PROJECT HEALTHY CHILDREN, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

PROJECT HEALTHY CHILDREN, INC. AND SUBSIDIARIES

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Project Healthy Children, Inc. and Subsidiaries

Opinion

We have audited the financial statements of Project Healthy Children, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marcum LLP

Boston, MA
August 15, 2023

PROJECT HEALTHY CHILDREN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

	2022	2021
Assets		
Cash	$ 7,952,459	$ 9,056,003
Accounts receivable, net of allowance for doubtful accounts of $7,188 in 2022 and $0 in 2021	37,410	--
Inventory	1,064,404	721,687
Employee cash advances	5,843	5,843
Prepaid expenses and other current assets	574,367	397,314
Total Current Assets	9,634,483	10,180,847
Fixed Assets, Net of Accumulated Depreciation	1,510,553	1,073,542
Other Assets		
Security deposits	13,957	13,957
Total Assets	$ 11,158,993	$ 11,268,346
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 492,137	$ 307,668
Total Liabilities	492,137	307,668
Net Assets		
Without donor restrictions	10,666,856	10,960,678
Total Net Assets	10,666,856	10,960,678
Total Liabilities and Net Assets	$ 11,158,993	$ 11,268,346

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

PROJECT HEALTHY CHILDREN, INC. AND SUBSIDAIRIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue						
Public support:						
Contributions	$ 4,532,230	$ --	$ 4,532,230	$ 11,989,462	$ --	$ 11,989,462
Other revenues:						
Sales of fortification supplies	1,211,096	--	1,211,096	494,976	--	494,976
Interest income	45,651	--	45,651	12,446	--	12,446
Total other revenues	1,256,747	--	1,256,747	507,422	--	507,422
Net assets released from restrictions	--	--	--	234,811	(234,811)	--
Total Public Support and Revenue	5,788,977	--	5,788,977	12,731,695	(234,811)	12,496,884
Expenses						
Program expense:						
Food fortification	5,665,992	--	5,665,992	2,963,869	--	2,963,869
Supporting activities:						
General and administration	228,123	--	228,123	509,270	--	509,270
Fundraising	144,224	--	144,224	90,319	--	90,319
Total supporting activities expense	372,347	--	372,347	599,589	--	599,589
Total Expenses	6,038,339	--	6,038,339	3,563,458	--	3,563,458
Changes in Net Assets Before Translation Adjustments	(249,362)	--	(249,362)	9,168,237	(234,811)	8,933,426
Foreign currency translation losses	(44,460)	--	(44,460)	--	--	--
Changes in Net Assets	(293,822)	--	(293,822)	9,168,237	(234,811)	8,933,426
Net Assets - Beginning of Year	10,960,678	--	10,960,678	1,792,441	234,811	2,027,252
Net Assets - End of Year	$ 10,666,856	$ --	$ 10,666,856	$ 10,960,678	$ --	$ 10,960,678

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

PROJECT HEALTHY CHILDREN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022					2021				
	Program Services	Supporting Services				Program Services	Supporting Services			
	Food Fortification	General and Adminstration	Fundraising	Total Supporting Services	Total Expenses	Food Fortification	General and Adminstration	Fundraising	Total Supporting Services	Total Expenses
Overseas payroll and payroll taxes	$ 2,109,534	$ --	$ --	$ --	$ 2,109,534	$ 806,369	$ --	$ --	$ --	$ 806,369
Cost of goods sold - premix and bags	1,465,778	--	--	--	1,465,778	872,454	--	--	--	872,454
Consultant and professional fees	269,326	41,193	103,120	144,313	413,639	262,356	172,591	66,845	239,436	501,792
Depreciation	364,664	7,310	--	7,310	371,974	135,726	101,997	--	101,997	237,723
Rent and facilities	330,417	--	--	--	330,417	189,283	15,444	--	15,444	204,727
Recruiting and training	224,526	--	19,405	19,405	243,931	161,601	--	--	--	161,601
Payroll and related costs - U.S. based	156,302	61,784	--	61,784	218,086	158,543	--	--	--	158,543
Travel	122,128	57,045	6,688	63,733	185,861	39,313	33,500	11,440	44,940	84,253
Information technology	127,245	45,383	10,499	55,882	183,127	58,304	21,035	12,034	33,069	91,373
Fleet	126,610	--	--	--	126,610	31,591	27,830	--	27,830	59,421
Equipment and software	99,144	75	560	635	99,779	6,999	24,160	--	24,160	31,159
Other miscellaneous	66,526	750	--	750	67,276	--	32,110	--	32,110	32,110
Communications	41,611	2,101	2,521	4,622	46,233	12,540	10,957	--	10,957	23,497
Research and development	37,016	--	--	--	37,016	159,536	14,912	--	14,912	174,448
Materials - fortification devices	36,111	--	--	--	36,111	3,973	--	--	--	3,973
Employee benefits	25,901	7,563	--	7,563	33,464	45,994	9,631	--	9,631	55,625
Memberships and fees	28,486	1,356	1,400	2,756	31,242	5,675	13,125	--	13,125	18,800
Office supplies	20,374	635	31	666	21,040	9,249	22,963	--	22,963	32,212
Insurance	14,293	2,928	--	2,928	17,221	4,195	9,015	--	9,015	13,210
Health kit and mask costs	--	--	--	--	--	168	--	--	--	168
	$ 5,665,992	$ 228,123	$ 144,224	$ 372,347	$ 6,038,339	$ 2,963,869	$ 509,270	$ 90,319	$ 599,589	$ 3,563,458

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

PROJECT HEALTHY CHILDREN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in net assets	$ (293,822)	$ 8,933,426
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	371,974	237,723
Increase (decrease) in allowance for uncollectible account	7,188	(20,000)
Increase in reserve for obsolete inventory	27,594	50,288
Loss on revaluation of foreign assets and liabilities	44,460	--
(Increase) decrease in assets:		
Accounts receivable	(44,598)	24,747
Inventory	(370,311)	(387,171)
Employee cash advances	--	(5,843)
Prepaids and other current assets	(179,149)	(335,508)
Increase in liabilities:		
Accounts payable and accrued expenses	176,586	237,771
Total Adjustments	33,744	(197,993)
Net Cash (Used in) Provided by Operating Activities	(260,078)	8,735,433
Cash Flows from Investing Activities		
Purchase of fixed assets	(808,985)	(646,806)
Security deposits	--	(635)
Net Cash Used in Investing Activities	(808,985)	(647,441)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(34,481)	--
Net (Decrease) Increase in Cash	(1,103,544)	8,087,992
Cash, Beginning of Year	9,056,003	968,011
Cash, End of Year	$ 7,952,459	$ 9,056,003

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

NOTE 1 - NATURE OF THE ORGANIZATION

Project Healthy Children, Inc. (the "Organization") is a not-for-profit organization which was organized in 2004. The Organization provides policy development and advocacy, education, and technical and operational support for food fortification programs that improve the health of people around the world. Work is conducted primarily in Tanzania, Kenya and other African countries. In April, 2018, the policy development and advocacy group of the Organization was combined with a unit of the Center for Disease Control so that the Organization could focus on the Sanku direct small and medium scale food fortification programs in Tanzania, Kenya and other countries.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated financial statements of Project Healthy Children, Inc. are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues and support are recognized when earned and expenses and losses are recognized when incurred, regardless of the timing of cash flows.

BASIS OF PRESENTATION AND CONSOLIDATION

In December 2020, the Organization formed a single-member LLC, PHC International Holdings LLC (“PHC Holdco”). PHC Holdco holds investments in international operations as the Organization expands.

In January 2021, the Organization formed a Tanzanian for-profit Corporation, Sanku-Project Healthy Children Tanzania Limited (“Sanku TZ”), for the purpose of operating all Tanzanian activities.

In November 2021, the Organization formed a Kenyan for-profit Corporation, Sanku-Project Healthy Children Kenya Limited (“Sanku KE”), for the purpose of operating all Kenyan activities.

The consolidated financial statements include the accounts of the Organization and its’ subsidiaries, PHC Holdco, Sanku TZ and Sanku KE. All intercompany transactions and balances have been eliminated in consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). The update clarifies the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The requirements of ASC 606 will result in changes to the presentation and disclosure of revenue and potentially the timing of when transactions are recorded. ASC 606 as amended, was initially effective for annual reporting periods beginning after December 15, 2018, however, in June 2020, the FASB issued ASU 2020-05, *Effective Dates for Certain Entities*, which provided an additional one year extension of the effective date for entities that had not yet issued their financial statements as of this issuance of ASU 2020-05. The Organization adopted ASC 606 on October 1, 2020. The results of applying ASC 606 did not have a material impact on the financial position, changes in net assets, cash flows business processes, controls or systems of the Organization.

FINANCIAL STATEMENT PRESENTATION

Project Healthy Children, Inc. has presented its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for not-for-profit organizations.

Under this guidance, the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed stipulations.

To ensure observance of limitations and restrictions that may be placed on the use of resources available to the Organization, its accounts are maintained in the following net asset categories:

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions represent those assets that are not subject to donor-imposed stipulations or releases from donor restricted net assets designated for stipulated activities or programs. Donor-restricted contributions whose restrictions are met in the same reporting period are also classified as net assets without donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent those assets that are subject to explicit or implicit donor-imposed stipulations that may or will be met whether by actions of the Organization and/or the passage of time. When the restriction expires, the net assets are reclassified to net assets without donor restrictions. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specific date, or for particular programs or services. Other donors impose restrictions, which are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. There are no net assets with donor restrictions that are required to be held in perpetuity.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Organization considers all highly-liquid short-term deposits with original maturities of three months or less as cash equivalents.

ACCOUNTS RECEIVABLE, NET

Accounts receivable are stated at the amount management expects to collect from outstanding balances. On a periodic basis, management evaluates its accounts receivable for collectability based on a history of past write-offs and collections and current credit conditions. Based on management's assessment of the outstanding balances, it has recorded an allowance for uncollectible accounts of $7,188 and $0 as of September 30, 2022 and 2021, respectively. Accounts receivable, net was $4,747 as of October 1, 2020.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount, if any is included in contribution revenue in the consolidated statements of activities and changes in net assets. Unconditional promises to give are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE, NET (CONTINUED)

The Organization does not have any outstanding grants receivable or unconditional promises to give as of September 30, 2022 and 2021, respectively.

INVENTORY

Inventory consists of purchased bags and premix for resale, and is valued at net realizable value on first-in, first-out basis.

FIXED ASSETS, NET

Fixed assets are stated at cost at the date of acquisition or fair value at the date of donation, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, ranging from three to five years.

Purchases are determined to be capital expenditures based on the Organization's policy of capitalizing assets acquired at a cost (or, if donated, at fair value) exceeding $1,000 and an economic life in excess of one year. Those items which are not determined to be capital expenditures are charged to expense as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized.

Upon retirement, sale or other disposition of fixed assets, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included in the consolidated statements of activities and changes in net assets.

USE OF ESTIMATES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED EQUIPMENT AND SERVICES

Donated equipment is recorded as a contribution at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restriction at that time. During the years ended September 30, 2022 and 2021, the Organization did not receive any donated equipment. Donated services, if any, are computed at the value that contributed services requiring specialized skill represent to the comparable compensation that would be paid if the Organization were charged for these services. During the years ended September 30, 2022 and 2021, the Organization did not receive any donated services that qualified for recognition in the consolidated financial statements.

CONTRIBUTIONS

Unconditional contributions, including unconditional promises to give, are recognized as revenues and other support in the period received or pledged.

Unconditional contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Conditional promises to give are not recognized until they become unconditional, that is, at the time when the condition on which they depend are substantially met.

OTHER REVENUE

Other revenue consists primarily of income from sales of inventory. Ordinarily, all inventory is sold on a cash-upon-delivery basis, at which time the related revenue is recognized in the consolidated statements of activities and changes in net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

Employees are entitled to paid time off ("PTO") depending on length of service and other factors. The Organization recognizes the cost of compensated absence as it is earned by the employee. Accumulated unpaid PTO totaled approximately $50,000 and $24,000 as of September 30, 2022 and 2021, respectively and is included in accounts payable and accrued expenses in the consolidated statements of financial position.

RESEARCH AND DEVELOPMENT COSTS

The costs of research, development and product improvement are charged to expense as incurred. Total research and development costs included in program services was $37,016 and $174,448 for the years ended September 30, 2022 and 2021, respectively.

INCOME TAX STATUS

Project Healthy Children, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization, however, is subject to the tax on unrelated business income, if any such income exists. The Organization had no unrelated business income during the years ended September 30, 2022 and 2021.

Sanku TZ is a for-profit company and pays taxes as appropriate in Tanzania. Sanku TZ incurred a loss through September 30, 2022 and did not have any significant taxes payable to the Tanzania Revenue Authority.

Sanku KE is a for-profit company and pays taxes as appropriate in Kenya. Sanku KE incurred a loss through September 30, 2022 and did not have any significant taxes payable to the Kenya Revenue Authority.

Project Healthy Children, Inc. recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions, if any, would be classified as interest expense and additional income taxes, respectively, in the consolidated statements of activities and changes in net assets.

The Organization did not identify any uncertain tax positions at September 30, 2022 or 2021. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and consolidated statements of functional expenses. Salaries, wages, fringe benefits and certain other expenses are allocated based upon employee hours. Expenses that can be identified with a program or support service are allocated directly to that program or support service according to their natural expenditure classification.

TRANSACTIONS IN FOREIGN CURRENCIES

Project Healthy Children, Inc. conducts its program operations through field site locations and offices in foreign countries and, accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed. The resulting gain or loss is reflected in the accompanying consolidated statement of activities as foreign currency transaction gains or losses. The U.S. dollar is considered the functional and reporting currency of Project Healthy Children, Inc.. The functional currencies of PHC Holdco and Sanku-Project Healthy Children Tanzania Limited are the local currencies of the respective countries and are translated into U.S. dollars at current exchange rates. The resulting translation gain or loss is shown in the accompanying consolidated financial statements as a separate component of the change in net assets.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 15, 2023, the date the consolidated financial statements were available to be issued and has determined that no subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure, except as disclosed below.

NOTE 3 - EMPLOYEE CASH ADVANCES

Employees who work in or travel to the rural countries of Tanzania, Kenya and other remote areas are given cash advances because often there are no credit card transactions available in those locations. Once the money is spent, the employees submit receipts to the Tanzania office and the corresponding expenses are recorded in the consolidated statements of activities and changes in net assets.

NOTE 4 – FIXED ASSETS, NET

A summary of fixed assets at September 30 is as follows:

	2022	2021
Furniture and fixtures	$ 93,934	$ 94,324
Equipment	2,028,788	1,401,491
Computer equipment	63,696	63,696
Vehicles	455,367	279,110
	2,641,785	1,838,621
Less: Accumulated depreciation	1,131,232	765,079
Equipment, net	$ 1,510,553	$ 1,073,542

Total depreciation expense for the years ended September 30, 2022 and 2021 was $371,974 and $237,723, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions at September 30, 2022 and 2021.

During the years ended September 30, 2022 and 2021, net assets with donor restrictions of $-- and $234,811, respectively, were released from restriction for satisfaction of purpose of restriction.

NOTE 6 - OPERATING LEASES

In July 2018, the Organization entered into a lease agreement for building space in Rwanda. The term of the lease was for one year, renewable annually, and was renewed in July 2019. The Organization exited this lease agreement in July 2020.

In May 2018, the Organization entered into a lease agreement for property in Morogoro. The original term of the lease was for six months, expiring in November 2018, with annual options for one-year extensions. The extended term of the lease expired November 2020. The Organization currently rents this property on a month-to-month basis.

In May 2018, the Organization entered into a two-year lease agreement for warehouse space in Dar es Salaam. The lease expired in July 2020 and required all rent to be paid in full by June 2018. The Organization currently rents this space on a month-to-month basis.

In January 2018, the Organization entered into a two year lease agreement for warehouse space in Tanzania at a rate of $1,658 per month. The lease expired December 30, 2019. The Organization currently rents this space on a month-to-month basis.

In April 2019, the Organization entered into a one year lease agreement for warehouse space in Tanzania at a rate of $1,652 per month. The lease expired April 11, 2020. The Organization currently rents this space on a month-to-month basis.

In December 2019, the Organization entered into a one-year lease agreement for warehouse space in Dar es Saleem at a rate of $3,600 per month. The lease expired December 2020. The lease is renewable for an additional two-year period.

In July 2021, the Organization entered into a one-year lease agreement for warehouse space in Mikocheni at a rate of $2,950 per month. The lease expires on June 30, 2022 and is renewable for an additional one-year period.

In July 2021, the Organization entered into a one-year lease agreement for office space in Mikocheni at a rate of $751 per month. The lease expires on June 30, 2022 and is renewable for an additional one-year period.

In September 2022, the Organization entered into a three-year lease agreement for space in Dodoma, expiring in October 2025. The lease requires annual rent to be paid in full in advance in the amount of approximately $8,600.

NOTE 6 - OPERATING LEASES (CONTINUED)

In September 2022, the Organization entered into a three-year lease agreement for space in Mwanza, expiring in September 2025. The lease requires annual rent to be paid in full in advance in the amount of approximately $6,200.

Rent expense for the years ended September 30, 2022 and 2021 was approximately $233,000 and $173,000, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended September 30, 2022 and 2021, various board members and members of management made direct contributions to the Organization in the amount of $10,317 and $11,872, respectively.

NOTE 8 – RISKS AND COMMITMENTS

CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a financial institution located in Massachusetts. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. Bank deposit amounts may, at times, exceed federally insured limits. The Organization also maintains cash deposits at financial institutions in Tanzania, which are uninsured. Management does not believe that it is exposed to significant risk with respect to cash, as balances in Tanzanian accounts are closely monitored and transferred to the financial institution in Massachusetts on a routine basis.

FOREIGN OPERATIONS

Project Healthy Children, Inc. has operations in multiple foreign countries. These foreign operations maintain cash accounts and property and equipment. In addition, the inventory and portions of the prepaid expenses, receivables and other assets reflected on the accompanying consolidated statements of financial position are related to activities in these foreign countries. The future of these programs may be adversely affected by a number of potential factors, such as currency devaluations, terrorist activity or changes in the political climate.

NOTE 9 – LIQUIDITY AND FUNDS AVAILABLE

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

	2022	2021
Financial assets at year end		
Cash	$ 7,952,459	$ 9,056,003
Accounts receivable, net	37,410	--
Subtotal	7,989,869	9,056,003
Less:		
Amounts subject to donor restrictions	--	--
	$ 7,989,869	$ 9,056,003

The Organization is substantially supported by contributions. The contributions received may require resources to be used in a particular manner or in a future period. Because of these restrictions, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.