

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

PARTNERS FOR DEVELOPMENT

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of December 31, 2013 and 2012	4 - 5
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2013 and 2012	6 - 7
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2013	8
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2012	9
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2013 and 2012	10
NOTES TO FINANCIAL STATEMENTS	11 - 20



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, 2013, and the related statements of activities and changes in net assets, 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.

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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2013 and 2012, 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.

Report on Prior Year Comparative Statements

The financial statements of PFD for the year ended 2012 were audited by other auditors, whose report dated August 29, 2013, expressed an unmodified opinion on those statements.

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

July 7, 2014

PARTNERS FOR DEVELOPMENT
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents:		
Funds held in United States	\$ 592,424	\$ 1,024,350
Funds held in foreign countries	<u>487,847</u>	<u>687,814</u>
Total cash and cash equivalents	1,080,271	1,712,164
Investments (Notes 2 and 12)	2,113,060	3,054,581
Grants receivable (Note 3)	934,752	2,522,726
Micro-credit loan funds receivable, net of loan loss provision (Note 4)	688,774	1,150,706
Pledges receivable	5,208	310
Advances and employee receivables, net of allowance for doubtful accounts of \$13,292 in 2013 and zero in 2012	1,025	37,609
Accrued interest	30,662	44,944
Prepaid expenses	<u>31,376</u>	<u>88,556</u>
Total current assets	<u>4,885,128</u>	<u>8,611,596</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment	26,597	26,082
Less: Accumulated depreciation	<u>(16,635)</u>	<u>(19,607)</u>
Net furniture and equipment	<u>9,962</u>	<u>6,475</u>
OTHER ASSETS		
Micro-credit loan funds receivable, net of current portion (Note 4)	817,045	125,000
Security deposit	<u>2,872</u>	<u>1,286</u>
Total other assets	<u>819,917</u>	<u>126,286</u>
 TOTAL ASSETS	 <u>\$ 5,715,007</u>	 <u>\$ 8,744,357</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 92,529	\$ 171,699
Accrued employee benefits	165,232	208,490
Micro-credit loan fund liability (Note 5)	<u>210,000</u>	<u>430,000</u>
Total current liabilities	<u>467,761</u>	<u>810,189</u>
LONG-TERM LIABILITIES		
Micro-credit loan fund liability, net of current portion (Note 5)	<u>-</u>	<u>210,000</u>
Total liabilities	<u>467,761</u>	<u>1,020,189</u>
NET ASSETS		
Unrestricted:		
Undesignated	60,043	205,325
Designated for microfinance activities	<u>1,758,051</u>	<u>1,868,413</u>
Total unrestricted net assets	1,818,094	2,073,738
Temporarily restricted (Note 7)	<u>3,429,152</u>	<u>5,650,430</u>
Total net assets	<u>5,247,246</u>	<u>7,724,168</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,715,007</u>	<u>\$ 8,744,357</u>

PARTNERS FOR DEVELOPMENT

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants (Notes 9 and 10)	\$ -	\$ 883,361	\$ 883,361
Contributions	13,708	-	13,708
PCG contract income, net of related expenditures of \$55,972 in 2013	(30,801)	-	(30,801)
Interest, investment income and loan administration fees	153,268	90,059	243,327
Other	94,662	4,714	99,376
Net assets released from donor restrictions (Note 7)	<u>3,179,741</u>	<u>(3,179,741)</u>	<u>-</u>
Total revenue and support	<u>3,410,578</u>	<u>(2,201,607)</u>	<u>1,208,971</u>
EXPENSES			
Program Services:			
Bosnia and Herzegovina	-	-	-
Cambodia Programs	610,284	-	610,284
Nigeria Programs	1,590,797	-	1,590,797
Tanzania and Other Programs	286,267	-	286,267
Benin Programs	704,610	-	704,610
Liberia Programs	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>3,191,958</u>	<u>-</u>	<u>3,191,958</u>
General and Administrative	<u>468,721</u>	<u>-</u>	<u>468,721</u>
Total expenses	<u>3,660,679</u>	<u>-</u>	<u>3,660,679</u>
Changes in net assets before other items	(250,101)	(2,201,607)	(2,451,708)
OTHER ITEMS			
Grant funds rescinded/written-off	-	-	-
Exchange rate (loss) gain	<u>(5,543)</u>	<u>(19,671)</u>	<u>(25,214)</u>
Changes in net assets	(255,644)	(2,221,278)	(2,476,922)
Net assets at beginning of year	<u>2,073,738</u>	<u>5,650,430</u>	<u>7,724,168</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,818,094</u>	<u>\$ 3,429,152</u>	<u>\$ 5,247,246</u>

See accompanying notes to financial statements.

2012		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 2,318,465	\$ 2,318,465
10,575	-	10,575
-	-	-
236,831	174,654	411,485
119,959	-	119,959
<u>5,462,779</u>	<u>(5,462,779)</u>	<u>-</u>
<u>5,830,144</u>	<u>(2,969,660)</u>	<u>2,860,484</u>
21,857	-	21,857
1,088,046	-	1,088,046
2,492,168	-	2,492,168
1,010,486	-	1,010,486
810,172	-	810,172
126	-	126
<u>5,422,855</u>	<u>-</u>	<u>5,422,855</u>
<u>723,983</u>	<u>-</u>	<u>723,983</u>
<u>6,146,838</u>	<u>-</u>	<u>6,146,838</u>
(316,694)	(2,969,660)	(3,286,354)
21,034	(21,034)	-
<u>30,821</u>	<u>-</u>	<u>30,821</u>
(264,839)	(2,990,694)	(3,255,533)
<u>2,338,577</u>	<u>8,641,124</u>	<u>10,979,701</u>
<u>\$ 2,073,738</u>	<u>\$ 5,650,430</u>	<u>\$ 7,724,168</u>

See accompanying notes to financial statements.

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 8)	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	132	522,421
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 11)	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	4,156	28,056
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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>						<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
	<u>Bosnia and Herzegovina</u>	<u>Cambodia Programs</u>	<u>Nigeria Programs</u>	<u>Tanzania and Other Programs</u>	<u>Benin Programs</u>	<u>Liberia Programs</u>			
Salaries and wages	\$ 2,483	\$ 298,073	\$ 524,179	\$ 214,833	\$ 161,701	\$ -	\$ 1,201,269	\$ 333,380	\$ 1,534,649
Payroll taxes and employee benefits (Note 8)	1,264	43,915	304,901	67,627	53,470	-	471,177	116,929	588,106
Consulting fees	-	53,995	44,388	52,515	176,218	-	327,116	29,444	356,560
Travel and program monitoring	2,607	67,383	152,982	44,938	26,026	-	293,936	95,061	388,997
Vehicle and transportation	-	49,568	119,371	53,409	2,545	-	224,893	325	225,218
Training expenses	-	385,424	235,392	123,636	12,157	-	756,609	2,701	759,310
Project equipment, supplies and micro-credit loan programs	3,146	64,504	532,693	271,653	213,568	-	1,085,564	460	1,086,024
Office and housing equipment and furniture	-	9,818	44,068	1,747	19,314	-	74,947	489	75,436
Equipment maintenance and rental	-	7,733	51,873	462	1,493	-	61,561	2,923	64,484
Accounting and legal	136	6,400	3,955	6,380	13,520	-	30,391	59,158	89,549
Depreciation	-	-	-	-	-	-	-	4,407	4,407
Office supplies	-	14,996	23,512	3,849	1,452	-	43,809	5,693	49,502
Insurance	738	8,657	31,564	4,743	1,380	-	47,082	6,896	53,978
Publications and printing	132	1,054	9,544	4,600	2,167	-	17,497	9,711	27,208
Temporary help	290	5,647	31,618	11,749	14,452	-	63,756	920	64,676
Rent (Note 11)	714	42,351	89,178	29,541	29,719	-	191,503	31,150	222,653
Utilities	-	11,176	5,026	1,288	5,389	-	22,879	-	22,879
Communications	238	11,842	50,480	1,142	8,086	6	71,794	17,175	88,969
Other	10,109	5,510	21,687	5,474	2,515	120	45,415	7,161	52,576
Bad debt expense	-	-	215,757	110,900	65,000	-	391,657	-	391,657
TOTAL	\$ 21,857	\$ 1,088,046	\$ 2,492,168	\$ 1,010,486	\$ 810,172	\$ 126	\$ 5,422,855	\$ 723,983	\$ 6,146,838

See accompanying notes to financial statements.

PARTNERS FOR DEVELOPMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,476,922)	\$ (3,255,533)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	4,416	4,407
Loss on disposal of equipment	821	-
Unrealized loss (gain) on investments	94,735	(39,258)
Bad debt expense (recovery)	(431)	391,657
(Increase) decrease in:		
Grants receivable	1,587,974	4,599,804
Pledges receivable	(4,898)	(11,672)
Advances and employee receivables	36,584	49,756
Accrued interest	14,282	8,485
Prepaid expenses	57,180	(27,250)
Security deposit	(1,586)	-
Due from related parties	-	(14,747)
(Decrease) increase in:		
Accounts payable and accrued expenses	(79,170)	49,492
Accrued employee benefits	(43,258)	26,298
Net cash (used) provided by operating activities	<u>(810,273)</u>	<u>1,781,439</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from micro-credit loan programs	1,059,316	761,247
Issuance of micro-credit loan funds receivable	(1,288,998)	(125,000)
Purchase of fixed assets	(8,724)	-
Purchase of investments	(238,018)	(2,976,052)
Sales of investments	<u>1,084,804</u>	<u>420,846</u>
Net cash provided (used) by investing activities	<u>608,380</u>	<u>(1,918,959)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made under credit agreement	<u>(430,000)</u>	<u>(430,000)</u>
Net cash used by financing activities	<u>(430,000)</u>	<u>(430,000)</u>
Net decrease in cash and cash equivalents	(631,893)	(567,520)
Cash and cash equivalents at beginning of year	<u>1,712,164</u>	<u>2,279,684</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,080,271</u>	<u>\$ 1,712,164</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 10,650</u>	<u>\$ 17,467</u>

See accompanying notes to financial statements.

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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 \$487,847 and \$687,814 of cash and cash equivalents held in foreign countries at December 31, 2013 and 2012, 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.

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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

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, 2013 and 2012, 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.

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.

PARTNERS FOR DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Bond funds	\$ 1,749,392	\$ 2,084,594
Certificates of deposit	-	690,053
Exchange-traded funds	337,262	241,546
Money market funds	<u>26,406</u>	<u>38,388</u>
TOTAL INVESTMENTS	<u>\$ 2,113,060</u>	<u>\$ 3,054,581</u>

Included in interest, investment income and loan administration fees is the following investment income for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 94,531	\$ 79,140
Unrealized (loss) gain	<u>(94,735)</u>	<u>39,258</u>
TOTAL INVESTMENT (LOSS) INCOME	<u>\$ (204)</u>	<u>\$ 118,398</u>

PARTNERS FOR DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

3. GRANTS RECEIVABLE

At December 31, 2013 and 2012, grants receivable consisted of the following:

	2013	2012
Cambodia Programs:		
Global Fund to Fight AIDS, Tuberculosis and Malaria	\$ 578,373	\$ 552,892
United States Agency for International Development	-	100,000
London School of Hygiene and Tropical Medicine	92,865	86,062
Nigeria Programs:		
Centers for Disease Control and Prevention (CDC)	52	582,557
United Nations Children's Fund	-	41,307
University of North Carolina	-	48,736
United States Agency for International Development	66,262	876,473
Benin Programs:		
United States Department of Agriculture	176,500	176,501
Tanzania Programs:		
United States Department of Agriculture (USDA) programs	20,700	58,198
TOTAL GRANTS RECEIVABLE	\$ 934,752	\$ 2,522,726

4. MICRO-CREDIT LOAN FUNDS RECEIVABLE

PFD had the following micro-credit loans receivable as of December 31, 2013 and 2012:

- 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, \$408,469 and \$785,393, based upon the December 31, 2013 and 2012 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 \$977,829 and \$484,873 at December 31, 2013 and 2012, 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%.
- 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 and \$68,593 at December 31, 2013 and 2012, respectively. 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%. The funds placed with the institution as of December 31, 2013 totaled \$104,901.

PARTNERS FOR DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

4. MICRO-CREDIT LOAN FUNDS RECEIVABLE (Continued)

- 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, 2013 and 2012, 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 \$104,470 and \$112,747 at December 31, 2013 and 2012, respectively.

The following is a schedule of loans receivable by country:

	2013	2012
Nigeria	\$ 1,386,298	\$ 1,270,266
Benin	169,567	68,593
Cambodia	200,000	200,000
Tanzania	104,470	112,747
 Total micro-credit loans receivable	 1,860,335	 1,651,606
Less: Loan loss reserve	(354,516)	(375,900)
Less: Current portion	(688,774)	(1,150,706)
 LONG-TERM PORTION OF LOANS RECEIVABLE	 \$ 817,045	 \$ 125,000

Interest and loan administration fees earned from PFD's micro-credit loan funds receivable were \$265,295 and \$293,089 for the years ended December 31, 2013 and 2012, 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.

Changes in the loan loss reserve on micro-credit loans receivable for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Loan loss reserve at the beginning of the year	\$ 375,900	\$ -
Exchange rate adjustment	(4,309)	-
Current year bad debt expense (recovery)	(17,075)	375,900
 TOTAL LOAN LOSS RESERVE AT YEAR-END	 \$ 354,516	 \$ 375,900

PARTNERS FOR DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

4. MICRO-CREDIT LOAN FUNDS RECEIVABLE (Continued)

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, 2013 and 2012:

	2013	2012
In payment status, current	\$ 1,491,182	\$ 1,380,119
In payment status, paying but behind	-	158,740
In payment status, not paying	369,153	112,747
TOTAL LOANS RECEIVABLE	\$ 1,860,335	\$ 1,651,606

The aging of the micro-credit loans receivable as of December 31, 2013 and 2012 is as follows:

	2013	2012
Current	\$ 1,553,866	\$ 1,380,119
30-59 days past due	37,608	57,880
60-90 days past due	-	181,384
Greater than 90 days	268,861	32,223
TOTAL LOANS RECEIVABLE	\$ 1,860,335	\$ 1,651,606

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 (2) 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 and 2012 was \$210,000 and \$640,000, respectively.

Following is a summary of the future required principal payments, by calendar year, as of December 31, 2013 and 2012:

	2013	2012
2013	\$ -	\$ 430,000
2014	210,000	210,000
TOTAL MICRO-CREDIT LOAN FUND LIABILITY	\$ 210,000	\$ 640,000

PARTNERS FOR DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

6. LINE OF CREDIT

PFD had a \$500,000 bank line of credit, which matured in May 2012 and was not renewed. Amounts borrowed under this agreement accrued interest at 3%. The line was secured by cash and investments held in accounts at the same financial institution.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cambodia Programs:		
Global Fund to Fight AIDS, Tuberculosis and Malaria	\$ 623,848	\$ 739,496
U.S. Agency for International Development (USAID)	-	110,026
London School of Hygiene and Tropical Medicine	116,022	71,928
Nathan Cummings Foundation	10,000	-
Benin Programs:		
United States Department of Agriculture (USDA)	2,206,133	3,038,745
Nigeria Programs:		
University of North Carolina at Chapel Hill (UNC)	-	20,290
JSI (USAID)	107,791	-
Packard Foundation Program Related Investment Income	362,397	441,315
U.S. Agency for International Development (USAID)	-	939,861
Micro-Credit Loan Program (USDA)	2,961	-
United Nations Children's Fund	-	34,195
Centers for Disease Control and Prevention	-	247,526
Tanzania Programs:		
United States Department of Agriculture (USDA)	-	7,048
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 3,429,152</u>	<u>\$ 5,650,430</u>

During 2013 and 2012, 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Benin Programs	\$ 816,270	\$ 862,021
Cambodia Programs	655,300	1,161,167
Nigeria Programs	1,701,123	2,585,538
Tanzania Programs	7,048	854,053
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,179,741</u>	<u>\$ 5,462,779</u>

PARTNERS FOR DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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 \$24,720 and \$28,187 in 2013 and 2012, respectively.

9. 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 2013. 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, 2013 and 2012, PFD had cash, property and equipment and loans receivable in various countries in Africa, Europe and Southeast Asia totaling \$2,154,419 and \$2,086,765, respectively. This represents approximately 38% and 24% of PFD's total assets as of December 31, 2013 and 2012, respectively.

10. CONCENTRATION OF REVENUE

Approximately 45% of PFD's revenue for the year ended December 31, 2013, and approximately 54% of PFD's revenue for the year ended December 31, 2012, 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.

11. LEASE COMMITMENT

PFD leases space for its principal headquarters in Silver Spring, Maryland. During 2013 a lease was in effect which was originally signed January 2001, and has been renewed every two years subsequently, with the final extension effective through January 2014. In November of 2013, PFD signed a lease for new office space for the term January 1, 2014 through December 31, 2015, and has moved to the new location subsequent to year-end. PFD also leases office space (under short-term rental agreements) in the various countries in which it conducts its activities.

PARTNERS FOR DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

11. LEASE COMMITMENT (Continued)

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

<u>Year Ending December 31,</u>	
2014	\$ 34,465
2015	<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, 2013 and 2012 was \$180,498 and \$222,653, respectively.

12. 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, 2013 and 2012.

- *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.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

PARTNERS FOR DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

12. FAIR VALUE MEASUREMENT (Continued)

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>

The table below summarizes, by level within the fair value hierarchy, PFD's investments as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2012</u>
Investments				
Mutual Funds:				
Bond funds	\$ 2,084,594	\$ -	\$ -	\$ 2,084,594
Exchange-traded funds	241,546	-	-	241,546
Money market funds	38,388	-	-	38,388
Certificates of deposit	<u>-</u>	<u>690,053</u>	<u>-</u>	<u>690,053</u>
TOTAL	<u>\$ 2,364,528</u>	<u>\$ 690,053</u>	<u>\$ -</u>	<u>\$ 3,054,581</u>

13. SUBSEQUENT EVENTS

In preparing these financial statements, PFD has evaluated events and transactions for potential recognition or disclosure through July 7, 2014, the date the financial statements were issued.