



Financial Statements

For the year ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

PARTNERS FOR DEVELOPMENT
Financial Statements
December 31, 2018

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Independent Auditors' Report

To the Board of Directors of
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, 2018, 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 auditors' 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2018. In our opinion, the summarized comparative information present herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in blue ink that reads "NChing LLP".

New York, New York
July 18, 2019

PARTNERS FOR DEVELOPMENT**Statement of Financial Position**

As of December 31, 2018

(with comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets		
Cash - United States	\$ 258,018	\$ 506,173
Cash in foreign countries	468,189	343,450
Total cash and cash equivalents	726,207	849,623
Investments (Notes 4 and 5)	2,136,768	3,486,902
Grants receivable – current (Note 6)	4,570,613	2,185,903
Micro-credit loan funds receivable – current, net of loan loss provision – (Note 7)	773,530	724,492
Pledges receivable	2,800	3,426
Advances and employee receivables	41,430	26,674
Prepaid expenses	28,322	44,757
Total current assets	<u>8,279,670</u>	<u>7,321,777</u>
Furniture and equipment		
Furniture and equipment	176,777	123,970
Less: accumulated depreciation	<u>(61,997)</u>	<u>(30,432)</u>
Net, furniture and equipment	<u>114,780</u>	<u>93,538</u>
Other assets		
Grants receivable – long term (Note 6)	243,962	454,435
Micro-credit loan funds receivable, – long term (Note 7)	574,689	601,927
Security deposit	141,086	10,222
Total other assets	<u>959,737</u>	<u>1,066,584</u>
Total assets	<u>\$ 9,354,187</u>	<u>\$ 8,481,899</u>

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

PARTNERS FOR DEVELOPMENT
Statement of Financial Position – (continued)
As of December 31, 2018
(with comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 223,633	\$ 81,510
Accrued employee benefits	<u>182,995</u>	<u>146,777</u>
Total current liabilities	<u>406,628</u>	<u>228,287</u>
Net assets		
Without donor restrictions	915,608	745,981
With donor restrictions	<u>8,031,951</u>	<u>7,507,631</u>
Total net assets	<u>8,947,559</u>	<u>8,253,612</u>
Total liabilities and net assets	<u>\$ 9,354,187</u>	<u>\$ 8,481,899</u>

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

PARTNERS FOR DEVELOPMENT**Statement of Activities**

For the year ended December 31, 2018

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
<u>Support and revenue</u>				
Support				
Grants - Notes 8 and 11	\$ 1,214,584	\$ 1,695,171	\$ 2,909,755	\$ 1,430,809
Contributions	56,058	-	56,058	19,244
Interest, investment income and loan administration fees (Notes 4 and 7)	168,445	(45,383)	123,062	230,157
Recognized discount on grant	-	19,608	19,608	18,048
Other	103,392	-	103,392	44,901
Total support and revenue	<u>1,542,479</u>	<u>1,669,396</u>	<u>3,211,875</u>	<u>1,743,159</u>
Net assets released from restrictions	<u>2,618,219</u>	<u>(2,618,219)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,160,698</u>	<u>(948,823)</u>	<u>3,211,875</u>	<u>1,743,159</u>
<u>Expenses</u>				
Program services				
Benin Programs	1,357,422		1,357,422	1,017,403
Nigeria Programs	1,763,500		1,763,500	829,133
Cambodia Programs	349,452		349,452	483,524
Other Programs	2,302		2,302	10,851
	<u>3,472,676</u>		<u>3,472,676</u>	<u>2,340,911</u>
Supporting services				
Management and general	<u>523,651</u>		<u>523,651</u>	<u>353,906</u>
Total expenses	<u>3,996,367</u>		<u>3,996,367</u>	<u>2,694,817</u>
Change in net assets before other	164,331	(948,823)	(784,492)	(951,658)
Other item				
Monetization adjustment	-	1,532,068	1,532,068	-
Foreign currency exchange	<u>5,296</u>	<u>(58,925)</u>	<u>(53,629)</u>	<u>59,213</u>
Change in net assets	169,627	524,320	693,947	(892,445)
Net assets, beginning of year	<u>745,981</u>	<u>7,507,631</u>	<u>8,253,612</u>	<u>9,146,057</u>
Net assets, end of year	<u>\$ 915,608</u>	<u>\$ 8,031,951</u>	<u>\$ 8,947,559</u>	<u>\$ 8,253,612</u>

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

PARTNERS FOR DEVELOPMENT

Statement of Functional Expenses

For the year ended December 31, 2018

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

	<u>Program services</u>					<u>Supporting services</u>	<u>Total program and supporting services</u>	
	<u>Benin programs</u>	<u>Cambodia programs</u>	<u>Nigeria programs</u>	<u>Other programs</u>	<u>Total programs</u>	<u>Management and general</u>	<u>2018</u>	<u>2017</u>
Salaries	\$ 339,343	\$ 141,861	\$ 308,228	\$ 2,120	\$ 791,552	\$ 167,135	\$ 958,687	\$ 861,809
Payroll taxes and benefits	128,482	44,229	170,199	48	342,958	75,454	418,412	301,051
Total personnel services	<u>467,825</u>	<u>186,090</u>	<u>478,427</u>	<u>2,168</u>	<u>1,134,510</u>	<u>242,589</u>	<u>1,377,099</u>	<u>1,162,860</u>
Consulting fees	110,709	2,000	7,801	-	120,510	72,473	192,983	166,529
Travel and program monitoring	60,516	13,180	157,713	-	231,409	55,202	286,611	196,345
Vehicle and transportation	45,103	3,472	58,388	-	106,963	8,534	115,497	145,956
Training expenses	160,026	60,302	127,738	-	348,066	1,131	349,197	304,091
Project equipment, supplies and micro- credit loan programs	503,810	36,283	778,086	-	1,318,179	128	1,318,307	372,259
Office and housing equipment and furniture	6,947	3,751	23,696	-	34,394	7,212	41,606	30,516
Equipment maintenance and rental	2,986	584	7,867	-	11,437	2,932	14,369	27,067
Accounting and legal	9,000	-	-	-	9,000	43,506	52,506	54,085
Depreciation	16,485	-	13,480	-	29,965	1,600	31,565	11,223
Office supplies	6,578	1,501	16,808	49	24,936	7,325	32,261	23,181
Insurance	13,702	4,004	19,399	-	37,105	6,354	43,459	39,666
Publications and printing	14,981	389	8,858	-	24,228	5,375	29,603	25,322
Temporary help	23,133	-	14,448	-	37,581	1,326	38,907	35,833
Rent	27,589	23,072	40,859	-	91,520	44,685	136,205	125,022
Utilities	30,286	8,203	3,222	-	41,711	349	42,060	18,241
Communications	16,087	4,082	19,879	-	40,048	20,190	60,238	42,112
Other	11,530	2,579	3,738	85	17,932	2,740	20,672	22,879
Bad debt expense (recovery)	(2,797)	-	-	-	(2,797)	-	(2,797)	(6,954)
Total expense before capitalization	1,524,496	349,492	1,780,407	2,302	3,656,697	523,651	4,180,348	\$ 2,796,233
Equipment, deposits and capitalization	(167,074)	-	(16,907)	-	(183,981)	-	(183,981)	(101,416)
Total expense, net of capitalization	<u>\$ 1,357,422</u>	<u>\$ 349,492</u>	<u>\$ 1,763,500</u>	<u>\$ 2,302</u>	<u>\$ 3,472,716</u>	<u>\$ 523,651</u>	<u>\$ 3,996,367</u>	<u>\$ 2,694,817</u>

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

PARTNERS FOR DEVELOPMENT**Statement of Cash Flows**

For the year ended December 31, 2018,
(with comparative totals for year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 693,947	\$ (892,445)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	31,565	11,223
Unrealized (loss)/gain on investments	116,223	(29,405)
Realized loss/gain	35,965	13,504
Bad debt expense (recovery)	(2,797)	(6,954)
Change in grants receivable	(2,171,440)	4,749,785
Change in pledges receivable	626	3,330
Change in advances and employee receivables	(14,756)	192,427
Change in prepaid expenses	15,973	(15,741)
Change in security deposits	310	(840)
Change in accounts and accrued expenses payable	142,585	(108,662)
Change in accrued employee benefits	36,218	39,318
Net cash (used in)/provided by operating activities	<u>(1,115,581)</u>	<u>3,955,540</u>
Cash flows from investment activities		
Net proceeds from micro-credit loan programs	-	200,000
Disbursement for micro-credit loan programs	(21,800)	(753,597)
Purchase of investments	-	(3,452,237)
Sales of investments	1,197,946	24,985
Deposit on equipment	(131,174)	-
Purchase of fixed assets	(52,807)	(101,416)
Net cash provided by/(used in) investment activities	<u>992,165</u>	<u>(4,082,265)</u>
Net decrease in cash and cash equivalents	(123,416)	(126,725)
Cash, beginning of year	<u>849,623</u>	<u>976,348</u>
Cash, end of year	<u>\$ 726,207</u>	<u>\$ 849,623</u>

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

PARTNERS FOR DEVELOPMENT

Notes to the Financial Statements

December 31, 2018 and 2017

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, 2017, 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 \$468,189 and \$343,450 of cash and cash equivalents held in foreign countries at December 31, 2018 and 2017, 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 the Financial Statements

December 31, 2018 and 2017

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 \$53,589 for the year ended December 31, 2018 and (\$59,213) for the year ended December 31, 2017.

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, 2018 and 2017, 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, 2015 and subsequent years remain subject to examination by the tax authorities.

Net asset classification. The net assets are reported as follows:

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

PARTNERS FOR DEVELOPMENT

Notes to the Financial Statements

December 31, 2018 and 2017

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 cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management. The ratios are based on the share of the program of the overall management expenses, excluding staff who are directly charged to specific programs.

The expenses that are allocated include the following:

Expense	Method of allocation
Salaries	Time and effort
Payroll taxes and benefits	Time and effort
Occupancy expenses	Square footage

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 the Financial Statements

December 31, 2018 and 2017

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 events through July 18, 2019, 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

Change in accounting principle. On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

PARTNERS FOR DEVELOPMENT

Notes to the Financial Statements

December 31, 2018 and 2017

Note 3 Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2018</u>
Cash and cash equivalent	\$ 726,207
Micro-credit loan funds receivable	<u>194,401</u>
Total liquid and available financial assets	<u>\$ 920,608</u>

Note 4 Investments

Investments consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalent	\$ 8,470	\$ 17,342
Money market funds	122,756	250,278
Fixed Income	108,978	1,677,927
Mutual funds (bonds)	933,285	667,979
Equities	<u>963,279</u>	<u>873,376</u>
Total investments	<u>\$ 2,136,768</u>	<u>\$ 3,486,902</u>

Included in interest, investment income and loan administration fees is the following investment income for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 106,805	\$ 41,160
Realized (loss)/gain	(35,965)	13,504
Unrealized (loss)/gain	<u>(116,223)</u>	<u>29,406</u>
Total investment (loss)/income	<u>\$ (45,383)</u>	<u>\$ 84,070</u>

PARTNERS FOR DEVELOPMENT

Notes to the Financial Statements

December 31, 2018 and 2017

Note 5 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, 2018 and 2017.

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.

The table below summarizes, by level within the fair value hierarchy, PFD's investments as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and cash equivalent	\$ -	\$ -	\$ -	\$ 8,470
Money market funds	-	-	-	122,756
Fixed Income	108,978	-	-	108,978
Mutual Funds (Bond)	933,285	-	-	933,285
Equities	963,279	-	-	963,279
Total	<u>\$ 2,005,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,136,768</u>

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</u>
Investments				
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	873,376	-	-	873,376
Total	<u>\$ 1,541,355</u>	<u>\$ 1,677,927</u>	<u>\$ -</u>	<u>\$ 3,486,902</u>

PARTNERS FOR DEVELOPMENT

Notes to the Financial Statements

December 31, 2018 and 2017

Note 6 Grants receivable

As of December 31, 2018 and 2017, PFD outstanding contribution receivable amounted to \$4,814,575 and \$2,640,338, respectively. Amounts due in more than one year have been recorded at the present value 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 2018 and 2017, PFD made three separate sales of rice which together brought in \$6,287,225. PFD believes it will make at least two more sale of rice in calendar year 2019 which should generate an estimated in excess \$2 million in additional proceeds and which would generate total estimated proceeds of about \$9 million, or 100% percent of the original (September 2015) estimate of \$8.98 million. PFD's management has revised the monetization estimate resulting in a reversal of previous reserve. As of December 31, 2018 and 2017 monetization reserve amounted to \$0 and \$1,532,068.

Grants are due as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 4,584,493	\$ 3,751,459
One to five years	<u>243,962</u>	<u>454,435</u>
Total	4,828,455	4,205,894
Less: monetization adjustment	-	(1,532,068)
Less: allowance to discount balance to present value	<u>(13,880)</u>	<u>(33,488)</u>
Total grants receivable	<u>\$ 4,814,575</u>	<u>\$ 2,640,338</u>

At December 31, 2018 and 2017, grants receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
Cambodia program		
Global Fund to Fight AIDS, Tuberculosis and	\$ 1,347,887	\$ 210,341
Nigeria program		
UNICEF	32,286	336,134
Benin program		
United States Department of Agriculture (net of discounts of \$13,880 and \$33,488 as of December 31, 2018 and 2017, respectively)	3,434,402	2,093,863
Total grants receivable	<u>\$ 4,814,575</u>	<u>\$ 2,640,338</u>

PARTNERS FOR DEVELOPMENT

Notes to the Financial Statements

December 31, 2018 and 2017

Note 7 Micro credit loan funds receivable

PFD had the following micro-credit loans receivable as of December 31, 2018 and 2017:

- 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, \$126,719 and \$119,697, based upon the December 31, 2018 and 2017, 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, 2018 and 2017, a reserve of \$103,942, and \$104,281, respectively, has been record against these receivable amounts.
- During 2010 and 2011, 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 \$518,465 and \$506,535 at December 31, 2018 and 2017, 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 gain of \$4,501 during the year ending December 31, 2017 compared to a loss \$1,639 for the year ended December 31, 2018.
- 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 \$53,730 and \$59,068 at both December 31, 2018 and 2017. 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 a financial institution 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, 2018 and 2017.
- 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 \$- and \$35,829 at December 31, 2018 and 2017, respectively.

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Notes to the Financial Statements

December 31, 2018 and 2017

Note 7 Micro credit loan funds receivable - (continued)

- During 2017, 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>2018</u>	<u>2017</u>
Nigeria	\$ 661,467	\$ 626,232
Benin	644,424	660,995
Cambodia	200,000	200,000
Tanzania	<u>-</u>	<u>35,829</u>
Total micro-credit loans receivable	1,505,891	1,523,056
Less: Loan loss reserve	(157,672)	(196,637)
Less: Current portion	<u>(773,530)</u>	<u>(724,492)</u>
Long term portion of loans receivable	<u>\$ 574,689</u>	<u>\$ 601,927</u>

Interest and loan administration fee earned from PFD's micro-credit loan funds receivable were \$168,445 and \$146,087 for the years ended December 31, 2018 and 2017, 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.

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

	<u>2018</u>	<u>2017</u>
Loan loss reserve at the beginning of the year	\$ 204,666	\$ 204,666
Exchange rate adjustment	(11,165)	(1,075)
Current year bad debt (recovery) expense	<u>(35,829)</u>	<u>(6,954)</u>
Total loan loss reserve at year-end	<u>\$ 157,672</u>	<u>\$ 196,637</u>

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December 31, 2018 and 2017

Note 7 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,

	<u>2018</u>	<u>2017</u>
Payment status, current	\$ 1,279,575	\$ 1,308,462
Payment status, paying but behind	2,426	2,541
Payment status, not paying	<u>223,890</u>	<u>212,053</u>
Total loans receivable	<u>\$ 1,505,891</u>	<u>\$ 1,523,056</u>

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

	<u>2018</u>	<u>2017</u>
Current	\$ 1,279,575	\$ 1,308,462
Greater than 90 days	<u>226,316</u>	<u>214,594</u>
Total loans receivable	<u>\$ 1,505,891</u>	<u>\$ 1,523,056</u>

Note 8 Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cambodia programs		
United Nations Office for Project Services	\$ -	\$ 62,505
Global Fund to Fight AIDS, Tuberculosis and Malaria	1,207,633	164,557
IPC	348,882	
Benin programs		
United States Department of Agriculture	6,388,376	6,692,115
Nigeria programs		
JSI (USAID)	901	901
WADA (USAID)	76,231	51,847
Micro credit loan program (USDA)	-	-
UNICEF	<u>9,928</u>	<u>535,706</u>
Total net assets with donor restrictions	<u>\$ 8,031,951</u>	<u>\$ 7,507,631</u>

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Notes to the Financial Statements

December 31, 2018 and 2017

Note 9 Retirement benefit plan

PFD has a defined contribution retirement plan, which covers all employees who meet certain eligibility requirements. The plan requires that PFD contribute seven percent of each eligible employee's annual salary to the plan. Contributions to the plan are immediately vested. Total retirement plan expense was \$22,316 and \$21,476 in 2018 and 2017, respectively.

Note 10 Contingencies

Government funding. PFD receives grants from various agencies of the United States Government. For fiscal years through December 31, 2018, 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 2018. 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, 2018 and 2017, PFD had cash, property and equipment and loans receivable in various countries in Africa, Europe and Southeast Asia totaling \$2,918,954 and \$1,820,894, respectively. This represents approximately 31% and 21% of PFD's total assets as of December 31, 2018 and 2017, respectively.

Note 11 Concentration of revenue

Approximately 21% of PFD's revenue for the year ended December 31, 2018, and approximately 22% of PFD's revenue for the year ended December 31, 2017, 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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Notes to the Financial Statements

December 31, 2018 and 2017

Note 12 Lease commitment

In January 2017, 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,	
2019	<u>10,712</u>
Total	<u>\$ 10,712</u>

Rent expense (including the rent paid on short-term rental agreements in foreign countries) for the years ended December 31, 2018 and 2017 were \$136,205 and \$125,022, respectively.

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, 2018 and 2017, PFD has recognized \$1,207,441 and \$744,069, respectively, of revenue from this grant in the statement of activities.