PARTNERS FOR DEVELOPMENT

Local Solutions. Sustainable Outcomes.

Financial Statements

For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

PARTNERS FOR DEVELOPMENT
December 31, 2016

Contents Page

NCheng LLP
accountants and advisors

40 Wall Street, 32nd Floor
New York, NY 10005
T 212 785 0100
F 212 785 9168
www.ncheng.com

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, 2016, 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, 2016, 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

The financial statements of Partners for Development, as of December 31, 2015, were audited by other auditors whose report dated July 11, 2016, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

NChaing, LLP

New York, New York
June 12, 2017

PARTNERS FOR DEVELOPMENT
Statement of Financial Position
As of December 31, 2016
(with comparative totals for December 31, 2015)

	2016	2015
Assets		
Current assets		
Cash - United States	$ 734,050	$ 57,180
Cash in foreign countries	242,298	216,448
Total cash and cash equivalents	976,348	273,628
Investments (Notes 3 and 11)	29,841	424,641
Grants receivable – current (Note 4)	6,665,193	5,871,129
Micro-credit loan funds receivable – current, net of loan loss provision – (Note 5)	726,650	883,389
Pledges receivable	6,756	5,727
Advances and employee receivables	19,101	1,227
Accrued interest	5,901	16,403
Prepaid expenses	29,016	42,157
Total current assets	8,458,806	7,518,301
Furniture and equipment		
Furniture and equipment	22,554	26,597
Less: Accumulated depreciation	(19,209)	(21,508)
Net, furniture and equipment	3,345	5,089
Other assets		
Grants receivable – long term (Note 4)	731,884	5,267,056
Micro-credit loan funds receivable, – long term (Note 5)	240,271	200,000
Security deposit	9,382	12,761
Total other assets	981,537	5,479,817
Total assets	$ 9,443,688	$ 13,003,207

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

PARTNERS FOR DEVELOPMENT
Statement of Financial Position
As of December 31, 2016
(with comparative totals for December 31, 2015)

	2016	2015
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 190,172	$ 114,441
Accrued employee benefits	107,459	151,221
Total liabilities	297,631	265,662
Net assets		
Unrestricted		
Undesignated	-	210,259
Designated for microfinance activities	599,118	928,000
	599,118	1,138,259
Temporarily restricted	8,546,939	11,599,286
Total liabilities and net assets	$ 9,443,688	$ 13,003,207

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

PARTNERS FOR DEVELOPMENT
Statement of Activities
For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

		Temporarily	Totals	
	Unrestricted	**restricted**	**2016**	**2015**
Support and revenue				
Support				
Grants - Notes 8 and 9	$ -	$ 393,129	$ 393,129	$ 10,740,506
Contributions	37,572	-	37,572	35,572
Interest, investment income and loan administration fees (Notes 2 and 3)	160,226	-	160,226	172,879
Recognized discount on grant	-	154,270	154,270	-
Other	43,332	-	43,332	(2,832)
Total support and revenue	241,130	547,399	788,529	10,946,125
Net assets released from restrictions	2,002,463	(2,002,463)	-	-
Total support and revenue	2,243,593	(1,455,064)	788,529	10,946,125
Expenses				
Program services				
Benin Programs	1,052,841		1,052,841	953,084
Cambodia Programs	384,420		384,420	465,457
Nigeria Programs	502,500		502,500	899,839
Other Programs	189,197		189,197	184,857
	2,128,958		2,128,958	2,503,237
Supporting services				
Management and general	319,894		319,894	376,689
Total expenses	2,448,852		2,448,852	2,879,926
Change in net assets before other item	(205,259)	(1,455,064)	(1,660,323)	8,066,199
Other item				
Monetization adjustment	-	(1,532,068)	(1,532,068)	-
Foreign currency exchange loss	(333,882)	(65,215)	(399,097)	(132,314)
Change in net assets	(539,141)	(3,052,347)	(3,591,488)	7,933,885
Net assets, beginning of year	1,138,259	11,599,286	12,737,545	4,803,660
Net Assets, end of year	$ 599,118	$ 8,546,939	$ 9,146,057	$ 12,737,545

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

PARTNERS FOR DEVELOPMENT
Statement of Functional Expenses
For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

	Program services					Supporting services	Total program and supporting services	
	Benin programs	Cambodia programs	Nigeria programs	Other programs	Total programs	Management and general	2016	2015
Salaries	$ 344,352	$ 192,823	$ 124,258	$ 73,216	$ 734,649	$ 127,485	$ 862,134	$ 894,990
Payroll taxes and benefits	108,979	23,366	106,743	25,757	264,845	47,719	312,564	292,060
Total personnel services	453,331	216,189	231,001	98,973	999,494	175,204	1,174,698	1,187,050
Consulting fees	145,087	43,983	24,888	54,228	268,186	39,591	307,777	139,599
Travel and program monitoring	27,847	30,200	66,044	19,502	143,593	31,292	174,885	302,268
Vehicle and transportation	20,794	3,739	33,066	-	57,599	-	57,599	63,590
Training expenses	10,500	18,783	674	-	29,957	106	30,063	199,828
Project equipment, supplies and micro- credit loan programs	301,889	22,642	36,722	9,268	370,521	-	370,521	523,452
Office and housing equipment and furniture	20,011	1,023	14,663	1,339	37,036	248	37,284	51,383
Equipment maintenance and rental	1,842	3,080	5,514	-	10,436	1,856	12,292	16,338
Accounting and legal	-	-	-	-	-	-	-	72,173
Depreciation	-	-	-	-	-	1,745	1,745	1,745
Office supplies	5,642	4,763	7,697	-	18,102	3,346	21,448	21,849
Insurance	4,824	3,851	12,447	-	21,122	5,636	26,758	29,192
Publications and printing	1,338	125	1,177	15	2,655	11,564	14,219	21,301
Temporary help	16,989	-	16,107	-	33,096	-	33,096	46,531
Rent (Note 9)	26,174	21,683	37,026	-	84,883	37,022	121,905	133,679
Utilities	6,521	6,827	1,623	-	14,971	-	14,971	14,091
Communications	6,765	4,712	11,706	5,842	29,025	12,284	41,309	54,717
Other	3,287	2,820	2,145	30	8,282	-	8,282	14,683
Bad debt expense (recovery)								(13,543)
Total	$ 1,052,841	$ 384,420	$ 502,500	$ 189,197	$ 2,128,958	$ 319,894	$ 2,448,852	2,879,926

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

PARTNERS FOR DEVELOPMENT
Statement of Cash Flows
For the year ended December 31, 2016,
(with comparative totals for year ended December 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (3,591,488)	$ 7,933,885
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	(2,299)	1,745
Unrealized loss (gain) on investments	(1,855)	38,672
Realized gains	8,864	-
Bad debt expense (recovery)	-	(13,543)
Change in grants receivable	3,741,108	(9,618,176)
Change in pledges receivable	(1,029)	(2,078)
Change in advances and employee receivables	(217,874)	504
Change in accrued interest	10,502	2,192
Change in prepaid expenses	13,141	18,942
Change in security deposits	3,379	(2,940)
Change in accounts and accrued expenses payable	75,731	23,062
Change in accrued employee benefits	(43,762)	(11,556)
Net cash used by operating activities	(5,582)	(1,629,291)
Cash flows from investment activities		
Net proceeds from micro-credit loan programs	316,468	69,044
Purchase of investments	-	(1,000,715)
Sales of investments	387,791	1,985,545
Disposal of fixed assets	4,043	-
Net cash provided by investment activities	708,302	1,053,874
Net increase/(decrease) in cash and cash equivalents	702,720	(575,417)
Cash, beginning of year	273,628	849,045
Cash, end of year	$ 976,348	$ 273,628

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

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, 2015, 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 $242,298 and $216,448 of cash and cash equivalents held in foreign countries at December 31, 2016 and 2015, respectively. The majority of all funds held in foreign countries are uninsured. Such amounts are reflected as cash 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 are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five years.

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 losses from foreign currency totaled $399,097 for the year ended December 31, 2016 and $132,314 for the year ended December 31, 2015.

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, 2016 and 2015, 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, 2013 and subsequent years remain subject to examination by the tax authorities.

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 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.

Note 2 Significant accounting policies - (continued)

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 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.

Note 3 Investments

Investments consisted of the following at December 31, 2016 and 2015:

	2016	2015
Bond funds	$ 28,446	$ 417,727
Money market funds	1,395	6,914
Total investments	$ 29,841	$ 424,641

Included in interest, investment income and loan administration fees is the following investment income for the years ended December 31, 2016 and 2015:

	2016	2015
Interest and dividends	$ 2,978	$ 34,205
Realized gains	8,864	-
Unrealized gain/(loss)	1,855	(38,672)
Total investment income/(loss)	$ 13,697	$ (4,467)

Note 4 Grants receivable

As of December 31, 2016 and 2015, contributors to PFD have made written promises to give totaling $7,392,077 and $11,338,009, 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 early 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 2017 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 $8.982 million. As of this point in time, PFD's management has revised the monetization estimate resulting in an adjustment of $1,532,068. This amount is included in the Statement of Position as a reduction to Grants Receivable.

Note 4 Grants receivable – (continued)

Grants are due as follows at December 31, 2016 and 2015:

	2016	2015
Less than one year	$ 8,242,814	$ 5,871,129
One to five years	731,884	5,466,880
Total	8,974,698	11,338,009
Less: monetization adjustment	(1,532,068)	-
Less: allowance to discount balance to present value	(45,553)	(199,824)
Total grants receivable	$ 7,397,077	$ 11,138,185

At December 31, 2016 and 2015, grants receivable consisted of the following:

	2016	2015
Cambodia programs		
United Nations Office for Project Services	$ -	$ 164,258
Global Fund to Fight AIDS, Tuberculosis and Malaria	697,710	900,815
London School of Hygiene and Tropical Medicine	-	71,060
Benin programs		
United States Department of Agriculture (net of monetization adjustment of $1,532,068 as of December 31, 2016 and discounts of $45,553 and $199,824 as of December 31, 2016 and 2015, respectively	6,699,367	10,002,052
Total grants receivable	$ 7,397,077	$ 11,138,185

Note 5 Micro credit loan funds receivable

PFD had the following micro-credit loans receivable as of December 31, 2016 and 2015:

- 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, $120,253 and $184,409, based upon the December 31, 2016 and 2015, 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, 2016 and 2015, a reserve of $105,356 and $162,063, 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 $511,753 and $787,205 at December 31, 2016 and 2015, respectively. The agreement with the institution which matures on September 9, 2016, was extended for another year ending September 9, 2017, 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 significant decline in the Naira, the local currency of Nigeria, PFD has recorded a loss of $275,452 during the year ending December 31, 2016 compared to $70,587 loss for the year ended December 31, 2015.

- 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 $61, 251 and $64,666 at both December 31, 2016 and 2015. 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 2013, Benin placed local currency with a financial institution to be repaid to PFD in June 2014 with an annual interest rate of 3%. This agreement was extended to March 2016. The funds placed with the institution as of December 31, 2016 and 2015, totaled $2,230 and $62,980, 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 to be repaid by December 2, 2017. The funds placed with the institution in Cambodia totaled $200,000 and $200,000 at December 31, 2016 and 2015, respectively.

Note 5 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 and $43,152 at December 31, 2016 and 2015, respectively.

- 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:

	2016	2015
Nigeria	$ 632,006	$ 971,614
Benin	303,752	127,646
Cambodia	200,000	200,000
Tanzania	35,829	43,152
Total micro-credit loans receivable	$1,171,587	1,342,412
Less: Loan loss reserve	(204,666)	(259,023)
Less: Current portion	(726,650)	(883,389)
Long term portion of loans receivable	$ 240,271	$ 200,000

Interest and loan administration fee earned from PFD’s micro-credit loan funds receivable were $146,529 and $169,005 for the years ended December 31, 2016 and 2015, 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.

Note 5 Micro credit loan funds receivable - (continued)

Changes in the loan loss reserve on micro credit loans receivable for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Loan loss reserve at the beginning of the year	$ 259,023	$ 288,360
Amounts directly written off	-	(1,244)
Exchange rate adjustment	(54,357)	(14,550)
Current year bad debt (recovery) expense	-	(13,543)
Total loan loss reserve at year-end	$ 204,666	$ 259,023

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, 2016 and 2015:

	2016	2015
Payment status, current	$ 966,921	$ 1,072,531
Payment status, paying but behind	99,310	107,818
Payment status, not paying	105,356	162,063
Total loans receivable	$ 1,171,587	$ 1,342,412

The aging of the micro-credit loans receivable as of December 31, 2016 and 2015 is as follows:

	2016	2015
Current	$ 966,921	$ 1,072,531
Greater than 90 days	204,666	269,881
Total loans receivable	$ 1,171,587	$ 1,342,412

Note 6 Temporarily restricted net assets

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	2016	2015
Cambodia programs		
United Nations Office for Project Services	$ 37,818	$ 208,275
Global Fund to Fight AIDS, Tuberculosis and Malaria	703,575	901,652
Cambodia	-	2,500
Benin programs		
United States Department of Agriculture	7,738,188	10,370,629
Nigeria programs		
JSI (USAID)	901	901
Micro credit loan program (USDA)	17,586	17,586
UNICEF	48,871	97,743
Total temporarily restricted net assets	$ 8,546,939	$ 11,599,286

Note 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 $26,690 and $23,064 in 2016 and 2015, respectively.

Note 8 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.

Note 8 Contingencies – (continued)

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, 2016 and 2015, PFD had cash, property and equipment and loans receivable in various countries in Africa, Europe and Southeast Asia totaling $1,256,005 and $1,373,389, respectively. This represents approximately 11% and 37% of PFD's total assets as of December 31, 2016 and 2015, respectively.

Note 9 Concentration of revenue

Approximately 96% of PFD's revenue for the year ended December 31, 2016, and approximately 92% of PFD's revenue for the year ended December 31, 2015, 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.

Note 10 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,	
2017	$ 41,600
2018	42,848
2019	10,712
Total	$ 95,160

Rent expense (including the rent paid on short-term rental agreements in foreign countries) for the years ended December 31, 2016 and 2015 was $121,905 and $133,679, respectively.

Note 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.

Note 11 Fair value measurement – (continued)

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, 2016 and 2015.

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, 2016:

	Level 1	Level 2	Level 3	Total 2016
Investments				
Mutual funds				
Bond funds	$ 28,446	$ -	$ -	$ 28,446
Money market funds	1,395	-	-	1,395
Total	$ 29,841	$ -	$ -	$ 29,841

The table below summarizes, by level within the fair value hierarchy, PFD's investments as of December 31, 2015:

	Level 1	Level 2	Level 3	Total 2015
Investments				
Mutual funds				
Bond funds	$ 417,727	$ -	$ -	$ 417,727
Money market funds	6,914	-	-	6,914
Total	$ 424,641	$ -	$ -	$ 424,641

Note 12 Subsequent events

PFD has evaluated events and transactions for available to be potential recognition or disclosure through June 12, 2017, the date the financial statements were issued.

Note 13 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, 2016, PFD has recognized $15,243 of revenue from this grant in the statement of activities.