

PILGRIM AFRICA AND AFFILIATE

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

**To the Board of Directors
Pilgrim Africa and Affiliate
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Pilgrim Africa and its Affiliate (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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. 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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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2019 and 2018, and the changes in its consolidated 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization is presenting consolidated financial statements as of and for the years ended December 31, 2019 and 2018. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 18 through 25 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 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.

Clark Nuber P.S.

Certified Public Accountants
March 22, 2021

PILGRIM AFRICA AND AFFILIATE

**Consolidated Statements of Financial Position
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 1,010,430	\$ 1,565,808
Pledges receivable	23,636	31,264
Accounts receivable	97,750	176
Student accounts receivable, net	35,214	9,742
Prepaid expenses	58,683	24,482
Property and equipment, net	<u>85,040</u>	<u>105,364</u>
Total Assets	<u>\$ 1,310,753</u>	<u>\$ 1,736,836</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 124,008	\$ 7,647
Accrued liabilities	<u>15,796</u>	<u>15,551</u>
Total Liabilities	139,804	23,198
Net Assets:		
Without donor restrictions	438,862	538,310
With donor restrictions	<u>732,087</u>	<u>1,175,328</u>
Total Net Assets	<u>1,170,949</u>	<u>1,713,638</u>
Total Liabilities and Net Assets	<u>\$ 1,310,753</u>	<u>\$ 1,736,836</u>

See accompanying notes.

PILGRIM AFRICA AND AFFILIATE

**Consolidated Statements of Activities
For the Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions, grants and contracts	\$ 474,047	\$ 390,997	\$ 865,044	\$ 790,235	\$ 1,170,021	\$ 1,960,256
Other local grants		33,515	33,515		22,393	22,393
Gifts-in-kind	57,711	37,575	95,286	26,836		26,836
Special events, net of expenses totaling \$64,649 (2019) and \$103,096 (2018)	26,059		26,059	165,161		165,161
Tuition and housing	285,903		285,903	155,413		155,413
Medical and other service fees	11,012		11,012	25,030		25,030
Other revenue and gains	15,394		15,394	148		148
Net assets released from restriction	905,328	(905,328)		750,706	(750,706)	
Total Revenue and Support	1,775,454	(443,241)	1,332,213	1,913,529	441,708	2,355,237
Expenses:						
Program	1,511,104		1,511,104	1,176,254		1,176,254
General and administrative	307,138		307,138	274,085		274,085
Fundraising	56,660		56,660	62,001		62,001
Total Expenses	1,874,902		1,874,902	1,512,340		1,512,340
Change in Net Assets	(99,448)	(443,241)	(542,689)	401,189	441,708	842,897
Net assets, beginning of year	538,310	1,175,328	1,713,638	137,121	733,620	870,741
Net Assets, End of Year	\$ 438,862	\$ 732,087	\$ 1,170,949	\$ 538,310	\$ 1,175,328	\$ 1,713,638

See accompanying notes.

PILGRIM AFRICA AND AFFILIATE

**Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2019**

	Program Services										
	U.S. Program	SURMa	Education	Public Health				Total Program Services	Management and General	Fundraising	Total
				Indoor Residual Spray	Beacon Medical Centre	Katakwi Rotary Malaria Project	Total Public Health				
Professional services	\$ 113,165	\$ 53,459	\$ 385	\$ 4,283	\$ 175	\$ 88,999	\$ 93,457	\$ 260,466	\$ 26,697	\$ 24,986	\$ 312,149
Personnel expenses	86,812	52,791	126,515		14,689	112,445	127,134	393,252	144,812	19,383	557,447
Payroll taxes		424	12,621		1,499	13,695	15,194	28,239	6,141		34,380
Special events											64,649
Marketing and public relations Office			2,135			1,579	1,579	3,714	3,118	12,072	18,904
Insurance	2,630							2,630	10,010		10,010
Dues and banking fees	1,155							1,155	2,312	219	4,942
Information technology and communications		37	2,249	16	147	6,846	7,009	9,295	3,456		4,830
Fees			17,273	3,291	472	5,869	9,632	26,905	2,873	9,953	12,168
Logistics	13,127	14,155	24,205	1,701	1,911	52,223	55,835	107,322	9,953	42,177	36,858
Supplies		2,329	88,675	241,400	14,899	184,485	440,784	531,788	10,035		149,499
Facilities and utilities			66,829		2,176	3,660	5,836	72,665	27,450		541,823
Depreciation and amortization			14,916			25,937	25,937	40,853	18,104		100,115
Bad debt			32,820					32,820			58,957
Total Expenses	216,889	123,195	388,623	250,691	35,968	495,738	782,397	1,511,104	307,138	121,309	1,939,551
Less special event direct expenses reported net of revenue										(64,649)	(64,649)
Total Expenses	\$ 216,889	\$ 123,195	\$ 388,623	\$ 250,691	\$ 35,968	\$ 495,738	\$ 782,397	\$ 1,511,104	\$ 307,138	\$ 56,660	\$ 1,874,902

See accompanying notes.

PILGRIM AFRICA AND AFFILIATE

**Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2018**

	Program Services									
	U.S. Program	Education	Public Health				Total Program Services	Management and General	Fundraising	Total
			Global Fund	Beacon Medical Centre	Katakwi Rotary Malaria Project	Total Public Health				
Professional services	\$ 44,555	\$ 384	\$ 1,780	\$ 285	\$ 171,277	\$ 173,342	\$ 218,281	\$ 29,605	\$ 37,385	\$ 285,271
Personnel expenses	86,069	110,384		14,869	134,558	149,427	345,880	148,130	12,960	506,970
Payroll taxes		10,973	352	1,135	13,473	14,960	25,933	4,622		30,555
Special events									103,096	103,096
Marketing and public relations		1,956		27	6,004	6,031	7,987	13,967	11,189	33,143
Office								11,795		11,795
Insurance								1,163		1,163
Dues and banking fees	1,331						1,331	9,967	467	11,765
Information technology and communications		2,210		190	4,049	4,239	6,449	2,713		9,162
Fees		15,572		938	20,480	21,418	36,990	1,484		38,474
Logistics	9,630	36,057		1,511	99,556	101,067	146,754	20,061		166,815
Supplies		77,973	20,304	9,681	162,976	192,961	270,934	13,529		284,463
Facilities and utilities		33,731		998	15,020	16,018	49,749	13,146		62,895
Depreciation and amortization		12,370			19,409	19,409	31,779	3,903		35,682
Bad debt		34,187					34,187			34,187
Total Expenses	141,585	335,797	22,436	29,634	646,802	698,872	1,176,254	274,085	165,097	1,615,436
Less special event direct expenses reported net of revenue									(103,096)	(103,096)
Total Expenses	\$ 141,585	\$ 335,797	\$ 22,436	\$ 29,634	\$ 646,802	\$ 698,872	\$ 1,176,254	\$ 274,085	\$ 62,001	\$ 1,512,340

See accompanying notes.

PILGRIM AFRICA AND AFFILIATE

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (542,689)	\$ 842,897
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Depreciation and amortization	58,957	35,683
Bad debt write offs	32,820	34,187
Donated software, training vouchers and supplies, net	(61,981)	
Changes in operating assets and liabilities:		
Pledges receivable	7,628	(31,264)
Accounts receivable	(97,574)	455
Student accounts receivable	(58,292)	(9,742)
Prepaid expenses	15,214	(2,355)
Accounts payable	116,361	769
Accrued liabilities	245	3,415
	<u>(529,311)</u>	<u>874,045</u>
Net Cash (Used) Provided by Operating Activities		
	(529,311)	874,045
Cash Flows From Investing Activities:		
Purchase of property and equipment	(26,067)	(53,908)
	<u>(26,067)</u>	<u>(53,908)</u>
Net Cash Used by Investing Activities		
	(26,067)	(53,908)
Net Change in Cash	(555,378)	820,137
Cash balance, beginning of year	1,565,808	745,671
	<u>1,565,808</u>	<u>745,671</u>
Cash Balance, End of Year	\$ 1,010,430	\$ 1,565,808

See accompanying notes.

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Nature of Activities and Significant Accounting Policies

Pilgrim Africa is a private, non-profit organization incorporated in 2004 in the State of Washington. Pilgrim Africa was founded to give humanitarian and spiritual aid to the impoverished and war-afflicted peoples of Northeast Uganda. In 2009, Pilgrim Africa expanded its assistance to Sub-Saharan Africa and South Africa.

Pilgrim Limited is incorporated in Uganda as a non-governmental organization and is registered by the Board of Ministry of Internal Affairs of Uganda. Pilgrim Limited and Pilgrim Africa partner together with a shared mission to challenge despair, love boldly, and help African people create a future of sustainable prosperity and health.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Pilgrim Africa and Pilgrim Limited (the Affiliate), (collectively, the Organization), after elimination of inter-entity accounts and activity. Pilgrim Limited is financially dependent on Pilgrim Africa for its support and annual operating revenues. The operations of Pilgrim Limited are controlled by management and the board of Pilgrim Africa. Prior to 2018, Pilgrim Africa presented audited financial statements for the U.S. balances and activity only. Beginning as of and for the year ended December 31, 2018, the Organization is presenting consolidated audited financial statements.

Programs operated by the Organization consist of:

Education - Beacon of Hope School was founded in 2006 in Soroti, Uganda as a response to the need for quality education in the aftermath of Uganda's long running civil war. Today, the School offers over 650 rural youth one of the best boarding school educations in the region. Most of the students board at the School, and approximately one half are private, paying students. The others receive a full sponsorship. The sponsored students receive education, room and board, medical care, and psychological and trauma counseling, while living in a supportive Christian environment.

Agriculture and Environment - The Agriculture program focused this year on maintaining prior advances, continuing with expanded use of the multi-function machines in use, as well as on relief efforts as needed.

Public Health - The Beacon Medical Clinic in Soroti, Uganda has expanded local awareness of clinic services within the Soroti community and continues to strive for program excellence.

Public Health - Malaria Focus - The Organization completed the first half of the first phase of a large innovative operation research program into the co-use of mass drug administration (MDA) and indoor residual spraying (IRS) for malaria control in three counties in the Katakwi District, addressing 50,000 residents in those sub counties. With the second round of universal IRS in August 2017, and the third epidemiological survey in November 2017, the Organization achieved the midpoint of the project, with malaria already reduced by over 75% in the intervention areas (unaudited). The second half of Phase 1, including the two rounds of IRS and treatment, and the next two cross-sectional impact surveys, took place in 2018.

SURMa - The United Kingdom's Department for International Development (DFID) is investing £45 million over five years (2018 to 2022) through its Strengthening Uganda's Response to Malaria (SURMa) program. DFID is directly funding activities in 23 high-burden districts in the Karamoja, Acholi and Lango regions. The program will support the Government of Uganda to deliver cost-effective interventions to prevent and treat malaria among those most at risk, reducing malaria related illness and death. The SURMa program is intended to be DFID's last bilateral investment in malaria control in the country (unaudited).

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Continued

In 2019, American Institutes of Research (AIR) and Pilgrim Africa were selected by DFID to be a Third-Party Monitoring Group (TPMG) for the SURMa programme. The TPMG engagement lasts from 2019 to 2022 and requires Pilgrim Africa to conduct district and health facility monitoring visits in each of the 26 SURMa districts in Acholi, Lango and Karamoja regions to learn how well the programme and the transition planning are working.

Basis of Presentation - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Organization has presented unclassified consolidated statements of financial position which sequence assets according to their nearness of conversion to cash and sequences liabilities according to the nearness of their maturity and resulting use of cash.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or through the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition -

Contributions and Grants - Contributions and grants are recognized in the period received, including unconditional pledges when promised, at their fair value. Nonfinancial gifts-in-kind (GIK) are recognized at their fair values on the date received. Conditional contributions and grants are recognized as revenue in the period in which the donor-imposed conditions have been satisfied. There were no conditional contributions or grants outstanding as of December 31, 2019 and 2018.

Contracts - Revenue is recognized as the services or deliverables are provided and costs are incurred.

Tuition and Housing - Tuition and housing fees charged to students are recognized in the period in which the related academic services are provided. The Organization directs funding to the education program to help offset the tuition fees charged to students. Effective in the year ending December 31, 2020, the Organization also began providing scholarships directly to qualifying students (unaudited).

Medical and Other Service Fees - Medical and other service fees are recognized at the time the service is provided.

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Continued

Cash and Cash Equivalents - For the purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash held in foreign banks totaled \$160,370 and \$99,589 as of December 31, 2019 and 2018, respectively. Cash held in foreign currencies totaled \$36,885 and \$26,514 as of December 31, 2019 and 2018, respectively.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. Cash and cash equivalent balances exceed federally insured amounts during the year. Student accounts receivable are dependent, in part, to students' economic ability to pay for tuition, housing and other fees (Note 3).

Approximately 61% of total contributions, grants and contracts for the year ended December 31, 2019, was received from three entities, one of which is a related party and founder of Pilgrim Africa. Approximately 93% of pledges receivable as of December 31, 2019, are from two donors, one of which is a related party and founder of Pilgrim Africa. Approximately 80% of total contributions, grants and contracts for the year ended December 31, 2018, was received from two entities, one of which is a related party and founder of Pilgrim Africa. Approximately 97% of pledges receivable as of December 31, 2018, are from two donors, one of which is a related party and founder of Pilgrim Africa.

As of December 31, 2019, 97% of accounts receivable are due from one entity.

Pledges Receivable - Pledges receivable (unconditional promises to give) that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using risk adjusted interest rates applicable to the years in which the promises are originally received.

Accounts Receivable - Accounts are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Student Accounts Receivable - Student accounts receivable are stated at the amount charged to students, which is the amount management estimates to be their net realizable value. It is the Organization's policy that balances still outstanding after management has used reasonable collection efforts are written off as bad debt expense during the year in which the determination was made, generally when the receivables are outstanding for one year. If management determines an allowance against outstanding student accounts receivable is appropriate based on its evaluation of collectability, an allowance is recorded in the year in which the determination was made.

Property, Equipment and Depreciation - Property and equipment are recorded at cost or, in the case of donated property, at its estimated fair value on the date received. The Organization capitalizes expenditures for property and equipment in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which range from four to five years. Buildings are depreciated over five years.

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 1 - Continued

Foreign Currency Translation - Substantially all assets and liabilities of the Organization that are denominated in foreign currencies are translated at year end exchange rates. Revenue and expenses are translated at the average monthly exchange rates during the year. Net foreign currency translation gains and losses are reported on consolidated statements of activities in other revenue and gains. Net foreign currency gains were immaterial for the years ended December 31, 2019 and 2018, respectively.

Income Tax Status - Pilgrim Africa is exempt from federal income taxes under provision Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as an organization other than a private foundation under Section 509(a)(1) of the IRC. Accordingly, no provision for income taxes has been reflected in the Organization's consolidated financial statements.

Pilgrim Limited is a non-governmental organization and is registered by the Board of Ministry of Internal Affairs of Uganda. Pilgrim Limited submits tax filings as required in Uganda.

Functional Allocation of Expenses - The cost of providing various programs and other activities is summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Compensation costs are directly allocated based on time spent on each program. Program and travel costs are directly allocated to each program based on programmatic use. Other expenses that benefit both program and supporting services are allocated based generally on compensation allocations.

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

Adoption of New Accounting Pronouncements - During the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return among not-for-profit entities. A key change required by this ASU is that amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification (Note 6 and Note 8).

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's ASU No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The Organization has elected to adopt the changes from this ASU for contributions received prospectively beginning in 2019, and accordingly, no changes have been made to net asset balances as of December 31, 2018. There were no changes made to contribution and grant revenue recognized during the year ended December 31, 2019 as a result of this ASU. The Organization will adopt the changes from this ASU for grants awarded to other organizations prospectively in 2020.

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 2 - Pledges Receivable

Payments for pledges receivable are expected to be received as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 23,636	\$ 25,464
Due in two to five years		<u>5,800</u>
Total Pledges Receivable	<u>\$ 23,636</u>	<u>\$ 31,264</u>

Note 3 - Student Accounts Receivable and Tuition and Housing Revenue

Student accounts receivable consist of amounts due from students for tuition, housing and other enrollment-related charges and are reported at the amount invoiced, which management generally considers their estimated net realizable value. Tuition and housing fees for the last school term are billed to students October 1 each year; therefore, the student accounts receivable balances are over 90 days old as of December 31, 2019 and 2018, respectively, and consist primarily of tuition and housing fees for the last school term of the year.

Student accounts receivable balances that remain unpaid after collection attempts are written off as bad debt expense after one year. Bad debt expense related to tuition and housing fees totaled \$9,820 and \$34,187 for the years ended December 31, 2019 and 2018, respectively. The Organization also recorded an allowance for uncollectible student accounts totaling \$23,000 as of December 31, 2019. Student accounts receivable balances were transferred to another entity in December 2020 (Note 10).

Note 4 - Gifts-in-Kind

The Organization receives nonfinancial gifts-in-kind (GIK) consisting of services, supplies, software licenses and training vouchers. GIK are valued in accordance with U.S. GAAP based on methodologies established by the Organization. The Organization recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not donated. Such services are valued at the market price that would have been paid had the Organization purchased the services. Supplies are valued based on local market retail prices for the same or similar supplies. Software licenses and training vouchers are valued based on published prices provided by the donor.

There were no encumbrances or impairment placed on the supplies, software licenses or training vouchers received. The software licenses are for a three-year period; therefore, their value is capitalized and expensed over their three-year term. Supplies and training vouchers are included as prepaid expenses and are expensed as used in the Organization's programs and operations.

The Organization records the value of GIK only for which it was the original recipients of the GIK and will be used in its own programs and operations. GIK is not monetized.

PILGRIM AFRICA AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 4 - Continued

GIK revenue and expense is as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Revenue-		
Special events supplies	\$ 21,728	\$ 26,836
Medical supplies	21,983	
Software licenses	37,575	
Training vouchers	<u>14,000</u>	
Total GIK revenue	95,286	26,836
Expenses-		
Special events supplies	(21,728)	(26,836)
Medical supplies	(11,577)	
Software licenses amortization	(12,525)	
Training vouchers	<u> </u>	
GIK Held for Future Use	<u>\$ 49,456</u>	<u>\$ -</u>

GIK on hand for future use is reflected in prepaid expenses on the consolidated statements of financial position as follows as of December 31, 2019:

Medical supplies	\$ 10,406
Software licenses	25,050
Training vouchers	<u>14,000</u>
Total GIK Held for Future Use	<u>\$ 49,456</u>

PILGRIM AFRICA AND AFFILIATE

**Notes to Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018**

Note 5 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Buildings improvement	\$ 74,802	\$ 75,416
Office equipment	61,692	53,850
Furniture and fixtures	27,995	9,905
Computer equipment and software	9,763	8,353
Motor vehicles	<u>48,043</u>	<u>47,472</u>
	222,295	194,996
Accumulated depreciation	<u>(137,255)</u>	<u>(89,632)</u>
Property and Equipment, Net	<u>\$ 85,040</u>	<u>\$ 105,364</u>

Depreciation and amortization expense totaled \$58,957 and \$35,683 for the years ended December 31, 2019 and 2018.

Note 6 - Net Assets Without Donor Restrictions

Contributions, including those received from special events and campaigns, are considered by the Organization to be without donor restrictions unless specifically identified by the donor as restricted. The board and management designate or budget funds for certain uses from time to time. Net assets without donor restrictions consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 350,862	\$ 485,310
Designated-		
Beacon of Hope School scholarships	35,000	
Beacon of Hope School land purchase	<u>53,000</u>	<u>53,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 438,862</u>	<u>\$ 538,310</u>

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions received that are restricted by the donor for specific purposes or by time. Net assets with donor restrictions consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Purpose restricted-		
KRMP	\$ 675,341	\$ 1,175,320
Education	31,688	
Global Fund	<u>8</u>	<u>8</u>
Total purpose restricted	707,037	1,175,328
Time restricted-		
Software licenses	<u>25,050</u>	
Total Net Assets With Donor Restrictions	<u>\$ 732,087</u>	<u>\$ 1,175,328</u>

Net assets released upon the satisfaction of purpose restrictions totaled \$892,803 and \$750,706 during the years ended December 31, 2019 and 2018, respectively. Net assets released based on the passage of time totaled \$12,525 during the year ended December 31, 2019.

Note 8 - Commitments and Contingencies

Leases - Pilgrim Africa entered into a lease for office space in Seattle, Washington, in July 2016. The lease renews on a monthly basis until cancelled by either the lessee or lessor. Rent expense for the Seattle, Washington lease totaled \$11,138 and \$9,493 for the years ended December 31, 2019 and 2018, respectively.

Pilgrim Limited has entered into four leases in Kampala, Soroti and Toroma, Uganda for office space. Pilgrim Limited has also entered into four facilities leases for the Beacon of Hope School, Beacon Medical Center, and Hostel in Soroti, Uganda. The terms of these leases range from one to five years and expire between 2018 and 2024. Rent expense for facilities in Uganda totaled \$37,888 and \$30,524 for the years ended December 31, 2019 and 2018, respectively.

Minimum future rental payments under noncancelable operating leases are as follows:

For the Year Ending December 31,

2020	\$ 16,173
2021	10,619
2022	10,619
2023	8,168
2024	<u>681</u>
Total	<u>\$ 46,260</u>

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 8 - Continued

Leases for the Beacon of Hope School and Beacon of Hope Medical Center were transferred to an independent entity, Pilgrim Holdings, LLC, subsequent to year end (Note 10) (unaudited).

Note 9 - Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following reflects the Organization's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general use within one year of the date of the consolidated statements of financial position because of the timing of scheduled collections or donor-imposed restrictions. All amounts with donor restrictions for purpose are available for expenditure within one year as of December 31, 2019.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,010,430	\$ 1,565,808
Pledges receivable	23,636	31,264
Accounts receivable	97,750	176
Student accounts receivable	<u>35,214</u>	<u>9,742</u>
Total financial assets	1,167,030	1,606,990
Less amounts not available to be used within one year-		
Cash transferred to Pilgrim Holdings, LLC (unaudited) (Note 10)	(47,683)	
Student accounts receivable, net, transferred to Pilgrim Holdings, LLC (unaudited) (Note 10)	(35,214)	
Net assets restricted for specific purposes that are not expected to be used within one year		(675,341)
Pledges to be paid in more than one year		<u>(5,800)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,084,133</u>	<u>\$ 925,849</u>

Note 10 - Subsequent Events

The Organization has evaluated subsequent events with respect to the consolidated financial statements for the years ended December 31, 2019 and 2018 through March 22, 2021, the date on which the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements, nor have any events occurred, the nature of which would require disclosure, except as follows.

PILGRIM AFRICA AND AFFILIATE

Notes to Consolidated Financial Statements For the Years Ended December 31, 2019 and 2018

Note 10 - Continued

In early 2020, a novel strain of coronavirus (COVID-19) became prevalent throughout the world. The COVID-19 outbreak has caused business disruption through mandated and voluntary closings of multiple businesses. As a result, the Organization's employees have been working remotely from home in the United States. Operations in Uganda have been modified to comply with Ugandan mandates. Beacon of Hope School was closed in March 2020. Staffing contracts, except for security personnel, were suspended August 1, 2020. Additionally, a lease for the Beacon of Hope School annex was terminated due to COVID-19. However, operations for two grade levels were resumed in October 2020. Management continues to monitor events and conditions as they unfold and have established strategies to respond accordingly. However, the financial impact to the Organization cannot be reasonably estimated at this time.

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act is the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On May 2, 2020, the Organization obtained a loan under the PPP with a principal balance of \$44,551 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning October 31, 2021 through maturity on May 2, 2022. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met.

On December 9, 2020, Pilgrim Africa entered into a memorandum of understanding (MOU) with Pilgrim Holdings, LLC/Soroti Municipal SS (Pilgrim Holdings), a registered entity in Uganda. Under the terms of the MOU, Pilgrim Holdings will control and operate Beacon of Hope/Soroti Municipal SS, an academically excellent, high-performing school that will produce graduates equipped with creativity, excellence, skills, focus, determination, and bold faith to become global citizens and leaders. Pilgrim Africa and Pilgrim Holdings may elect to collaborate on branding and fundraising for the furtherance of Soroti Municipal SS; however, such collaboration is strictly voluntary. The term of the MOU is for five years, at which point it will be reviewed by the governing boards of Pilgrim Africa and Pilgrim Holdings. The MOU may be terminated earlier with 12 months' notice or by mutual consent. At the time of the MOU, Pilgrim Africa and Pilgrim Limited relinquished their rights to the assets and became free from obligation for the liabilities of Beacon of Hope School (Note 1).

The assets related to Beacon of Hope School that were transferred to Pilgrim Holdings in December 2020 were as follows (unaudited):

Cash	\$	47,683
Accounts receivable, gross		104,416
Fixed assets, net		<u>60,122</u>
Total Assets Transferred	\$	<u>212,221</u>

Three leases related to the Beacon of Hope School and Beacon of Hope Medical Center were also transferred to Pilgrim Holdings. Future noncancellable payments under these leases totaled approximately \$25,200 as of November 30, 2020 (Note 8) (unaudited).

SUPPLEMENTARY INFORMATION

PILGRIM AFRICA AND AFFILIATE

**Consolidating Statement of Financial Position
December 31, 2019**

	<u>Pilgrim Africa</u>	<u>Pilgrim Limited</u>	<u>Eliminations</u>	<u>2019 Consolidated Total</u>
Assets				
Cash	\$ 850,099	\$ 160,331	\$ -	\$ 1,010,430
Pledges receivable	23,636			23,636
Accounts receivable	97,750			97,750
Student accounts receivable, net		35,214		35,214
Prepaid expenses	9,296	49,387		58,683
Property and equipment, net		85,040		85,040
Total Assets	<u>\$ 980,781</u>	<u>\$ 329,972</u>	<u>\$ -</u>	<u>\$ 1,310,753</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 84,266	\$ 39,742	\$ -	\$ 124,008
Accrued liabilities	2,481	13,315		15,796
Total Liabilities	<u>86,747</u>	<u>53,057</u>		<u>139,804</u>
Net Assets:				
Without donor restrictions	214,006	224,856		438,862
With donor restrictions	680,028	52,059		732,087
Total Net Assets	<u>894,034</u>	<u>276,915</u>		<u>1,170,949</u>
Total Liabilities and Net Assets	<u>\$ 980,781</u>	<u>\$ 329,972</u>	<u>\$ -</u>	<u>\$ 1,310,753</u>

See independent auditor's report.

PILGRIM AFRICA AND AFFILIATE

**Consolidating Statement of Financial Position
December 31, 2018**

	<u>Pilgrim Africa</u>	<u>Pilgrim Limited</u>	<u>Eliminations</u>	<u>2018 Consolidated Total</u>
Assets				
Cash and cash equivalents	\$ 1,466,219	\$ 99,589	\$ -	\$ 1,565,808
Pledges receivable	31,264			31,264
Accounts receivable	176			176
Student accounts receivable		9,742		9,742
Prepaid expenses	24,482			24,482
Property and equipment, net		105,364		105,364
Total Assets	<u>\$ 1,522,141</u>	<u>\$ 214,695</u>	<u>\$ -</u>	<u>\$ 1,736,836</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 7,108	\$ 539	\$ -	\$ 7,647
Accrued liabilities	4,693	10,858		15,551
Total Liabilities	<u>11,801</u>	<u>11,397</u>		<u>23,198</u>
Net Assets:				
Without donor restrictions	357,751	180,559		538,310
With donor restrictions	1,152,589	22,739		1,175,328
Total Net Assets	<u>1,510,340</u>	<u>203,298</u>		<u>1,713,638</u>
Total Liabilities and Net Assets	<u>\$ 1,522,141</u>	<u>\$ 214,695</u>	<u>\$ -</u>	<u>\$ 1,736,836</u>

See independent auditor's report.

PILGRIM AFRICA AND AFFILIATE

**Consolidating Statement of Activities
For the Year Ended December 31, 2019**

	Pilgrim Africa			Pilgrim Limited			Eliminations	2019
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Consolidated Total
Revenue and Support:								
Contributions, grants and contracts	\$ 771,102	\$ 115,925	\$ 887,027	\$ 387,750	\$ 717,182	\$ 1,104,932	\$ (1,126,915)	\$ 865,044
Other local grants					33,515	33,515		33,515
Gifts-in-kind	21,728		21,728	35,983	37,575	73,558		95,286
Special events, net of expenses totaling \$64,649	26,059		26,059					26,059
Tuition and housing				285,903		285,903		285,903
Medical and other service fees				11,012		11,012		11,012
Other revenue and gains	5,335		5,335	10,059		10,059		15,394
Net assets released from restriction	588,486	(588,486)		758,952	(758,952)			
Total Revenue and Support	1,412,710	(472,561)	940,149	1,489,659	29,320	1,518,979	(1,126,915)	1,332,213
Expenses:								
Program	1,343,804		1,343,804	1,294,215		1,294,215	(1,126,915)	1,511,104
General and administrative	155,991		155,991	151,147		151,147		307,138
Fundraising	56,660		56,660					56,660
Total Expenses	1,556,455		1,556,455	1,445,362		1,445,362	(1,126,915)	1,874,902
Change in Net Assets	(143,745)	(472,561)	(616,306)	44,297	29,320	73,617		(542,689)
Net assets, beginning of year	357,751	1,152,589	1,510,340	180,559	22,739	203,298		1,713,638
Net Assets, End of Year	\$ 214,006	\$ 680,028	\$ 894,034	\$ 224,856	\$ 52,059	\$ 276,915	\$ -	\$ 1,170,949

See independent auditor's report.

PILGRIM AFRICA AND AFFILIATE

**Consolidating Statement of Activities
For the Year Ended December 31, 2018**

	Pilgrim Africa			Pilgrim Ltd.			Eliminations	2018
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Consolidated Total
Revenue and Support:								
Contributions and grants	\$ 774,431	\$ 1,185,825	\$ 1,960,256	\$ 363,826	\$ 636,373	\$ 1,000,199	\$ (1,000,199)	\$ 1,960,256
Other local grants					22,393	22,393		22,393
Gifts-in-kind	26,836		26,836					26,836
Special events, net of expenses totaling \$103,096	165,161		165,161					165,161
Tuition and housing				155,413		155,413		155,413
Medical and other service fees				25,030		25,030		25,030
Other revenue and gains	3		3	145		145		148
Net assets released from restriction	736,088	(736,088)		666,795	(666,795)			
Total Revenue and Support	1,702,519	449,737	2,152,256	1,211,209	(8,029)	1,203,180	(1,000,199)	2,355,237
Expenses:								
Program	1,141,784		1,141,784	1,034,669		1,034,669	(1,000,199)	1,176,254
General and administrative	138,400		138,400	135,685		135,685		274,085
Fundraising	62,001		62,001					62,001
Total Expenses	1,342,185		1,342,185	1,170,354		1,170,354	(1,000,199)	1,512,340
Change in Net Assets	360,334	449,737	810,071	40,855	(8,029)	32,826		842,897
Net assets, beginning of year	(2,583)	702,852	700,269	139,704	30,768	170,472		870,741
Net Assets, End of Year	\$ 357,751	\$ 1,152,589	\$ 1,510,340	\$ 180,559	\$ 22,739	\$ 203,298	\$ -	\$ 1,713,638

See independent auditor's report.

PILGRIM AFRICA

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Awards to Affiliates-				
Cash awards - contributions	\$ 638,999	\$ -	\$ -	\$ 638,999
Cash awards - grants	487,916			487,916
Operational-				
Professional services	113,165	16,071	24,986	154,222
Personnel expenses	86,812	107,431	19,383	213,626
Special events			64,649	64,649
Travel and hospitality	13,127	5,573		18,700
Marketing and public relations			12,072	12,072
Occupancy/utilities/facilities		11,138		11,138
Office		10,010		10,010
Insurance	2,630	2,312		4,942
Dues and banking fees	1,155	3,456	219	4,830
Total Expenses	1,343,804	155,991	121,309	1,621,104
Less special event direct expenses reported net of revenue			(64,649)	(64,649)
Expenses	<u>\$ 1,343,804</u>	<u>\$ 155,991</u>	<u>\$ 56,660</u>	<u>\$ 1,556,455</u>

See independent auditor's report.

PILGRIM AFRICA

**Statement of Functional Expenses
For the Year Ended December 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>
Transfer to Affiliates-				
Cash awards - grants	\$ 652,177	\$ -	\$ -	\$ 652,177
Cash awards - contributions	348,022			348,022
Operational-				
Professional services	44,555	4,074	37,385	86,014
Personnel	86,069	101,908	12,960	200,937
Special events			103,096	103,096
Travel and hospitality	9,630			9,630
Marketing and public relations			11,189	11,189
Occupancy/utilities/facilities		9,493		9,493
Office		11,795		11,795
Insurance		1,163		1,163
Dues and banking fees	1,331	9,967	467	11,765
Total Expenses	\$ 1,141,784	\$ 138,400	\$ 165,097	\$ 1,445,281
Less special event direct expenses reported net of revenue			<u>(103,096)</u>	<u>(103,096)</u>
Total Expenses	<u>\$ 1,141,784</u>	<u>\$ 138,400</u>	<u>\$ 62,001</u>	<u>\$ 1,342,185</u>

See independent auditor's report.

PILGRIM LIMITED

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	Program Services								
	Public Health						Total Program Services	Management and General	2019 Total
	SURMa	Education	Indoor Residual Spray	Beacon Medical Centre	Katakwi Rotary Malaria Project	Total Public Health			
Professional expense	\$ 53,459	\$ 385	\$ 4,283	\$ 175	\$ 88,999	\$ 93,457	\$ 147,301	\$ 10,626	\$ 157,927
Payroll expense	52,791	126,515		14,689	112,445	127,134	306,440	37,381	343,821
Payroll taxes	424	12,621		1,499	13,695	15,194	28,239	6,141	34,379
Marketing and public relations		2,135			1,579	1,579	3,714	3,118	6,832
Information technology and communication	37	2,249	16	147	6,846	7,009	9,295	2,873	12,168
Fees		17,273	3,291	472	5,869	9,632	26,905	9,953	36,858
Logistics	14,155	24,205	1,701	1,911	52,223	55,835	94,195	36,604	130,799
Supplies	2,329	88,675	241,400	14,899	184,485	440,784	531,788	10,035	541,823
Facilities and utilities		66,829		2,176	3,660	5,836	72,665	16,312	88,977
Depreciation and amortization		14,916			25,937	25,937	40,853	18,104	58,957
Bad debt		32,820					32,820		32,820
	<u>\$ 123,195</u>	<u>\$ 388,623</u>	<u>\$ 250,691</u>	<u>\$ 35,968</u>	<u>\$ 495,738</u>	<u>\$ 782,397</u>	<u>\$ 1,294,215</u>	<u>\$ 151,147</u>	<u>\$ 1,445,361</u>

See independent auditor's report.

PILGRIM LIMITED

**Statement of Functional Expenses
For the Year Ended December 31, 2018**

	Program Services							General and Administrative	2018 Total
	Public Health				Total Public Health	Total Program Services			
	Education	Global Fund	Beacon Medical Centre	Katakwi Rotary Malaria Project					
Professional expense	\$ 384	\$ 1,780	\$ 285	\$ 171,277	\$ 173,342	\$ 173,726	\$ 25,531	\$ 199,257	
Payroll expense	110,384		14,869	134,558	149,427	259,811	46,222	306,033	
Payroll taxes	10,973	352	1,135	13,473	14,960	25,933	4,622	30,555	
Marketing and public relations	1,956		27	6,004	6,031	7,987	13,967	21,954	
Information technology and communications	2,210		190	4,049	4,239	6,449	2,713	9,162	
Fees	15,572		938	20,480	21,418	36,990	1,484	38,474	
Logistics	36,057		1,511	99,556	101,067	137,124	20,061	157,185	
Supplies	77,973	20,304	9,681	162,976	192,961	270,934	13,529	284,463	
Facilities and utilities	33,731		998	15,020	16,018	49,749	3,653	53,402	
Depreciation and amortization	12,370			19,409	19,409	31,779	3,903	35,682	
Bad debt	34,187					34,187		34,187	
	<u>\$ 335,797</u>	<u>\$ 22,436</u>	<u>\$ 29,634</u>	<u>\$ 646,802</u>	<u>\$ 698,872</u>	<u>\$ 1,034,669</u>	<u>\$ 135,685</u>	<u>\$ 1,170,354</u>	

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