

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

PARTNERS FOR DEVELOPMENT

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Partners for Development
Silver Spring, Maryland

We have audited the accompanying financial statements of Partners for Development (PFD), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PFD as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

July 6, 2015

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PARTNERS FOR DEVELOPMENT
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents:		
Funds held in United States	\$ 231,375	\$ 592,424
Funds held in foreign countries	<u>617,670</u>	<u>487,847</u>
Total cash and cash equivalents	849,045	1,080,271
Investments (Notes 2 and 11)	1,448,143	2,113,060
Grants receivable (Note 3)	1,520,009	934,752
Micro-credit loan funds receivable, net of loan loss provision (Note 4)	1,071,052	688,774
Pledges receivable	3,649	5,208
Advances and employee receivables, net of allowance for doubtful accounts of \$13,292 in 2014 and 2013	1,731	1,025
Accrued interest	18,595	30,662
Prepaid expenses	<u>61,099</u>	<u>31,376</u>
Total current assets	<u>4,973,323</u>	<u>4,885,128</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment	26,597	26,597
Less: Accumulated depreciation	<u>(19,763)</u>	<u>(16,635)</u>
Net furniture and equipment	<u>6,834</u>	<u>9,962</u>
OTHER ASSETS		
Micro-credit loan funds receivable, net of current portion (Note 4)	67,840	817,045
Security deposit	<u>9,821</u>	<u>2,872</u>
Total other assets	<u>77,661</u>	<u>819,917</u>
TOTAL ASSETS	<u>\$ 5,057,818</u>	<u>\$ 5,715,007</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 91,381	\$ 92,529
Accrued employee benefits	162,777	165,232
Micro-credit loan fund liability (Note 5)	<u>-</u>	<u>210,000</u>
Total current liabilities	<u>254,158</u>	<u>467,761</u>
NET ASSETS		
Unrestricted:		
Undesignated	499,604	60,043
Designated for microfinance activities	<u>1,053,891</u>	<u>1,758,051</u>
Total unrestricted net assets	1,553,495	1,818,094
Temporarily restricted (Note 6)	<u>3,250,165</u>	<u>3,429,152</u>
Total net assets	<u>4,803,660</u>	<u>5,247,246</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,057,818</u>	<u>\$ 5,715,007</u>

PARTNERS FOR DEVELOPMENT

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants (Notes 8 and 9)	\$ -	\$ 2,119,414	\$ 2,119,414
Contributions	44,242	-	44,242
PCG contract income, net of related expenditures of \$55,972 in 2013	-	-	-
Interest, investment income and loan administration fees (Notes 2 and 4)	232,913	71,944	304,857
Other	13,063	34,267	47,330
Net assets released from donor restrictions (Note 6)	<u>2,219,154</u>	<u>(2,219,154)</u>	<u>-</u>
Total revenue and support	<u>2,509,372</u>	<u>6,471</u>	<u>2,515,843</u>
EXPENSES			
Program Services:			
Cambodia Programs	608,914	-	608,914
Nigeria Programs	734,373	-	734,373
Tanzania and Other Programs	277,756	-	277,756
Benin Programs	<u>777,022</u>	<u>-</u>	<u>777,022</u>
Total program services	<u>2,398,065</u>	<u>-</u>	<u>2,398,065</u>
General and Administrative	<u>358,723</u>	<u>-</u>	<u>358,723</u>
Total expenses	<u>2,756,788</u>	<u>-</u>	<u>2,756,788</u>
Changes in net assets before other items	(247,416)	6,471	(240,945)
OTHER ITEMS			
Exchange rate loss	<u>(17,183)</u>	<u>(185,458)</u>	<u>(202,641)</u>
Changes in net assets	(264,599)	(178,987)	(443,586)
Net assets at beginning of year	<u>1,818,094</u>	<u>3,429,152</u>	<u>5,247,246</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,553,495</u>	<u>\$ 3,250,165</u>	<u>\$ 4,803,660</u>

2013		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ -	\$ 883,361	\$ 883,361
13,708	-	13,708
(30,801)	-	(30,801)
153,268	90,059	243,327
94,662	4,714	99,376
<u>3,179,741</u>	<u>(3,179,741)</u>	<u>-</u>
<u>3,410,578</u>	<u>(2,201,607)</u>	<u>1,208,971</u>
610,284	-	610,284
1,590,797	-	1,590,797
286,267	-	286,267
<u>704,610</u>	<u>-</u>	<u>704,610</u>
<u>3,191,958</u>	<u>-</u>	<u>3,191,958</u>
<u>468,721</u>	<u>-</u>	<u>468,721</u>
<u>3,660,679</u>	<u>-</u>	<u>3,660,679</u>
(250,101)	(2,201,607)	(2,451,708)
<u>(5,543)</u>	<u>(19,671)</u>	<u>(25,214)</u>
(255,644)	(2,221,278)	(2,476,922)
<u>2,073,738</u>	<u>5,650,430</u>	<u>7,724,168</u>
<u>\$ 1,818,094</u>	<u>\$ 3,429,152</u>	<u>\$ 5,247,246</u>

See accompanying notes to financial statements.

PARTNERS FOR DEVELOPMENT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services				Total Program Services	General and Administrative	Total Expenses
	Cambodia Programs	Nigeria Programs	Tanzania and Other Programs	Benin Programs			
Salaries and wages	\$ 233,910	\$ 305,189	\$ 78,250	\$ 234,148	\$ 851,497	\$ 163,237	\$ 1,014,734
Payroll taxes and employee benefits (Note 7)	38,669	81,427	23,808	87,660	231,564	56,070	287,634
Consulting fees	19,868	18,901	105,226	34,165	178,160	8,570	186,730
Travel and program monitoring	66,936	34,768	54,087	58,170	213,961	22,242	236,203
Vehicle and transportation	43,777	20,718	-	7,827	72,322	-	72,322
Training expenses	124,008	15,891	-	14,261	154,160	450	154,610
Project equipment, supplies and micro- credit loan programs	12,361	108,128	3,613	199,288	323,390	-	323,390
Office and housing equipment and furniture	1,441	6,430	300	10,592	18,763	6,562	25,325
Equipment maintenance and rental	4,780	9,003	-	1,624	15,407	1,681	17,088
Accounting and legal	3,500	7,459	10,432	23,412	44,803	33,385	78,188
Depreciation	-	-	-	-	-	3,128	3,128
Office supplies	4,573	8,020	163	1,470	14,226	3,531	17,757
Insurance	4,320	14,443	(2,997)	9,341	25,107	5,664	30,771
Publications and printing	2,065	1,302	3,025	1,872	8,264	4,900	13,164
Temporary help	-	15,223	-	19,468	34,691	-	34,691
Rent (Note 10)	23,733	58,497	-	28,927	111,157	34,464	145,621
Utilities	8,421	7,103	-	6,881	22,405	-	22,405
Communications	8,425	14,337	1,230	8,388	32,380	12,520	44,900
Other	8,127	3,862	619	1,159	13,767	2,319	16,086
Bad debt expense (recovery)	-	3,672	-	28,369	32,041	-	32,041
TOTAL	\$ 608,914	\$ 734,373	\$ 277,756	\$ 777,022	\$ 2,398,065	\$ 358,723	\$ 2,756,788

PARTNERS FOR DEVELOPMENT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services				Total Program Services	General and Administrative	Total Expenses
	Cambodia Programs	Nigeria Programs	Tanzania and Other Programs	Benin Programs			
Salaries and wages	\$ 229,375	\$ 466,684	\$ 72,042	\$ 202,875	\$ 970,976	\$ 235,463	\$ 1,206,439
Payroll taxes and employee benefits (Note 7)	55,006	214,427	20,688	63,028	353,149	85,107	438,256
Consulting fees	34,982	28,699	98,606	70,550	232,837	10,421	243,258
Travel and program monitoring	63,342	76,908	52,791	55,802	248,843	19,947	268,790
Vehicle and transportation	7,397	35,960	6,685	5,220	55,262	136	55,398
Training expenses	96,113	216,080	341	11,080	323,614	91	323,705
Project equipment, supplies and micro- credit loan programs	33,686	269,521	2,017	217,065	522,289	-	522,289
Office and housing equipment and furniture	4,156	12,823	3,721	7,589	28,289	3,872	32,161
Equipment maintenance and rental	5,882	30,069	-	2,126	38,077	2,695	40,772
Accounting and legal	4,500	18,897	16,500	8,684	48,581	21,777	70,358
Depreciation	-	-	-	-	-	4,416	4,416
Office supplies	7,995	16,092	112	1,168	25,367	5,397	30,764
Insurance	7,443	24,838	-	11,614	43,895	10,423	54,318
Publications and printing	1,438	3,655	2,804	1,783	9,680	6,043	15,723
Temporary help	154	27,134	(99)	14,442	41,631	-	41,631
Rent (Note 10)	33,958	82,802	9,622	24,230	150,612	29,886	180,498
Utilities	10,274	4,529	-	6,322	21,125	-	21,125
Communications	7,989	37,384	3,299	5,590	54,262	28,759	83,021
Other	6,594	16,617	247	442	23,900	4,288	28,188
Bad debt expense (recovery)	-	7,678	(3,109)	(5,000)	(431)	-	(431)
TOTAL	\$ 610,284	\$ 1,590,797	\$ 286,267	\$ 704,610	\$ 3,191,958	\$ 468,721	\$ 3,660,679

See accompanying notes to financial statements.

PARTNERS FOR DEVELOPMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (443,586)	\$ (2,476,922)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	3,128	4,416
Loss on disposal of equipment	-	821
Unrealized (gain) loss on investments	(6,827)	94,735
Bad debt expense (recovery)	32,041	(431)
(Increase) decrease in:		
Grants receivable	(585,257)	1,587,974
Pledges receivable	1,559	(4,898)
Advances and employee receivables	(706)	36,584
Accrued interest	12,067	14,282
Prepaid expenses	(29,723)	57,180
Security deposit	(6,949)	(1,586)
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,148)	(79,170)
Accrued employee benefits	<u>(2,455)</u>	<u>(43,258)</u>
Net cash used by operating activities	<u>(1,027,856)</u>	<u>(810,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from micro-credit loan programs	334,886	1,059,316
Issuance of micro-credit loan funds receivable	-	(1,288,998)
Purchase of fixed assets	-	(8,724)
Purchase of investments	(750,603)	(238,018)
Sales of investments	<u>1,422,347</u>	<u>1,084,804</u>
Net cash provided by investing activities	<u>1,006,630</u>	<u>608,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made under credit agreement	<u>(210,000)</u>	<u>(430,000)</u>
Net cash used by financing activities	<u>(210,000)</u>	<u>(430,000)</u>
Net decrease in cash and cash equivalents	(231,226)	(631,893)
Cash and cash equivalents at beginning of year	<u>1,080,271</u>	<u>1,712,164</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 849,045</u>	<u>\$ 1,080,271</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 2,100</u>	<u>\$ 10,650</u>

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Partners for Development (PFD) is a non-profit organization, incorporated on November 22, 1996, pursuant to the District of Columbia Nonprofit Corporation Act. PFD was organized to combat world hunger, poverty and underdevelopment. PFD has activities and programs in Nigeria, Cambodia and Benin. It concluded its programs in Liberia and Bosnia-Herzegovina during 2012, and Tanzania during 2013.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*. The accompanying financial statements include the worldwide operations of PFD.

Cash and cash equivalents -

PFD considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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

PFD had \$617,670 and \$487,847 of cash and cash equivalents held in foreign countries at December 31, 2014 and 2013, respectively. The majority of all funds held in foreign countries are uninsured. Such amounts are reflected as funds held in foreign countries in the accompanying Statements of Financial Position.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in interest, investment income and loan administration fees in the Statements of Activities and Changes in Net Assets.

Receivables -

Receivables approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Furniture and equipment -

Furniture and equipment are stated at cost. PFD's policy is to capitalize all purchases made with unrestricted funds in excess of \$5,000. Furniture and equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five years.

The cost of maintenance and repairs is recorded as expenses are incurred. Purchases of furniture and equipment with donor-restricted funds are expensed and charged to the corresponding program.

Foreign currency -

The U.S. dollar is the functional currency of Partners for Development. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the month of the transaction. Property and equipment purchases with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of purchase.

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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

Foreign currency (continued) -

Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the balance sheet. The net exchange losses from foreign currency totaled \$202,641 for the year ended December 31, 2014.

Income taxes -

PFD is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, PFD has been classified by the Internal Revenue Service as a public charity of the type described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code and is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2014 and 2013, PFD 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 financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of PFD and include both internally designated and undesignated resources.

Net assets designated for microfinance activities represent the Board's and management's decision to reserve up to 90% of Bosnia microfinance grants which have been completed and closed in previous years. The intention of the designation is to use these assets toward this type of activity in future programs.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of PFD and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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

Use of estimates -

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

Investment risks and uncertainties -

PFD 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 materially affect the amounts reported in the financial statements.

Fair value measurement -

PFD 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. PFD accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

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

2. INVESTMENTS

Investments consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Bond funds	\$ 1,421,045	\$ 1,749,392
Exchange-traded funds	-	337,262
Money market funds	<u>27,098</u>	<u>26,406</u>
TOTAL INVESTMENTS	<u>\$ 1,448,143</u>	<u>\$ 2,113,060</u>

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. INVESTMENTS (Continued)

Included in interest, investment income and loan administration fees is the following investment income for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 80,637	\$ 94,531
Unrealized gain (loss)	<u>6,827</u>	<u>(94,735)</u>
TOTAL INVESTMENT INCOME (LOSS)	<u>\$ 87,464</u>	<u>\$ (204)</u>

3. GRANTS RECEIVABLE

At December 31, 2014 and 2013, grants receivable consisted of the following:

	<u>2014</u>	<u>2013</u>
Cambodia Programs:		
United Nations Office for Project Services	\$ 34,654	\$ -
Global Fund to Fight AIDS, Tuberculosis and Malaria	752,878	578,373
London School of Hygiene and Tropical Medicine	59,632	92,865
Nigeria Programs:		
Chemonics (SAII Associates)	107,424	-
Centers for Disease Control and Prevention (CDC)	-	52
UNICEF	332,159	-
United States Agency for International Development	131,761	66,262
Benin Programs:		
United States Department of Agriculture	101,501	176,500
Tanzania Programs:		
United States Department of Agriculture (USDA) programs	<u>-</u>	<u>20,700</u>
TOTAL GRANTS RECEIVABLE	<u>\$ 1,520,009</u>	<u>\$ 934,752</u>

4. MICRO-CREDIT LOAN FUNDS RECEIVABLE

PFD had the following micro-credit loans receivable as of December 31, 2014 and 2013:

- In connection with a program funded through a credit agreement from the David and Lucile Packard Foundation (Note 5), PFD was required to establish a micro-credit loan program in Nigeria. Accordingly, PFD has placed local currency with various local organizations for the express purpose of micro-lending.

The funds placed with the local entities, \$188,582 and \$408,469, based upon the December 31, 2014 and 2013 exchange rates, respectively, are shown as micro-credit loans receivable in the accompanying financial statements. The agreements with the local entities stipulate that over time the funds will be returned to PFD. Interest on the loans is charged using an annual interest rate of 18%.

- During 2010, PFD placed local currency with institutions in Nigeria using PFD unrestricted funding, to be used for a micro-credit loan program. The funds placed with the institutions totaled \$857,792 and \$977,829 at December 31, 2014 and 2013, respectively. An agreement with the institution stipulates that the funds will be returned to PFD over time. Interest on the loans is charged using an annual interest rate of 18%.

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. MICRO-CREDIT LOAN FUNDS RECEIVABLE (Continued)

- During 2010, PFD placed local currency with an institution in Benin using unrestricted funding, to be used for a micro-credit loan program. The funds placed with the institution in Benin totaled \$64,666 at both December 31, 2014 and 2013. An agreement with the institution stipulates that the funds will be returned to PFD over time. The annual interest rate on the loan was 6.5%. Additional funds were placed with a different institution in Benin during 2013, to be repaid to PFD during June 2014 with an annual interest rate of 3%. This agreement was extended to March 2016 during 2014. The funds placed with the institution as of December 31, 2014 and 2013, totaled \$67,840 and \$104,901, respectively.
- During 2011, PFD placed U.S. Dollars with several institutions in Cambodia using unrestricted funding, to be used for a micro-credit loan program. The annual interest rate on the loans is 6.5%. The original loan was repaid in full during 2013, and additional funds were placed with the institution. The funds placed with the institution in Cambodia totaled \$200,000 and \$200,000 at December 31, 2014 and 2013, respectively.
- During 2011, PFD placed local currency with several institutions in Tanzania, using unrestricted funding, to be used for a micro-credit loan program. The agreements with the local entities stipulate that over time the funds will be returned to PFD. The annual interest rate on the loans is 8%. The funds placed with the institutions totaled \$48,372 and \$104,470 at December 31, 2014 and 2013, respectively.

The following is a schedule of loans receivable by country:

	2014	2013
Nigeria	\$ 1,046,374	\$ 1,386,298
Benin	132,506	169,567
Cambodia	200,000	200,000
Tanzania	48,372	104,470
 Total micro-credit loans receivable	 1,427,252	 1,860,335
Less: Loan loss reserve	(288,360)	(354,516)
Less: Current portion	(1,071,052)	(688,774)
 LONG-TERM PORTION OF LOANS RECEIVABLE	 \$ 67,840	 \$ 817,045

Interest and loan administration fees earned from PFD's micro-credit loan funds receivable were \$212,716 and \$265,295 for the years ended December 31, 2014 and 2013, respectively. Such amounts are included in interest, investment income and loan administration fees on the accompanying statements of activities.

The ending balances of micro-credit loan funds receivable are individually evaluated for impairment. A loan loss reserve is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written-off only when they are deemed to be permanently uncollectible.

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4. MICRO-CREDIT LOAN FUNDS RECEIVABLE (Continued)

Changes in the loan loss reserve on micro-credit loans receivable for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Loan loss reserve at the beginning of the year	\$ 354,516	\$ 375,900
Bad debts (reduction to allowance)	(5,246)	-
Exchange rate adjustment	(23,700)	(4,309)
Current year bad debt (recovery) expense	<u>(37,210)</u>	<u>(17,075)</u>
TOTAL LOAN LOSS RESERVE AT YEAR-END	<u>\$ 288,360</u>	<u>\$ 354,516</u>

The credit quality indicator for micro-credit loans receivable is performance determined by repayment status and delinquency status. The following table presents the recorded investment by credit quality indicator as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Payment status, current	\$ 1,143,312	\$ 1,491,182
Payment status, paying but behind	22,102	-
Payment status, not paying	<u>261,838</u>	<u>369,153</u>
TOTAL LOANS RECEIVABLE	<u>\$ 1,427,252</u>	<u>\$ 1,860,335</u>

The aging of the micro-credit loans receivable as of December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current	\$ 1,143,312	\$ 1,553,866
30-59 days past due	22,102	37,608
Greater than 90 days	<u>261,838</u>	<u>268,861</u>
TOTAL LOANS RECEIVABLE	<u>\$ 1,427,252</u>	<u>\$ 1,860,335</u>

5. MICRO-CREDIT LOAN FUND LIABILITY

PFD entered into a \$1,500,000 credit agreement with the David and Lucile Packard Foundation (Packard Foundation), dated April 1, 2009. In accordance with the terms and conditions of the credit agreement, the funds borrowed from the Packard Foundation are to be used to finance micro-credit programs in connection with reproductive health information referral and services in the Nigerian states of Benue, Nasawara, Bauchi, Kaduna and Edo.

Interest on the outstanding borrowings on the credit agreement will bear simple interest of two percent per annum. Interest payments are due on or before each October 1 and April 1, commencing on October 1, 2009. Principal payments are due in equal installments of \$215,000 (with the exception of the last payment which will be \$210,000) on or before each May 1 and November 1, commencing on May 1, 2011. The balance at December 31, 2013 was \$210,000. The last payment was made during 2014.

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6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cambodia Programs:		
United Nations Office for Project Services	\$ 68,532	\$ -
Global Fund to Fight AIDS, Tuberculosis and Malaria	808,613	623,848
London School of Hygiene and Tropical Medicine	18,892	116,022
Nathan Cummings Foundation	-	10,000
Benin Programs:		
United States Department of Agriculture (USDA)	1,394,638	2,206,133
Nigeria Programs:		
JSI (USAID)	165,957	107,791
Packard Foundation Program Related Investment Income	-	362,397
Chemonics (SAII Associates)	107,381	-
Micro-Credit Loan Program (USDA)	14,358	2,961
UNICEF	<u>671,794</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 3,250,165</u>	<u>\$ 3,429,152</u>

During 2014 and 2013, net assets were released from restrictions as a result of PFD incurring expenses in accordance with the donor-imposed restrictions.

Following is a summary, by program, of net assets released from restrictions for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Benin Programs	\$ 862,448	\$ 816,270
Cambodia Programs	602,910	655,300
Nigeria Programs	753,796	1,701,123
Tanzania Programs	<u>-</u>	<u>7,048</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,219,154</u>	<u>\$ 3,179,741</u>

7. RETIREMENT BENEFIT PLAN

PFD has a defined contribution retirement plan which covers all employees who meet certain eligibility requirements. The plan requires that PFD contribute seven percent of each eligible employee's annual salary to the plan. Contributions to the plan are immediately vested. Total retirement plan expense was \$22,317 and \$24,720 in 2014 and 2013, respectively.

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8. CONTINGENCIES

United States Government funding -

PFD receives grants from Federal agencies which are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the Federal grants is based upon the allowance of costs reported to and accepted by the Federal agency as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014. Until such audits have been accepted by the Federal agencies, 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 -

PFD provides capital assistance, technical assistance, and training in numerous third world countries through its field offices in each of those countries. PFD also maintains cash accounts as well as loan portfolios in some 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 December 31, 2014 and 2013, PFD had cash, property and equipment and loans receivable in various countries in Africa, Europe and Southeast Asia totaling \$1,858,035 and \$2,049,948, respectively. This represents approximately 37% and 36% of PFD's total assets as of December 31, 2014 and 2013, respectively.

9. CONCENTRATION OF REVENUE

Approximately 25% of PFD's revenue for the year ended December 31, 2014, and approximately 33% of PFD's revenue for the year ended December 31, 2013, was derived from grants awarded by agencies of the United States Government. PFD 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 PFD's ability to finance ongoing operations.

10. LEASE COMMITMENT

In November of 2013, PFD signed a lease for office space for the term January 1, 2014 through December 31, 2015. PFD also leases office space (under short-term rental agreements) in the various countries in which it conducts its activities. The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2015	\$ 34,465
2016	<u>35,498</u>
	<u>\$ 69,963</u>

Rent expense (including the rent paid on short-term rental agreements in foreign countries) for the years ended December 31, 2014 and 2013 was \$145,621 and \$180,498, respectively.

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11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, PFD 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 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 PFD 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 have been no changes in the methodologies used at December 31, 2014 and 2013.

- *Money market funds* - The fair value is equal to the reported net asset value of the fund.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, PFD's investments as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2014</u>
Investments				
Mutual Funds:				
Bond funds	\$ 1,421,045	\$ -	\$ -	\$ 1,421,045
Money market funds	<u>27,098</u>	<u>-</u>	<u>-</u>	<u>27,098</u>
TOTAL	<u>\$ 1,448,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,448,143</u>

The table below summarizes, by level within the fair value hierarchy, PFD's investments as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2013</u>
Investments				
Mutual Funds:				
Bond funds	\$ 1,749,392	\$ -	\$ -	\$ 1,749,392
Exchange-traded funds	337,262	-	-	337,262
Money market funds	<u>26,406</u>	<u>-</u>	<u>-</u>	<u>26,406</u>
TOTAL	<u>\$ 2,113,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,113,060</u>

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12. SUBSEQUENT EVENTS

In preparing these financial statements, PFD has evaluated events and transactions for potential recognition or disclosure through July 6, 2015, the date the financial statements were issued.