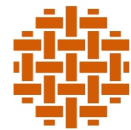


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COUNTERPART INTERNATIONAL, INC.

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

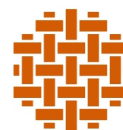
FOR THE YEAR ENDED SEPTEMBER 30, 2021

COUNTERPART INTERNATIONAL, INC.

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COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Counterpart International, Inc. and Subsidiaries
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Counterpart International, Inc. and Subsidiaries (together, "Counterpart"), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, consolidated functional expenses and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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, 2021 and 2020, and the consolidated changes in its net assets, consolidated functional expenses and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Counterpart's Consolidating Schedules of Financial Position on pages I-(27 - 28), and Consolidating Schedules of Activities and Changes in Net Assets on pages I-(29 - 30) 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 expenditures of Federal awards on pages I-(31 - 33), 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-36 and I-37, 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-38 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. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 17, 2022 on our consideration of Counterpart International, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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 International, Inc.'s internal control over financial reporting and compliance.



February 17, 2022

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,859,042	\$ 8,678,951
Investments	109,724	109,713
Receivables	187,418	906,259
Undistributed commodities	2,484,260	1,253,349
Sub-recipient and other advances	744,258	1,000,513
Prepaid expenses	<u>362,304</u>	<u>412,133</u>
Total current assets	<u>11,747,006</u>	<u>12,360,918</u>
PROPERTY AND EQUIPMENT		
Equipment	52,343	208,777
Furniture and fixtures	200,442	200,442
Software	474,603	474,603
Leasehold improvements	<u>532,939</u>	<u>532,939</u>
	1,260,327	1,416,761
Less: Accumulated depreciation and amortization	<u>(1,111,916)</u>	<u>(1,195,443)</u>
Net property and equipment	<u>148,411</u>	<u>221,318</u>
NONCURRENT ASSETS		
Deposits	<u>139,500</u>	<u>124,266</u>
TOTAL ASSETS	<u>\$ 12,034,917</u>	<u>\$ 12,706,502</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Note payable	\$ 42,831	\$ 180,169
Accounts payable and accrued liabilities	2,581,352	2,466,758
Deferred rent	301,146	241,622
Deferred revenue - commodities	2,484,260	1,253,349
Refundable advances	4,963,361	6,499,616
Sub-recipient payables	<u>193,736</u>	<u>172,638</u>
Total current liabilities	<u>10,566,686</u>	<u>10,814,152</u>
NONCURRENT LIABILITIES		
Note payable, net of current portion	-	42,831
Deferred rent, net of current portion	<u>-</u>	<u>301,146</u>
Total noncurrent liabilities	<u>-</u>	<u>343,977</u>
Total liabilities	<u>10,566,686</u>	<u>11,158,129</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	632,761	943,076
Board designated	<u>545,000</u>	<u>545,000</u>
Total net assets without donor restrictions	1,177,761	1,488,076
With donor restrictions	<u>290,470</u>	<u>60,297</u>
Total net assets	<u>1,468,231</u>	<u>1,548,373</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,034,917</u>	<u>\$ 12,706,502</u>

See accompanying notes to consolidated financial statements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants:			
U.S. Government	\$ 29,274,217	\$ -	\$ 29,274,217
Non-U.S. Government	575,916	407,339	983,255
Contracts	1,592,481	-	1,592,481
Investment income	11	20	31
Gifts in-kind	1,576,863	893	1,577,756
Other revenue	44,893	-	44,893
Net assets released from donor restrictions	<u>178,079</u>	<u>(178,079)</u>	<u>-</u>
Total revenue and support	<u>33,242,460</u>	<u>230,173</u>	<u>33,472,633</u>
EXPENSES			
Program Services:			
Democracy, Rights and Governance	11,744,134	-	11,744,134
Food Security	12,513,318	-	12,513,318
Peace and Security	1,666,168	-	1,666,168
Women's Leadership	341,191	-	341,191
Climate Resiliency	695,115	-	695,115
Social Sector Accelerator Programs	<u>110,354</u>	<u>-</u>	<u>110,354</u>
Total program services	<u>27,070,280</u>	<u>-</u>	<u>27,070,280</u>
Supporting Services:			
Management and General	6,470,316	-	6,470,316
Fundraising	<u>12,179</u>	<u>-</u>	<u>12,179</u>
Total supporting services	<u>6,482,495</u>	<u>-</u>	<u>6,482,495</u>
Total expenses	<u>33,552,775</u>	<u>-</u>	<u>33,552,775</u>
Changes in net assets	(310,315)	230,173	(80,142)
Net assets at beginning of year	<u>1,488,076</u>	<u>60,297</u>	<u>1,548,373</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,177,761</u>	<u>\$ 290,470</u>	<u>\$ 1,468,231</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants:			
U.S. Government	\$ 37,052,057	\$ -	\$ 37,052,057
Non-U.S. Government	591,419	325,318	916,737
Contracts	1,088,360	-	1,088,360
Investment income	962	258	1,220
Gifts in-kind	999,852	-	999,852
Other revenue	40,500	-	40,500
Net assets released from donor restrictions	<u>427,517</u>	<u>(427,517)</u>	<u>-</u>
Total revenue and support	<u>40,200,667</u>	<u>(101,941)</u>	<u>40,098,726</u>
EXPENSES			
Program Services:			
Democracy, Rights and Governance	19,675,058	-	19,675,058
Food Security	8,792,790	-	8,792,790
Peace and Security	1,951,747	-	1,951,747
Other	566,005	-	566,005
Social Sector Accelerator Programs	<u>617,701</u>	<u>-</u>	<u>617,701</u>
Total program services	<u>31,603,301</u>	<u>-</u>	<u>31,603,301</u>
Supporting Services:			
Management and General	8,159,401	-	8,159,401
Fundraising	<u>37,529</u>	<u>-</u>	<u>37,529</u>
Total supporting services	<u>8,196,930</u>	<u>-</u>	<u>8,196,930</u>
Total expenses	<u>39,800,231</u>	<u>-</u>	<u>39,800,231</u>
Changes in net assets	400,436	(101,941)	298,495
Net assets at beginning of year	<u>1,087,640</u>	<u>162,238</u>	<u>1,249,878</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,488,076</u>	<u>\$ 60,297</u>	<u>\$ 1,548,373</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services						Supporting Services				Total Expenses
	Democracy, Rights and Governance	Food Security	Peace and Security	Women's Leadership	Climate Resiliency	Social Sector Accelerator Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 3,765,784	\$ 4,002,779	\$ 800,335	\$ 134,535	\$ 123,808	\$ 58,310	\$ 8,885,551	\$ 3,744,174	\$ -	\$ 3,744,174	\$ 12,629,725
Sub-partner	2,909,114	1,562,162	281,136	-	482,786	-	5,235,198	-	-	-	5,235,198
Grants	1,338,527	1,399,152	298,451	134,252	18,668	10,900	3,199,950	-	-	-	3,199,950
Travel	287,876	392,139	5,809	-	7,541	878	694,243	21,660	-	21,660	715,903
Training and workshops	1,112,860	430,228	19,545	-	-	-	1,562,633	-	-	-	1,562,633
Property and equipment	76,481	307,653	-	539	-	-	384,673	43,984	-	43,984	428,657
Professional services	1,276,371	1,145,346	92,254	45,213	24,851	36,443	2,620,478	1,003,684	1,044	1,004,728	3,625,206
Shipping transportation and handling	-	326,888	90	-	-	-	326,978	750	-	750	327,728
Rent and utilities	182,560	170,378	19,118	-	9,162	2,098	383,316	794,267	-	794,267	1,177,583
Office supplies	47,886	49,008	1,344	46	110	46	98,440	2,691	-	2,691	101,131
Conferences and meetings	358	15,321	54	-	104	-	15,837	9,709	-	9,709	25,546
Insurance	28,059	23,795	2,628	-	129	-	54,611	241,049	-	241,049	295,660
Printing and publications	6,739	20,347	7,373	-	-	-	34,459	269	-	269	34,728
IT and telecommunication expenses	104,751	99,716	21,709	1,899	578	737	229,390	262,669	-	262,669	492,059
Other expenses	529,115	888,042	31,812	6,003	4,673	942	1,460,587	335,848	11,135	346,983	1,807,570
Other project activities	-	297,930	-	17,812	-	-	315,742	-	-	-	315,742
Gifts in kind	77,653	1,382,434	84,510	892	22,705	-	1,568,194	9,562	-	9,562	1,577,756
TOTAL	\$ 11,744,134	\$ 12,513,318	\$ 1,666,168	\$ 341,191	\$ 695,115	\$ 110,354	\$ 27,070,280	\$ 6,470,316	\$ 12,179	\$ 6,482,495	\$ 33,552,775

See accompanying notes to consolidated financial statements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services					Supporting Services				
	Democracy, Rights and Governance	Food Security	Peace and Security	Other	Social Sector Accelerator Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel	\$ 8,165,841	\$ 2,933,348	\$ 902,644	\$ 87,676	\$ 399,152	\$ 12,488,661	\$ 5,339,335	\$ 7,176	\$ 5,346,511	\$17,835,172
Travel	704,032	213,929	7,655	7,111	4,408	937,135	84,638	-	84,638	1,021,773
Training and workshops	1,086,270	386,161	25,467	-	10,033	1,507,931	-	-	-	1,507,931
Property and equipment	178,250	495,943	88	9,008	1,020	684,309	84,273	-	84,273	768,582
Professional services	2,220,311	401,457	143,908	12,894	125,415	2,903,985	1,028,499	-	1,028,499	3,932,484
Shipping transportation and handling	4,010	235,177	-	-	-	239,187	-	-	-	239,187
Rent and utilities	439,141	135,728	57,972	7,266	4,260	644,367	802,267	-	802,267	1,446,634
Office supplies	72,661	285,880	6,200	1,029	486	366,256	11,017	-	11,017	377,273
Conferences and meetings	14,790	4,072	1,139	-	757	20,758	13,121	-	13,121	33,879
Insurance	27,303	10,275	2,716	-	-	40,294	224,762	-	224,762	265,056
Printing and publications	21,085	40,286	150	-	-	61,521	1,474	-	1,474	62,995
IT and telecommunication expenses	209,623	58,936	26,020	302	2,365	297,246	276,051	4,961	281,012	578,258
Other expenses	360,896	219,646	(18,188)	88,869	(295)	650,928	293,964	25,392	319,356	970,284
Sub-partners	3,002,705	1,641,900	506,988	348,108	-	5,499,701	-	-	-	5,499,701
Grants	2,984,684	497,561	208,307	-	70,100	3,760,652	-	-	-	3,760,652
Other project activities	41,191	456,327	-	3,000	-	500,518	-	-	-	500,518
Gifts in-kind	142,265	776,164	80,681	742	-	999,852	-	-	-	999,852
TOTAL	\$ 19,675,058	\$ 8,792,790	\$ 1,951,747	\$566,005	\$ 617,701	\$ 31,603,301	\$ 8,159,401	\$ 37,529	\$ 8,196,930	\$39,800,231

See accompanying notes to consolidated financial statements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (80,142)	\$ 298,495
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	72,907	79,718
Unrealized loss on investments	-	304
Realized loss on sales of investments	-	10
Forgiveness of PPP loan liability	(51,758)	-
Decrease (increase) in:		
Receivables	718,841	(253,768)
Sub-recipient and other advances	256,255	438,860
Prepaid expenses	49,829	106,673
Deposits	(15,234)	130,156
Increase (decrease) in:		
Accounts payable and accrued liabilities	114,594	(1,307,107)
Deferred rent	(241,622)	(215,097)
Deferred revenue - other	-	(36,347)
Refundable advances	(1,536,255)	1,693,290
Sub-recipient payables	<u>21,098</u>	<u>(82,242)</u>
Net cash (used) provided by operating activities	<u>(691,487)</u>	<u>852,945</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11)	(26,276)
Proceeds from sale of investments	<u>-</u>	<u>25,000</u>
Net cash used by investing activities	<u>(11)</u>	<u>(1,276)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	1,155,700
Payments on note payable	<u>(128,411)</u>	<u>(932,700)</u>
Net cash (used) provided by financing activities	<u>(128,411)</u>	<u>223,000</u>
Net (decrease) increase in cash and cash equivalents	(819,909)	1,074,669
Cash and cash equivalents at beginning of year	<u>8,678,951</u>	<u>7,604,282</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,859,042</u>	<u>\$ 8,678,951</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL INFORMATION:		
Change in Undistributed Commodities with a Commensurate Change in Deferred Revenue Commodities	\$ <u>1,230,911</u>	\$ <u>863,474</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Forgiveness of PPP Loan Liability	\$ <u>51,758</u>	\$ <u>-</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Counterpart International, Inc. and Subsidiaries consists of three entities: Counterpart International, Inc., EnviroVentures, Inc., and the Social Sector *Accelerator*.

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.

The Social Sector *Accelerator* (SSA) was incorporated in 2014 as a wholly-owned subsidiary of Counterpart International. Its primary purpose is to expand global investment in the social sector's organizations and leaders. Programmatic activities in the Accelerator began in fiscal year 2015. As of March 31, 2021, SSA ceased activities and operations. The Coastal Climate Resiliency Program is now integrated within Counterpart program activities.

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 our partners grow their capabilities in ways that result in significant expansion of their reach, impact, and sustainability. In 2021, 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. During the period October 1, 2020 to September 30, 2021, Counterpart had 21 major projects that were active.

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.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

Organization (continued) -

Programs (continued) -

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.

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. and The Social Sector *Accelerator* (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.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - 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.

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 funds held within the investment portfolio are not classified as cash and cash equivalents (Note 2).

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, 2021 and 2020, Counterpart maintained \$308,349 and \$192,670, 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 consolidated 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, 2021 and 2020. 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 losses from transactional exchanges totaled \$11,112 and \$18,627 during the years ended September 30, 2021 and 2020, respectively.

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 collectible within one year, unless otherwise stated by the donor. Management considers all amounts due within one year to be fully collectible; accordingly, an allowance for doubtful accounts has not been established.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020 totaled \$72,907 and \$79,718, 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. SSA is a single-member limited liability company (SMLLC), whose sole member is Counterpart International, Inc. SSA does not undertake any activity that is inconsistent with Counterpart International, Inc.'s exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the years ended September 30, 2021 and 2020, 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 SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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, if applicable. 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 financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision that limits Counterpart on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most awards from the United States Government and pass-through entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. Counterpart recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. Counterpart had approximately \$90,000,000 and \$51,140,000 in unrecognized conditional awards as of September 30, 2021 and 2020, 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* and revenue is recorded when the performance obligations 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, 2021. Amounts due under contractual agreements totaled \$649,170 as of September 30, 2020, and are included in receivables in the accompanying Consolidated Statements of Financial Position. Any amounts received in advance of the achievement of the performance obligations is recorded as deferred revenue; there was no such deferred revenue as of September 30, 2021 and 2020.

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 (Note 8).

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 SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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 estimated 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The overall potential impact on Counterpart's operations is unknown at this time.

New accounting pronouncements (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosure of key information about leasing arrangements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

New accounting pronouncements (not yet adopted) (continued) -

During 2020, the FASB issued ASU 2020-05 which delayed the implementation date by one year. The ASU is effective for non public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. Counterpart plans to adopt this standard in fiscal year 2022.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets. Counterpart plans to adopt this new ASU at the required implementation date.

2. INVESTMENTS

Investments consisted of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Money Funds	\$ <u>109,724</u>	\$ <u>109,713</u>

Included in investment income are the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 31	\$ 1,534
Unrealized loss on investments	-	(304)
Realized loss on sales of investments	<u>-</u>	<u>(10)</u>
TOTAL INVESTMENT INCOME	\$ <u>31</u>	\$ <u>1,220</u>

3. NOTE PAYABLE

On April 18, 2020, Counterpart applied and received approval for a loan in the amount of \$1,155,700 under the Paycheck Protection Program (PPP), administered by the United States Small Business Administration (SBA). the promissory note bears interest at a rate of 1% per year. Counterpart made a lump sum payment of \$932,700 on September 29, 2020. As of September 30, 2020, Counterpart had a PPP loan balance of \$223,000. Counterpart used the loan for purposes consistent with the Paycheck Protection Program.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

3. NOTE PAYABLE (Continued)

In September 2021, Counterpart applied for partial forgiveness of the PPP loan in the amount of \$51,758. The amount of costs eligible for forgiveness was determined in compliance with the stipulations of the loans as to obtain forgiveness. The amount of forgiveness relates to eligible costs incurred by Counterpart's subsidiary Social Sector Accelerator which were not reimbursed under SSA's grants and contracts. Counterpart's application for the partial PPP loan forgiveness in the amount of \$51,758 was approved on September 30, 2021. On September 30, 2021, a partial repayment of the balance of the loan in the amount of \$128,411 was made. The remainder of the principal loan amount of \$42,831 was repaid on October 18, 2021.

Counterpart recorded the revenue from debt extinguishment in the amount of \$51,758 during the year ended September 30, 2021. The amount forgiven has been included in Other Revenue in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

4. LINE OF CREDIT

Counterpart maintains a line of credit with a local financial institution with a maximum borrowing limit of \$1,000,000. The line of credit is secured by a blanket lien on all the assets of Counterpart and can be canceled either by the financial institution or Counterpart, at which time the entire outstanding principal balance and all accrued/unpaid interest will be due. Interest accrues on any outstanding balances at the greater of the Citibank Prime Rate or the Minimum Interest Rate per annum (3.25% at September 30, 2021 and 4.75% at September 30, 2020). As of September 30, 2021 and 2020, there were no outstanding borrowings on the line of credit.

5. 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.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Program services	\$ 256,436	\$ 26,583
Accumulated WLI endowment earnings	823	803
WLI Scholarships	900	600
Endowment to be invested in perpetuity	<u>32,311</u>	<u>32,311</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 290,470</u>	<u>\$ 60,297</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

6. 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>2021</u>	<u>2020</u>
Program services	\$ 178,079	\$ 423,340
WLI endowment appropriations	<u>-</u>	<u>4,177</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 178,079</u>	<u>\$ 427,517</u>

7. LIQUIDITY AND AVAILABILITY

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,859,042	\$ 8,678,951
Investments	109,724	109,713
Receivables	<u>187,418</u>	<u>906,259</u>
Subtotal financial assets available within one year	8,156,184	9,694,923
Less: Board designated funds	(545,000)	(545,000)
Less: Funds subject to donor imposed purpose restrictions	(258,159)	(27,986)
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>\$ 7,320,714</u>	<u>\$ 9,089,626</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 11, "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. As of September 30, 2021 and 2020, Counterpart had financial assets equal to approximately three months of operating expenses. To help manage unanticipated liquidity needs, Counterpart maintains a line of credit agreement (as previously discussed in Note 4) which allows for additional available borrowings up to \$1,000,000. In addition, Board designated funds (as previously discussed in Note 5) can be drawn upon if the Board of Directors approves such action.

8. GIFTS IN-KIND

During the years ended September 30, 2021 and 2020, Counterpart was the beneficiary of donated goods and services which allowed Counterpart to provide greater resources toward various programs.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

8. GIFTS IN-KIND (Continued)

Following is a breakdown of the donations by donor type, and have been included in revenue and expense for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Federal gifts in-kind - Food commodities	\$ 1,358,133	\$ 773,515
Non-Federal gifts in-kind	<u>219,623</u>	<u>226,337</u>
TOTAL GIFTS IN-KIND	<u>\$ 1,577,756</u>	<u>\$ 999,852</u>

9. 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 provides \$2,039,250 of landlord-provided tenant improvements (all of which is expected to be completed prior to the April 1, 2022 move-in date). The lease also includes an annual lease escalation of 2.5% through the entire lease term. Lastly, Counterpart's new landlord agreed to assume the remaining obligation under the existing 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. Accordingly, the future minimum lease payment schedule below does not include any lease payments for the Arlington, Virginia office beyond December 31, 2021.

In connection with the subsequent fiscal year lease arrangement noted above, Counterpart plans on early-adopting ASU 2019-01, *Leases* (Topic 842), as of January 1, 2022. Additionally, the remaining balance of unamortized tenant improvement assets and deferred rental abatement liabilities for the Arlington, Virginia office space will be charged off as of March 31, 2022 (the expected final day of occupancy in that space).

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

With respect to Counterpart's existing headquarters lease, accounting principles generally accepted in the United States of America require that the total rent commitments (including tenant improvements) should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for consolidated financial statement purposes (and the net amount of capitalized leasehold improvements) is recognized as a deferred rent liability in the accompanying Consolidated Statements of Financial Position.

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>Office Equipment</u>	<u>Total</u>
2022	\$ 817,216	\$ 316,930	\$ 13,585	\$ 1,147,731
2023	768,695	146,435	1,910	917,040
2024	787,898	103,825	-	891,723
2025	807,611	56,260	-	863,871
2026	827,766	-	-	827,766
Thereafter	<u>9,772,018</u>	<u>-</u>	<u>-</u>	<u>9,772,018</u>
	<u>\$ 13,781,204</u>	<u>\$ 623,450</u>	<u>\$ 15,495</u>	<u>\$ 14,420,149</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

9. LEASE COMMITMENTS (Continued)

Rent expense (included in "Rent and utilities") for the years ended September 30, 2021 and 2020 totaled \$1,121,397 and \$1,385,418, respectively. The balance of the deferred rent liability aggregated \$301,146 and \$542,768, respectively.

10. 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, 2021 and 2020 were \$275,256 and \$377,893, respectively.

11. CONCENTRATION OF REVENUE

Approximately 96% and 95% of Counterpart's revenue and support during the years ended September 30, 2021 and 2020, respectively, 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.

12. 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 2021. 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, 2021 and 2020, Counterpart had cash, receivables, property/equipment and donated commodities in various countries in Africa, Latin America, Europe and Asia, totaling \$3,565,862 and \$2,249,498, respectively, which represents 30% and 18% of Counterpart's total assets as of September 30, 2021 and 2020.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

12. CONTINGENCIES (Continued)

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. As of the date of this report, Counterpart has not received a response to the submission.

13. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Counterpart has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Counterpart has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy or changes in the methodologies used during the years ended September 30, 2021 and 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

Money Funds - The fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is deemed to be actively traded.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

13. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2021:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Funds	<u>\$ 109,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,724</u>

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2020:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Funds	<u>\$ 109,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,713</u>

14. 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 effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

14. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 32,311	\$ 32,311
Accumulated investment earnings	<u>-</u>	<u>823</u>	<u>823</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 33,134</u>	<u>\$ 33,134</u>

Changes in endowment net assets for the year ended September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 33,114	\$ 33,114
Investment return, net	<u>-</u>	<u>20</u>	<u>20</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 33,134</u>	<u>\$ 33,134</u>

Endowment net asset composition by type of fund as of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 32,311	\$ 32,311
Accumulated investment earnings	<u>-</u>	<u>803</u>	<u>803</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 33,114</u>	<u>\$ 33,114</u>

Changes in endowment net assets for the year ended of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 37,033	\$ 37,033
Investment return, net	<u>-</u>	<u>258</u>	<u>258</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(4,177)</u>	<u>(4,177)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 33,114</u>	<u>\$ 33,114</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

14. ENDOWMENT (Continued)

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, 2021 and 2020, 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.

15. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Counterpart has evaluated events and transactions for potential recognition or disclosure through February 17, 2022, the date the consolidated financial statements were issued.