Pact, Inc. and Affiliates

Consolidated Financial Report
September 30, 2019 and 2018

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Pact, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pact, Inc. and Affiliates (collectively, the Pact), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Pact Global Microfinance Fund (PGMF), a wholly owned affiliate, whose statements reflect total assets constituting 86% and 84% of consolidated total assets at September 30, 2019 and 2018, and total revenues constituting 33% and 30% of consolidated total support and revenue for the years then ended, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for PGMF, is based solely on the report of the other auditors. We conducted our audits 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. The financial statements of PGMF were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Pact, Inc. and Affiliates as of September 30, 2019 and 2018, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, Pact adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The adoption of this standard resulted in additional footnote disclosures.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2020, on our consideration of Pact's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely 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 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 Pact's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
May 11, 2020

Pact, Inc. and Affiliates

Consolidated Balance Sheets
September 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	**$ 45,873,273**	$ 31,822,735
Investments	**5,391,343**	4,122,766
Federal grants receivable	**6,781,484**	12,148,776
Other grants receivable	**2,915,982**	1,984,367
Advances and other receivables	**1,852,855**	3,156,768
Prepaid expenses and deposits	**2,561,311**	1,633,372
Notes receivable	**371,975**	-
Loan portfolio, net of loan loss reserve	**273,385,965**	208,985,031
Property and equipment, net	**2,707,097**	2,516,050
	$ 341,841,285	$ 266,369,865
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 14,760,821**	$ 14,713,904
Beneficiary savings and reserved funds	**108,576,235**	86,382,652
Net returns on loans, reinvested earnings	**8,153,783**	8,660,521
Notes payable	**56,826,116**	25,769,946
Refundable advances – federal	**3,212,794**	2,917,087
Refundable advances – other	**9,131,766**	11,239,780
Client loan funds	**-**	1,023,792
Deferred rent	**1,514,956**	1,610,766
	202,176,471	152,318,448
Commitments and contingencies (Notes 2, 10, 11, 12 and 16)		
Net assets (deficit) (all withouth donor restrictions):		
Without donor restrictions – Pact, Inc.	**7,267,507**	6,862,273
Without donor restrictions – Pact Institute, Inc.	**5,398,411**	5,035,373
Without donor restrictions – Pact UK	**329,553**	236,251
Without donor restrictions – Pact Global Microfinance Fund	**126,757,657**	101,917,520
Without donor restrictions – Pact Global	**(43,630)**	-
Without donor restrictions – Pact Ventures	**(44,684)**	-
	139,664,814	114,051,417
	$ 341,841,285	$ 266,369,865

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

Consolidated Statements of Activities
Years Ended September 30, 2019 and 2018

	2019	2018
Support and revenue:		
Grants and contracts	**$ 148,220,741**	$ 144,528,231
Contributions	**10,789**	22,002
Microfinance loan activities	**68,518,178**	57,881,474
Fee income on microfinance loans	**879,125**	1,196,042
Investment income, net	**(555,713)**	152,186
Other revenue	**418,155**	830,026
Net gain on loans	**506,737**	1,997,592
Total support and revenue	**217,998,012**	206,607,553
Expenses:		
Program services	**126,886,523**	122,578,007
Total program services	**126,886,523**	122,578,007
Supporting services:		
Management and general	**66,512,751**	60,090,576
Fundraising	**10,387**	19,770
Total supporting services	**66,523,138**	60,110,346
Total expenses	**193,409,661**	182,688,353
Change in net assets before other gains and losses	**24,588,351**	23,919,200
Other gains and losses:		
Unrealized foreign exchange gain (loss)	**1,025,046**	(13,956,248)
Change in net assets	**25,613,397**	9,962,952
Net assets (all without donor restrictions):		
Beginning	**114,051,417**	104,088,465
Ending	**$ 139,664,814**	$ 114,051,417

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

(With Comparative Totals for 2018)

	2019					
		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	2018
Salaries and related expenses	$ 28,830,591	$ 29,593,189	$ -	$ 29,593,189	$ 58,423,780	$ 52,400,676
Interest expense	274,248	15,329,030	-	15,329,030	15,603,278	11,500,971
Fringe benefits	8,192,634	4,261,006	-	4,261,006	12,453,640	13,329,793
Supplies and other	4,102,039	5,309,738	112	5,309,850	9,411,889	7,950,538
Travel	4,939,252	3,247,550	-	3,247,550	8,186,802	7,929,643
Training and conferences	11,076,073	946,643	-	946,643	12,022,716	10,828,079
Banking and professional fees	1,182,306	2,914,734	10,275	2,925,009	4,107,315	8,464,992
Occupancy	2,750,242	2,344,222	-	2,344,222	5,094,464	4,513,316
Allowances	2,041,247	430,280	-	430,280	2,471,527	2,763,944
Consultant fees	2,783,505	801,383	-	801,383	3,584,888	4,179,884
Vehicles and equipment	374,264	133,422	-	133,422	507,686	868,096
Depreciation	35,899	923,892	-	923,892	959,791	911,836
	66,582,300	66,235,089	10,387	66,245,476	132,827,776	125,641,768
Subgrants and subcontracts	60,304,223	277,662	-	277,662	60,581,885	57,046,585
	$ 126,886,523	$ 66,512,751	$ 10,387	$ 66,523,138	$ 193,409,661	$ 182,688,353

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

Consolidated Statement of Functional Expenses

Year Ended September 30, 2018

	2018				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and related expenses	$ 27,158,710	$ 25,241,774	$ 192	$ 25,241,966	$ 52,400,676
Interest expense	206,959	11,294,012	-	11,294,012	11,500,971
Fringe benefits	8,241,660	5,088,069	64	5,088,133	13,329,793
Supplies and other	4,821,389	3,129,019	130	3,129,149	7,950,538
Travel	4,936,564	2,993,079	-	2,993,079	7,929,643
Training and conferences	10,192,762	635,317	-	635,317	10,828,079
Banking and professional fees	1,131,311	7,314,297	19,384	7,333,681	8,464,992
Occupancy	2,478,285	2,035,031	-	2,035,031	4,513,316
Allowances	2,389,396	374,548	-	374,548	2,763,944
Consultant fees	3,184,990	994,894	-	994,894	4,179,884
Vehicles and equipment	749,440	118,656	-	118,656	868,096
Depreciation	64,130	847,706	-	847,706	911,836
	65,555,596	60,066,402	19,770	60,086,172	125,641,768
Subgrants and subcontracts	57,022,411	24,174	-	24,174	57,046,585
	$ 122,578,007	$ 60,090,576	$ 19,770	$ 60,110,346	$ 182,688,353

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 25,613,397**	$ 9,962,952
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	**266,811**	103,374
Provision for loan loss (gain)	**981,697**	(408,546)
Loan write-off	**(123,096)**	(153,492)
Loan revaluation	**16,117**	(523,938)
Depreciation	**959,013**	911,836
Loss on sales of property and equipment	**(1,827)**	(17,685)
Deferred rent	**(95,810)**	(59,052)
Changes in assets and liabilities:		
Decrease (increase) in:		
Federal grants receivable	**5,367,292**	(5,823,335)
Other grants receivable	**(931,615)**	(106,747)
Advances and other receivables	**1,303,913**	(248,430)
Prepaid expenses and deposits	**(927,939)**	809,297
Notes receivable	**(371,975)**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**46,917**	3,383,338
Beneficiary savings and reserved funds	**22,193,583**	8,665,207
Net returns on loans, reinvested earnings	**(506,738)**	(1,997,592)
Refundable advances – federal	**295,707**	1,503,002
Refundable advances – other	**(2,108,014)**	5,594,310
Client loan funds	**(1,023,792)**	(5,690,802)
Net cash provided by operating activities	**50,953,641**	15,903,697
Cash flows from investing activities:		
Purchases of investments	**(3,096,290)**	(255,561)
Sales of investments	**1,560,902**	-
Disbursements for loans	**(273,385,965)**	(208,985,031)
Receipts from collections of loans	**208,110,313**	165,344,979
Purchase of property and equipment	**(1,148,233)**	(769,367)
Net cash used in investing activities	**(67,959,273)**	(44,664,980)
Cash flows from financing activities:		
Payments on notes payable	**31,056,170**	24,404,598
Net cash provided by financing activities	**31,056,170**	24,404,598
Net increase (decrease) in cash and cash equivalents	**14,050,538**	(4,356,685)
Cash and cash equivalents:		
Beginning	**31,822,735**	36,179,420
Ending	**$ 45,873,273**	$ 31,822,735
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 15,932,688**	$ 10,488,249

See notes to consolidated financial statements.

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 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 owned subsidiary of Pact; it is structured to qualify as a Type I Supporting Organization under Section 509(a)(3) of the Internal Revenue Code. PGMF was incorporated in the state of Delaware on February 2, 2012, and has taken over several activities in Myanmar (also known as Burma) that were previously performed by Pact or the Institute. PGMF is a charity created by Pact, a 501(c)(3) public charity, to combat global poverty by expanding and strengthening Pact's microfinance work. PGMF has taken over several of Pact's microfinance projects and will continue to do so over time. PGMF will work with the U.S. government, United Nations agencies, and other public and private donors to offer financial services to low-income people. These services are offered with the goal of alleviating poverty and promoting sustainable development in the poorest parts of the world. PGMF is organized and will be operated to support Pact's charitable purposes. PGMF shares the vision of Pact: "A world where those who are poor and marginalized exercise their voice, build their own solutions and take ownership over their future." PGMF works to help Pact achieve one of its key goals of enabling people with limited livelihood choices to gain the resources needed to be income secure. PGMF will administer and develop services, tools, technology, innovation and partnerships that achieve excellence in sustainable traditional microfinance lending. PGMF currently provides: (1) microfinance services to impoverished individuals, particularly rural women, who have inadequate access to commercial financial services; (2) education, training and capacity building related to microfinance, disaster risk reduction and other humanitarian topics; and (3) grants to community organizations and groups that provide microfinance, disaster risk reduction and other humanitarian and poverty-reduction services. Initially, all of the microfinance projects will take place in Myanmar. Eventually, PGMF may expand its activities to other developing countries.

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.

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.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 Global was incorporated on March 14, 2018, to serve communities challenged by poverty and marginalization.

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.

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, 2019 and 2018, respectively.

Principles of consolidation: The consolidated financial statements include the accounts of Pact, Inc., PGMF, 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 $34 million and $18 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2019 and 2018, 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.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 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, 2019 and 2018.

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, 2019 and 2018.

Loans: 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 14). 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, 2019 and 2018, there were no impairments.

Deposits: Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

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

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

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

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

Refundable advances: Refundable advances represent the balance of cash received from government and private grants, for which allowable expenditures have not yet been incurred.

Support and revenue – Pact, Inc., Pact UK and the Institute: Revenue from grants and contracts is recognized as related reimbursable expenses are incurred. Allowable expenses incurred in excess of cumulative reimbursements are reported within grants receivable. Cash received in excess of allowable expenditures incurred is reported as refundable advances.

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 balance sheet date. Foreign exchange differences arising from translation are recognized in the consolidated statements of activities. The official exchange rate for U.S. dollars used in the translation of balance sheet items denominated in foreign currencies was 1,525.82 and 1,531.52 in Myanmar Kyat (MMK) at September 30, 2019 and 2018, respectively. Foreign exchange loss of $1,025,046 and $13,956,248 was recorded in 2019 and 2018, respectively.

Income taxes: Pact, Inc., the Institute and PGMF are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, all three organizations qualify for charitable contributions deductions and have been classified as organizations that are not private foundations. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Pact UK is registered as a charity in the UK. None of the entities had any significant net unrelated business income for the years ended September 30, 2019 and 2018.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Management evaluated Pact's tax positions and concluded that Pact has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the accounting guidance for uncertainty in income taxes. Generally, Pact is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

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.

Adopted accounting pronouncement: 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. The Organization retrospectively adopted the ASU in 2019. As permitted by the ASU in the year of election, the Organization elected to present the liquidity disclosure for only the current year.

Upcoming accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheets 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, 2021. 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 financial statements, with certain practical expedients available. Pact is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. This ASU is effective for fiscal years beginning October 1, 2019. Pact is currently assessing the potential impact of this ASU on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments in this ASU are intended to improve the guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU No. 2014-09, *Revenue from Contracts with Customers*. Pact is currently assessing the potential impact of this ASU on the consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning October 1, 2019. Where the Organization is a resource provider, the ASU is effective for annual periods beginning October 1, 2020. The adoption of ASU 2018-08 is not expected to have a material impact on the Organization's consolidated financial statements.

Subsequent events: Pact evaluated subsequent events through May 11, 2020, which is the date the consolidated financial statements were available to be issued.

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.

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, 2019 and 2018.

Note 2. Fair Value Measurements and Investments (Continued)

The following table presents Pact's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2019 and 2018:

	2019			
Description	Level 1	Level 2	Level 3	Total
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
	2,804,371	-	-	2,804,371
Alternative Investments (a)				2,577,147
Money market funds	9,825	-	-	9,825
	$ 2,814,196	$ -	$ -	$ 5,391,343

(a) 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 balance sheets.

	2018			
Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income – short term bond	$ 601,116	$ -	$ -	$ 601,116
Fixed income – ultrashort bond	603,983	-	-	603,983
Fixed income – intermediate term bond	298,864	-	-	298,864
Equity – large blend	747,968	-	-	747,968
Equity – foreign large value	393,812	-	-	393,812
Equity – diversified emerging markets	380,450	-	-	380,450
Equity – small value	130,103	-	-	130,103
Equity – small blend	131,899	-	-	131,899
Equity – world stock	129,970	-	-	129,970
Equity – global real estate	61,434	-	-	61,434
Equity – dimensional fund advisor	607,007	-	-	607,007
	4,086,606	-	-	4,086,606
Money market funds	36,160	-	-	36,160
	$ 4,122,766	$ -	$ -	$ 4,122,766

Note 2. Fair Value Measurements and Investments (Continued)

Investment income consists of the following for the years ended September 30, 2019 and 2018:

	2019	2018
Interest and dividends	$ 207,734	$ 255,560
Realized and unrealized (loss) gain on investments	(266,811)	(103,374)
Investment fees	(496,636)	-
	$ (555,713)	$ 152,186

The table below presents additional information for Pact's investment, 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 September 30, 2019	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fund of funds - mutli-strategy (a)	$ 2,577,147	$ 7,086,066	None	None

(a) 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, 2019 and 2018:

	2019	2018
Subrecipient advances	$ 1,256,064	$ 1,283,252
Employee advances	480,717	1,558,854
Other receivables	116,074	314,662
	$ 1,852,855	$ 3,156,768

Note 4. Loans Receivable

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 4 and 12 months at an annual effective interest rate of 30%. All loans outstanding as of September 30, 2019 and 2018, are due within the next 12 months. Loans outstanding for the years ended September 30, 2019 and 2018, consist of the following:

	2019	2018
Loans receivable	$ 277,458,382	$ 212,148,887
Less loan loss allowance	(4,072,417)	(3,197,699)
Net loan portfolio	$ 273,385,965	$ 208,951,188

Interest receivable of $2,552,203 and $615,916 is included in the loans receivable amount at September 30, 2019 and 2018, 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, 2019 and 2018, are as follows:

	2019	2018
Balance at beginning of year	$ 3,197,699	$ 4,283,675
Provision for loan losses	981,697	(408,546)
Loans written off	(123,096)	(153,492)
Revaluation	16,117	(523,938)
Balance at end of year	$ 4,072,417	$ 3,197,699

Loans are considered delinquent if they have not been repaid when due. See Note 14 for more information. As of September 30, 2019 and 2018, PGMF had delinquencies totaling $1,491,386 and $1,160,385, respectively. As of September 30, 2019 and 2018, the average effective yield on loans receivable was 30%.

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at September 30, 2019 and 2018, and depreciation expense for the years ended September 30, 2019 and 2018, are as follows:

2019

Asset Category	Estimated Lives (years)	Cost	Accumulated Depreciation	Net	Depreciation Expense
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	4,777,905	3,188,545	1,589,360	651,703
		$ 9,533,669	$ 6,826,572	$ 2,707,097	$ 959,013

2018

Asset Category	Estimated Lives (years)	Cost	Accumulated Depreciation	Net	Depreciation Expense
Software	3	$ 2,929,797	$ 2,541,026	$ 388,771	$ 250,708
Leasehold improvements	11	1,487,602	734,249	753,353	51,536
Property and equipment	3-10	3,970,943	2,597,017	1,373,926	609,592
		$ 8,388,342	$ 5,872,292	$ 2,516,050	$ 911,836

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at September 30, 2019 and 2018:

	2019	2018
Accrued personnel expenses	$ 7,282,426	$ 7,028,449
Accounts payable and accrued expenses	7,478,395	7,685,455
	$ 14,760,821	$ 14,713,904

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, 2019 and 2018, consist of the following:

	2019	2018
Savings (compulsory)	$ 28,362,457	$ 23,757,344
Savings (voluntary)	54,175,270	42,829,053
Total deposits from customers	$ 82,537,727	$ 66,586,397

Note 7. Beneficiary Savings and Reserved Funds (Continued)

During fiscal years 2019 and 2018, 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 balance sheets 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, 2019 and 2018, other client liabilities consist of the following:

	2019	2018
Beneficiary Welfare Fund	$ 22,083,277	$ 15,742,262
Employee Benefit Fund	3,954,610	4,031,846
Other deposits	621	22,147
Total other client liabilities	$ 26,038,508	$ 19,796,255

	2019	2018
Total deposits from customers	$ 82,537,727	$ 66,586,397
Total other client liabilities	26,038,508	19,796,255
	$ 108,576,235	$ 86,382,652

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.
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.

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, 2019 and 2018, was $8,153,783 and $8,660,521, respectively. Loan fund assets (microfinance products) owned by various funding agencies experienced a net gain on loans of $506,737 in 2019 and a net gain of $1,997,592 in 2018 and is recorded as net return (loss) on loans on the consolidated statements of activities.

Note 9. Pension Plan

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. Pension expense for the years ended September 30, 2019 and 2018, was $1,739,058 and $1,546,708, 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 balance sheets.

Total rent expense was $4,119,897 and $3,770,156 for the years ended September 30, 2019 and 2018, respectively.

Total future lease payments are as follows:

Years ending September 30:	
2020	$ 2,469,396
2021	2,933,726
2022	2,884,165
2023	2,929,346
2024	4,136,977
2025 and thereafter	32,697,432
	$ 48,051,042

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.

Note 12. Major Grantor

During the year ended September 30, 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, 2019 and 2018, approximately 53% and 56%, 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 fiscal years 2019 and 2018, respectively.

Note 13. Interest Expense

Interest expense for the years ended September 30, 2019 and 2018, includes:

	2019	2018
Interest on client deposits and other client liabilities	$ 15,438,365	$ 11,398,345
Interest on line of credit	164,913	102,626
Total interest expense	$ 15,603,278	$ 11,500,971

Note 14. 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 9 months and very few loans are over 12 months in duration in 2019 and 2018.

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.

Note 14. Financial Risk Management – PGMF Operations (Continued)

- 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.
- 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.

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.

Note 14. Financial Risk Management – PGMF Operations (Continued)

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 a 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 years ended September 30, 2019 and 2018:

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

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

Write-off policy: PGMF writes off a loan/security balance (and any related allowances for impairment losses) when PGMF's Program department determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from the group guarantee will not be sufficient to pay back the entire exposure. Loan write-offs for the years ended September 30, 2019 and 2018, are as follows:

2019	Number of Borrowers	Amount
Current loan	1,140,313	$ 273,414,793
Past due loan:		
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
Gross carrying amount	1,146,875	$ 274,906,178

Note 14. Financial Risk Management – PGMF Operations (Continued)

2018	Number of Borrowers	Amount
Current loan	1,061,804	$ 210,372,586
Past due loan:		
1-90 days	702	207,979
91-180 days	635	167,679
181-270 days	686	131,191
271-365 days	265	56,484
Over 365 days	2,262	588,052
Gross carrying amount	1,066,354	$ 211,523,971

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:

	2019	2018
Magway South	$ 16,420,047	$ 12,633,975
Magway Central	26,844,833	22,450,153
Magway North/Sagaing	24,253,848	19,124,159
Sagaing East	19,053,618	5,449,434
Mandalay/Shan North	35,295,969	27,140,760
Shan South	29,547,029	23,810,013
Delta West	38,058,844	29,264,862
Delta East	20,721,625	19,030,786
Rakhine	18,382,842	11,573,575
Delta North	30,024,146	26,020,471
Yangon	16,303,377	15,025,783
Total	$ 274,906,178	$ 211,523,971

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.

Note 14. Financial Risk Management – PGMF Operations (Continued)

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, 2019 and 2018:

2019	Number of Borrowers	Amount
General loan	888,766	$ 167,873,436
Extra loan	5,791	502,440
Medium and small enterprise 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
Total	1,146,875	$ 274,906,178

2018	Number of Borrowers	Amount
General loan	863,123	$ 146,138,357
Extra loan	11,924	211,554
Medium and small enterprise loan	25,819	12,543,707
Healthcare loan	2,456	153,189
Education loan	5,120	371,590
Agriculture loan	151,254	42,519,865
Lease	392	585,939
Individual loan	6,266	8,999,770
Total	1,066,354	$ 211,523,971

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 $1,025,046 and $13,956,248 in foreign exchange loss and gain, respectively, due to the 0.37% and 12.36% decreases in the value of the U.S. dollar compared to the MMK during the fiscal years ended September 30, 2019 and 2018, 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 $24,556,249, which is 8% of PGMF's total assets as of September 30, 2019, and $14,520,307, which is 6% of PGMF's total assets as of September 30, 2018.

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.

Note 14. Financial Risk Management – PGMF Operations (Continued)

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 net liquid assets are considered only including cash. A similar but not identical calculation is used to measure PGMF's compliance with the liquidity limit established by the regulator.

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

	2019	2018
At period end	30%	21%
Average for the period	33%	34%
Maximum for the period	49%	43%
Minimum for the period	19%	21%

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
- Risk mitigation including insurance where this is effective

Note 15. 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 over five years through semi-annual installments of MMK 1,567,958,300 each. As of September 30, 2019 and 2018, the total liability to UNDP was $1,023,792. The final installment was paid in January 2019.

Note 16. Line of Credit

Pact, Inc. has an express credit line loan agreement, which will expire on October 13, 2021. The line bears interest at London InterBank Offered Rate (LIBOR) one-month plus 3.0% (subject to a floor of 4.0%) and is secured by Pact Inc.'s assets. The interest rate at September 30, 2019 and 2018, was 7.75% and 5.18%, respectively. The outstanding debt balance was $2,999,348 and $2,815,348 at September 30, 2019 and 2018, respectively, and is included in loans payable on the consolidated balance sheets.

Note 17. Notes Payable

On June 29, 2018, PGMF entered into a secured loan agreement with a bank. PGMF deposited 40% of the loan proceeds at the bank as collateral. This loan is to be repaid in three equal installments on the days corresponding to 30th month, 33rd month and 36th month respectively from the date of disbursement of loan. This loan expires on June 29, 2021. Its interest rate is 13% per annum. During the year ended September 31, 2019, PGMF made 3 more secured borrowings. These loans are to be repaid in 2021 and 2022. The fixed interest rate on these loans ranges from 12% to 13%. The amounts outstanding under these secured agreements are $31,360,261 and $10,349,195 as of September 30, 2019 and 2018, respectively.

At September 30, 2019, PGMF had 6 unsecured loan agreements, which expire from December 2019 to May 2021. The fixed interest rate on these loans ranges from 7.45% to 13%. The amounts outstanding under these agreements are $22,166,507 and $12,605,435 as of September 30, 2019 and 2018, respectively.

Total accrued interest for these loans totaled $1,342,133 and $1,012,723 at September 30, 2019 and 2018, respectively, and is included in accounts payable and accrued expenses on the consolidated balance sheets.

In May 2019, Pact Inc. made a secured loan agreement for 6 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:

	USD
2020	$ 9,793,569
2021	32,701,768
2022	12,830,789
2023	1,499,990
	$ 56,826,116

Note 18. Availability of Liquidity of Resources

The Organization 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, 2019, the following financial assets are available to meet annual operating needs of the 2020 fiscal year:

Cash and cash equivalents	$ 45,873,273
Federal grants receivable	6,781,484
Other grants receivable	2,915,982
Advances and other receivables	1,852,855
Investments maturing within one year available for general purposes	5,391,343
Total financial assets at year-end	62,814,937
Less amounts not available to be used within one year:	
Refundable advances – federal	(3,212,794)
Refundable advances – other	(9,131,766)
Alternative investments	(2,577,147)
PGMF local currency cash	(18,783,678)
Financial assets not available to be used for general expenditures	(33,705,385)
Financial assets available to meet general expenditures within one year	$ 29,109,552

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, lines of credit, secured and unsecured loans.

Note 19. Subsequent Events

In November 2019, Pact Global entered into an agreement by which it assigned and transferred all of its rights, title and equity interest in Pact Ventures LLC to Pact Inc.

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

a) PGMF applied for permission from government regulator to take a MMK equivalent USD 30 million loan from different lenders under LIFT/TCX facility.
b) PGMF applied for permission from government regulator to take USD 13.4 million in loan from different lenders.
c) Financial Regulatory Department (FRD) in Myanmar issued a notification on June 2019 instructing financial institutions to reduce the effective interest rate from 30% to 28% and allowing 2% upfront fees out of which 0.5% will be for welfare funds. The new instruction needed to be implemented by October 1, 2019. PGMF has complied with the new instruction.
d) FRD issued a notification to all non-governmental organizations based in Myanmar with Microfinance Institution operations that they must become a private company by June 2020.
e) Any future investors will be required to sign a social mission statement pledging to support PGMF's financial inclusion principles.

Note 19. Subsequent Events (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Pact operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to Pact. To date, Pact has deferred capital calls related to the multi-strategy investment reported in Note 2.The continued spread of COVID-19 could adversely impact Pact's operations and may have a material adverse effect on the financial condition of Pact.

Independent Auditor's Report on the Supplementary Information

Board of Directors
Pact, Inc.

We have audited the consolidated financial statements of Pact, Inc. and Affiliates (collectively, Pact) as of and for the years ended September 30, 2019 and 2018, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating and other supplementary information is presented for purposes of additional analysis, rather than to present the consolidated financial position and results of activities of the individual entities, and is not a required part of the consolidated financial statements. Such 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 consolidating and other information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, as explained in our report with the consolidated financial statements on pages 1 and 2, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
May 11, 2020

Pact, Inc. and Affiliates

Consolidating Balance Sheet
September 30, 2019

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Pact Global	Pact Ventures	Eliminations	Total
Assets								
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 other assets	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
	$ 30,717,412	$ 12,417,284	$ 2,965,638	$ 301,077,938	$ (44,684)	$ 55,000	$ (5,347,303)	$ 341,841,285
Liabilities and Net Assets								
Liabilities:								
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)	-
	23,449,905	7,018,873	2,636,085	174,320,281	43,630	99,684	(5,391,987)	202,176,471
Net assets (deficit) – without donor restrictions	7,267,507	5,398,411	329,553	126,757,657	(88,314)	(44,684)	44,684	139,664,814
	$ 30,717,412	$ 12,417,284	$ 2,965,638	$ 301,077,938	$ (44,684)	$ 55,000	$ (5,347,303)	$ 341,841,285

Pact, Inc. and Affiliates

Consolidating Balance Sheet
September 30, 2018

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Eliminations	Total
Assets						
Cash and cash equivalents	$ 5,321,226	$ 8,984,308	$ 2,996,829	$ 14,520,372	$ -	$ 31,822,735
Investments	4,122,766	-	-	-	-	4,122,766
Federal grants receivable	12,148,776	-	-	-	-	12,148,776
Other grants receivable	-	1,783,978	200,389	-	-	1,984,367
Advances and other receivables	987,669	583,691	30,723	1,438,528	150,000	3,190,611
Prepaid expenses and other assets	1,192,757	127,240	3,895	309,480	-	1,633,372
Loan portfolio, net of loan loss reserve	-	-	-	208,951,188	-	208,951,188
Due (to) from related party	961,480	2,220,557	-	-	(3,182,037)	-
Property and equipment, net	1,177,797	-	-	1,338,253	-	2,516,050
	$ 25,912,471	$ 13,699,774	$ 3,231,836	$ 226,557,821	$ (3,032,037)	$ 266,369,865
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	$ 11,576,503	$ 1,101,775	$ 94,936	$ 1,940,690	$ -	$ 14,713,904
Beneficiary savings and reserved funds	-	-	-	86,382,652	-	86,382,652
Net returns on loans, reinvested earnings	-	-	-	8,660,521	-	8,660,521
Notes payable	2,815,348	-	-	22,954,598	-	25,769,946
Refundable advances – federal	2,917,087	-	-	-	-	2,917,087
Refundable advances – other	130,494	7,562,626	2,892,839	653,821	-	11,239,780
Client loan funds	-	-	-	1,023,792	-	1,023,792
Deferred rent	1,610,766	-	-	-	-	1,610,766
Due to related party	-	-	7,810	3,024,227	(3,032,037)	-
	19,050,198	8,664,401	2,995,585	124,640,301	(3,032,037)	152,318,448
Net assets – without donor restrictions	6,862,273	5,035,373	236,251	101,917,520	-	114,051,417
	$ 25,912,471	$ 13,699,774	$ 3,231,836	$ 226,557,821	$ (3,032,037)	$ 266,369,865

Pact, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended September 30, 2019

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Pact Global	Pact Ventures	Eliminations	Total
Support and revenue:								
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
Expenses:								
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
Other gains and losses:								
Unrealized foreign exchange gain	-	-	-	1,025,046	-	-	-	1,025,046
Unrealized loss from subsidiary	-	-	-	-	(44,684)	-	44,684	-
Change in net assets	405,234	363,038	93,302	24,840,137	(38,314)	(94,684)	44,684	25,613,397
Net assets (deficit) without donor restrictions:								
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

Consolidating Statement of Activities
Year Ended September 30, 2018

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Eliminations	Total
Support and revenue:						
Grants and contracts	$ 119,448,018	$ 21,516,882	$ 2,173,247	$ 1,390,084	$ -	$ 144,528,231
Contributions	22,002	-	396,329	-	(396,329)	22,002
Microfinance loan activities	-	-	-	57,881,474	-	57,881,474
Fee income on microfinance loans	-	-	-	1,196,042	-	1,196,042
Investment income, net	152,186	-	-	-	-	152,186
Other revenue	108,230	313,250	-	408,546	-	830,026
Affiliate admin fees	3,195,857	-	-	-	(3,195,857)	-
Net return on loans	-	-	-	1,997,592	-	1,997,592
Total support and revenue	122,926,293	21,830,132	2,569,576	62,873,738	(3,592,186)	206,607,553
Expenses:						
Program services	99,376,846	19,199,102	1,792,368	2,209,691	-	122,578,007
Total program services	99,376,846	19,199,102	1,792,368	2,209,691	-	122,578,007
Supporting services:						
Management and general	20,926,589	2,396,050	543,399	39,816,724	(3,592,186)	60,090,576
Fundraising	19,770	-	-	-	-	19,770
Total supporting services	20,946,359	2,396,050	543,399	39,816,724	(3,592,186)	60,110,346
Total expenses	120,323,205	21,595,152	2,335,767	42,026,415	(3,592,186)	182,688,353
Change in net assets before other gains and losses	2,603,088	234,980	233,809	20,847,323	-	23,919,200
Other gains and losses:						
Unrealized foreign exchange loss	-	-	-	(13,956,248)	-	(13,956,248)
Change in net assets	2,603,088	234,980	233,809	6,891,075	-	9,962,952
Net assets:						
Beginning	4,259,185	4,800,393	2,442	95,026,445	-	104,088,465
Ending	$ 6,862,273	$ 5,035,373	$ 236,251	$ 101,917,520	$ -	$ 114,051,417

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact, Inc.
Year Ended September 30, 2019
(With Comparative Totals for 2018)

	Program Services				Supporting Services					
	USAID Funded Directly	USAID Funded Indirectly	Other Federal	Total Program Services	Management and General	Unrestricted General Expenses	Fundraising	Total Supporting Services	Total Expenses	2018
Salaries and related expenses	$ 17,413,862	$ 3,662,980	$ 808,517	$ 21,885,359	$ 12,392,290	$ 714,282	$ -	$ 13,106,572	$ 34,991,931	$ 31,733,806
Fringe benefits	5,107,620	974,030	175,665	6,257,315	3,695,031	210,402	-	3,905,433	10,162,748	10,210,025
Supplies and other	2,186,041	368,610	37,822	2,592,473	1,786,756	607,374	112	2,394,242	4,986,715	5,516,594
Travel	2,980,999	636,063	92,459	3,709,521	1,644,462	16,017	-	1,660,479	5,370,000	5,252,559
Training and conferences	6,470,365	757,267	196,464	7,424,096	424,010	102,836	-	526,846	7,950,942	8,496,529
Banking and professional fees	681,028	128,360	37,918	847,306	2,597,247	51,582	10,275	2,659,104	3,506,410	4,440,452
Occupancy	1,677,174	296,149	50,196	2,023,519	1,533,702	12,648	-	1,546,350	3,569,869	3,277,236
Allowances	1,366,261	337,606	1,817	1,705,684	54,111	76,577	-	130,688	1,836,372	2,219,495
Consultant fees	970,377	451,845	32,705	1,454,927	701,920	19,929	-	721,849	2,176,776	2,321,569
Vehicles and equipment	383,602	21,229	-	404,831	25,902	20,849	-	46,751	451,582	509,636
Depreciation	-	-	-	-	383,757	-	-	383,757	383,757	375,736
Interest	-	-	-	-	164,913	-	-	164,913	164,913	102,656
Affiliate admin cost recovery	-	-	-	-	(5,310,730)	-	-	(5,310,730)	(5,310,730)	(3,842,392)
	39,237,329	7,634,139	1,433,563	48,305,031	20,093,371	1,832,496	10,387	21,936,254	70,241,285	70,613,901
Subgrants and subcontracts	47,551,431	4,150,112	210,641	51,912,184	-	277,662	-	277,662	52,189,846	49,709,304
	$ 86,788,760	$ 11,784,251	$ 1,644,204	$ 100,217,215	$ 20,093,371	$ 2,110,158	$ 10,387	$ 22,213,916	$ 122,431,131	$ 120,323,205

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact, Inc.
Year Ended September 30, 2018

	Program Services					Supporting Services				
	USAID Funded Directly	USAID Funded Indirectly	Other Federal	Non-Federal	Total Program Services	Management and General	Unrestricted General Expenses	Fundraising	Total Supporting Services	Total Expenses
Salaries and related expenses	$ 17,412,946	$ 2,548,175	$ 942,281	$ 22,922	$ 20,926,324	$ 10,686,362	$ 120,928	$ 192	$ 10,807,482	$ 31,733,806
Fringe benefits	5,684,412	733,725	218,329	7,702	6,644,168	3,516,915	48,878	64	3,565,857	10,210,025
Supplies and other	3,144,423	277,016	73,198	6,162	3,500,799	1,470,794	544,871	130	2,015,795	5,516,594
Travel	3,080,723	467,598	110,342	8,627	3,667,290	1,545,685	39,584	-	1,585,269	5,252,559
Training and conferences	7,468,527	547,361	178,131	12,402	8,206,421	237,723	52,385	-	290,108	8,496,529
Banking and professional fees	600,555	108,476	89,682	6,518	805,231	3,529,618	86,219	19,384	3,635,221	4,440,452
Occupancy	1,711,616	114,224	38,766	2,706	1,867,312	1,388,067	21,857	-	1,409,924	3,277,236
Allowances	1,896,355	222,192	2,502	-	2,121,049	73,333	25,113	-	98,446	2,219,495
Consultant fees	1,061,541	323,439	66,083	-	1,451,063	820,396	50,110	-	870,506	2,321,569
Vehicles and equipment	496,219	5,840	-	-	502,059	7,577	-	-	7,577	509,636
Depreciation	-	-	-	-	-	375,736	-	-	375,736	375,736
Interest	-	-	-	-	-	102,656	-	-	102,656	102,656
Affiliate admin cost recovery	-	-	-	-	-	(3,842,392)		-	(3,842,392)	(3,842,392)
	42,557,317	5,348,046	1,719,314	67,039	49,691,716	19,912,470	989,945	19,770	20,922,185	70,613,901
Subgrants and subcontracts	45,934,251	2,761,744	889,723	99,412	49,685,130	-	24,174	-	24,174	49,709,304
	$ 88,491,568	$ 8,109,790	$ 2,609,037	$ 166,451	$ 99,376,846	$ 19,912,470	$ 1,014,119	$ 19,770	$ 20,946,359	$ 120,323,205

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact Institute, Inc.
Year Ended September 30, 2019
(With Comparative Totals for 2018)

	2019				
	Program Services	**Management and General**	**Unrestricted General Expenses**	**Total Expenses**	2018
Salaries and related expenses	**$ 5,066,526**	**$ 594,807**	**$ 25,257**	**$ 5,686,590**	$ 5,385,293
Training and conferences	**1,437,409**	**25,835**	**1,344**	**1,464,588**	1,863,543
Fringe benefits	**1,623,392**	**174,895**	**-**	**1,798,287**	1,536,034
Admin cost recovery	**-**	**1,404,386**	**-**	**1,404,386**	1,297,386
Travel	**923,285**	**76,925**	**1,509**	**1,001,719**	1,038,180
Banking and professional fees	**238,093**	**11,747**	**6,895**	**256,735**	292,057
Occupancy	**604,357**	**-**	**-**	**604,357**	514,931
Consultant fees	**1,045,303**	**29,987**	**-**	**1,075,290**	1,609,788
Vehicles and equipment	**(41,526)**	**-**	**-**	**(41,526)**	156,648
Allowances	**313,800**	**16**	**-**	**313,816**	207,067
Supplies and other	**634,909**	**4,456**	**742**	**640,107**	691,656
	11,845,548	**2,323,054**	**35,747**	**14,204,349**	14,592,583
Subgrants and subcontracts	**7,346,406**	**-**	**-**	**7,346,406**	7,002,569
	$ 19,191,954	**$ 2,323,054**	**$ 35,747**	**$ 21,550,755**	$ 21,595,152

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact Institute, Inc.
Year Ended September 30, 2018

	Program Services	Management and General	Unrestricted General Expenses	Total Expenses
Salaries and related expenses	$ 4,811,493	$ 573,800	$ -	$ 5,385,293
Training and conferences	1,847,717	7,077	8,749	1,863,543
Fringe benefits	1,341,404	194,630	-	1,536,034
Admin cost recovery	-	1,297,386	-	1,297,386
Travel	953,000	65,577	19,603	1,038,180
Banking and professional fees	194,371	14,448	83,238	292,057
Occupancy	514,931	-	-	514,931
Consultant fees	1,499,529	78,708	31,551	1,609,788
Vehicles and equipment	145,526	11,122	-	156,648
Allowances	205,197	1,870	-	207,067
Supplies and other	683,365	5,646	2,645	691,656
	12,196,533	2,250,264	145,786	14,592,583
Subgrants and subcontracts	7,002,569	-	-	7,002,569
	$ 19,199,102	$ 2,250,264	$ 145,786	$ 21,595,152

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact UK.
Year Ended September 30, 2019
(With Comparative Totals for 2018)

	2019				
	Program Services	**Management and General**	**Unrestricted General Expenses**	**Total Expenses**	2018
Salaries and related expenses	**$ 1,001,695**	**$ -**	**$ 355,870**	**$ 1,357,565**	$ 813,190
Fringe benefits	**318,247**	**-**	**122,134**	**440,381**	272,150
Travel	**174,860**	**-**	**101,508**	**276,368**	299,459
Supplies and other	**127,080**	**-**	**(4,519)**	**122,561**	16,422
Allowances	**14,833**	**-**	**16**	**14,849**	43,108
Training and conferences	**386,114**	**-**	**3,744**	**389,858**	106,471
Occupancy	**87,041**	**-**	**71**	**87,112**	50,598
Consultant fees	**283,275**	**-**	**40,384**	**323,659**	243,301
Banking and professional fees	**36,213**	**-**	**29,050**	**65,263**	48,751
Vehicles and equipment	**8,922**	**-**	**(4,521)**	**4,401**	107,605
	2,438,280	**-**	**643,737**	**3,082,017**	2,001,055
Subgrants and subcontracts	**1,006,951**	**-**	**-**	**1,006,951**	334,712
	$ 3,445,231	**$ -**	**$ 643,737**	**$ 4,088,968**	$ 2,335,767

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact UK.
Year Ended September 30, 2018

	Program Services	Management and General	Total Expenses
Salaries and related expenses	$ 559,604	$ 253,586	$ 813,190
Fringe benefits	188,440	83,710	272,150
Travel	173,285	126,174	299,459
Supplies and other	11,733	4,689	16,422
Allowances	43,108	-	43,108
Training and conferences	82,578	23,893	106,471
Occupancy	50,598	-	50,598
Consultant fees	233,170	10,131	243,301
Banking and professional fees	14,946	33,805	48,751
Vehicles and equipment	100,194	7,411	107,605
	1,457,656	543,399	2,001,055
Subgrants and subcontracts	334,712	-	334,712
	$ 1,792,368	$ 543,399	$ 2,335,767

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact Global Microfinance Fund
Year Ended September 30, 2019
(With Comparative Totals for 2018)

	2019				
	Program Services	Management and General	Unrestricted General Expenses	Total Expenses	2018
Salaries and related expenses	$ 877,011	$ -	$ 15,467,816	$ 16,344,827	$ 14,468,387
Interest expense	274,248	-	15,164,117	15,438,365	11,398,315
Affiliate admin cost recovery	-	6,569,982	-	6,569,982	5,740,863
Supplies and other	747,577	-	2,914,643	3,662,220	1,725,866
Travel	131,586	-	1,393,917	1,525,503	1,339,445
Fringe benefits	(6,320)	-	45,775	39,455	1,311,584
Vehicles and equipment	2,037	-	91,192	93,229	94,207
Occupancy	35,325	-	797,801	833,126	670,551
Training and conferences	1,828,454	-	388,874	2,217,328	361,536
Depreciation	35,899	-	540,135	576,034	536,100
Allowances	6,930	-	299,560	306,490	294,274
Banking and professional fees	60,694	-	450,188	510,882	4,080,061
Consultant fees	-	-	9,163	9,163	5,226
	3,993,441	6,569,982	37,563,181	48,126,604	42,026,415
Subgrants and subcontracts	38,682	-	-	38,682	-
	$ 4,032,123	$ 6,569,982	$ 37,563,181	$ 48,165,286	$ 42,026,415

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact Global Microfinance Fund
Year Ended September 30, 2018

	Program Services	Management and General	Unrestricted General Expenses	Total Expenses
Salaries and related expenses	$ 861,289	$ -	$ 13,607,098	$ 14,468,387
Interest expense	206,959	-	11,191,356	11,398,315
Affiliate admin cost recovery	-	5,740,863	-	5,740,863
Supplies and other	625,492	-	1,100,374	1,725,866
Travel	142,989	-	1,196,456	1,339,445
Fringe benefits	67,648	-	1,243,936	1,311,584
Bad Debt	-	-	-	-
Vehicles and equipment	1,661	-	92,546	94,207
Occupancy	45,444	-	625,107	670,551
Training and conferences	56,046	-	305,490	361,536
Depreciation	64,130	-	471,970	536,100
Allowances	20,042	-	274,232	294,274
Banking and professional fees	116,763	-	3,963,298	4,080,061
Consultant fees	1,228	-	3,998	5,226
	2,209,691	5,740,863	34,075,861	42,026,415
Subgrants and subcontracts	-	-	-	-
	$ 2,209,691	$ 5,740,863	$ 34,075,861	$ 42,026,415

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact Ventures
Year Ended September 30, 2019

	2019	
	Management and General	**Total Expenses**
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
	109,910	109,910
Subgrants and subcontracts	-	-
	$ 109,910	$ 109,910

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

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received (Refunded)
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	CSSP2	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	-
Department for International Development	B4786	Nepal's National Health Sector Program III-Monitor	453,991	460,171
Cardno - Emerging Markets Division	B4799	SPACE	74,007	69,035
Global Fund To Fight AIDS, Tuberculosis & Malaria	P3190	GF Round & Tuberculosis Fund	(2,622)	-
Global Fund To Fight AIDS, Tuberculosis & Malaria	P3193	Malaria Control Towards Malaria Eradication	8	(119,376)
		Total non-U.S. federal government awards	$ 3,703,216	$ 2,809,308

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, 2018

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received (Refunded)
PricewaterhouseCoopers Limited	B1754	ASM EARF Research	$ 46,390	$ 42,980
Development Alternatives Inc. (DAI)	B3763	Zimbabwe Accountability and Artisanal Mining-ZAAMP	509,755	571,996
Cardno – Emerging Markets Division	B3800	SDMR	8,125	-
European Union	B3809	Regional Approaches for Sustainable Conflict Management and Integration (RASMI)	417,359	1,136,520
European Union	B3818	SElam, EKisil (SEEK)	473,017	1,114,300
DAI Europe Ltd	B3824	THRACE	51,269	60,000
European Union	B3831	Piloting Conflict Early Warning and Rapid Response Reforms and Upgrades in Ethiopia	72,823	1,435,742
Fairtrade Foundation	B3841	Kenya Strengthening Gold Mine Associations	12,202	3,962
Department for International Development (DFID)	B4786	Nepal's National Health Sector Program III-Monitor	323,682	499,389
Cardno – Emerging Markets Division	B4799	SPACE	29,250	30,038
Global Fund To Fight AIDS, Tuberculosis & Malaria	P3190	GF Round & Tuberculosis Fund	107,481	235,457
Swedish International Dev Cooperation Agency (SIDA)	P3229	Support EPS, NCSOCD, & LGSD	-	(97,132)
European Union	P3251	Enabling Capacity Programme 3	-	32,210
		Total non-U.S. federal government awards	$ 2,051,353	$ 5,065,462

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
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	Watato Inje Ya Mungoti (WIM)	(40,647)	-
NetHope, Inc.	Z3789	NetHope 2017 Device Challenge	52,157	-
Deutsche Gesellschaft fur Intr Zesammenarbeit	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 E	7,489	54,000
The Swedish International Development Agency	Z3887	Applied Political Economy Analysis of Illicit Fina	-	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 Yaung	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 Yaung 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 Zesammenarbeit	Z4855	Promotion of Rural Electrification	25,263	25,948
Agence Francaise De Developpment	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
			$ 21,364,129	$ 20,907,189

Pact, Inc. and Affiliates

Schedule of Program Expenditures and Cash Received – Pact Institute, Inc.
Year Ended September 30, 2018

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received
World Bank	Z1768	ASM Global Database	$ 107,140	$ 206,583
KPMG LLP	Z1804	M2M Personal Protective Equipment	5,063	-
Hewlett Packard Enterprise Foundation	Z1805	The Story of MyWORTH	10,784	-
Chevron Corporation	Z1812	Rakhine Scoping Assessment	14,811	25,500
International Tin Association Ltd	Z3089	ITRI Tin Supply Chain Initiative 2014	5	-
Ministry of Mines Ethiopia	Z3090	Support to improve the Economic, Social and Environmental Sustainability of Artisanal Miners in Ethiopia	(2,108)	-
Population Services International (PSI)	Z3092	Strengthening P3 in Sexual and Reproductive Health	271,533	345,761
Bill & Melinda Gates Foundation	Z3098	State Accountability for Quality Improvement Project (SAQIP)	3,075,985	5,900,000
Global Fund To Fight AIDS, Tuberculosis & Malaria	Z3103	Global Fund-Lesotho HIV/AIDS	(5,113)	-
United Nations Children's Fund (UNICEF)	Z3104	Integrated Child Protection Initiative for Vulnerable Children	(26,173)	-
American Cancer Society, Inc.	Z3105	KENCASA Institutional Strengthening Project	88,363	50,000
Dutch Ministry of Foreign Affairs	Z3106	Scaling up Mineral Traceability in the Great Lakes Region	9,416	-
Financial Inclusion CEMEA, Visa Sub-Saharan Africa (PTY) Ltd.	Z3107	Promoting Digital Payment Behavior in Kenya	1,494	-
Population Services International (PSI)	Z3109	Nzatonse Phase II	4,705	62,179
Namibian National Association of the Deaf	Z3112	SFH Grants Training	(528)	-
Apple Inc.	Z3447	Program Addressing Child Labor Artisanal Mining	520,620	241,615
United Nations Children's Fund (UNICEF)	Z3738	Accelerating Stunting Reduction in Songwe Region – Malezi na Makuzi ya Mtoto	675,330	678,059
International Tin Association Ltd	Z3746	ITSCI 2016	(275)	-
Chevron Corporation	Z3753	PROMOT II	463,532	-
Global Fund To Fight AIDS, Tuberculosis & Malaria	Z3759	Stepping Up TB/HIV	4,041,611	1,755,302
Geological Institute of America, Inc.	Z3761	Pilot Implementation of the Artisanal Gem Guidebook in Tanzania	2,625	-
QIT Madagascar Minerals SA (Rio Tinto)	Z3776	Rise Phase II	176,194	123,395
Google Inc	Z3779	Watato Inje Ya Mungoti (WIM)	278,311	25,000
International Tin Association Ltd	Z3780	ITSCI 2017	1,680,427	2,323,812
NetHope, Inc.	Z3789	NetHope 2017 Device Challenge	121,529	40,000
Deutsche Gesellschaft fur Intr Zesammenarbeit	Z3790	Community Dialogue and Conflict Management	2,250	12,541
KEFI Minerals Ethiopia Ltd	Z3792	KEFI Minerals Scoping Trip and Report	(16,296)	-
Qualcomm Technologies	Z3796	WIM Program (Children Out of Mining)	18,657	20,000
Conrad N. Hilton Foundation	Z3797	ECD in support of Kizazi Kipya	15,352	-
Congo Cobalt Corporation	Z3802	DRC ASM WORTH and Positive Parenting	34,122	36,230
Congo Dongfang International Mining SPRL (Huayou)	Z3810	Design of Model Mine System	56,620	79,966
Australian High Commission	Z3815	Mercury Free Gold Mining in Zamfara State Project	28,156	29,604
Tulu Kapi Gold Mines S.C.	Z3816	Livelihood Restoration Partnership	42,295	39,079
International Tin Association Ltd	Z3819	ITSCI 2018	5,050,934	4,554,645
Microsoft Corporation	Z3820	Baadaye ya Watoto ("Children's Future")	61,056	100,000
Trafigura Corporation	Z3826	Trafigura Mutoshi	181,639	143,848
Tiffany and Company	Z3828	Responsible Tanzanite Sourcing Study	18,969	13,476
Discovery Limited	Z3830	Voices for the Future	19,693	39,832
PanAfrican Energy Tanzania Ltd.	Z3832	Human Center Design Work (HCD)	2,397	14,736
Organization for Economic Co-Operation and Develop	Z3834	Civil Society Funding for 2018 April Forum	16,871	13,337
Discovery Limited	Z3839	Facilitation Activities	1,134	1,819
Global Fund To Fight AIDS, Tuberculosis & Malaria	Z3840	Multi-Sectoral Response TBHIV	269,399	1,143,256
Trafigura Foundation	Z3842	WIM Malemba-Nkulu	64,350	255,300
Ministry of Foreign Affairs – The Netherlands	Z3843	Piloting Conflict Early Warning and Rapid Response Reforms and Upgrades in Oromia Regional State, Ethiopia	17,125	-
Geological Institute of America, Inc.	Z3844	Empowering Artisanal Miners through the Gem Guidebook	25,831	-
Population Services International (PSI)	Z3848	Nzatonse Phase III	13,585	-
Trafigura Foundation	Z3849	WIM Kolwezi - Mutoshi	2,116	186,000
Chevron Corporation	Z4083	SHINE II Sustainable Health Improvement and Empowerment	11,167	(2,720)
United Nations Office for Project Svcs (UNOPS)	Z4087	Organizational capacity development for 3MDG	278,583	380,000
Chevron Corporation	Z4094	Renewable Energy Project - Phase I	15,767	-
The Coca Cola Foundation	Z4097	Swan Yi II	376,883	-
International Center for Living Aquatic Resources	Z4740	MYCulture	220,188	288,395
Shell Myanmar Energy Pte. Ltd.	Z4742	Ahlin Yaung	478,829	249,406
Swedish International Dev Cooperation Agency (SIDA)	Z4747	PROCEED II	566,919	513,430
Monkey Forest Consulting Ltd.	Z4757	Livelihood Extension Service Project	58	115,814
Ooredoo Myanmar Limited	Z4760	Mobile Health Clinic	111,922	-
IDH Sustainable Trade Initiative	Z4770	Improving OHS for ASM in Belitung Indonesia	412	-
United Nations Office for Project Svcs (UNOPS)	Z4784	Lift Small Grants Fund for Civil Society	772,432	1,671,461
Cogan Family Foundation	Z4787	Revolving Fund Energy Access	16,669	-
Experian	Z4791	PROSPER	80,335	120,000
Engie Asia Pacific Co. LTD	Z4807	Sponsorship of Study for PURE Research	25,006	25,000
Trafigura	Z4808	Co-designing Interventions with Artisanal Miners	70,104	60,000
Chevron Corporation	Z4814	Ahlin Yaung Access to Renewable Energy in Madaya	216,691	599,647
Rockefeller Foundation	Z4817	Support to PURE Research Rockefeller/Dalberg	21,260	15,938
Private Infrastructure Development Group Trust	Z4821	Sponsorship of PURE Study	35,001	26,250
Rockefeller Foundation	Z4829	Smart Power Myanmar Facility	621,423	750,000
The Coca Cola Foundation	Z4836	Swan Yi III	27,702	1,000,000
World Bank	Z4837	Strengthening Collaborative & Inclusive Approaches in Nepal	6,893	20,000
Church World Service	ZY001	Capacity Solutions Platform	25,464	21,615
			$ 21,421,244	$ 24,315,111