



## **Financial Statements**

For the year ended December 31, 2017  
(with comparative totals for the year ended December 31, 2016)

**PARTNERS FOR DEVELOPMENT**

December 31, 2017

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## **Independent Auditors' Report**

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

### ***Report on the financial statements***

We have audited the accompanying financial statements of Partners for Development which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 the 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 Partners for Development as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior period financial statements***

We have previously audited Partners for Development 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2017. In our opinion, the summarized comparative information present herein as of and for the year ended December 31, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

NChing LLP

New York, New York  
April 24, 2018

**PARTNERS FOR DEVELOPMENT****Statement of Financial Position**

As of December 31, 2017

(with comparative totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash - United States	\$ 506,173	\$ 734,050
Cash in foreign countries	343,450	242,298
Total cash and cash equivalents	849,623	976,348
Investments (Notes 3 and 4)	3,486,902	29,841
Grants receivable – current (Note 5)	2,185,903	6,665,193
Micro-credit loan funds receivable – current, net of loan loss provision – (Note 6)	724,492	732,551
Pledges receivable	3,426	6,756
Advances and employee receivables	26,674	19,101
Prepaid expenses	44,757	29,016
Total current assets	<u>7,321,777</u>	<u>8,458,806</u>
<b>Furniture and equipment</b>		
Furniture and equipment	123,970	22,554
Less: accumulated depreciation	<u>(30,432)</u>	<u>(19,209)</u>
Net, furniture and equipment	<u>93,538</u>	<u>3,345</u>
<b>Other assets</b>		
Grants receivable – long term (Note 5)	454,435	731,884
Micro-credit loan funds receivable, – long term (Note 6)	601,927	240,271
Security deposit	10,222	9,382
Total other assets	<u>1,066,584</u>	<u>981,537</u>
Total assets	<u>\$ 8,481,899</u>	<u>\$ 9,443,688</u>

The accompanying notes are an integral part of these financial statements.

**PARTNERS FOR DEVELOPMENT**  
**Statement of Financial Position**  
As of December 31, 2017  
(with comparative totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 81,510	\$ 190,172
Accrued employee benefits	<u>146,777</u>	<u>107,459</u>
Total liabilities	<u>228,287</u>	<u>297,631</u>
<b>Net assets</b>		
Unrestricted	745,981	599,118
Temporarily restricted	<u>7,507,631</u>	<u>8,546,939</u>
Total liabilities and net assets	<u>\$ 8,481,899</u>	<u>\$ 9,443,688</u>

The accompanying notes are an integral part of these financial statements.

**PARTNERS FOR DEVELOPMENT****Statement of Activities**

For the year ended December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
<b><u>Support and revenue</u></b>				
<b>Support</b>				
Grants - Notes 7 and 10	\$ 744,069	\$ 686,740	\$ 1,430,809	\$ 393,129
Contributions	19,244	-	19,244	37,572
Interest, investment income and loan administration fees (Notes 3 and 6)	126,338	103,819	230,157	160,226
Recognized discount on grant	-	18,048	18,048	154,270
Other	44,901	-	44,901	43,332
	<u>934,552</u>	<u>808,607</u>	<u>1,743,159</u>	<u>788,529</u>
Total support and revenue	934,552	808,607	1,743,159	788,529
Net assets released from restrictions	<u>1,897,789</u>	<u>(1,897,789)</u>	<u>-</u>	<u>-</u>
	<u>2,832,341</u>	<u>(1,089,182)</u>	<u>1,743,159</u>	<u>788,529</u>
Total support and revenue	<u>2,832,341</u>	<u>(1,089,182)</u>	<u>1,743,159</u>	<u>788,529</u>
<b><u>Expenses</u></b>				
<b>Program services</b>				
Benin Programs	1,017,403		1,017,403	1,052,841
Nigeria Programs	829,133		829,133	502,500
Cambodia Programs	483,524		483,524	384,420
Other Programs	10,851		10,851	189,197
	<u>2,340,911</u>	<u>-</u>	<u>2,340,911</u>	<u>2,128,958</u>
	<u>353,906</u>	<u>-</u>	<u>353,906</u>	<u>319,894</u>
Management and general	353,906		353,906	319,894
	<u>2,694,817</u>	<u>-</u>	<u>2,694,817</u>	<u>2,448,852</u>
Total expenses	2,694,817		2,694,817	2,448,852
Change in net assets before other item	137,524	(1,089,182)	(951,658)	(1,660,323)
<b>Other item</b>				
Monetization adjustment	-	-	-	(1,532,068)
Foreign currency exchange gain/(loss)	9,339	49,874	59,213	(399,097)
	<u>146,863</u>	<u>(1,039,308)</u>	<u>(892,445)</u>	<u>(3,591,488)</u>
Change in net assets	146,863	(1,039,308)	(892,445)	(3,591,488)
Net assets, beginning of year	<u>599,118</u>	<u>8,546,939</u>	<u>9,146,057</u>	<u>12,737,545</u>
	<u>\$ 745,981</u>	<u>\$ 7,507,631</u>	<u>\$ 8,253,612</u>	<u>\$ 9,146,057</u>
Net assets, end of year	\$ 745,981	\$ 7,507,631	\$ 8,253,612	\$ 9,146,057

The accompanying notes are an integral part of these financial statements.

## PARTNERS FOR DEVELOPMENT

### Statement of Functional Expenses

For the year ended December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	Program services					Supporting services	Total program and supporting services	
	Benin programs	Cambodia programs	Nigeria programs	Other programs	Total programs	Management and general	2017	2016
Salaries	\$ 350,821	\$ 206,261	\$ 191,443	\$ 5,088	\$ 753,613	\$ 108,196	\$ 861,809	\$ 862,134
Payroll taxes and benefits	114,293	33,508	94,412	1,806	244,019	57,032	301,051	312,564
Total personnel services	465,114	239,769	285,855	6,894	997,632	165,228	1,162,860	1,174,698
Consulting fees	101,669	-	25,706	3,750	131,125	35,404	166,529	307,777
Travel and program monitoring	68,494	21,701	69,100	107	159,402	36,943	196,345	174,885
Vehicle and transportation	50,787	2,651	92,518	-	145,956	-	145,956	57,599
Training expenses	47,020	146,667	109,454	-	303,141	950	304,091	30,063
Project equipment, supplies and micro- credit loan programs	210,420	12,080	149,759	-	372,259	-	372,259	370,521
Office and housing equipment and furniture	7,211	-	18,876	-	26,087	4,429	30,516	37,284
Equipment maintenance and rental	5,290	5,655	13,345	-	24,290	2,777	27,067	12,292
Accounting and legal	11,500	500	12,333	-	24,333	29,752	54,085	-
Depreciation	3,316	-	6,162	-	9,478	1,745	11,223	1,745
Office supplies	6,510	3,117	9,722	-	19,349	3,832	23,181	21,448
Insurance	11,668	4,055	15,748	-	31,471	8,194	39,666	26,758
Publications and printing	15,098	-	3,813	-	18,911	6,411	25,322	14,219
Temporary help	18,249	1,509	16,075	-	35,833	-	35,833	33,096
Rent	26,834	24,000	36,055	-	86,889	38,133	125,022	121,905
Utilities	6,166	8,938	3,137	-	18,241	-	18,241	14,971
Communications	7,019	5,062	11,577	100	23,758	18,355	42,112	41,309
Other	11,508	7,820	1,798	-	21,126	1,753	22,879	8,282
Bad debt expense (recovery)	(6,954)	-	-	-	(6,954)	-	(6,954)	-
Total expense before capitalization	1,066,919	483,524	881,033	10,851	2,442,327	353,906	2,796,233	\$ 2,448,852
Capitalization	(49,516)	-	(51,900)	-	(101,416)	-	(101,416)	-
Total expense, net of capitalization	\$ 1,017,403	\$ 483,524	\$ 829,133	\$ 10,851	\$ 2,340,911	\$ 353,906	\$ 2,694,817	\$ 2,448,852

The accompanying notes are an integral part of these financial statements.

**PARTNERS FOR DEVELOPMENT****Statement of Cash Flows**

For the year ended December 31, 2017,  
(with comparative totals for year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (892,445 )	\$ (3,591,488 )
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	11,223	1,745
Unrealized loss (gain) on investments	(29,405 )	(1,855 )
Realized gains	13,504	8,864
Bad debt expense (recovery)	(6,954 )	-
Change in grants receivable	4,749,785	3,741,108
Change in pledges receivable	3,330	(1,029 )
Change in advances and employee receivables	192,427	(217,874 )
Change in prepaid expenses	(15,741 )	13,141
Change in security deposits	(840 )	3,379
Change in accounts and accrued expenses payable	(108,662 )	75,731
Change in accrued employee benefits	39,318	(43,762 )
Net cash provided by/(used in) operating activities	<u>3,955,540</u>	<u>(12,040 )</u>
<b>Cash flows from investment activities</b>		
Net proceeds from micro-credit loan programs	200,000	326,970
Disbursement for micro-credit loan programs	(753,597 )	-
Purchase of investments	(3,452,237 )	-
Sales of investments	24,985	387,790
Purchase of fixed assets	(101,416 )	-
Net cash (used in)/provided by investment activities	<u>(4,082,265 )</u>	<u>714,760</u>
Net (decrease)/increase in cash and cash equivalents	(126,725 )	702,720
Cash, beginning of year	<u>976,348</u>	<u>273,628</u>
Cash, end of year	<u>\$ 849,623</u>	<u>\$ 976,348</u>

The accompanying notes are an integral part of these financial statements.

## **PARTNERS FOR DEVELOPMENT**

### **Notes to Financial Statements**

December 31, 2017 and 2016

#### **Note 1 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.

#### **Note 2 Significant accounting policies**

**Comparative Financial Information.** The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**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 \$343,450 and \$242,298 of cash and cash equivalents held in foreign countries at December 31, 2017 and 2016, respectively. The majority of all funds held in foreign countries are uninsured. Such amounts are reflected as cash in foreign countries in the accompanying Statement 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 Statement of Activities and Change 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 in excess of \$5,000. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five years.

## PARTNERS FOR DEVELOPMENT

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 2 Significant accounting policies - (continued)

**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.

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 gain or (loss) from foreign currency totaled \$59,213 for the year ended December 31, 2017 and (\$399,097) for the year ended December 31, 2016.

**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, 2017 and 2016, 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. Periods ending June 30, 2014 and subsequent years remain subject to examination by the tax authorities.

**Net asset classification.** The net assets are reported 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.

Designated for microfinance activities represents Board's and management's decision to reserve 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 Statement of Activities and Change in Net Assets as net assets released from restrictions.

## **PARTNERS FOR DEVELOPMENT**

### **Notes to Financial Statements**

December 31, 2017 and 2016

#### **Note 2 Significant accounting policies - (continued)**

Permanently restricted net assets which include donor-imposed restrictions that stipulate that the resources are to be maintained in perpetuity. Income earned on permanently restricted is often available for use in the unrestricted or temporarily restricted net assets class. As of June 30, 2017 and 2016, there were no permanently restricted net assets.

**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.

**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 Statement of Activities and Change 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.

## PARTNERS FOR DEVELOPMENT

### Notes to Financial Statements

December 31, 2017 and 2015

#### Note 2 Significant accounting policies - (continued)

**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 Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

**Level 2.** Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

**Level 3.** Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

**Subsequent events.** PFD has evaluated subsequent through April 24, 2018, which is the date the financial statements were available to be issued. PFD is not aware of any subsequent event that would require recognition or disclosure in the financial statements.

**Reclassifications.** Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements

**PARTNERS FOR DEVELOPMENT**  
**Notes to Financial Statements**  
December 31, 2017 and 2016

**Note 3 Investments**

Investments consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalent	\$ 17,342	\$ -
Money market funds	250,278	1,395
Fixed Income	1,677,927	-
Mutual funds (bonds)	667,979	28,446
Equities	873,376	-
Total investments	<u>\$ 3,486,902</u>	<u>\$ 29,841</u>

Included in interest, investment income and loan administration fees is the following investment income for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 41,160	\$ 2,978
Realized gains	13,504	8,864
Unrealized gain/(loss)	<u>29,406</u>	<u>1,855</u>
Total investment income/(loss)	<u>\$ 84,070</u>	<u>\$ 13,697</u>

**Note 4 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, 2017 and 2016.

*Fixed Income* - The fixed income corporate bonds employ a strategy of direct holdings of treasuries and fixed income positions to seek maximum total return consistent with the preservation of capital. The fair value estimates of such fixed income strategies are based on observable market information rather than market quotes as of the measurement date. Accordingly, the estimates of fair value for such fixed income securities, are included in the fixed income securities amount disclosed in level 2 of the hierarchy.

*Mutual funds and Equities* – These are securities trade on a major exchange. The fair value of mutual funds are equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained. Accordingly, these securities are disclosed as level 1 of the hierarchy.

## PARTNERS FOR DEVELOPMENT

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 4 Fair value measurement (continued)

The table below summarizes, by level within the fair value hierarchy, PFD's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2017</u>
<b>Investments</b>				
Cash and cash equivalent	\$ -	\$ -	\$ -	\$ 17,342
Money market funds	-	-	-	250,278
Fixed Income	-	1,677,927	-	1,677,927
Mutual Funds (Bond)	667,979	-	-	667,979
Equities	<u>873,376</u>	<u>-</u>	<u>-</u>	<u>873,376</u>
Total	<u>\$ 1,541,355</u>	<u>\$ 1,677,927</u>	<u>\$ -</u>	<u>\$ 3,486,902</u>

The table below summarizes, by level within the fair value hierarchy, PFD's investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2016</u>
<b>Investments</b>				
Mutual Funds (Bonds)	\$ 28,446	\$ -	\$ -	\$ 28,446
Money market funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,395</u>
Total	<u>\$ 28,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,841</u>

#### Note 5 Grants receivable

As of December 31, 2017 and 2016, contributors to PFD outstanding contribution receivable give totaling \$2,640,338 and \$7,392,077 respectively. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 1.9%. In September 2015, PFD and the United States Department of Agriculture (USDA) entered into an Agreement in which USDA will provide at least 18,150 metric tons of rice that PFD can monetize (sell) in order to largely fund its Pineapple Promotion for Export (PINEX) project in Benin, West Africa. Estimated proceeds on sale of this quantity of rice at time of Grant Agreement in September 2015 was \$8,982,068. In addition to this projected proceeds amount, USDA also provided cash of \$1,274,808. During 2016 and 2017, PFD made three separate sales of rice which together brought in \$6,287,225. PFD believes it will make at least one more sale in calendar year 2018 which should generate an estimated \$1.1-1.2 million in additional proceeds and which would generate total estimated proceeds of about \$7.4-7.5 million, or about 82-83 percent of the original (September 2015) estimate of \$8.98 million. PFD's management has revised the monetization estimate resulting in an adjustment of \$1,532,068 as of December 31, 2017 and 2016.

**PARTNERS FOR DEVELOPMENT**  
**Notes to Financial Statements**  
December 31, 2017 and 2016

Grants are due as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 3,751,459	\$ 8,242,814
One to five years	<u>454,435</u>	<u>731,884</u>
Total	4,205,894	8,974,698
Less: monetization adjustment	(1,532,068 )	(1,532,068 )
Less: allowance to discount balance to present value	<u>(33,488 )</u>	<u>(45,553 )</u>
Total grants receivable	<u>\$ 2,640,338</u>	<u>\$ 7,397,077</u>

At December 31, 2017 and 2016, grants receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
<b>Cambodia programs</b>		
Global Fund to Fight AIDS, Tuberculosis and Malaria	\$ 210,341	\$ 697,710
<b>Nigeria</b>		
UNICEF	336,134	-
<b>Benin programs</b>		
United States Department of Agriculture (net of monetization adjustment of \$1,532,068 and discounts of \$33,488 and \$45,553 as of December 31, 2017 and 2016, respectively)	<u>2,093,863</u>	<u>6,699,367</u>
Total grants receivable	<u>\$ 2,640,338</u>	<u>\$ 7,397,077</u>

## **PARTNERS FOR DEVELOPMENT**

### **Notes to Financial Statements**

December 31, 2017 and 2016

#### **Note 6 Micro credit loan funds receivable**

PFD had the following micro-credit loans receivable as of December 31, 2017 and 2016:

- In connection with a program funded through a credit agreement from the David and Lucile Packard Foundation, 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, 119,697 and \$120,253, based upon the December 31, 2017 and 2016, respectively, exchange rates 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%. As of December 31, 2017 and 2019, a reserve of \$104,281, and \$105,356, respectively, have been record against these receivable amounts.
- 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 \$506,535 and \$511,753 at December 31, 2017 and 2016, respectively. The agreement with the institution which matures on September 9, 2017, was extended for another year ending September 9, 2018, stipulates that the funds will be returned to PFD over time. Interest on the loans is charged using an annual interest rate of 18%. To facilitate the one year extension, PFD received administrative charge of 2% of the face value of the loan. Due to exchange rates for the Naira, the local currency of Nigeria, PFD has recorded a loss of (\$275,452) during the year ending December 31, 2016 compared to \$4,501 gain for the year ended December 31, 2017.
- 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 \$59,068 and \$63,481 at both December 31, 2017 and 2016. 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%. The outstanding amounts have been fully reserved.
- 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 2017 and a new loan agreement was entered into effective December 2, 2017. The funds placed with the institution in Cambodia totaled \$200,000 at December 31, 2017 and 2016, respectively.

## PARTNERS FOR DEVELOPMENT

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 6 Micro credit loan funds receivable - (continued)

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 \$35,829 at December 31, 2017 and 2016, respectively. The outstanding amounts have been fully reserved.

- During 2016, Benin placed \$204,666 as a loan guarantee reserve for micro-credit loan program as part of the PINEX program. The amount will be reserved to cover a percentage of loan defaults, if any, through June 30, 2020.

The following is a schedule of loans receivable by country:

	<u>2017</u>	<u>2016</u>
Nigeria	\$ 626,232	\$ 637,907
Benin	660,995	303,752
Cambodia	200,000	200,000
Tanzania	<u>35,829</u>	<u>35,829</u>
Total micro-credit loans receivable	1,523,056	\$1,177,488
Less: Loan loss reserve	(196,637)	(204,666)
Less: Current portion	<u>(724,492)</u>	<u>(732,551)</u>
Long term portion of loans receivable	<u>\$ 601,927</u>	<u>\$ 240,271</u>

Interest and loan administration fee earned from PFD's micro-credit loan funds receivable were \$146,087 and \$146,529 for the years ended December 31, 2017 and 2016, 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 uncollectable.

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**Note 6 Micro credit loan funds receivable - (continued)**

Changes in the loan loss reserve on micro credit loans receivable for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Loan loss reserve at the beginning of the year	\$ 204,666	\$ 259,023
Exchange rate adjustment	(1,075)	(54,357)
Current year bad debt (recovery) expense	<u>(6,954)</u>	<u>-</u>
Total loan loss reserve at year-end	<u>\$ 196,637</u>	<u>\$ 204,666</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Payment status, current	\$ 1,308,462	\$ 966,921
Payment status, paying but behind	2,541	99,310
Payment status, not paying	<u>212,053</u>	<u>105,356</u>
Total loans receivable	<u>\$ 1,523,056</u>	<u>\$ 1,171,587</u>

The aging of the micro-credit loans receivable as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Current	\$ 1,308,462	\$ 966,921
Greater than 90 days	<u>214,594</u>	<u>204,666</u>
Total loans receivable	<u>\$ 1,523,056</u>	<u>\$ 1,171,587</u>

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**Note 7 Temporarily restricted net assets**

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b>Cambodia programs</b>		
United Nations Office for Project Services	\$ 62,505	\$ 37,818
Global Fund to Fight AIDS, Tuberculosis and Malaria	164,557	703,575
<b>Benin programs</b>		
United States Department of Agriculture	6,692,115	7,738,188
<b>Nigeria programs</b>		
JSI (USAID)	901	901
WADA (USAID)	51,847	-
Micro credit loan program (USDA)	-	17,586
UNICEF	<u>535,706</u>	<u>48,871</u>
Total temporarily restricted net assets	<u>\$ 7,507,631</u>	<u>\$ 8,546,939</u>

**Note 8 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 \$21,476 and \$26,690 in 2017 and 2016, respectively.

## **PARTNERS FOR DEVELOPMENT**

### **Notes to Financial Statements**

December 31, 2017 and 2016

#### **Note 9 Contingencies**

**Government funding.** PFD receives grants from various agencies of the United States Government. For fiscal years through December 31, 2016, such grants were subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Such grants are subject to audit under the provisions of the Uniform Guidance. The ultimate determination of amounts received under United States Government grants is based upon allowance of costs reported to and accepted by the United States Government as a result of audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2016. Until such audits have been accepted by the United States Government, there exist 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, 2017 and 2016, PFD had cash, property and equipment and loans receivable in various countries in Africa, Europe and Southeast Asia totaling \$1,820,894 and \$1,256,005, respectively. This represents approximately 21% and 11% of PFD's total assets as of December 31, 2017 and 2016, respectively.

#### **Note 10 Concentration of revenue**

Approximately 22% of PFD's revenue for the year ended December 31, 2017, and approximately 21% of PFD's revenue for the year ended December 31, 2016, 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.

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**Note 11 Lease commitment**

In January 2015, PFD moved to a new office location, signing a lease that ends March 31, 2019. 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:

Year ending December 31,	
2018	\$ 42,848
2019	<u>10,712</u>
Total	<u>\$ 53,560</u>

Rent expense (including the rent paid on short-term rental agreements in foreign countries) for the years ended December 31, 2017 and 2016 was \$125,022 and \$121,905 respectively.

**Note 12 Performance grants**

On December 1, 2016, PFD entered into a grant agreement amounting to \$2 million in performance base funding. For the period ending December 31, 2017 and 2016, PFD has recognized \$744,069 and \$15,243, respectively, of revenue from this grant in the statement of activities