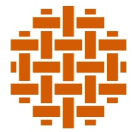


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**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

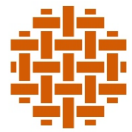
FOR THE YEAR ENDED SEPTEMBER 30, 2023

COUNTERPART INTERNATIONAL, INC.

CONTENTS

	PAGE NO.
I. Financial Section	
Consolidated Financial Statements for Counterpart International, Inc. and Subsidiary, for the Years Ended September 30, 2023 and 2022, Including the Schedule of Counterpart International, Inc.'s Expenditures of Federal Awards and Schedule of Counterpart International, Inc.'s Findings and Questioned Costs	I-(1 - 32)
II. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with Government Auditing Standards	II-(1 - 2)
III. Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	III-(1 - 3)

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COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022**

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	I-(3 - 5)
EXHIBIT A - Consolidated Statements of Financial Position, as of September 30, 2023 and 2022	I-6
EXHIBIT B - Consolidated Statements of Activities and Changes in Net Assets, for the Years Ended September 30, 2023 and 2022	I-(7 - 8)
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended September 30, 2023	I-9
EXHIBIT D - Consolidated Statement of Functional Expenses, for the Year Ended September 30, 2022	I-10
EXHIBIT E - Consolidated Statements of Cash Flows, for the Years Ended September 30, 2023 and 2022	I-11
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	I-(12 - 24)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Counterpart International, Inc.'s Expenditures of Federal Awards, for the Year Ended September 30, 2023	I-(25 - 27)
SCHEDULE 2 - Schedule of Counterpart International, Inc.'s Findings and Questioned Costs, for the Year Ended September 30, 2023	I-(28 - 29)
SCHEDULE 3 - Schedule of Counterpart International, Inc.'s Sub-handling Rate Calculation, for the Year Ended September 30, 2023	I-30
SCHEDULE 4 - Schedule of Counterpart International, Inc.'s Indirect Cost Rate Calculation, for the Year Ended September 30, 2023	I-31
SCHEDULE 5 - Schedule of Counterpart International, Inc.'s Functional Expenses for Indirect Cost Rate Calculation, for the Year Ended September 30, 2023	I-32



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Counterpart International, Inc. and Subsidiary
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements Counterpart International, Inc. and Subsidiary (together, "Counterpart"), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Counterpart as of September 30, 2023 and 2022, and the consolidated changes in its net assets and its consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Counterpart 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 Counterpart'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 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 auditor's report that includes our opinion.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards, 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 Counterpart'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 Counterpart'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Counterpart International, Inc.'s Expenditures of Federal Awards on pages I-(25 - 27), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The Schedules of Counterpart International, Inc.'s Sub-handling Rate Calculation and Indirect Cost Rate Calculation on pages I-30 and I-31, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Schedule of Counterpart International, Inc.'s Functional Expenses for Indirect Cost Rate Calculation on page I-32 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024, on our consideration of Counterpart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Counterpart's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Counterpart's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

February 15, 2024

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,669,024	\$ 10,305,528
Investments	115,063	110,309
Receivables	1,316,746	461,517
Undistributed commodities	3,781,532	2,374,481
Sub-recipient and other advances	643,255	780,542
Prepaid expenses	<u>732,228</u>	<u>345,735</u>
Total current assets	<u>16,257,848</u>	<u>14,378,112</u>
PROPERTY AND EQUIPMENT		
Equipment	44,783	44,783
Furniture and fixtures	200,442	200,442
Software	<u>474,603</u>	<u>474,603</u>
	719,828	719,828
Less: Accumulated depreciation and amortization	<u>(668,647)</u>	<u>(648,835)</u>
Net property and equipment	<u>51,181</u>	<u>70,993</u>
NONCURRENT ASSETS		
Deposits	87,756	134,267
Right-of-use asset, net	<u>8,782,783</u>	<u>9,269,813</u>
Total noncurrent assets	<u>8,870,539</u>	<u>9,404,080</u>
TOTAL ASSETS	<u>\$ 25,179,568</u>	<u>\$ 23,853,185</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,754,923	\$ 2,507,011
Deferred contract revenue	-	100,000
Deferred revenue - commodities	3,781,532	2,374,481
Refundable advances	6,283,315	7,392,340
Sub-recipient payables	495,020	199,529
Operating lease liability	<u>389,586</u>	<u>353,733</u>
Total current liabilities	<u>14,704,376</u>	<u>12,927,094</u>
NONCURRENT LIABILITIES		
Operating lease liability, net of current portion	<u>8,637,096</u>	<u>9,026,682</u>
Total liabilities	<u>23,341,472</u>	<u>21,953,776</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	862,557	883,017
Board designated	<u>545,000</u>	<u>545,000</u>
Total net assets without donor restrictions	1,407,557	1,428,017
With donor restrictions	<u>430,539</u>	<u>471,392</u>
Total net assets	<u>1,838,096</u>	<u>1,899,409</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,179,568</u>	<u>\$ 23,853,185</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants:			
U.S. Government	\$ 43,676,240	\$ -	\$ 43,676,240
Non-U.S. Government	780,937	450,000	1,230,937
Contracts	1,729,061	-	1,729,061
Investment income	4,753	383	5,136
Gifts in-kind	4,941,915	-	4,941,915
Other revenue	42,530	-	42,530
Net assets released from donor restrictions	<u>491,236</u>	<u>(491,236)</u>	<u>-</u>
Total revenue and support	<u>51,666,672</u>	<u>(40,853)</u>	<u>51,625,819</u>
EXPENSES			
Program Services:			
Democracy, Rights and Governance	13,463,979	-	13,463,979
Food Security	22,813,382	-	22,813,382
Peace and Security	3,087,162	-	3,087,162
Women's Leadership	542,133	-	542,133
Climate Resiliency	<u>370,367</u>	<u>-</u>	<u>370,367</u>
Total program services	<u>40,277,023</u>	<u>-</u>	<u>40,277,023</u>
Supporting Services:			
Management and General	11,409,852	-	11,409,852
Fundraising	<u>257</u>	<u>-</u>	<u>257</u>
Total supporting services	<u>11,410,109</u>	<u>-</u>	<u>11,410,109</u>
Total expenses	<u>51,687,132</u>	<u>-</u>	<u>51,687,132</u>
Changes in net assets	(20,460)	(40,853)	(61,313)
Net assets at beginning of year	<u>1,428,017</u>	<u>471,392</u>	<u>1,899,409</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,407,557</u>	<u>\$ 430,539</u>	<u>\$ 1,838,096</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants:			
U.S. Government	\$ 30,495,615	\$ -	\$ 30,495,615
Non-U.S. Government	742,355	404,157	1,146,512
Contracts	2,063,419	-	2,063,419
Investment income	585	45	630
Gifts in-kind	3,661,515	-	3,661,515
Other revenue	5,628	-	5,628
Net assets released from donor restrictions	<u>223,280</u>	<u>(223,280)</u>	<u>-</u>
Total revenue and support	<u>37,192,397</u>	<u>180,922</u>	<u>37,373,319</u>
EXPENSES			
Program Services:			
Democracy, Rights and Governance	9,070,014	-	9,070,014
Food Security	16,312,132	-	16,312,132
Peace and Security	2,194,555	-	2,194,555
Women's Leadership	449,272	-	449,272
Climate Resiliency	<u>995,380</u>	<u>-</u>	<u>995,380</u>
Total program services	<u>29,021,353</u>	<u>-</u>	<u>29,021,353</u>
Supporting Services:			
Management and General	7,919,855	-	7,919,855
Fundraising	<u>933</u>	<u>-</u>	<u>933</u>
Total supporting services	<u>7,920,788</u>	<u>-</u>	<u>7,920,788</u>
Total expenses	<u>36,942,141</u>	<u>-</u>	<u>36,942,141</u>
Changes in net assets	250,256	180,922	431,178
Net assets at beginning of year	<u>1,177,761</u>	<u>290,470</u>	<u>1,468,231</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,428,017</u>	<u>\$ 471,392</u>	<u>\$ 1,899,409</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Services					Supporting Services				
	Democracy, Rights and Governance	Food Security	Peace and Security	Women's Leadership	Climate Resiliency	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel	\$ 6,448,226	\$ 6,185,873	\$ 1,432,684	\$ 205,585	\$ 161,035	\$14,433,403	\$ 7,188,471	\$ 257	\$ 7,188,728	\$ 21,622,131
Sub-partner	1,895,389	1,606,090	601,644	-	-	4,103,123	-	-	-	4,103,123
Grants	2,176,406	2,099,377	355,286	-	109,003	4,740,072	-	-	-	4,740,072
Travel	525,877	967,293	44,417	75,504	40,335	1,653,426	209,294	-	209,294	1,862,720
Training and workshops	660,248	1,165,233	272,352	40,855	27,395	2,166,083	16,275	-	16,275	2,182,358
Property and equipment	133,887	394,072	10,982	4,938	2,685	546,564	92,235	-	92,235	638,799
Professional services	855,306	1,395,756	176,497	168,778	16,060	2,612,397	1,709,231	-	1,709,231	4,321,628
Shipping transportation and handling	11,664	742,888	-	-	202	754,754	(6)	-	(6)	754,748
Rent and utilities	221,078	228,299	26,332	-	13,435	489,144	814,049	-	814,049	1,303,193
Office supplies	38,636	129,464	1,062	4,821	205	174,188	22,001	-	22,001	196,189
Conferences and meetings	16,604	27,786	288	12,649	695	58,022	53,768	-	53,768	111,790
Insurance	11,378	40,533	2,363	-	67	54,341	202,672	-	202,672	257,013
Printing and publications	15,827	293,575	279	6,134	441	316,256	6,916	-	6,916	323,172
IT and telecommunication expenses	129,304	151,285	28,625	12,255	1,282	322,751	407,261	-	407,261	730,012
Other expenses	139,200	1,173,088	134,351	10,164	(2,473)	1,454,330	687,685	-	687,685	2,142,015
Other project activities	116,328	1,339,476	-	450	-	1,456,254	-	-	-	1,456,254
Gifts in kind	68,621	4,873,294	-	-	-	4,941,915	-	-	-	4,941,915
TOTAL	\$ 13,463,979	\$ 22,813,382	\$ 3,087,162	\$ 542,133	\$ 370,367	\$40,277,023	\$ 11,409,852	\$ 257	\$ 11,410,109	\$ 51,687,132

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Program Services					Supporting Services				
	Democracy, Rights and Governance	Food Security	Peace and Security	Women's Leadership	Climate Resiliency	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel	\$ 3,887,769	\$ 4,974,668	\$ 1,046,813	\$ 192,356	\$ 183,545	\$ 10,285,151	\$ 4,658,208	\$ 486	\$ 4,658,694	\$ 14,943,845
Sub-partner	863,129	878,742	234,811	-	478,107	2,454,789	-	-	-	2,454,789
Grants	1,438,409	1,787,213	388,466	195,512	98,398	3,907,998	-	-	-	3,907,998
Travel	428,468	705,621	14,319	18,812	31,176	1,198,396	106,350	-	106,350	1,304,746
Training and workshops	430,348	831,057	84,496	-	2,116	1,348,017	2,074	-	2,074	1,350,091
Property and equipment	224,522	268,831	39,767	5,075	3,946	542,141	148,575	-	148,575	690,716
Professional services	739,407	836,275	171,389	20,001	56,604	1,823,676	1,429,469	-	1,429,469	3,253,145
Shipping transportation and handling	420	667,248	-	-	-	667,668	6	-	6	667,674
Rent and utilities	181,005	193,259	25,753	-	11,210	411,227	615,928	-	615,928	1,027,155
Office supplies	43,014	67,998	943	774	464	113,193	8,819	-	8,819	122,012
Conferences and meetings	12,948	17,407	5	6,418	1,348	38,126	31,911	-	31,911	70,037
Insurance	17,396	32,688	2,808	-	1,210	54,102	221,290	-	221,290	275,392
Printing and publications	219,018	67,888	5,068	1,402	125	293,501	2,930	-	2,930	296,431
IT and telecommunication expenses	126,611	155,752	23,127	1,644	1,714	308,848	209,885	-	209,885	518,733
Other expenses	371,721	1,033,082	91,581	3,228	3,808	1,503,420	484,410	447	484,857	1,988,277
Other project activities	-	405,535	-	4,050	-	409,585	-	-	-	409,585
Gifts in kind	85,829	3,388,868	65,209	-	121,609	3,661,515	-	-	-	3,661,515
TOTAL	\$ 9,070,014	\$ 16,312,132	\$ 2,194,555	\$ 449,272	\$ 995,380	\$ 29,021,353	\$ 7,919,855	\$ 933	\$ 7,920,788	\$ 36,942,141

See accompanying notes to consolidated financial statements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (61,313)	\$ 431,178
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	19,812	77,418
Amortization of right-of-use asset	487,030	391,388
(Increase) decrease in:		
Receivables	(855,229)	(274,099)
Sub-recipient and other advances	137,287	(36,284)
Prepaid expenses	(386,493)	16,569
Deposits	46,511	5,233
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,247,912	(74,341)
Deferred rent	-	(301,146)
Deferred contract revenue	(100,000)	100,000
Refundable advances	(1,109,025)	2,428,979
Operating lease liability	(353,733)	(280,786)
Sub-recipient payables	<u>295,491</u>	<u>5,793</u>
Net cash (used) provided by operating activities	<u>(631,750)</u>	<u>2,489,902</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(4,754)</u>	<u>(585)</u>
Net cash used by investing activities	<u>(4,754)</u>	<u>(585)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	<u>-</u>	<u>(42,831)</u>
Net cash used by financing activities	<u>-</u>	<u>(42,831)</u>
Net (decrease) increase in cash and cash equivalents	(636,504)	2,446,486
Cash and cash equivalents at beginning of year	<u>10,305,528</u>	<u>7,859,042</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,669,024</u>	<u>\$ 10,305,528</u>
SUPPLEMENTAL INFORMATION		
Change in Undistributed Commodities with a Commensurate Change in Deferred Revenue Commodities	<u>\$ 1,407,051</u>	<u>\$ (109,779)</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ -</u>	<u>\$ 9,661,201</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Counterpart International, Inc. and Subsidiary consists of two entities: Counterpart International, Inc., EnviroVentures, Inc.

Counterpart International, Inc. (Counterpart International) was established in 1965 as a U.S.-based non-profit international development organization. Counterpart International's mission is to partner with local organizations - formal and informal - to build inclusive, sustainable communities in which their people thrive.

EnviroVentures, Inc. (EVI) was incorporated in 1996 as a wholly-owned for-profit subsidiary of Counterpart whose primary purpose was to build capacity of local environmental organizations in the Philippines (consistent with Counterpart International's exempt purpose). In 2012, Counterpart International's Board of Directors approved the close-down of EVI. There are no activities under EVI thereafter. However, as of the date of this report, the financial activities continue to be presented on a consolidated basis as EVI has yet to be legally dissolved under Philippine law.

In 2018, Plan International USA and Counterpart International entered into a program transfer agreement for transfer of the WomenLead Institute (WLI), effective January 2, 2019. WLI brings to Counterpart International more than 40 years of expertise in strengthening women's leadership, management, and technical competencies. WLI's core mission is to fuel greater representation and impact of women in leadership positions across all sectors and institutions, in the United States and in countries around the world.

For more than 55 years, Counterpart International has partnered with formal and informal local organizations and citizen leaders to build inclusive, sustainable communities in which people thrive. Counterpart International's programs are designed and implemented to help its partners grow their capabilities in ways that result in significant expansion of their reach, impact, and sustainability. In 2023, Counterpart International partnered with local organizations of all types around the world that have a similar vision of strong, vibrant communities. Counterpart's projects spanned the democracy, rights and governance, food security, health security, peace and security, and climate resiliency sectors.

Programs -

Democracy, Rights, and Governance: Delivery of fair and equitable citizen services requires government responsiveness and accountability, as well as resilient civil society organizations with the know-how to mobilize citizens and effectively engage with government to promote and sustain progress.

Food Security: Food security and agriculture programs help communities raise healthy, educated children, and support the country's journey to self-reliance. Early childhood health interventions, such as vitamin A distribution, sustainable infrastructures like community gardens, and market linkages to support sustainable livelihoods, all create a strong foundation for sustainable community growth.

Peace and Security: Civil society strengthening, community development, and good and transparent governance are critical to building states that deliver for their citizens and promote long-term peace. Local organizations working in partnership with governments helps build inclusive, resilient, and sustainable communities in which people thrive.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Organization (continued) -

Programs (continued) -

Women's Leadership: Achieving a brighter future for all requires investing in women as leaders, role models and decision-makers. Training, capacity building, mentorship and networking enable women leaders of non-profit organizations and social enterprises brings a multiplier effect to their own organizations and to realize broader development goals.

Climate Resiliency: Development challenges around the world are complicated by the impacts of climate change. Mitigating the impacts of climate change through effective natural resource management can help combat poverty, while protecting the livelihoods of those living in coastal and inland communities.

Principles of consolidation -

The accounts of Counterpart International, Inc. have been consolidated with the accounts of EnviroVentures, Inc. (collectively, Counterpart) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions." Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than Counterpart's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents -

Counterpart considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Money market funds held within the investment portfolio are not classified as cash and cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Counterpart maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

At September 30, 2023 and 2022, Counterpart maintained \$800,816 and \$366,423, respectively, of cash and cash equivalents on hand and in financial institutions in foreign countries (in order to support its operations in those countries). The majority of funds invested in foreign countries are uninsured.

Foreign currency translation -

The functional currency of Counterpart is the U.S. Dollar. The financial statements and transactions of Counterpart's local operations are generally maintained in the applicable foreign currency. When local currencies are used, assets and liabilities are translated into U.S. Dollars in the accompanying Consolidated Statements of Financial Position at the spot exchange rate in effect as of September 30, 2023 and 2022. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rates of exchange in effect during the month of the transaction.

Losses resulting from transactional exchanges are recognized as program expenses (in the accompanying Consolidated Statements of Activities and Changes in Net Assets) and are allowable as direct costs per the U.S. Government; conversely, gains are recognized as reduction of allowable program expenses.

Net gains (losses) from transactional exchanges totaled \$2,523 and \$(64,436) during the years ended September 30, 2023 and 2022, respectively and are included in other expenses in the accompanying Consolidated Statements of Functional Expenses.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Receivables -

Receivables are recorded at net realizable value, which approximates fair value. All receivables are considered collectable within one year, unless otherwise stated by the donor. Management considers all amounts due within one year to be fully collectable; accordingly, an allowance for doubtful accounts has not been established.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Sub-recipient and other advances -

Advances primarily consist of amounts provided to partners and sub-grantees to execute project objectives within a three month period. Expenses incurred by partners and sub-grantees which are not reimbursed as of fiscal year-end are recorded as sub-recipient payables.

Property and equipment -

Property and equipment with unit cost in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized using the straight line method over the shorter of the remaining lease term or the useful life of the asset. The cost of maintenance and repairs is recorded as expenses are incurred.

On occasion, Counterpart purchases equipment for its overseas programs with funding received from the U.S. Government and other donors. Counterpart records these purchases as an expense in the period of acquisition and charges the expense against the grant which provided the funding. Under the terms of these agreements, title to equipment generally vests with Counterpart, but the donor retains a reversionary interest in the equipment from the point of acquisition through the disposition date (at the end of the award period). In most cases (and under the direction of the donor), Counterpart donates this equipment to local organizations at the end of the award period.

Depreciation and amortization expense for the years ended September 30, 2023 and 2022 totaled \$19,812 and \$77,418, respectively.

Income taxes -

Counterpart International is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Counterpart International is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the years ended September 30, 2023 and 2022, Counterpart has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Contributions and grants -

The majority of Counterpart's revenue is received through awards from agencies of the U.S. Government, international organizations, foundations, and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. Counterpart performs an analysis of the individual awards to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed nonreciprocal or reciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributions and grants (continued) -

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions.

Unconditional contributions that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Awards qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and awards from the United States Government and other entities are for direct and indirect program costs; these transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. Counterpart had approximately \$87,200,000 and \$101,200,000 in unrecognized conditional awards as of September 30, 2023 and 2022, respectively.

Contracts -

Contracts includes fixed-fee, cost-reimbursable, and time/materials agreements. Contracts are classified as exchange transactions, and revenue recognition follows ASU 2014-09, *Revenue from Contracts With Customers*, wherein revenue is recorded when the performance obligations under the contracts are met. The revenue is recorded as "net assets without donor restrictions" at such time when deemed earned, and the transaction price is based on deliverables or milestones stipulated in the contract agreements. There were no amounts due under contractual agreements as of September 30, 2023 and September 30, 2022. Any amounts received in advance of the achievement of the performance obligations is recorded as deferred contract revenue. There was no deferred contract revenue as of September 30, 2023, and \$100,000 of deferred contract revenue as of September 30, 2022.

Gifts in-kind -

Gifts in-kind consist of donated food commodities, surplus property, contributed services and materials. Gifts in-kind are recorded at their fair value as of the date of the gift. In-kind revenue is recorded as income upon receipt, and expense is recorded when the goods are distributed for program use. While it is Counterpart's policy to distribute gifts-in-kind as promptly as possible, undistributed gifts-in-kind are recorded as undistributed commodities (inventory) and deferred revenue. Costs associated with shipping and handling of commodities are recorded as shipping, transportation and handling expenses in the accompanying consolidated financial statements. In addition, volunteers have donated significant amounts of their time to Counterpart; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of implementing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of Counterpart are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis. Indirect costs of Counterpart International are charged to all awards per the approved basis of application in the Negotiated Indirect Cost Agreement with USAID.

Investment risks and uncertainties -

Counterpart invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

Counterpart adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Counterpart accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Counterpart's investments consist solely of money market funds, which are open-end mutual funds that are registered with the Securities and Exchange Commission and deemed to be actively traded. Accordingly, the money market funds are categorized as Level 1 in the fair value hierarchy, as they are investments where values are based on unadjusted quoted prices for identical assets in an active market Counterpart has the ability to access.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement (not yet adopted) -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for Counterpart for the year ending September 30, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

Counterpart plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. LINE OF CREDIT

Counterpart maintains two lines of credit with a local financial institution. The first line has a maximum borrowing limit of \$1,000,000, and the second line (established in fiscal year 2022) has a maximum borrowing limit of \$500,000. The lines of credit provide the lender a right of setoff in all of Counterpart's accounts with the financial institution. Interest accrues on any outstanding balances at a variable interest rate, which will be no lower than the Secured Overnight Financing Rate plus 200 basis points (actual rate of 7.31% and 4.98% at September 30, 2023 and 2022, respectively). As of September 30, 2023 and 2022, there were no outstanding borrowings on the lines of credit.

3. BOARD DESIGNATED NET ASSETS

On February 5, 2019, Counterpart International, Inc.'s Board of Directors earmarked \$545,000 of its net assets without donor restrictions into a Board Designated Net Assets fund (the Fund). The general purpose of the Fund is to ensure Counterpart's long-term financial stability and position Counterpart to respond to business fluctuations and economic conditions that may impact its financial position. The Fund may only be used for expenses that cannot be covered by revenues and the resulting overhead budget.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Program services	\$ 396,082	\$ 437,318
Accumulated WLI endowment earnings	1,246	863
WLI scholarships	900	900
Endowment to be invested in perpetuity	<u>32,311</u>	<u>32,311</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 430,539</u>	<u>\$ 471,392</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2023</u>	<u>2022</u>
Program Services	\$ <u>491,236</u>	\$ <u>223,280</u>

5. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Consolidated Statements of Financial Position date comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,669,024	\$ 10,305,528
Investments	115,063	110,309
Receivables	<u>1,316,746</u>	<u>461,517</u>
Subtotal financial assets available within one year	11,100,833	10,877,354
Less: Board designated funds	(545,000)	(545,000)
Less: Funds subject to donor imposed purpose restrictions	(398,228)	(439,081)
Less: Endowment funds to be invested in perpetuity	<u>(32,311)</u>	<u>(32,311)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>10,125,294</u>	\$ <u>9,860,962</u>

Counterpart closely monitors liquidity required to meet its operating needs and other financial commitments, while striving to comply with donor regulations and maximize the investment on available funds. Counterpart has standard cash management guidance for HQ and field operations. A large portion of Counterpart International's awards are received from agencies of the United States Government (as discussed in Note 9, "Concentration of Revenue"). Most of these Federal programs are financed through a letter of credit drawdown system; advances are received through the Department of Health and Human Services' Payment Management System and from the United States Department of Agriculture for implementation of activities under Federal awards.

Per the cash management guidance, Counterpart structures its financial assets at headquarters and its field offices to be available and liquid as its general expenditures, liabilities, and other obligations come due. Counterpart invests its available cash in short term investments, specifically interest-bearing checking accounts and money market funds.

To help manage unanticipated liquidity needs, Counterpart maintains a line of credit agreement (as previously discussed in Note 2) which allows for additional available borrowings up to \$1,500,000. In addition, Board Designated funds (as previously discussed in Note 3) can be drawn upon if the Board of Directors approves such action.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

6. GIFTS IN-KIND

During the years ended September 30, 2023 and 2022, Counterpart was the beneficiary of donated goods and services which allowed Counterpart to provide greater resources toward various programs. Gifts in-kind are reported at their estimated fair value. For donated food commodities, valuation is based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donors. Donated food commodities are not sold and are only distributed for program use. The values of donated services are estimated by the service providers, who estimate fair value based on the date, time, and market in which each service is rendered.

Such donated goods and services are donor restricted for support of Counterpart's Federal grant programs, and treated as conditional contributions. Accordingly, donated goods and services are simultaneously recognized and released from restriction, and therefore recorded as "without restrictions" in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Following is a breakdown of the donations by donor type, and have been included in revenue and "Gifts In Kind" expense (Program Services) during the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Federal gifts in-kind - food commodities	\$ 4,873,294	\$ 3,388,868
Non-Federal gifts in-kind	<u>68,621</u>	<u>272,647</u>
TOTAL GIFTS IN-KIND	<u>\$ 4,941,915</u>	<u>\$ 3,661,515</u>

7. LEASE COMMITMENTS

On October 6, 2021, Counterpart entered into a 180-month (15-year) lease for office space in Washington, D.C., commencing on January 1, 2022. The lease provided \$2,039,250 of landlord-funded tenant improvements. The lease also includes an annual lease escalation of 2.5% through the entire lease term. Counterpart's landlord agreed to assume the remaining obligation under Counterpart's previous headquarters office lease (in Arlington, Virginia), not to exceed \$1,000,000 of rent payments, beginning on January 1, 2022 through the lease expiration date of November 14, 2022.

Effective October 1, 2021, Counterpart adopted ASU 2019-01, *Leases* (Topic 842). Counterpart elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Counterpart also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. Counterpart adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

7. LEASE COMMITMENTS (Continued)

As a result, Counterpart recorded a right-of-use asset and an operating lease liability in the amount of \$9,661,201 by calculating the present value using the discount rate of 4.5%. Additionally, the remaining balance of unamortized tenant improvement assets and deferred rental abatement liabilities for the Arlington, Virginia office space was charged off as of March 31, 2022.

Counterpart is also obligated under operating leases for overseas field office space. Overseas field office space leases expire on various dates.

The following is a schedule of the future minimum lease payments:

<u>Year Ending September 30,</u>	<u>HQ Office Space</u>	<u>Field Office Space</u>	<u>Total</u>
2024	\$ 787,898	\$ 133,740	\$ 921,638
2025	807,611	93,892	901,503
2026	827,766	25,099	852,865
2027	848,430	-	848,430
2028	869,638	-	869,638
Thereafter	8,053,950	-	8,053,950
Less: Imputed interest	(3,168,611)	-	(3,168,611)
Less: Current portion	<u>(389,586)</u>	<u>-</u>	<u>(389,586)</u>
LONG-TERM PORTION	<u>\$ 8,637,096</u>	<u>\$ 252,731</u>	<u>\$ 8,889,827</u>

Lease expense (included in "Rent and utilities") for the years ended September 30, 2023 and 2022 totaled \$1,220,323 and \$967,234, respectively.

8. RETIREMENT PLAN

Counterpart provides retirement benefits to its employees through a defined contribution plan under Section 403(b) of the Internal Revenue Code. The Plan allows participants, subject to certain service requirements, to defer up to the Federal maximum for the calendar year.

Counterpart contributes six percent of the employee's base salary per pay period and Counterpart's contributions vest one year from the employee's start date. Contributions to the Plan during the years ended September 30, 2023 and 2022 were \$488,305 and \$319,575, respectively.

9. CONCENTRATION OF REVENUE

Approximately 97% of Counterpart's revenue and support during each of the years ended September 30, 2023 and 2022, was derived under awards (and gifts in-kind) received from agencies of the United States Government. Counterpart has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Counterpart's ability to finance ongoing operations.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

10. CONTINGENCIES

U.S. Government funding -

Counterpart receives assistance from various agencies of the United States Government. Such awards are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government awards is based upon the allowance of direct and indirect costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2023. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign operations -

Counterpart furthers its programmatic purposes in numerous developing countries through its field offices in each of those countries. Counterpart also maintains cash accounts as well as other assets in several of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of September 30, 2023 and 2022, Counterpart had cash, receivables, property/equipment and donated commodities in various countries in Africa, Latin America, Europe and Asia, totaling \$5,365,099 and \$3,519,205, respectively, which represents 21% and 15% of Counterpart's total assets as of September 30, 2023 and 2022.

SIGAR Audit -

During FY2020, the US Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) conducted an audit of Counterpart's award under Cooperative Agreement No. AID-306-A-14-00001 (Agreement) with the United States Agency for International Development (USAID) to support the Afghan Civic Engagement Program (ACEP) for the period October 1, 2018 through February 15, 2020.

The external auditors appointed by SIGAR issued the audit report February 12, 2021. Counterpart received the SIGAR report, and the USAID transmittal letter dated June 13, 2021 on June 14, 2021.

USAID in its transmittal required Counterpart to inform USAID what steps Counterpart has taken or will take to address the findings and recommendations mentioned in the SIGAR report. Counterpart responded to USAID's request on July 9, 2021 by providing a detailed management response to address the findings and recommendations referenced in the SIGAR report. Management provided documentation to support and/or substantiate the questioned and unsupported costs. In November 2023, Counterpart received a formal award modification, effective July 28, 2023, which de-obligated unused funds under the award and closed out the award in its entirety. Accordingly, Counterpart considers the matter to be resolved.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

11. ENDOWMENT

Counterpart's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus classifies amounts in its donor-restricted endowment funds as "net assets with donor restrictions" because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to "net assets without donor restrictions."

The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Counterpart considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Counterpart has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, Counterpart considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of September 30, 2023:

	<u>With Donor Restrictions</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 32,311
Accumulated investment earnings	<u>1,246</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 33,557</u>

Changes in endowment net assets for the year ended September 30, 2023:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 33,174
Investment return, net	<u>383</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 33,557</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

11. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of September 30, 2022:

	<u>With Donor Restrictions</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 32,311
Accumulated investment earnings	<u>863</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 33,174</u>

Changes in endowment net assets for the year ended of September 30, 2022:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 33,134
Investment return, net	<u>40</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 33,174</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. As of September 30, 2023 and 2022, there were no deficiencies of this nature.

Return Objectives and Risk Parameters -

Counterpart has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are maintained in a separate money market account with Citibank to ensure protection of the funds and assume a moderate level of investment risk.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, Counterpart relies on a strategy in which investment returns are achieved through current yield (interest and dividends). Counterpart targets an asset allocation that places a greater emphasis on income-oriented investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Counterpart has a policy of appropriating 100% of the endowment returns toward the purpose as stated in the original award.

12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Counterpart has evaluated events and transactions for potential recognition or disclosure through February 15, 2024, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

SCHEDULE OF COUNTERPART INTERNATIONAL, INC.'S FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

3). Noncompliance material to financial statements noted? Yes No

Federal Awards

4). Internal control over major Federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

5). Type of auditor's report issued on compliance for major Federal programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7). Identification of major Federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.608	Food for Education

8). Dollar threshold used to distinguish between Type A and Type B programs: \$1,502,238

9). Auditee qualified as a low-risk auditee? Yes No

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARY

**SCHEDULE OF COUNTERPART INTERNATIONAL, INC.'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.

Section IV - Prior Year Findings and Questioned Costs With Current Year Status

There were no reportable findings.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Board of Directors
Counterpart International, Inc.
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Counterpart International, Inc. and Subsidiary (Counterpart) as of and for the year ended September 30, 2023, and the related notes to the consolidated financial statements, which collectively comprise Counterpart's basic consolidated financial statements, and have issued our report thereon dated February 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Counterpart's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Counterpart's internal control. Accordingly, we do not express an opinion on the effectiveness of Counterpart's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Counterpart's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Counterpart's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

February 15, 2024



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Directors
Counterpart International, Inc.
Washington, D.C.

Opinion on Each Major Federal Program

We have audited Counterpart International, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Counterpart International, Inc.'s major federal programs for the year ended September 30, 2023. Counterpart's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Counterpart International, Inc.'s Findings and Questioned Costs.

In our opinion, Counterpart complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Counterpart and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Counterpart's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Counterpart's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Counterpart's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Counterpart's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Counterpart's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Counterpart's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Counterpart's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gelman Rosenberg & Friedman

February 15, 2024