

**FINANCIAL STATEMENTS**

**PARTNERS FOR DEVELOPMENT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008**

# PARTNERS FOR DEVELOPMENT

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of Partners for Development (PFD) as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of PFD's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

July 9, 2010

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

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**PARTNERS FOR DEVELOPMENT**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2009 AND 2008**

**ASSETS**

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Funds held in United States	\$ 2,602,697	\$ 885,788
Funds held in foreign countries	<u>1,162,394</u>	<u>2,314,139</u>
Total cash and cash equivalents	<u>3,765,091</u>	<u>3,199,927</u>
Investments (Notes 4 and 13)	2,891,683	5,717,863
Grants receivable (Note 8)	3,624,191	2,659,765
Accounts receivable	297,108	165,118
Travel advances	1,046	640
Prepaid expenses	<u>42,694</u>	<u>191,247</u>
Total current assets	<u>10,621,813</u>	<u>11,934,560</u>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	34,810	35,199
Less: Accumulated depreciation	<u>(15,112)</u>	<u>(34,823)</u>
Net furniture and equipment	<u>19,698</u>	<u>376</u>
<b>OTHER ASSETS</b>		
Micro-credit loan funds receivable (Note 2)	3,086,788	2,011,987
Security deposit	<u>1,286</u>	<u>1,286</u>
Total other assets	<u>3,088,074</u>	<u>2,013,273</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,729,585</u></b>	<b><u>\$ 13,948,209</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 102,700	\$ 97,532
Accrued employee benefits	130,883	159,128
Micro-credit loan fund liability (Note 3)	<u>1,500,000</u>	<u>-</u>
Total current liabilities	<u>1,733,583</u>	<u>256,660</u>
<b>NET ASSETS</b>		
Unrestricted	189,901	118,357
Temporarily restricted (Note 6)	<u>11,806,101</u>	<u>13,573,192</u>
Total net assets	<u>11,996,002</u>	<u>13,691,549</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 13,729,585</u></b>	<b><u>\$ 13,948,209</u></b>

See accompanying notes to financial statements.

**PARTNERS FOR DEVELOPMENT**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>2009</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Grants (Note 9)	\$ -	\$ 3,567,781	\$ 3,567,781
Contributions	16,885	-	16,885
Interest and investment income	162,526	317,497	480,023
Donated goods and services (Note 12)	-	-	-
Other	24,247	17,608	41,855
Net assets released from donor restrictions (Note 6)	<u>5,827,698</u>	<u>(5,827,698)</u>	<u>-</u>
Total revenue and support	<u>6,031,356</u>	<u>(1,924,812)</u>	<u>4,106,544</u>
<b>EXPENSES</b>			
Program Services:			
Bosnia Programs	1,546,764	-	1,546,764
Cambodia Programs	750,708	-	750,708
Nigeria Programs	1,475,657	-	1,475,657
Tanzania Programs	<u>1,474,875</u>	<u>-</u>	<u>1,474,875</u>
Total program services	<u>5,248,004</u>	<u>-</u>	<u>5,248,004</u>
General and Administrative	<u>743,986</u>	<u>-</u>	<u>743,986</u>
Total expenses	<u>5,991,990</u>	<u>-</u>	<u>5,991,990</u>
Changes in net assets before other items	39,366	(1,924,812)	(1,885,446)
<b>OTHER ITEMS</b>			
Grant funds rescinded/written off	(17,378)	-	(17,378)
Exchange rate gain (loss)	<u>49,556</u>	<u>157,721</u>	<u>207,277</u>
Changes in net assets	71,544	(1,767,091)	(1,695,547)
Net assets at beginning of year	<u>118,357</u>	<u>13,573,192</u>	<u>13,691,549</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 189,901</u></b>	<b><u>\$ 11,806,101</u></b>	<b><u>\$ 11,996,002</u></b>

See accompanying notes to financial statements.

<b>2008</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ -	\$ 9,111,950	\$ 9,111,950
15,225	-	15,225
143,700	130,164	273,864
35,770	-	35,770
51,749	269,850	321,599
<u>3,961,594</u>	<u>(3,961,594)</u>	<u>-</u>
<u>4,208,038</u>	<u>5,550,370</u>	<u>9,758,408</u>
1,407,279	-	1,407,279
758,475	-	758,475
1,122,294	-	1,122,294
<u>276,608</u>	<u>-</u>	<u>276,608</u>
<u>3,564,656</u>	<u>-</u>	<u>3,564,656</u>
<u>522,104</u>	<u>-</u>	<u>522,104</u>
<u>4,086,760</u>	<u>-</u>	<u>4,086,760</u>
121,278	5,550,370	5,671,648
-	-	-
<u>(13,719)</u>	<u>(435,350)</u>	<u>(449,069)</u>
107,559	5,115,020	5,222,579
<u>10,798</u>	<u>8,458,172</u>	<u>8,468,970</u>
<u>\$ 118,357</u>	<u>\$ 13,573,192</u>	<u>\$ 13,691,549</u>

See accompanying notes to financial statements.

## PARTNERS FOR DEVELOPMENT

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services				Total	General and Administrative	Total Expenses
	Bosnia Programs	Cambodia Programs	Nigeria Programs	Tanzania Programs			
Salaries and wages	\$ 102,715	\$ 302,370	\$ 277,250	\$ 109,619	\$ 791,954	\$ 264,508	\$ 1,056,462
Payroll taxes and employee benefits (Note 7)	47,913	46,631	262,839	31,147	388,530	83,747	472,277
Consulting fees	3,242	3,207	11,474	71,079	89,002	92,065	181,067
Travel and program monitoring	6,175	55,410	92,271	30,154	184,010	113,660	297,670
Vehicle and transportation	6,372	29,504	64,786	80,422	181,084	433	181,517
Training expenses	-	163,285	57,203	409	220,897	7,592	228,489
Project equipment, supplies and micro-credit loan programs	1,327,179	6,194	375,573	1,078,607	2,787,553	784	2,788,337
Office and housing equipment and furniture	167	13,359	46,919	15,128	75,573	13,839	89,412
Equipment maintenance and rental	470	1,483	33,048	2,638	37,639	3,739	41,378
Accounting and legal	158	17,578	6,241	5,335	29,312	70,392	99,704
Depreciation	-	-	-	-	-	2,717	2,717
Office supplies	2,577	6,803	15,111	2,041	26,532	7,213	33,745
Insurance	5,000	5,109	30,180	1,125	41,414	7,213	48,627
Publications and printing	323	1,273	12,104	7,953	21,653	5,580	27,233
Temporary help	5,059	187	31,586	875	37,707	195	37,902
Rent (Note 11)	32,631	44,116	102,688	28,940	208,375	31,765	240,140
Utilities	3,711	12,801	4,264	571	21,347	171	21,518
Communications	2,802	23,002	36,441	3,565	65,810	31,018	96,828
Other	270	18,396	15,679	5,267	39,612	7,355	46,967
<b>TOTAL</b>	<b>\$1,546,764</b>	<b>\$ 750,708</b>	<b>\$1,475,657</b>	<b>\$1,474,875</b>	<b>\$5,248,004</b>	<b>\$ 743,986</b>	<b>\$ 5,991,990</b>

See accompanying notes to financial statements.

## PARTNERS FOR DEVELOPMENT

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services				Total	General and Administrative	Total Expenses
	Bosnia Programs	Cambodia Programs	Nigeria Programs	Tanzania Programs			
Salaries and wages	\$ 279,505	\$ 319,922	\$ 217,867	\$ 9,374	\$ 826,668	\$ 184,123	\$ 1,010,791
Payroll taxes and employee benefits (Note 7)	75,610	59,201	158,402	1,522	294,735	67,923	362,658
Beneficiary labor and materials	-	-	35,770	-	35,770	-	35,770
Consulting fees	223,406	30,641	54,350	145,059	453,456	49,085	502,541
Travel and program monitoring	29,510	59,319	90,767	38,890	218,486	109,991	328,477
Vehicle and transportation	20,346	17,757	116,169	85	154,357	341	154,698
Training expenses	6,532	120,898	39,951	-	167,381	8,620	176,001
Project equipment, supplies and micro-credit loan programs	635,873	19,414	125,643	69,530	850,460	-	850,460
Office and housing equipment and furniture	925	15,251	23,156	1,249	40,581	4,602	45,183
Equipment maintenance and rental	2,695	962	28,164	-	31,821	4,868	36,689
Accounting and legal	18,395	7,621	38,256	9,372	73,644	16,620	90,264
Depreciation	-	-	-	-	-	1,129	1,129
Office supplies	5,539	9,382	15,953	-	30,874	4,871	35,745
Insurance	7,528	7,030	25,223	-	39,781	9,155	48,936
Publications and printing	16,233	1,510	3,749	5	21,497	9,303	30,800
Temporary help	8,298	-	27,453	-	35,751	-	35,751
Rent (Note 11)	55,772	35,820	82,528	600	174,720	28,800	203,520
Utilities	5,195	18,105	5,845	-	29,145	-	29,145
Communications	13,490	21,215	28,985	717	64,407	16,085	80,492
Other	<u>2,427</u>	<u>14,427</u>	<u>4,063</u>	<u>205</u>	<u>21,122</u>	<u>6,588</u>	<u>27,710</u>
<b>TOTAL</b>	<b><u>\$1,407,279</u></b>	<b><u>\$ 758,475</u></b>	<b><u>\$1,122,294</u></b>	<b><u>\$ 276,608</u></b>	<b><u>\$3,564,656</u></b>	<b><u>\$ 522,104</u></b>	<b><u>\$ 4,086,760</u></b>

See accompanying notes to financial statements.

**PARTNERS FOR DEVELOPMENT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (1,695,547)	\$ 5,222,579
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	2,717	1,129
Unrealized gain on investments	(521)	(17,863)
(Increase) decrease in:		
Grants receivable	(964,426)	(650,669)
Accounts receivable	(131,990)	(115,519)
Travel advances	(406)	743
Prepaid expenses	148,553	(172,333)
Increase (decrease) in:		
Accounts payable and accrued expenses	5,168	822
Accrued employee benefits	<u>(28,245)</u>	<u>(13,988)</u>
Net cash provided (used) by operating activities	<u>(2,664,697)</u>	<u>4,254,901</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(22,039)	-
Purchase of investments	(1,748,935)	(5,700,000)
Sales of investments	<u>4,575,636</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>2,804,662</u>	<u>(5,700,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net disbursements for micro-credit loan programs	(1,074,801)	137,292
Borrowings under credit agreement	<u>1,500,000</u>	<u>-</u>
Net cash provided by financing activities	<u>425,199</u>	<u>137,292</u>
Net increase (decrease) in cash and cash equivalents	565,164	(1,307,807)
Cash and cash equivalents at beginning of year	<u>3,199,927</u>	<u>4,507,734</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,765,091</u></b>	<b><u>\$ 3,199,927</u></b>

See accompanying notes to financial statements.

**PARTNERS FOR DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**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 maintains field offices in Bosnia and Herzegovina, Nigeria, Cambodia and Tanzania.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, PFD has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact PFD's financial position or results of operations.

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.

At times during the year, PFD maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

PFD had \$1,162,394 and \$2,314,139 of cash and cash equivalents held in foreign countries at December 31, 2009 and 2008, 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.

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, 2009 AND 2008**

**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 -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, PFD has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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.
- **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 -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions 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. Grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Risks and uncertainties -

PFD invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**PARTNERS FOR DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

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

Fair value measurements -

PFD adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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.

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.

In-kind contributions -

In-kind contributions consist primarily of project supplies, rent and community labor with respect to PFD's overseas programs. In-kind contributions are recorded at their fair market value as of the date of gift or service (Note 12).

**2. MICRO-CREDIT LOAN FUNDS RECEIVABLE**

PFD had the following micro-credit loans receivable as of December 31, 2009:

- In connection with several of the awards received from the United States Department of Agricultural (USDA) for activities in Bosnia and Herzegovina, PFD was required to establish a micro-credit loan program. Accordingly, PFD has placed local currency with a local financial institution and with three local entities for the express purpose of micro-lending.

The funds placed with the local entities, \$1,545,749 and \$2,011,987, respectively, based upon the December 31, 2009 and 2008 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.

**PARTNERS FOR DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**2. MICRO-CREDIT LOAN FUNDS RECEIVABLE (Continued)**

- In connection with a program funded through a credit agreement from the David and Lucile Packard Foundation (Note 3), 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, \$1,541,039 based upon the December 31, 2009 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.

**3. 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.

Following is a summary of the future required principal payments by calendar year:

2011	\$ 430,000
2012	430,000
2013	430,000
2014	<u>210,000</u>
	<b><u>\$1,500,000</u></b>

**4. INVESTMENTS**

Investments consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
	<u>Market Value</u>	
<b>Certificates of Deposit</b>	<b><u>\$2,891,683</u></b>	<b><u>\$5,717,863</u></b>

**5. LINE OF CREDIT**

During June 2009, PFD opened a \$500,000 bank line of credit, which matures May 14, 2010. Amounts borrowed under this agreement bear interest at 3%. There was no balance outstanding as of December 31, 2009. The line is secured by cash and investments held in accounts at the same financial institution.

**PARTNERS FOR DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Cambodia Programs:		
University Research Corporation	\$ 439,011	\$ 639,369
The Global Fund to Fight AIDS Tuberculosis and Malaria	1,499,432	606,398
Other	1,083	1,319
Bosnia Programs:		
United States Department of Agriculture (USDA)	-	1,197,912
Micro-credit loan program (Note 2)	2,512,081	2,862,500
Nigeria Programs:		
United States Department of Agriculture (USDA)	6,393	1,386
Packard Foundation Grant	141,127	299,670
Packard Foundation Program Related Investment Income	191,716	-
USAID	703,056	-
Micro-credit loan program	38,367	88,344
Center for Disease Control	977,706	905,963
World Bank	-	87,239
Tanzania Programs:		
United States Department of Agriculture (USDA)	<u>5,296,129</u>	<u>6,883,092</u>
	<b><u>\$ 11,806,101</u></b>	<b><u>\$ 13,573,192</u></b>

During 2009 and 2008, 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 at December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Bosnia Programs	\$ 1,704,809	\$ 1,610,813
Cambodia Programs	757,872	777,313
Nigeria Programs	1,669,458	1,255,312
Tanzania Programs	<u>1,695,559</u>	<u>318,156</u>
	<b><u>\$ 5,827,698</u></b>	<b><u>\$ 3,961,594</u></b>

**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 ten percent of each eligible employee's annual salary to the plan for employees who were grandfathered in under the old policy, and seven percent of each eligible employees annual salary for new employees. Contributions to the plan are immediately vested. Total retirement plan expense was \$32,213 and \$27,594 in 2009 and 2008, respectively.

**PARTNERS FOR DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**8. GRANTS RECEIVABLE**

At December 31, 2009 and 2008, grants receivable consisted of the following:

	<u>2009</u>	<u>2008</u>
Cambodia Programs:		
University Research Company	\$ 508,085	\$ 722,521
Global Fund	1,166,369	413,047
Other	3,451	3,451
Bosnia Programs:		
United States Department of Agriculture (USDA) programs	-	40,744
Nigeria Programs:		
United States Department of Agriculture (USDA) programs	31,507	31,507
Center for Disease Control (CDC)	1,037,420	1,169,500
World Bank (BDS)	39,359	91,000
United States Agency for International Development	700,000	-
Tanzania Programs:		
United States Department of Agriculture (USDA) programs	<u>138,000</u>	<u>187,995</u>
	<u>\$ 3,624,191</u>	<u>\$ 2,659,765</u>

**9. CONTINGENCY**

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 2009. 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.

**10. CONCENTRATION OF REVENUE**

Approximately 52% of PFD's revenue for the year ended December 31, 2009 and approximately 88% of PFD's revenue for the year ended December 31, 2008 as 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. The previous lease extension covered the period January 2007 through January 31, 2008.

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**11. LEASE COMMITMENT (Continued)**

During February 2008, a new lease extension was signed, which covered the period through January 31, 2009.

On February 1, 2009, another renewal was signed, extending the lease through January 2011. PFD also leases office space (under short-term rental agreements) in the various countries in which it conducts its activities.

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

<u>Year Ended December 31,</u>		
2010		\$ 28,700
2011		<u>100</u>
		<b><u>\$ 28,800</u></b>

**12. DONATED GOODS AND SERVICES**

During the year ended December 31, 2008, PFD was the beneficiary of donated goods and services which allow PFD to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and support for the year ended December 31, 2008. No donations were recorded for the year ended December 31, 2009.

	<u>2009</u>	<u>2008</u>
Personnel	\$ -	\$ 31,195
Transportation and travel	-	3,208
Other	-	<u>1,367</u>
	<b><u>\$ -</u></b>	<b><u>\$ 35,770</u></b>

The following programs have benefited from these donated services:

	<u>2009</u>	<u>2008</u>
<b>Nigeria Programs</b>	<b><u>\$ -</u></b>	<b><u>\$ 35,770</u></b>

**13. FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, 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.

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**13. FAIR VALUE MEASUREMENTS (Continued)**

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 in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Statements of Financial Position are categorized based on the inputs to the valuation technique as follows for the years ended December 31, 2009 and 2008:

	<b>2009</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments: Certificates of Deposit</b>	<b>\$ <u>          -</u></b>	<b>\$ <u>2,891,683</u></b>	<b>\$ <u>          -</u></b>	<b>\$ <u>2,891,683</u></b>
	<b>2008</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments: Certificates of Deposit</b>	<b>\$ <u>          -</u></b>	<b>\$ <u>5,717,863</u></b>	<b>\$ <u>          -</u></b>	<b>\$ <u>5,717,863</u></b>

**14. SUBSEQUENT EVENTS**

In preparing these financial statements, PFD has evaluated events and transactions for potential recognition or disclosure through July 9, 2010, the date the financial statements were issued.