXPENDITURES AND CASH RECEIVED – PACT INSTITUTE, INC.

Year ended September 30, 2019

| Funding Agency   | Pact Ref. | Program or Project   | Expenditures         | Cash Received (Refunded) |
|--|-----------|--|----------------------|--------------------------|
| World Bank   | Z1768     | ASM Global Database  | \$ 195,559           | \$ 169,736               |
| KPMG LLP   | Z1804     | M2M Personal Protective Equipment  | 175                  | -                        |
| Geological Institute of America, Inc.                  | Z1806     | GIA Regional M2M Program   | 85,219               | 105,500                  |
| Chevron Corporation                                    | Z1812     | Rakhine Scoping Assessment   | 10,875               | -                        |
| Population Services International                      | Z3092     | Strengthening P3 in Sexual and Reproductive Health   | (327)                | (46,233)                 |
| Bill & Melinda Gates Foundation                        | Z3098     | State Accountability for Quality Improvement Project ("SAQIP")   | 3,394,108            | 2,332,529                |
| American Cancer Society, Inc.                          | Z3105     | KENCASA Institutional Strengthening Project  | -                    | (4,478)                  |
| Dutch Ministry of Foreign Affairs                      | Z3106     | Scaling up Mineral Traceability in the Great Lakes Region  | (254)                | 196,000                  |
| Apple Inc.   | Z3447     | Program Addressing Child Labor Artisanal Mining  | 690,382              | 873,594                  |
| United Nations Children's Fund                         | Z3738     | Accelerating Stunting Reduction in Songwe Region   | 468,882              | 381,208                  |
| Global Fund To Fight AIDS, Tuberculosis & Malaria      | Z3759     | Stepping Up TB/HIV   | (464,836)            | -                        |
| QIT Madagascar Minerals SA ("Rio Tinto")               | Z3776     | Rise Phase II  | 139,781              | 161,548                  |
| Google Inc.  | Z3779     | Watoto Inje Ya Mungoti ("WIM")   | (40,647)             | -                        |
| NetHope, Inc.  | Z3789     | NetHope 2017 Device Challenge  | 52,157               | -                        |
| Deutsche Gesellschaft fur Intr Zusammenarbeit          | Z3790     | Community Dialogue and Conflict Management   | 13                   | -                        |
| Qualcomm Technologies                                  | Z3796     | WIM Program ("Children Out of Mining")   | 1,575                | -                        |
| Congo Cobalt Corporation                               | Z3802     | DRC ASM WORTH and Positive Parenting   | 2,766                | -                        |
| Australian High Commission                             | Z3815     | Mercury Free Gold Mining in Zamfara State Project  | (4,385)              | -                        |
| International Tin Association Ltd                      | Z3819     | ITA 2018   | 1,833,772            | 2,352,581                |
| Microsoft Corporation                                  | Z3820     | Baadaye ya Watoto ("Children's Future")  | 75,695               | 100,000                  |
| Trafigura Corporation                                  | Z3826     | Trafigura Mutoshi  | 324,308              | 406,657                  |
| Tiffany and Company                                    | Z3828     | Responsible Tanzanite Sourcing Study   | 3,635                | 13,476                   |
| Discovery Limited                                      | Z3830     | Voices for the Future  | 24,179               | 3,562                    |
| Organization for Economic Co-Operation and Development | Z3834     | Civil Society Funding for 2018 April Forum   | -                    | 3,583                    |
| Global Fund To Fight AIDS, Tuberculosis & Malaria      | Z3840     | Multi-Sectoral Response TBHIV  | 3,293,880            | 4,271,899                |
| Trafigura Foundation                                   | Z3842     | WIM Malemba-Nkulu  | 415,311              | 200,000                  |
| Ministry of Foreign Affairs – The Netherlands          | Z3843     | Piloting Conflict Early Warning and Rapid Response Reforms and Upgrades in Oromia Regional State, Ethiopia | 350,453              | 609,077                  |
| Geological Institute of America, Inc.                  | Z3844     | Empowering Artisanal Miners through the Gem Guidebook  | 63,050               | 90,000                   |
| Population Services International ("PSI")              | Z3848     | Nzatonse Phase III   | 279,338              | 206,374                  |
| Trafigura Foundation                                   | Z3849     | WIM Kolwezi - Mutoshi  | 200,651              | 74,000                   |
| International Tin Association Ltd                      | Z3858     | ITA 2019 Funding   | 5,183,677            | 4,868,541                |
| DELL   | Z3860     | Dell- School Supply Donation   | 10,004               | 10,000                   |
| The MasterCard Foundation                              | Z3862     | AfrEA Conference Travel Scholarships ("MasterCard")  | 60,010               | 60,000                   |
| Eurasian Resources Group ERG                           | Z3868     | ERG WIM- Northern Kolwezi Community Impact   | 47,840               | 252,964                  |
| Organization for Economic Co-Operation and Development | Z3870     | OECD Forum 2019  | 19,214               | 16,085                   |
| Eurasian Resources Group ERG                           | Z3872     | ERG Scoping Mission  | 4,494                | 30,368                   |
| United Nations Development Programme                   | Z3882     | Preparatory support to the Sustainability of the Extractives Sector in Zimbabwe                            | 7,489                | 54,000                   |
| The Swedish International Development Agency           | Z3887     | Applied Political Economy Analysis of Illicit Financial Flows in Zimbabwe                                  | -                    | 87,656                   |
| United Nations Office for Project Services             | Z4087     | Organizational capacity development for 3MDG   | -                    | 85,811                   |
| International Center for Living Aquatic Resources      | Z4740     | MYCulture  | 181,523              | 206,754                  |
| Shell Myanmar Energy Pte. Ltd.                         | Z4742     | Ahlin Young  | 11,033               | -                        |
| Swedish International Dev Cooperation Agency           | Z4747     | PROCEED II   | 109,714              | (3,190)                  |
| United Nations Office for Project Svcs                 | Z4784     | Lift Small Grants Fund for Civil Society   | 1,250,523            | -                        |
| Trafigura  | Z4808     | Co-designing Interventions with Artisanal Miners   | (320)                | 10,000                   |
| Chevron Corporation                                    | Z4814     | Ahlin Young Access to Renewable Energy in Madaya   | 382,955              | -                        |
| Rockefeller Foundation                                 | Z4817     | Support to PURE Research Rockefeller/Dalberg   | -                    | 5,313                    |
| Private Infrastructure Development Group Trust         | Z4821     | Sponsorship of PURE Study  | -                    | 8,750                    |
| Rockefeller Foundation                                 | Z4829     | Smart Power Myanmar Facility   | 2,050,367            | 2,250,000                |
| The Coca Cola Foundation                               | Z4836     | Swan Yi III  | 382,736              | -                        |
| World Bank   | Z4837     | Strengthening Collaborative & Inclusive Approaches in Nepal  | 10,506               | -                        |
| Deutsche Gesellschaft fur Intr Zusammenarbeit          | Z4855     | Promotion of Rural Electrification   | 25,263               | 25,948                   |
| Agence Francaise De Development                        | Z4856     | Market Assessment for Decentralized Energy Access  | 17,000               | 16,971                   |
| International Finance Corporation                      | Z4861     | IFC Solar Workshop   | 1,695                | 1,507                    |
| Global Affairs Canada                                  | Z4867     | Women's Voice and Leadership Program   | 164,297              | 373,995                  |
| Global Environment Facility                            | Z4884     | GEF GOLD Component 2   | 15,633               | 29,883                   |
| Church World Service                                   | ZY001     | Capacity Solutions Platform  | 33,161               | 15,220                   |
|  |           |  | <u>\$ 21,364,129</u> | <u>\$ 20,907,189</u>     |