

# Project Healthy Children, Inc. and Subsidiaries

Consolidated Financial Statements  
Years Ended September 30, 2025 and 2024

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**

---

Consolidated Financial Statements  
Years Ended September 30, 2025 and 2024

# Project Healthy Children, Inc. and Subsidiaries

## Contents

---

Independent Auditor's Report	3-4
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position as of September 30, 2025 and 2024	5
Consolidated Statements of Activities for the Years Ended September 30, 2025 and 2024	6
Consolidated Statements of Functional Expenses for the Years Ended September 30, 2025 and 2024	7
Consolidated Statements of Cash Flows for the Years Ended September 30, 2025 and 2024	8
Notes to Consolidated Financial Statements	9-19



## **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 statements of financial position as of September 30, 2025 and 2024, and 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025 and 2024, 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 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 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 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.

*BDO USA, P.C.*

March 6, 2026

# Project Healthy Children, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

<i>September 30,</i>	2025	2024
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,888,218	\$ 1,516,359
Investments, at fair value	4,006,733	2,373,756
Accounts receivable, net of allowance for credit losses of \$0 and \$473,735 in 2025 and 2024	365,207	35,581
Current portion of grants and contributions receivable, net	661,400	-
Inventory	2,351,848	917,901
Prepaid expenses and other current assets	2,564,540	894,343
<b>Total Current Assets</b>	<b>11,837,946</b>	<b>5,737,940</b>
<b>Fixed Assets</b> , net of accumulated depreciation	<b>2,529,492</b>	<b>2,616,969</b>
<b>Grants and Contributions Receivable</b> , less current portion, net	<b>661,400</b>	<b>-</b>
<b>Right-of-Use Assets</b> , operating leases	<b>1,255,725</b>	<b>164,072</b>
<b>Total Assets</b>	<b>\$ 16,284,563</b>	<b>\$ 8,518,981</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 842,933	\$ 319,477
Refundable advance	12,161	109,098
Operating lease liabilities, current	46,800	76,798
<b>Total Current Liabilities</b>	<b>901,894</b>	<b>505,373</b>
<b>Operating Lease Liabilities</b> , net of current portion	<b>1,129,036</b>	<b>87,595</b>
<b>Total Liabilities</b>	<b>2,030,930</b>	<b>592,968</b>
<b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Without donor restrictions	14,253,633	7,767,751
With donor restrictions	-	158,262
<b>Total Net Assets</b>	<b>14,253,633</b>	<b>7,926,013</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 16,284,563</b>	<b>\$ 8,518,981</b>

*See accompanying notes to consolidated financial statements.*

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

**Consolidated Statements of Activities**

*Year ended September 30,*

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>						
Public support:						
Contributions	\$ 14,523,379	\$ -	\$ 14,523,379	\$ 7,478,262	\$ 158,262	\$ 7,636,524
Other revenues (expenses):						
Sales of fortification supplies	3,115,855	-	3,115,855	2,914,784	-	2,914,784
Gain (loss) on disposal of asset	9,018	-	9,018	(1,927)	-	(1,927)
Realized and unrealized gain on investments	114,816	-	114,816	-	-	-
Interest income	48,402	-	48,402	65,698	-	65,698
Branch closure expenses	-	-	-	(6,969)	-	(6,969)
<b>Total Other Revenues</b>	<b>3,288,091</b>	<b>-</b>	<b>3,288,091</b>	<b>2,971,586</b>	<b>-</b>	<b>2,971,586</b>
<b>Net Assets Released from Restrictions</b>	<b>158,262</b>	<b>(158,262)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Public Support and Revenue</b>	<b>17,969,732</b>	<b>(158,262)</b>	<b>17,811,470</b>	<b>10,449,848</b>	<b>158,262</b>	<b>10,608,110</b>
<b>Expenses</b>						
Program services:						
Food fortification	10,346,102	-	10,346,102	8,970,930	-	8,970,930
Supporting services:						
General and administration	230,960	-	230,960	211,439	-	211,439
Fundraising	682,840	-	682,840	590,625	-	590,625
<b>Total Supporting Services</b>	<b>913,800</b>	<b>-</b>	<b>913,800</b>	<b>802,064</b>	<b>-</b>	<b>802,064</b>
<b>Total Expenses</b>	<b>11,259,902</b>	<b>-</b>	<b>11,259,902</b>	<b>9,772,994</b>	<b>-</b>	<b>9,772,994</b>
<b>Change in Net Assets, before foreign currency translation loss</b>	<b>6,709,830</b>	<b>(158,262)</b>	<b>6,551,568</b>	<b>676,854</b>	<b>158,262</b>	<b>835,116</b>
<b>Foreign Currency Translation Loss</b>	<b>(223,948)</b>	<b>-</b>	<b>(223,948)</b>	<b>(149,726)</b>	<b>-</b>	<b>(149,726)</b>
<b>Change in Net Assets</b>	<b>6,485,882</b>	<b>(158,262)</b>	<b>6,327,620</b>	<b>527,128</b>	<b>158,262</b>	<b>685,390</b>
<b>Net Assets, beginning 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>
<b>Cumulative Effect Adjustment for Implementation of ASC 326, Credit Losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(446,310)</b>	<b>-</b>	<b>(446,310)</b>
<b>Net Assets, end of year</b>	<b>\$ 14,253,633</b>	<b>\$ -</b>	<b>\$ 14,253,633</b>	<b>\$ 7,767,751</b>	<b>\$ 158,262</b>	<b>\$ 7,926,013</b>

*See accompanying notes to consolidated financial statements.*

## Project Healthy Children, Inc. and Subsidiaries

### Consolidated Statements of Functional Expenses

Year ended September 30,

	2025					2024						
	Program Services	Supporting Services			Total Supporting Services	Total Expenses	Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Food Fortification	General and Administration	Fundraising	Total Supporting Services			Food Fortification	General and Administration	Fundraising	Total Supporting Services		
Overseas payroll and payroll taxes	\$ 2,353,518	\$ 4,800	\$ 372,958	\$ 377,758	\$ 2,731,276	\$ 2,311,209	\$ 28,251	\$ 237,565	\$ 265,816	\$ 2,577,025		
Cost of goods sold - premix and bags	3,549,676	-	-	-	3,549,676	3,907,545	-	-	-	3,907,545		
Consultant and professional fees	533,789	62,845	-	62,845	596,634	312,448	29,515	166,963	196,478	508,926		
Depreciation and amortization	598,636	-	-	-	598,636	661,441	-	-	-	661,441		
Rent and facilities	419,540	188	942	1,130	420,670	377,953	570	-	570	378,523		
Recruiting and training	343,673	158	15,001	15,159	358,832	99,328	2,061	4,468	6,529	105,857		
Payroll and related costs - U.S. based	205,712	88,162	-	88,162	293,874	186,384	79,879	1,175	81,054	267,438		
Travel	563,242	4,845	143,609	148,454	711,696	159,353	8,683	125,075	133,758	293,111		
Information technology	467,461	55,934	35,258	91,192	558,653	338,826	48,474	14,775	63,249	402,075		
Fleet	189,140	-	-	-	189,140	130,617	-	574	574	131,191		
Other miscellaneous	388,512	-	-	-	388,512	147,400	-	-	-	147,400		
Fortification policy and capacity building	259,678	-	20,481	20,481	280,159	47,546	-	6,648	6,648	54,194		
Communications	58,609	1,003	3,443	4,446	63,055	69,001	1,136	17,546	18,682	87,683		
Research and development	73,998	-	-	-	73,998	56,384	-	-	-	56,384		
Materials - fortification devices	63,963	-	-	-	63,963	4,797	-	-	-	4,797		
Employee benefits	8,347	3,577	-	3,577	11,924	7,732	3,314	-	3,314	11,046		
Memberships and fees	71,584	2,874	80,110	82,984	154,568	19,040	3,627	15,182	18,809	37,849		
Office supplies	107,470	1,139	8,908	10,047	117,517	59,400	563	114	677	60,077		
Insurance	89,554	5,435	2,130	7,565	97,119	74,526	5,366	540	5,906	80,432		
	<b>\$ 10,346,102</b>	<b>\$ 230,960</b>	<b>\$ 682,840</b>	<b>\$ 913,800</b>	<b>\$ 11,259,902</b>	<b>\$ 8,970,930</b>	<b>\$ 211,439</b>	<b>\$ 590,625</b>	<b>\$ 802,064</b>	<b>\$ 9,772,994</b>		

*See accompanying notes to consolidated financial statements.*

# Project Healthy Children, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	<b>2025</b>	<b>2024</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 6,327,620	\$ 685,390
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	598,636	661,441
Amortization of right-of-use assets	199,052	73,927
Increase (decrease) in reserve for obsolete inventory	(260,719)	38,113
Loss on foreign currency translation	223,948	149,726
(Gain) loss on disposal of assets	(9,018)	1,927
Realized and unrealized gain on investments	(114,816)	-
Change in reserve for credit losses	473,735	-
Decrease (increase) in assets:		
Accounts receivable	(803,361)	(71,466)
Grants and contributions receivables, net	(1,322,800)	-
Inventory	(1,173,228)	754,136
Prepays and other current assets	(1,670,197)	699,974
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	523,456	(326,919)
Refundable advance	(96,937)	(290,902)
Principal reduction in operating lease liability	(279,262)	(73,921)
<b>Net Cash Provided by Operating Activities</b>	<b>2,616,109</b>	<b>2,301,426</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(499,080)	(1,242,684)
Purchase of investments	(7,801,138)	(2,373,756)
Sales of investments	6,282,544	-
<b>Net Cash Used in Investing Activities</b>	<b>(2,017,674)</b>	<b>(3,616,440)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(226,576)</b>	<b>(271,527)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>371,859</b>	<b>(1,586,541)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,516,359</b>	<b>3,102,900</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,888,218</b>	<b>\$ 1,516,359</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for taxes	\$ 27,225	\$ 95,144
Adjustment for implementation of ASC 326, <i>Credit Losses</i>	-	446,310
Operating leases right-of-use assets obtained in exchange for operating lease liabilities	1,290,705	-

*See accompanying notes to consolidated financial statements.*

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

### 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.

#### *Basis of Presentation and Principles of Consolidation*

The consolidated financial statements include the accounts of the Organization, PHC International Holdings LLC (PHC Holdco), Sanku Tanzania Limited (Sanku TZ), Sanku-Project Healthy Children Kenya Limited (Sanku KE), Sanku Fortification Ethiopia PLC (Sanku ET) and Sanku Fortification Uganda Limited (Sanku UG) through common management, and common ownership. Each of the Sanku operating entities operate as for-profit entities in their respective countries. All material intercompany transactions and balances have been eliminated.

PHC Holdco is the single member owned 100% by the Organization. Sanku TZ, Sanku ET and Sanku UG are 99% owned by the Organization and 1% owned by PHC Holdco. Sanku KE is 100% owned by the Organization.

#### *Consolidated 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.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

*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, 2025 and 2024.

### *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 management's best 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.

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

### *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.

### *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 brokerage accounts 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, Ethiopia, and Uganda which are uninsured. Management does not believe that it is exposed to significant risk

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

with respect to cash, as the balances in the Eastern Africa accounts are closely monitored and excess cash is transferred to the financial institution in Massachusetts on a routine basis.

### *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 and mutual funds, 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 \$0 and \$473,735 as of September 30, 2025 and 2024, respectively.

<i>September 30,</i>	<b>2025</b>		<b>2024</b>	
<b>Balance</b> , beginning of year	\$	473,735	\$	27,425
Impact of the adoption of Accounting Standards Update (ASU) 2016-13		-		446,310
Write-offs, net of recoveries		(473,735)		-
<b>Balance</b> , end of year	\$	-	\$	473,735

### *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.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

### ***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***

The Organization follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 a package of practical expedients permitted under the standard, which, among other things, allows 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.

### ***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 net present 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 are reported in the consolidated statements of activities as net assets released from restrictions.

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

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

charge to the valuation allowance and a credit to receivables. The Organization does not have any conditional contributions as of September 30, 2025 and 2024.

### *Sales of Fortification Supplies*

Sales of fortification supplies consists primarily of income from sales of inventory. In Tanzania, Kenya, and Ethiopia, 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.

Revenue is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods and accepted by customers.

### *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 \$77,290 and \$65,650 at September 30, 2025 and 2024, 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 \$73,998 and \$56,384 for the years ended September 30, 2025 and 2024, respectively.

### *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, 2025 and 2024.

Sanku TZ is a for-profit company and pays taxes as appropriate in Tanzania. Sanku TZ incurred a loss through September 30, 2025 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, 2025 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, 2025 and did not have any significant taxes payable to the Ethiopia Revenue Authority.

Sanku UG is a for-profit company and pays taxes as appropriate in Uganda. Sanku UG incurred a loss through September 30, 2025 and did not have any significant taxes payable to the Uganda Revenue Authority.

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

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. At September 30, 2025, the Organization recorded an \$83,000 tax reserve related to potential international tax matters, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of activities.

The Organization did not identify any uncertain tax positions at September 30, 2025 and 2024. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

### *Reclassifications*

Certain reclassifications have been made to the 2024 financial statements in order to conform to the 2025 presentation.

### 3. 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>	2025	2024
Cash and cash equivalents	\$ 1,888,218	\$ 1,516,359
Investments, at fair value	4,006,733	2,373,756
Accounts receivable, net	365,207	35,581
<b>Total Financial Assets Available to Management for General Expenditures Within One Year</b>	<b>\$ 6,260,158</b>	<b>\$ 3,925,696</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.

### 4. Grants and Contributions Receivable, Net

The net present value of grants and contributions receivable is \$1,322,800 as of September 30, 2025.

<i>September 30,</i>	2025	2024
Amount due:		
One year	\$ 661,400	\$ -
One to two years	661,400	-
	<b>\$ 1,322,800</b>	<b>\$ -</b>

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

As of September 30, 2025, the Organization expects all grants and contributions receivable to be fully collectible.

### 5. Investments, at Fair Value

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* - Fixed income is valued at the last reported market value by the holding institution and is classified as Level 1.

*Mutual Funds* - The Organization's holdings in mutual funds consist principally of debt and equity securities carried at their aggregate market value, which is determined by quoted market prices. Each of the investments can be liquidated daily. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

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, 2025 and 2024. In addition, there were no transfers between levels during the years ended September 30, 2025 and 2024.

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, 2025 and 2024. 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,*

	2025		2024	
	Fair Value	Level 1	Fair Value	Level 1
Fixed income	\$ 3,027,142	\$ 3,027,142	\$ 2,373,756	\$ 2,373,756
Mutual funds	979,591	979,591	-	-
<b>Total Investments, at fair value</b>	<b>\$ 4,006,733</b>	<b>\$ 4,006,733</b>	<b>\$ 2,373,756</b>	<b>\$ 2,373,756</b>

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 6. Fixed Assets, Net

A summary of fixed assets is as follows:

<i>September 30,</i>	2025	2024
Equipment	\$ 3,762,384	\$ 3,436,193
Computer equipment	34,300	34,300
Vehicles	749,281	697,641
Leasehold Improvements	437,362	307,095
	4,983,327	4,475,229
Less: accumulated depreciation	2,453,835	1,858,260
<b>Fixed Assets, Net</b>	<b>\$ 2,529,492</b>	<b>\$ 2,616,969</b>

Total depreciation and amortization expense for the years ended September 30, 2025 and 2024 was \$598,636 and \$661,441, respectively.

### 7. Net Assets with Donor Restrictions

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

<i>September 30,</i>	2025	2024
Tanzania operations	\$ -	\$ 53,262
Ethiopia operations	-	105,000
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ -</b>	<b>\$ 158,262</b>

Net assets with donor restrictions that were released from donor restrictions by incurring expenses and satisfying the restricted purposes totaled \$158,262 in 2025.

### 8. Leases

The Organization leases office space under the terms of various operating leases with terms ranging from one to 40 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>	2025	2024
Operating lease right-of-use assets	\$ 1,255,725	\$ 164,072
Current portion of long-term operating leases	\$ 46,800	\$ 76,798
Operating lease liabilities, non-current	1,129,036	87,595
<b>Total Operating Lease Liabilities</b>	<b>\$ 1,175,836</b>	<b>\$ 164,393</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>	2025		2024	
Operating lease cost	\$	199,052	\$	73,927
Short-term lease cost		37,246		154,749
	\$	236,298	\$	228,676

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

<i>Year ended September 30,</i>	2025		2024	
Cash paid for amounts included in the measurement of operating lease liability:				
Operating cash flows for operating lease	\$	279,262	\$	73,921

<i>Year ended September 30,</i>	2025		2024	
Weighted-average remaining lease term		31.52 years		1.79 years
Weighted-average discount rate		4.40%		4.03%

The future minimum lease payments under noncancelable operating leases as of September 30, 2025 are as follows:

<i>Year ending September 30,</i>		
2026	\$	223,806
2027		60,909
2028		62,131
2029		63,390
2030		49,565
Thereafter		2,028,444
<b>Total Lease Payments</b>		<b>2,488,245</b>
Less: imputed interest		(1,312,409)
<b>Present Value of Lease Liability</b>	\$	<b>1,175,836</b>

In September 2022, the Organization entered into a lease agreement for property in Morogoro, Tanzania. The lease period is from October 2022 through October, 2025. The lease requires annual rent to be paid one year in advance.

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 one-year period then subsequently renewed for an additional three-year period. The extended term of the lease is from June 1, 2023 through June 2026 and is required to be paid three months in advance.

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

# Project Healthy Children, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

---

June 30, 2022 for an additional one-year period and expired in July 2023. This office space is included in the Mikocheni lease described above.

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

In November 2021, the Organization entered into a four-year lease agreement for space in Msasani Peninsula, Tanzania, expiring in December 2025. The lease requires monthly rent to be paid in full in advance in the amount of approximately \$4,283. The lease requires rent to be paid three months in advance.

In July 2023, the Organization entered into a lease agreement for warehouse space in Manzese, Tanzania. The lease period was from July 2023 through June 2026. The lease requires rent to be paid one year in advance.

In February 2022, the Organization entered into a lease agreement for office space in Sea Rock, Tanzania. The lease period was from February 2022 through January 2023 and was renewed for an additional one-year period through January 2024. The lease required rent to be paid on a monthly basis.

In December 2024, the Organization entered into a lease agreement for space in Kenya expiring in February 2030. The lease requires monthly rent to be paid in full in advance in the amount of approximately \$3,240.

In April 2025, the Organization entered into a lease agreement for space in Ethiopia expiring in April 2065. The lease requires annual rent to be paid in full in advance.

### **9. Related Party Transactions**

During the years ended September 30, 2025 and 2024, various Board members and members of management made direct contributions to the Organization in the amount of \$2,317 and \$10,000, respectively.

### **10. 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

---

### 11. Subsequent Events

The Organization's management has performed subsequent events procedures through March 6, 2026 , 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.