

# **Project Healthy Children, Inc. and Subsidiaries**

**Consolidated Financial Statements**  
Years Ended September 30, 2024 and 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# **Project Healthy Children, Inc. and Subsidiaries**

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Consolidated Financial Statements  
Years Ended September 30, 2024 and 2023

# Project Healthy Children, Inc. and Subsidiaries

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## Independent Auditor's Report

The Board of Directors  
Project Healthy Children, Inc. and Subsidiaries  
Westborough, Massachusetts

### *Opinion*

We have audited the consolidated financial statements of Project Healthy Children, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter - Adoption of Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326)*

As discussed in Note 2 to the consolidated financial statements, the Organization has changed its method for accounting for allowances in 2024 due to the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.



### ***Responsibilities of Management for the Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

***Other Matter***

The 2023 consolidated financial statements of the Organization were audited by other auditors, whose report dated May 23, 2024 expressed an unmodified opinion on those statements.

*BDO USA, P.C.*

June 6, 2025

# Project Healthy Children, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,516,359	\$ 3,102,900
Short-term investments, at fair value	2,373,756	-
Accounts receivable, net of allowance for credit losses of \$473,735 in 2024 and \$27,425 in 2023	35,581	410,425
Inventory	917,901	1,710,150
Prepaid expenses and other current assets	886,003	1,588,478
Employee cash advances	8,340	5,839
<b>Total Current Assets</b>	<b>5,737,940</b>	<b>6,817,792</b>
<b>Fixed Assets</b> , net of accumulated depreciation	<b>2,616,969</b>	<b>1,915,852</b>
<b>Right-of-Use Assets</b> , operating leases	<b>164,072</b>	<b>237,999</b>
<b>Total Assets</b>	<b>\$ 8,518,981</b>	<b>\$ 8,971,643</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 319,477	\$ 646,396
Refundable advance	109,098	400,000
Operating lease liabilities, current	76,798	90,592
<b>Total Current Liabilities</b>	<b>505,373</b>	<b>1,136,988</b>
<b>Operating Lease Liabilities</b> , non-current	<b>87,595</b>	<b>147,722</b>
<b>Total Liabilities</b>	<b>592,968</b>	<b>1,284,710</b>
<b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Without donor restrictions	7,767,751	7,686,933
With donor restrictions	158,262	-
<b>Total Net Assets</b>	<b>7,926,013</b>	<b>7,686,933</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,518,981</b>	<b>\$ 8,971,643</b>

*See accompanying notes to consolidated financial statements.*

# Project Healthy Children, Inc. and Subsidiaries

## Consolidated Statements of Activities

*Year ended September 30,*

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>						
Public support:						
Contributions	\$ 7,478,262	\$ 158,262	\$ 7,636,524	\$ 3,935,362	\$ -	\$ 3,935,362
Other revenues (expenses):						
Sales of fortification supplies	2,914,784	-	2,914,784	2,627,424	-	2,627,424
Loss on disposal of asset	(1,927)	-	(1,927)	(11,179)	-	(11,179)
Interest income	65,698	-	65,698	109,594	-	109,594
Branch closure expenses	(6,969)	-	(6,969)	(220,261)	-	(220,261)
<b>Total Other Revenues</b>	<b>2,971,586</b>	<b>-</b>	<b>2,971,586</b>	<b>2,505,578</b>	<b>-</b>	<b>2,505,578</b>
<b>Total Public Support and Revenue</b>	<b>10,449,848</b>	<b>158,262</b>	<b>10,608,110</b>	<b>6,440,940</b>	<b>-</b>	<b>6,440,940</b>
<b>Expenses</b>						
Program services:						
Food fortification	8,970,930	-	8,970,930	8,312,311	-	8,312,311
Supporting services:						
General and administration	211,439	-	211,439	248,687	-	248,687
Fundraising	590,625	-	590,625	561,443	-	561,443
<b>Total Supporting Services</b>	<b>802,064</b>	<b>-</b>	<b>802,064</b>	<b>810,130</b>	<b>-</b>	<b>810,130</b>
<b>Total Expenses</b>	<b>9,772,994</b>	<b>-</b>	<b>9,772,994</b>	<b>9,122,441</b>	<b>-</b>	<b>9,122,441</b>
<b>Change in Net Assets, before foreign currency loss</b>	<b>676,854</b>	<b>158,262</b>	<b>835,116</b>	<b>(2,681,501)</b>	<b>-</b>	<b>(2,681,501)</b>
<b>Foreign Currency Translation Loss</b>	<b>(149,726)</b>	<b>-</b>	<b>(149,726)</b>	<b>(298,422)</b>	<b>-</b>	<b>(298,422)</b>
<b>Change in Net Assets</b>	<b>527,128</b>	<b>158,262</b>	<b>685,390</b>	<b>(2,979,923)</b>	<b>-</b>	<b>(2,979,923)</b>
<b>Net Assets, beginning of year</b>	<b>7,686,933</b>	<b>-</b>	<b>7,686,933</b>	<b>10,666,856</b>	<b>-</b>	<b>10,666,856</b>
Cumulative effect adjustment for implementation of ASC 326, <i>Credit Losses</i>	(446,310)	-	(446,310)	-	-	-
<b>Net Assets, end of year</b>	<b>\$ 7,767,751</b>	<b>\$ 158,262</b>	<b>\$ 7,926,013</b>	<b>\$ 7,686,933</b>	<b>\$ -</b>	<b>\$ 7,686,933</b>

*See accompanying notes to consolidated financial statements.*

**Project Healthy Children, Inc. and Subsidiaries**

**Consolidated Statements of Functional Expenses**

Year ended September 30,

	2024					2023						
	Program Services	Supporting Services			Total Supporting Services	Total Expenses	Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Food Fortification	General and Administration	Fundraising	Food Fortification			General and Administration	Fundraising				
Overseas payroll and payroll taxes	\$ 2,311,209	\$ 28,251	\$ 237,565	\$ 265,816	\$ 2,577,025	\$ 2,335,779	\$ 27,120	\$ 168,941	\$ 196,061	\$ 2,531,840		
Cost of goods sold - premix and bags	3,907,545	-	-	-	3,907,545	3,530,718	-	-	-	3,530,718		
Consultant and professional fees	312,448	29,515	166,963	196,478	508,926	239,433	25,074	51,255	76,329	315,762		
Depreciation and amortization	661,441	-	-	-	661,441	555,740	6,860	-	6,860	562,600		
Rent and facilities	377,953	570	-	570	378,523	300,080	-	-	-	300,080		
Recruiting and training	99,328	2,061	4,468	6,529	105,857	113,511	791	10,780	11,571	125,082		
Payroll and related costs - U.S. based	186,384	79,879	1,175	81,054	267,438	170,230	72,956	184,967	257,923	428,153		
Travel	159,353	8,683	125,075	133,758	293,111	151,134	47,239	82,792	130,031	281,165		
Information technology	212,626	48,474	14,125	62,599	275,225	238,502	41,558	12,215	53,773	292,275		
Fleet	130,617	-	574	574	131,191	146,016	-	-	-	146,016		
Equipment and software	126,200	-	650	650	126,850	122,311	1,563	171	1,734	124,045		
Other miscellaneous	194,946	-	6,648	6,648	201,594	54,678	-	-	-	54,678		
Communications	69,001	1,136	17,546	18,682	87,683	45,985	1,077	3,146	4,223	50,208		
Research and development	56,384	-	-	-	56,384	57,310	-	39	39	57,349		
Materials - fortification devices	4,797	-	-	-	4,797	27,140	-	-	-	27,140		
Employee benefits	7,732	3,314	-	3,314	11,046	14,252	6,108	4,603	10,711	24,963		
Memberships and fees	19,040	3,627	15,182	18,809	37,849	69,389	2,893	39,442	42,335	111,724		
Office supplies	59,400	563	114	677	60,077	89,700	826	2,650	3,476	93,176		
Insurance	74,526	5,366	540	5,906	80,432	50,403	14,622	442	15,064	65,467		
	\$ 8,970,930	\$ 211,439	\$ 590,625	\$ 802,064	\$ 9,772,994	\$ 8,312,311	\$ 248,687	\$ 561,443	\$ 810,130	\$ 9,122,441		

*See accompanying notes to consolidated financial statements.*

# Project Healthy Children, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

Year ended September 30,	2024	2023
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 685,390	\$ (2,979,923)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	661,441	562,600
Non-cash operating lease expense	73,927	43,832
Increase in reserve for obsolete inventory	38,113	68,887
Loss on foreign currency translation	149,726	298,422
Loss on disposal of assets	1,927	11,179
Decrease (increase) in assets:		
Accounts receivable	(71,466)	(375,743)
Inventory	754,136	(791,699)
Prepays and other current assets	702,475	(1,200,388)
Employee cash advances	(2,501)	4
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(326,919)	321,836
Refundable advance	(290,902)	400,000
Principal reduction in operating lease liability	(73,921)	(43,517)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>2,301,426</b>	<b>(3,684,510)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(1,242,684)	(979,078)
Purchase of investments	(2,373,756)	-
Security deposits	-	13,957
<b>Net Cash Used in Investing Activities</b>	<b>(3,616,440)</b>	<b>(965,121)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(271,527)</b>	<b>(199,928)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,586,541)</b>	<b>(4,849,559)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>3,102,900</b>	<b>7,952,459</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,516,359</b>	<b>\$ 3,102,900</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for taxes	\$ 95,144	\$ 13
Adjustment for implementation of ASC 326, <i>Credit Losses</i>	446,310	-

*See accompanying notes to consolidated financial statements.*

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### 1. Nature of the Organization

Project Healthy Children, Inc. (the Organization) is a not-for-profit organization that 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, Ethiopia, 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, Ethiopia, and other countries.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

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

#### *Recently Adopted Accounting Pronouncements*

##### *Financial Instruments - Credit Losses*

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The ASU introduces a new credit-loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

On October 1, 2023, the Organization adopted the guidance utilizing a cumulative-effect adjustment for all financial assets measured at amortized cost. As a result of the adoption, the Organization recorded a transition adjustment, which included a \$446,310 adjustment to the allowance for credit losses for accounts receivable, which is presented on the consolidated statements of financial position as a reduction to the total amount of the asset. In addition, the transition adjustment resulted in a decrease of \$446,310 to beginning net asset balance as of October 1, 2023, which represents the cumulative effect of adopting FASB Accounting Standards Codification (ASC) 326, *Credit Losses*.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### ***Basis of Presentation and Principles of 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 2024, Sanku-Project Healthy Children Tanzania Limited's name was changed to Sanku Tanzania Limited (Sanku TZ).

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.

In July 2024, the Organization formed an Ethiopian for-profit corporation, Sanku Fortification Ethiopia PLC (Sanku ET), for the purpose of operating all Ethiopian activities.

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

### ***Financial Statement Presentation***

The Organization has presented its consolidated financial statements in accordance with 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.

*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 for the years ended September 30, 2024 and 2023.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### *Cash and Cash Equivalents*

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

### *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

*Level 1* - This level consists of quoted prices in active markets for identical assets or liabilities.

*Level 2* - This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - This level consists of unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities.

The Organization has investments in fixed-income securities, which consist of government bonds. The Organization's custodian prices these investments using nationally recognized pricing services. U.S. Treasury securities are valued using quoted market prices and are categorized as Level 1 within the fair value hierarchy.

### *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 economic conditions. Based on management's assessment of the outstanding balances, it has recorded an allowance for credit losses of \$473,735 and \$27,425 as of September 30, 2024 and 2023, respectively.

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
<b>Balance</b> , beginning of period	\$ 27,425	\$ 7,188
Impact of the adoption of ASU 2016-13	446,310	-
Provisions	-	27,561
Write-offs, net of recoveries	-	(7,324)
<b>Balance</b> , end of period	\$ 473,735	\$ 27,425

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.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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Amortization of the discount, if any, is included in contribution revenue in the consolidated statements of activities. 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.

The Organization does not have any outstanding grants receivable or unconditional promises to give as of September 30, 2024 and 2023.

### ***Inventory***

Inventory consists of raw materials for bag and premix production, finished goods for bags, and finished goods for premix. Inventory is valued at net realizable value on a 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 and amortization. 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, except for laptops, which are expensed upon purchase. Those items that 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 or amortization are eliminated from the accounts, and gains or losses are included in the consolidated statements of activities.

### ***Leases***

Effective October 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed it to carry forward the historical lease classification. The Organization elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, the Organization will not recognize right-of-use assets or lease liabilities on the consolidated statements of financial position. The Organization generally does not have access to the rate implicit in the lease, and, therefore, the Organization utilizes a risk-free rate as the discount rate.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***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 as net assets released from restrictions.

Conditional contributions are not recognized until they become unconditional—that is, at the time when the condition or conditions on which they depend upon are met. At September 30, 2024, conditional contributions representing funds received prior to conditions being met amounted to \$109,098 and represent a contribution to be used for a program during fiscal year 2025 and are reflected as a refundable advance in the accompanying consolidated statement of financial position. At September 30, 2023, conditional contributions representing funds received prior to conditions being met amounted to \$400,000 and represent a contribution to be used for a program during fiscal year 2024 and are reflected as a refundable advance in the accompanying consolidated statement of financial position.

### ***Other Revenue***

Other revenue consists primarily of income from sales of inventory. In Tanzania and Kenya, all inventory is generally sold on a cash-upon-delivery basis. For larger customers, inventory is sold on credit terms, at which time the related revenue is recognized in the consolidated statements of activities.

### ***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 \$65,650 and \$43,127 at September 30, 2024 and 2023, 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 \$56,384 and \$57,349 for the years ended September 30, 2024 and 2023, respectively.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### *Income Tax Status*

The Organization 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, 2024 and 2023.

Sanku TZ is a for-profit company and pays taxes as appropriate in Tanzania. Sanku TZ incurred a loss through September 30, 2024 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, 2024 and did not have any significant taxes payable to the Kenya Revenue Authority.

Sanku ET is a for-profit company and pays taxes as appropriate in Ethiopia. Sanku ET incurred a loss through September 30, 2024 and did not have any significant taxes payable to Ethiopia Revenue Authority.

The Organization 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.

The Organization did not identify any uncertain tax positions at September 30, 2024 and 2023. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

### *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 consolidated statements of functional expenses. Salaries, wages, fringe benefits, and certain other expenses are allocated based upon estimates of time and effort. 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*

The Organization 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 statements of activities as foreign currency translation gains or losses. The U.S. dollar is considered the functional and reporting currency of the Organization. The functional currencies of all subsidiaries are the local currencies of the respective countries and are translated into U.S. dollars

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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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.

### 3. Short-Term Investments

The Organization invests in government securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

A description of the valuation techniques applied to the Organization's major categories of assets measured at fair value is as follows:

*Fixed Income, U.S. Treasury Bonds, and Corporate Bonds* - Fixed income and government bonds are valued at the last reported market value by the holding institution and are classified as Level 1.

The Organization had no financial assets and liabilities that were measured at fair value on a non-recurring basis during the years ended September 30, 2024 and 2023. In addition, there were no transfers between levels during the years ended September 30, 2024 and 2023.

The following table shows by level, within the fair value hierarchy, the Organization's financial assets that are accounted for at fair value on a recurring basis as of September 30, 2024 and 2023. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

*September 30,*

	2024		2023	
	Fair Value	Level 1	Fair Value	Level 1
Fixed income	\$ 2,373,756	\$ 2,373,756	\$ -	\$ -
<b>Total Investments, at fair value</b>	<b>\$ 2,373,756</b>	<b>\$ 2,373,756</b>	<b>\$ -</b>	<b>\$ -</b>

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# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 4. Fixed Assets, Net

A summary of fixed assets is as follows:

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
Equipment	\$ 3,436,193	\$ 2,381,471
Computer equipment	34,300	34,300
Vehicles	697,641	725,323
Leasehold Improvements	307,095	93,378
	<b>4,475,229</b>	<b>3,234,472</b>
Less: accumulated depreciation	<b>1,858,260</b>	<b>1,318,620</b>
<b>Fixed Assets, Net</b>	<b>\$ 2,616,969</b>	<b>\$ 1,915,852</b>

Total depreciation and amortization expense for the years ended September 30, 2024 and 2023 was \$661,441 and \$562,600, respectively.

### 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available subject to purpose restrictions, as follows:

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
Tanzania operations	\$ 53,262	\$ -
Ethiopia operations	105,000	-
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 158,262</b>	<b>\$ -</b>

### 6. Leases

The Organization leases office space under the terms of various operating leases with terms ranging from one to five years. The agreements provide for minimum lease payments, and some include payment increases over the life of the lease. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the consolidated statements of financial position, which include amounts for operating leases:

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
Operating lease right-of-use asset	\$ 164,072	\$ 237,999
Current portion of long-term operating leases	\$ 76,798	\$ 90,592
Operating lease liabilities, non-current	87,595	147,722
<b>Total Operating Lease Liabilities</b>	<b>\$ 164,393</b>	<b>\$ 238,314</b>

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

The components of total lease cost that are included within rent and facilities in the consolidated statements of functional expenses are as follows:

<i>Year ended September 30,</i>	<b>2024</b>	<b>2023</b>
Operating lease cost	\$ 73,927	\$ 43,832
Short-term lease cost	154,749	209,207
	\$ 228,676	\$ 253,039

The following summarizes the cash flow information related to the operating lease:

<i>Year ended September 30,</i>	<b>2024</b>	<b>2023</b>
Cash paid for amounts included in the measurement of operating lease liability:		
Operating cash flows for operating lease	\$ 73,921	\$ 43,517

<i>Year ended September 30,</i>	<b>2024</b>	<b>2023</b>
Weighted-average remaining lease term	1.79 years	2.79 years
Weighted-average discount rate	4.03%	4.03%

The future minimum lease payments under noncancelable operating leases as of September 30, 2024 are as follows:

<i>Year ending September 30,</i>		
2025	\$	79,887
2026		53,603
2027		35,735
<b>Total Lease Payments</b>		169,225
Less: imputed interest		(4,832)
<b>Present Value of Lease Liability</b>	\$	164,393

In May 2018, the Organization entered into a lease agreement for property in Morogoro, Tanzania. 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, Tanzania. 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 on December 30, 2019. The Organization currently rents this space on a month-to-month basis.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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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 on April 11, 2020. The Organization currently rents this space on a month-to-month basis.

In July 2021, the Organization entered into a one-year lease agreement for warehouse space in Mikocheni, Dar es Salaam, Tanzania at a rate of \$2,950 per month. On June 30, 2022, the lease was renewed for an additional one-year period, then subsequently renewed for an additional three-month period.

In July 2021, the Organization entered into a one-year lease agreement for office space in Mikocheni, Dar es Salaam, Tanzania at a rate of \$751 per month. The lease was renewed on June 30, 2022 for an additional one-year period and expired in July 2023.

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

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

### **7. Related Party Transactions**

During the years ended September 30, 2024 and 2023, various board members and members of management made direct contributions to the Organization in the amount of \$10,000 in each year.

### **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 maintains a brokerage account to invest excess cash in U.S. Government Treasury Bills and other short-term investments. The Organization also maintains cash deposits at financial institutions in Tanzania, Kenya, and Ethiopia, which are uninsured. Management does not believe that it is exposed to significant risk with respect to cash, as the balances in the Tanzanian accounts are closely monitored and transferred to the financial institution in Massachusetts on a routine basis.

#### ***Foreign Operations***

The Organization 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.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### 9. Liquidity and Availability of Resources

The Organization's financial assets available for use within one year of the consolidated statements of financial position dates for general expenditures are as follows:

<i>September 30,</i>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 1,516,359	\$ 3,102,900
Short-term investments	2,373,756	-
Accounts receivable, net	35,581	410,425
<b>Total Financial Assets Available to Management for General Expenditures Within One Year</b>	<b>\$ 3,925,696</b>	<b>\$ 3,513,325</b>

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.

### 10. Subsequent Events

The Organization's management has performed subsequent events procedures through June 6, 2025, which is the date the consolidated financial statements were available to be issued, and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.