



Financial Statements

For the Year Ended September 30, 2020

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Independent Auditor's Report

To the Board of Directors
VillageReach
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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Opinion

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

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended September 30, 2020. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
February 10, 2021

VILLAGEREACH

Statement of Financial Position
September 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,467,628	\$ 3,003,969
Short term investments		253,035
Contracts and grants receivable, current portion	5,195,188	3,713,711
Accounts and loans receivable, net (Note 2)	142,857	285,715
Prepaid expenses	<u>227,925</u>	<u>184,525</u>
Total Current Assets	13,033,598	7,440,955
Contracts and grants receivable, net of current portion	10,000	1,250,000
Deposits	22,634	10,202
Fixed assets, net (Note 3)	<u>158,986</u>	<u>179,935</u>
Total Assets	<u>\$ 13,225,218</u>	<u>\$ 8,881,092</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,985,817	\$ 1,709,608
Deferred revenue	71,654	171,101
Paycheck Protection Program loan, current portion (Note 10)	<u>101,901</u>	
Total Current Liabilities	2,159,372	1,880,709
Deferred rent	22,903	29,941
Paycheck Protection Program loan (Note 10)	<u>639,166</u>	
Total Liabilities	2,821,441	1,910,650
Net Assets:		
Without donor restrictions	2,523,900	987,375
With donor restrictions	<u>7,879,877</u>	<u>5,983,067</u>
Total Net Assets	<u>10,403,777</u>	<u>6,970,442</u>
Total Liabilities and Net Assets	<u>\$ 13,225,218</u>	<u>\$ 8,881,092</u>

See accompanying notes.

VILLAGEREACH

Statement of Activities
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating Activities				
Public Support and Revenue:				
Public support-				
Contributions and grants	\$ 7,992,774	\$ 9,592,869	\$ 17,585,643	\$ 14,773,889
In-kind contributions	32,299		32,299	
Net assets released from restrictions	<u>7,696,059</u>	<u>(7,696,059)</u>		
Total public support	15,721,132	1,896,810	17,617,942	14,773,889
Contract revenue	3,458,272		3,458,272	4,951,344
Interest and dividends	1,310		1,310	6,021
Other income	<u>501</u>		<u>501</u>	<u>9,316</u>
Total Public Support and Revenue	19,181,215	1,896,810	21,078,025	19,740,570
Expenses:				
Program services	14,566,831		14,566,831	12,630,028
Supporting services-				
Management and general	2,658,707		2,658,707	2,737,661
Fundraising	<u>180,397</u>		<u>180,397</u>	<u>228,624</u>
Total supporting services	<u>2,839,104</u>		<u>2,839,104</u>	<u>2,966,285</u>
Total Expenses	17,405,935		17,405,935	15,596,313
Change in Net Assets From Operating Activities	1,775,280	1,896,810	3,672,090	4,144,257
Nonoperating Activities				
Loss on receivable from VidaGas, net	(142,858)		(142,858)	(285,714)
Loss on disposal of fixed assets	(41,474)		(41,474)	(6,967)
Loss on foreign currency exchange	<u>(54,423)</u>		<u>(54,423)</u>	<u>(51,239)</u>
Change in Net Assets From Nonoperating Activities	(238,755)		(238,755)	(343,920)
Change in Net Assets	1,536,525	1,896,810	3,433,335	3,800,337
Net assets, beginning of year	<u>987,375</u>	<u>5,983,067</u>	<u>6,970,442</u>	<u>3,170,105</u>
Net Assets, End of Year	<u>\$ 2,523,900</u>	<u>\$ 7,879,877</u>	<u>\$ 10,403,777</u>	<u>\$ 6,970,442</u>

See accompanying notes.

VILLAGEREACH

Statement of Functional Expenses
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries	\$ 5,659,169	\$ 1,517,915	\$ 115,008	\$ 7,292,092	\$ 6,965,521
Employee benefits and payroll taxes	<u>1,898,598</u>	<u>387,361</u>	<u>46,003</u>	<u>2,331,962</u>	<u>2,173,383</u>
Total Salaries and Related Expenses	7,557,767	1,905,276	161,011	9,624,054	9,138,904
Subagreements	4,128,859			4,128,859	1,958,166
Professional fees	1,225,219	81,594	7,030	1,313,843	1,573,093
Travel and lodging	663,817	64,970	546	729,333	1,355,717
Computer related services and supplies	212,964	128,195	3,488	344,647	320,164
Occupancy	106,510	130,867		237,377	236,701
Vehicles	121,755	236		121,991	154,024
Telephone	90,518	26,112	18	116,648	93,688
Supplies	104,663	10,994	26	115,683	105,560
Bank charges and service fees	25,451	72,815		98,266	80,997
Insurance	47,974	47,684		95,658	75,539
Depreciation	61,518	21,401		82,919	100,404
Staff training and education	74,486	6,391		80,877	98,405
Miscellaneous	11,978	43,472	2,351	57,801	8,411
Contract labor	30,640	24,166		54,806	57,750
Dues and subscriptions	10,623	34,775	3,688	49,086	21,176
Repairs and maintenance	24,261	1,585		25,846	45,490
Conferences	18,881	3,066		21,947	30,746
Advertising	5,410	13,154	50	18,614	10,415
Meals and entertainment	15,763	2,370	80	18,213	59,271
Taxes and licenses	14,258	3,623		17,881	37,170
Printing and publications	9,678	3,617	1,518	14,813	31,563
Postage and mailing	2,590	1,293	591	4,474	2,959
In-kind professional fees	<u>1,248</u>	<u>31,051</u>		<u>32,299</u>	
2020 Total Expenses	<u>\$ 14,566,831</u>	<u>\$ 2,658,707</u>	<u>\$ 180,397</u>	<u>\$ 17,405,935</u>	
2019 Total Expenses	<u>\$ 12,630,028</u>	<u>\$ 2,737,661</u>	<u>\$ 228,624</u>		<u>\$ 15,596,313</u>

See accompanying notes.

VILLAGEREACH

Statement of Cash Flows
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 3,433,335	\$ 3,800,337
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	82,919	100,404
Loss on receivable from VidaGas	142,858	285,714
Loss on disposal of fixed assets	41,474	6,967
Gain on short term investments	253,035	(4,778)
Cash provided (used) by changes in operating assets and liabilities:		
Contracts and grants receivable	(241,477)	(1,631,056)
Prepaid expenses	(43,400)	(33,372)
Deposits	(12,432)	(731)
Accounts payable and accrued expenses	276,209	(334,050)
Deferred revenue	(99,447)	(53,899)
Deferred rent	(7,038)	3,280
Net Cash Provided by Operating Activities	3,826,036	2,138,816
Cash Flows From Investing Activities:		
Purchases of fixed assets	(103,444)	(11,698)
Net Cash Used in Investing Activities	(103,444)	(11,698)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan	741,067	
Net Cash Provided by Financing Activities	741,067	
Net Change in Cash and Cash Equivalents	4,463,659	2,127,118
Cash and cash equivalents balance, beginning of year	3,003,969	876,851
Cash and Cash Equivalents Balance, End of Year	\$ 7,467,628	\$ 3,003,969

See accompanying notes.

VILLAGEREACH

Notes to Financial Statements For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations - VillageReach (the Organization) is a nonprofit organization operating in Seattle, Washington, and multiple low-resource countries, primarily in sub-Saharan Africa. It is a Section 501(c)(3) entity per the Internal Revenue Code (IRC) in the United States and registered as a nongovernmental organization in the countries of Mozambique, Malawi, South Africa, Tanzania and Democratic Republic of Congo. The Organization's mission is to save lives and improve health by increasing access to quality healthcare for the most underserved communities. The Organization partners with governments, businesses, nonprofits and other organizations to improve health system performance and fill gaps in supporting infrastructure at the service delivery level or "last mile" in rural areas through health system strengthening, developing and deploying information communications technologies, and establishing and growing social businesses that support the health system.

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

Cash and Cash Equivalents - The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Short-Term Investments - Short-term investments consist of a certificate of deposit (CD) held with an investment bank, reported at fair value. U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are those other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities that are not active, or other inputs that are observable or can be corroborated by observable market data. The CD is valued using quoted prices in active markets for similar instruments, which is considered a Level 2 input.

Contracts and Grants Receivable - Contracts receivable are recorded at original invoice amount less an estimate made for doubtful accounts. Grants and contributions receivable (unconditional promises to give) due in the next year are recorded at their net realizable value. Grants and contributions receivables due in subsequent years are reported at the present value of their net realizable value, using risk adjusted interest rates applicable to the years in which the payments are to be received. Management has determined an allowance for doubtful accounts was not necessary as of September 30, 2020 and 2019.

Fixed Assets - The Organization capitalizes assets with a cost equal to or greater than \$5,000 and an estimated useful life of one or more years. Depreciation is computed utilizing the straight-line method based on estimated useful lives of three to five years for equipment, software, vehicles, furniture and fixtures. Leasehold improvements are depreciated over the shorter of their useful life or lease term.

The costs of repairs and maintenance are expensed as incurred. The costs of improvements and acquisitions are capitalized. Contributed property and equipment are recorded at fair value at the date of donation.

VILLAGEREACH

Notes to Financial Statements For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Net Assets - Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to externally-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to externally-imposed restrictions that will be met either by action of the Organization, the passage of time or that must be maintained in perpetuity. All net assets with donor restrictions as of September 30, 2020 and 2019 are purpose restricted for specific projects.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition - Unconditional grants and contributions are recognized in the period received. A grant or contribution is considered conditional when it has a right of return/release and barriers to entitlement. Conditional grants and contributions are recognized in the period in which the conditions are met. All grants and contributions are available for general use unless specifically restricted by the donor. Contract revenue is recognized as services are provided. Payments received in advance of services provided or for conditional contributions before the conditions are satisfied are recorded as deferred revenue. The Organization had \$418,470 in conditional grants and contributions outstanding at September 30, 2020, and the Organization expects to satisfy the conditions over the next two years. The Organization had \$170,411 in conditional contributions outstanding at September 30, 2019, and the Organization satisfied the conditions during the year ended September 30, 2020.

In-Kind Contributions - The Organization receives donated goods and services. Donated goods and use of facilities are recorded at fair value at the date of receipt. Donated services are recorded only if specific professional expertise is provided or the services are for constructing a fixed asset, in accordance with U.S. GAAP.

Donated goods and services consisted of professional services of \$32,299 for the year ended September 30, 2020.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. It is the policy of the Organization to allocate costs directly whenever costs are identifiable to specific programs or supporting service. Costs that are not directly identifiable to a specific function are allocated based on utilization. These costs are primarily personnel expenses and are allocated based on labor utilization.

Tax Exempt Status - The Organization is a Section 501(c)(3) organization under the Internal Revenue Code and, as such, is exempt from federal income tax. Accordingly, the Organization has not made any provision for income tax expense in the accompanying financial statements. The Organization submits tax returns as required in the various countries in which it operates.

VILLAGEREACH

Notes to Financial Statements For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Operating Activities and Nonoperating Activities - Operating activities represent all sources of revenue and expenses except those designated as nonoperating. Nonoperating activities consist of gains and losses related to foreign currency exchange, the sale of fixed assets and the loss related to the receivable from VidaGas.

Concentrations - The Organization places its cash and short-term investments with FDIC and SIPC insured financial institutions. As of September 30, 2020, the Organization had cash and short-term investments on deposit in excess of the federally insured limits.

For the year ended September 30, 2020, the Organization received 41% of its total revenue from two entities, of which 26% was received from a United States Federal Agency. At September 30, 2020, 33% of total contracts, grants and loans receivable were from two entities.

For the year ended September 30, 2019, the Organization received 58% of its total revenue from three entities, of which 13% was received from a United States Federal Agency. At September 30, 2019, 66% of total contracts, grants and loans receivable were from three entities.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Operations and Foreign Currency Translation - The Organization operates in a number of foreign countries. As of September 30, 2020 and 2019, the Organization held \$264,515 and \$387,276 of cash and cash equivalents in foreign countries, of which \$54,062 and \$105,117 was in foreign currencies, respectively. Repatriation of funds restrictions may exist in a small number of foreign currency accounts. The Organization has not experienced any losses in such accounts and closely monitors its cash and investments. Therefore, management believes the Organization is not exposed to any significant credit risk on cash and equivalents.

The functional currencies of the Organization's foreign operations are the local currencies. The financial statements of the Organization's foreign operations have been translated into U.S. dollars in accordance with U.S. GAAP. Substantially all assets and liabilities have been translated using the exchange rate in effect at the statement of financial position date. Revenues, expenses, gains and losses have been translated using the month end exchange rate. For the years ended September 30, 2020 and 2019, the Organization recognized foreign currency translation losses of \$54,423 and \$51,239, respectively.

Summarized Information for Prior Year - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

VILLAGEREACH

Notes to Financial Statements For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Adoption of New Accounting Pronouncement - During the year ended September 30, 2020, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. There was no material effect of the adoption of this ASU for the year ended September 30, 2020. The Organization has elected to adopt the changes from this ASU prospectively starting October 1, 2019 and accordingly, no changes have been made to balances reported in the 2019 financial statements.

Note 2 - Investment in VidaGas

The Organization had a 29% ownership in VidaGas, a for-profit liquid propane supplier, formed in 2002, in Mozambique. An additional 40% was owned by Oasis Capital Limited, and the remaining 31% was owned by a local nongovernmental organization (Foundation for Community Development) that partners with the Organization in its mission to improve health care access in Mozambique. The partnership was formed because of the importance of a ready supply of liquid propane for the distribution and storage of vaccines. It is considered an extension of the Organization's mission in Mozambique. Propane sales are made to the public.

The investment in VidaGas was accounted for under the equity method in the financial statements of the Organization. The net profits, net losses, and credits of VidaGas were allocated 29% to the Organization and 71% to the remaining partners in accordance with the partnership agreement. In January 2015, the Organization loaned \$66,000 in addition to its 29% ownership interest.

The Organization's 29% ownership, along with that of Oasis Capital's 40% ownership were sold on May 11, 2018 to Vida Energy Ltd. The Organization's gross proceeds from the sale were \$719,796, which resulted in a realized gain on the sale of \$642,290, less \$101,282 for capital gains tax and \$28,571 for an allowance related to the anticipated timing of the payments. The net gain of \$512,437 was recognized as a nonoperating realized gain during the year ended September 30, 2018.

As of September 30, 2020, the remaining balance of the sales proceeds of \$142,857 is included in accounts and loans receivable on the statement of financial position and consists of the net sales proceeds of \$600,000, less an allowance for doubtful accounts of \$457,143. The Organization continues to pursue collection via all avenues available.

VILLAGEREACH

Notes to Financial Statements
For the Year Ended September 30, 2020
(With Comparative Totals for 2019)

Note 3 - Fixed Assets

Fixed assets consisted of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 446,026	\$ 341,249
Software	435,600	435,600
Furniture and fixtures	101,012	101,012
Leasehold improvements	47,466	133,761
Equipment	<u>46,744</u>	<u>46,744</u>
Total fixed assets	1,076,848	1,058,366
Less accumulated depreciation	<u>(917,862)</u>	<u>(878,431)</u>
Fixed Assets, Net	<u>\$ 158,986</u>	<u>\$ 179,935</u>

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at September 30:

	<u>2020</u>	<u>2019</u>
Capacity building and cross-cutting initiatives	\$ 2,400,195	\$ 3,121,546
Immunization supply chain	1,952,961	1,431,084
OpenLMIS	1,485,912	506,267
COVID-19 response	884,761	
Drones for health	689,240	200,395
Supply chain for CHWs	422,220	576,971
Hotline center by phone	44,588	116,584
Supply chain strengthening	<u>30,220</u>	<u>30,220</u>
Total Net Assets With Donor Restrictions	<u>\$ 7,879,877</u>	<u>\$ 5,983,067</u>

Net assets released from restriction totaled \$7,696,059 during the year ended September 30, 2020, as the program or purpose restriction had been satisfied.

VILLAGEREACH

Notes to Financial Statements For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

Note 5 - Leases

Effective January 1, 2017, the Organization renewed its lease agreement for office space in Seattle, Washington. The initial monthly rent under the renewed lease of \$7,767 increases annually by 9% throughout the five-year lease term that expires on December 31, 2021.

Rent expense recorded on the straight line basis related to this lease was \$116,345 for each of the years ended September 30, 2020, and 2019, and is included in occupancy expense.

Future minimum lease payments under the noncancelable lease is as follows:

For the Year Ending September 30,

2021	\$	134,704
2022		<u>34,361</u>
Total	\$	<u>169,065</u>

The Organization has entered into lease agreements for office space located in several countries in which it works. The leases are generally for terms of one to two years and several are cancellable. Monthly rent under these leases is between \$300 to \$4,560. Rent expense for these leases totaled \$98,729 and \$104,091 for the years ended September 30, 2020 and 2019, respectively.

Note 6 - Retirement Plans

The Organization has a 401(k) retirement plan that covers all U.S. based employees and U.S. citizens employed in foreign offices who are at least 21 years of age with at least three months of service. The Organization matches 100% of each participant's contribution up to a maximum of 3% of eligible compensation and 50% of each participant's contribution on the next 2% of eligible compensation, up to a maximum of 4% or the IRC limitation for a safe-harbor matching contribution. Total matching contributions for the plan totaled \$218,802 and \$202,239 for the years ended September 30, 2020 and 2019, respectively.

During 2015, the Organization established a nonqualified 457(b) deferred compensation plan that is covered under section 457 of the IRC. Only employees specifically designated by the Board of Trustees are eligible. The maximum salary deferral under this plan in calendar year 2020 was \$19,500, with "catch-up" provisions allowing \$6,000 additional deferrals for participants over 50 years old. There are no matching provisions. The nonqualified deferred compensation plan is administered by the Organization.

During 2017, the Organization established an international defined contribution retirement plan for third country national employees in foreign offices. All such employees are required to become members of and contribute 5% of gross earnings to the plan with a mandatory Organization match of 100%. The Organization's contributions to the plan totaled \$55,254 and \$44,714 for the years ended September 30, 2020 and 2019, respectively.

The Malawi Parliament adopted a bill establishing a national pension fund to which employers and employees make periodic, mandatory pension contributions. Employers are required to make contributions for individuals employed for at least 12 months. Employer contributions totaled \$59,353 and \$90,762 for the years ended September 30, 2020 and 2019, respectively.

VILLAGEREACH

Notes to Financial Statements For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

Note 7 - Commitments and Contingencies

Conditional Awards - The Organization has outstanding sub-award commitment totaling \$867,086 and \$725,869 as of September 30, 2020 and 2019, respectively. These amounts will be recognized as expense by the Organization in the period in which the conditions are substantially met. These amounts are not recorded on the statement of financial position, as conditions exist that must be met prior to recognizing this as a liability of the Organization.

Potential Disallowed Costs - Expenses incurred under certain programs are subject to audit by the awarding entities. If, as a result of such audit, certain expenses incurred are determined to be nonreimbursable, the Organization may be obligated to repay the disallowed expenses previously claimed or received.

Contingencies - In the normal course of operations, the Organization has various claims in process and other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

Note 8 - COVID 19

In December 2019, a novel strain of the coronavirus (COVID-19) was identified, and the World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 pandemic caused business disruption through mandated and voluntary closing of multiple businesses and organizations. The Organization complied with changes mandated by Washington state and the foreign countries in which the Organization works, which included increased safety protocols across all operations. While the situation is expected to be temporary, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the Organization's donors, employees and vendors, none of which can be reliably predicted at this time. Management continues to monitor events and conditions as they unfold and has established strategies-to-respond-accordingly.

Note 9 - Line of Credit

On November 30, 2018, the Organization obtained a line of credit for up to \$1,500,000 with a commercial bank for working capital purposes. The line of credit is for a term of one year. Interest on the line of credit is at a variable rate based on prime rate. The interest rate was 5.25% at the time the line of credit was obtained. The line of credit is collateralized by the assets of the Organization. There were no amounts outstanding on the line of credit as of September 30, 2020.

Note 10 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 19, 2020, the Organization obtained a loan under the PPP with a principal balance of \$741,067 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning ten months after the date the loan was obtained through the maturity date of the loan on April 19, 2025.

All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The Organization's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the revenue when the loan is forgiven by the lender. No revenue was recognized during the year ended September 30, 2020.

VILLAGEREACH

Notes to Financial Statements For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

Note 10 - Continued

Future minimum principal payments on the PPP loan are as follows:

For the Years Ending September 30,

2021	\$	101,901
2022		176,075
2023		177,844
2024		179,631
2025		<u>105,616</u>
Total	\$	<u>741,067</u>

To complete the loan forgiveness process management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. A risk exists that the lender or the SBA may reject some or all of the requested forgiveness amount during the review process, in which case the Organization will be required to repay the amount that is not forgiven.

Note 11 - Liquidity and Availability

The Organization is substantially supported by grants and contracts. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$1,500,000, which can be drawn upon as needed (Note 8).

The following reflects the Organization's financial assets as of the statement of financial position dates, reduced by amounts not available for general use within one year of the statement of financial position dates because of contractual or donor-imposed restrictions:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,467,628	\$ 3,003,969
Short term investments		253,035
Contracts and grants receivable, current portion	<u>5,195,188</u>	<u>3,713,711</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 12,662,816</u>	<u>\$ 6,970,715</u>

Note 12 - Subsequent Events

The Organization has evaluated subsequent events through February 10, 2021, the date on which the financial statements were approved and authorized for issuance by management.