

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)



Precision
Agriculture for
Development

Mission Statement

Our mission is to support smallholder farmers in developing countries by providing customized information and services that increase productivity, profitability, and environmental sustainability.

Precision Agriculture for Development (PAD) is working on a new model for agricultural extension: reaching farmers with personalized agricultural advice through their mobile phones.

We implement this model in collaboration with partner organizations and gather evidence on its impact.

We aim to improve the lives of 100 million farmers in developing countries with our services.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Information for 2018)

C O N T E N T S

	<i>Pages</i>
Independent Auditors' Report.....	1 - 2
Statements of Financial Position as of December 31, 2019 and 2018.....	3
Statement of Activities for the Year Ended December 31, 2019..... <i>(With Summarized Comparative Totals for 2018)</i>	4
Statement of Functional Expenses for the Year Ended December 31, 2019..... <i>(With Summarized Comparative Totals for 2018)</i>	5
Statements of Cash Flows for the Years Ended December 31, 2019 and 2018.....	6
Notes to Financial Statements.....	7 - 19

**Smith  Sullivan
& Brown PC**
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Precision Agriculture for Development, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Precision Agriculture for Development, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 of 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precision Agriculture for Development, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Precision Agriculture for Development, Inc.

Report on Summarized Comparative Information

We have previously audited Precision Agriculture for Development, Inc.'s 2018 financial statements, and our report dated July 31, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC
Westborough, Massachusetts
September 18, 2020

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS:</u>		
Cash, Without Donor Restrictions	\$ 1,502,470	\$ 2,747,804
Cash, With Donor Restrictions	212,457	228,390
Short-Term Investments	272,077	-
Grants Receivable	1,259,320	746,694
Accounts Receivable	34,789	21,754
Prepaid Expenses	29,873	16,398
Total Current Assets	<u>3,310,986</u>	<u>3,761,040</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>46,173</u>	<u>35,009</u>
<u>NON-CURRENT ASSETS:</u>		
Board Designated Operating Reserve	2,266,897	1,506,261
Grants Receivable, Net of Current Portion and Discount	70,284	329,493
Total Non-Current Assets	<u>2,337,181</u>	<u>1,835,754</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,694,340</u>	<u>\$ 5,631,803</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 132,891	\$ 285,298
Accrued Payroll and Related Costs	108,892	24,770
Total Current Liabilities	<u>241,783</u>	<u>310,068</u>
<u>TOTAL LIABILITIES</u>	<u>241,783</u>	<u>310,068</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Undesignated	2,304,599	2,752,528
Board Designated Operating Reserve	2,266,897	1,506,261
Total Net Assets Without Donor Restrictions	4,571,496	4,258,789
Net Assets With Donor Restrictions	881,061	1,062,946
Total Net Assets	<u>5,452,557</u>	<u>5,321,735</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 5,694,340</u>	<u>\$ 5,631,803</u>

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Totals for 2018)

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2019</u>	<u>2018</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Support and Revenues:</i>				
Gifts, Grants and Contributions	\$ 3,169,369	\$ 689,541	\$ 3,858,910	\$ 3,739,075
Program Revenue	112,125	-	112,125	48,038
Investment Return	33,472	-	33,472	7,677
Other Income	3,210	-	3,210	16
Total Support and Revenues	<u>3,318,176</u>	<u>689,541</u>	<u>4,007,717</u>	<u>3,794,806</u>
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	<u>871,426</u>	<u>(871,426)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>4,189,602</u>	<u>(181,885)</u>	<u>4,007,717</u>	<u>3,794,806</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	3,066,203	-	3,066,203	2,759,680
Administrative	623,916	-	623,916	354,190
Fund Raising	<u>186,776</u>	<u>-</u>	<u>186,776</u>	<u>127,513</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>3,876,895</u>	<u>-</u>	<u>3,876,895</u>	<u>3,241,383</u>
<u>CHANGE IN NET ASSETS</u>	312,707	(181,885)	130,822	553,423
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>4,258,789</u>	<u>1,062,946</u>	<u>5,321,735</u>	<u>4,768,312</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 4,571,496</u>	<u>\$ 881,061</u>	<u>\$ 5,452,557</u>	<u>\$ 5,321,735</u>

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

(With Summarized Comparative Totals for 2018)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>2019</u>	<u>2018</u>
Salaries	\$ 495,284	\$ 175,713	\$ 120,792	\$ 791,789	\$ 555,211
Payroll Taxes	38,443	15,570	8,586	62,599	39,857
Employee Benefits	59,715	27,526	14,901	102,142	44,929
U.S. Based Contractors	22,050	5,072	-	27,122	155,975
Personnel Costs, Non-U.S. Based	1,351,246	171,476	17,653	1,540,375	1,117,694
Implementation and Field Costs	359,080	234	-	359,314	438,007
Travel and Meeting Costs	297,426	12,743	2,313	312,482	263,438
Professional Fees	255,890	134,717	1,952	392,559	394,353
Rent Expense	66,521	12,714	4,703	83,938	56,443
Insurance	779	17,425	-	18,204	5,802
Information Technology and Equipment	94,447	25,890	5,624	125,961	112,801
Office Expense	17,572	14,665	10,252	42,489	51,610
Depreciation Expense	7,750	6,365	-	14,115	3,183
Miscellaneous Expense	-	3,806	-	3,806	2,080
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	<u>\$ 3,066,203</u>	<u>\$ 623,916</u>	<u>\$ 186,776</u>	<u>\$ 3,876,895</u>	<u>\$ 3,241,383</u>

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 130,822	\$ 553,423
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Depreciation Expense	14,115	3,183
<i>(Increase) Decrease in Current Assets:</i>		
Grants Receivable	(512,626)	(665,370)
Accounts Receivable	(13,035)	(14,006)
Prepaid Expenses	(13,475)	(8,746)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(152,407)	46,011
Accrued Payroll and Related Costs	84,122	(21,662)
<i>(Increase) Decrease in Other Assets:</i>		
Grants Receivable, Non-Current	259,209	497,903
Net Adjustment	<u>(334,097)</u>	<u>(162,687)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(203,275)</u>	<u>390,736</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Property and Equipment	(25,279)	(38,192)
Acquisition of Investments	(1,022,077)	-
Proceeds from Redemption of Certificates of Deposit	-	10,005
Cash Flows from Investing Activities	<u>(1,047,356)</u>	<u>(28,187)</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>(1,250,631)</u>	<u>362,549</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>4,482,455</u>	<u>4,119,906</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 3,231,824</u>	<u>\$ 4,482,455</u>
<i>Cash Balances:</i>		
Cash, Without Donor Restrictions	\$ 1,502,470	\$ 2,747,804
Cash, With Donor Restrictions	212,457	228,390
Cash, Board Designated Operating Reserve	1,516,897	1,506,261
Total Cash Balances	<u>\$ 3,231,824</u>	<u>\$ 4,482,455</u>

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

NOTE 1 ORGANIZATION

Precision Agriculture for Development, Inc. (“PAD” or the “Organization”) was incorporated in December 2015 under Massachusetts General Laws Chapter 180. On July 19, 2016, the Organization received notification from the Internal Revenue Service that it had been approved for exemption from federal taxes as a tax-exempt, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code retroactive to the date of incorporation. PAD has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes. The Organization is primarily funded through individual and foundation donations and grants.

Foreign Registration:

As more fully described in Note 11, PAD is conducting program activities in several countries, including Kenya. In June 2018, PAD registered a foreign branch office in Kenya under The Companies Act, 2015, and the Kenyan branch office began operations during the year ended December 31, 2019. Registration of branch offices in the other countries in which PAD operates are not required and have not been sought.

NOTE 2 PROGRAM SERVICES

Precision Agriculture for Development is a U.S.-based non-profit organization with a mission to support smallholder farmers in developing countries by providing customized agricultural information and services that increase productivity, profitability, and environmental sustainability. PAD is pioneering a model for agricultural extension: delivering farmers personalized agricultural advice via their mobile phones. PAD implements this model in collaboration with partner organizations and gathers evidence on its impact. PAD aims to improve the lives of 100 million farmers in developing countries with its services.

The initial phase of PAD’s work consisted of testing the impact of mobile phone-based agricultural extension services in multiple contexts across the developing world. That work and research found that, with careful attention to design and context and critical evaluation, mobile phone-based agricultural extension could increase adoption of appropriate farm management practices, yields, and incomes, with point estimates suggesting a benefit cost ratio of 10/1. Based on our initial evidence around a proof of concept technology, PAD began working with partners capable of scaling and further testing this approach, while simultaneously continuing to build its own research efforts.

A key element of our approach is helping partners with wide reach - such as governments, contract farming organizations, telecommunications firms, agribusiness, and NGOs - to design, build, evaluate, and improve customized mobile phone-based agricultural advisory systems. We help partners structure and improve their service offerings through the incorporation of the latest availability technologies and data as well as insights from behavioral economics and social learning theory. Taking a global approach, we bring experience on what has worked elsewhere to every engagement and continue to optimize to local contexts using A/B testing and rigorous evaluation.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 2 *(Continued)*

The Issue:

Approximately 450 million smallholder farms feed more than 2 billion people worldwide. To meet growing demands for food and fiber in the coming decades, their annual production will need to increase substantially. Studies in developing countries suggest that small changes in agricultural practices can substantially improve productivity and profitability. However, offering farmers standardized agricultural advice has limited effectiveness due to variation in conditions. For example, the profitability of seeds and fertilizers depends on pH levels and micronutrient content of the local soil. Traditional extension systems have been unable to incorporate and disseminate this information to farmers, in part due to the high costs of operating in rural areas.

In developed countries, precision agriculture technologies are transforming agricultural production by allowing farmers to better target inputs to local conditions, thus increasing yields and reducing environmental impacts from input overuse. Precision agriculture approaches in these settings include sensors, such as soil and yield monitors, and processing techniques for existing data: for example, new spectroscopy methods that measure growth stages and nutrient deficiency from satellite imagery. In developing countries, such precision agriculture technologies are beyond the reach of most farmers. However, several technological innovations have created new opportunities to provide and deliver tailored information to farmers. First, new technology has facilitated quick learning about local characteristics. For instance, mobile soil labs with spectroscopy, satellite and drone photographs, and new weather prediction models allow more fine-tuned recommendations. Second, the widespread use of mobile phones across the developing world provides an easy and cost-effective platform for information delivery and data collection.

Not only are advances in technology promising, but new research methods can also be leveraged to improve the agricultural extension landscape in the developing world. First, behavioral economics can improve messaging and encourage adoption of appropriate technologies while social learning theory can facilitate the diffusion of relevant information across farmer networks. Second, big data and machine learning techniques make it possible to tailor expert knowledge at scale to conditions revealed in existing and new sources of data. Third, A/B testing - sending two or more options then assessing which is the most preferred or effective - allows for near instantaneous upgrades to content and service delivery options that can both improve the user experience and deliver more appropriate information. And finally, randomized controlled trials (“RCTs”) provide opportunities for rigorous evaluation of services to understand the true impact and to refine over time.

Our Solution:

PAD’s approach harnesses these innovations in technology and research to improve the lives of smallholder farmers. We seek to provide a two-way flow of information that delivers customized, expert advice to farmers through mobile phones. As farmers realize the benefits of this service, they have incentives to contribute accurate information to improve the recommendations from the system over time. The recommendations we send to farmers can be tailored to optimize inputs (seeds, water, fertilizers, pesticides) and management practices conditional on geographic and temporal-specific conditions (soil types, weather, etc.), markets conditions (input and output prices and availability, etc.), and farmer-specific information (education, experience, risk tolerance, demographics, etc.). The ultimate goal is intelligent platforms that provide farmers with context-relevant and personalized agricultural recommendations through their mobile phones with the objectives of improving productivity, increasing profitability, and reducing negative environmental impacts.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 2 *(Continued)*

Unlike many other information and communications technologies (ICT) innovations, we aim to deliver value to farmers through multiple avenues to achieve impact at scale. In our “lab” settings, we send messages directly to farmers, with the dual aims of directly improving outcomes for farmers and of learning more about what approaches are most effective. With partners - including NGOs, governments, businesses, contract farming organization, etc. - we take lessons learned from our lab settings and other partnership engagements to help build, improve, and evaluate their systems. We bring our expertise from behavioral economics and social learning theory, conduct rigorous impact evaluation and cost-effectiveness analysis, and design and execute A/B testing.

Our Work to Date:

PAD now has operations in India, Kenya, Pakistan, Rwanda, Ethiopia, Uganda, and Bangladesh. These opportunities have allowed PAD to reach over 340,000 farmers, both through our own services and research efforts as well as through partnerships. PAD maintains two lab settings - one in Gujarat, India and one in Western Kenya - where we offer direct services to farmers while experimenting, evaluating, and upgrading over time. These two initiatives inform partnerships in both countries and elsewhere that offer opportunities for scaling the approaches that hold promise for cost-effectively delivering impact. We are pleased to be supporting the Governments of Odisha (India), Punjab (Pakistan), and Ethiopia (through the Agricultural Transformation Agency) to build, customize, and evaluate mobile phone-based advisory systems that they own and integrate into their existing public extension infrastructure. We are also supporting efforts to design and evaluate services with One Acre Fund in both Kenya and Rwanda, and several partners across India.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization’s financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates

Basis of Accounting:

The Organization’s policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and gains are recognized in the year in which they become due and expenses and losses are recognized in the year in which the liability is incurred.

Fair Value of Financial Instruments:

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 *(Continued)*

The three levels of inputs used to measure fair value are defined as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements is the recurring measurement of investments.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification may include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants or bequests and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organization to expend part or all of the income derived from the donated assets.

The accompanying financial statements include certain prior year summarized comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class, and in the Statement of Functional Expenses, 2018 expenses by line item are in total, rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 *(Continued)*

Grants and Accounts Receivable:

Grants Receivable reflects the balances due on unconditional grant commitments. *Accounts Receivable* represent amounts due under agreements for professional services. The portion of receivables which is scheduled for payment in the coming fiscal year is classified as current, while commitments that exceed one year are classified as non-current. As of December 31, 2019 and 2018, the non-current grants receivable were due within two and three years, respectively.

Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material. As of December 31, 2018, the unamortized discount on non-current receivables was \$8,369, which was calculated using an effective interest rate of 2.5%. There was no discount on non-current receivables as of December 31, 2019, as the estimated discount was deemed to be immaterial.

Management considers all receivables to be fully collectible and therefore, has not established a reserve for uncollectible receivables. If amounts are determined to be uncollectible, an allowance will be provided for when that determination is made. For the years presented, the Organization did not report any bad debts or losses related to uncollectible receivables.

Investments:

The Organization maintains professionally managed investment portfolios which primarily includes money market funds and certificates of deposit that are reported at fair value. As required by the *FASB Accounting Standards Codification*TM, investment purchases are recorded at cost, or if donated at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Net investment return (loss) is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Cash held in brokerage accounts is reported as investments for purposes of these financial statements. Investments are classified as either short-term or long-term depending on the underlying intentions.

Property and Equipment:

The Organization records all property and equipment at cost, if purchased (exceeding \$5,000), or if donated, at fair value on the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments (exceeding \$5,000) are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, as expressed in terms of years.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues, and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 *(Continued)*

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are reported at their estimated fair value.

Multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restrictions expire, at which time the assets are reclassified to net assets without donor restrictions.

Program Revenue Recognition:

Program revenue is recognized as reimbursable expenditures are incurred, or as deliverable services are provided under the terms of the individual contract or agreement.

Donated Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of donated goods and services which require a specialized skill and which would have otherwise been purchased by the Organization, are recognized on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses. The Organization receives a significant time commitment from its Board of Directors on a volunteer basis; however, although critical to the success of the Organization, these services do not meet the recognition criteria.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using formulas derived from estimates based upon time, space and asset usage. Expenses allocated by time usage consist of *Salaries, Payroll Taxes, Employee Benefits, U.S. Based Contractors and Personnel Costs, Non-U.S. Based. Rent Expense, Office Expense, Information Technology and Equipment, and Depreciation Expense* are allocated based on the usage of the underlying assets.

Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 3 *(Continued)*

Recent Accounting Guidance:

Recently Implemented Standards

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard was adopted by the Organization effective January 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes in the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Organization effective January 1, 2019. This ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Organization has not restated its 2018 revenue balances or opening net assets for the years presented.

Recently Issued Standards

In February 2016, the FASB issued ASC Update No. 2016-02, (Topic 842) *Leases* which establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. This standard is effective for this Organization in financial statements issued for the fiscal year beginning January 1, 2022. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 4 INVESTMENTS

As of December 31, 2019, PAD held an investment portfolio with Fidelity Investments with the following composition:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Money Market Funds	\$ 20,937	\$20,937	\$ -
Certificates of Deposit	<u>1,001,140</u>	<u>-</u>	<u>1,001,140</u>
Total	<u>\$1,022,077</u>	<u>\$20,937</u>	<u>\$1,001,140</u>

The Organization uses the following ways to determine the fair value of its investments:

Money Market Funds: determined by the published net asset value (“NAV”) per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Certificates of Deposit: held at market value plus accrued interest.

Investments are classified as follows for the year ended December 31, 2019:

<u>Classification</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Investments without Donor Restrictions	\$272,077	\$ -	\$ 272,077
Board Designated Investments	<u>-</u>	<u>750,000</u>	<u>750,000</u>
Total Investments	<u>\$272,077</u>	<u>\$750,000</u>	<u>\$1,022,077</u>

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2019 and 2018:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2019</u>	<u>2018</u>
Leasehold Improvements	2 - 6	\$51,249	\$(16,076)	\$35,173	\$35,009
Furniture and Equipment	5	<u>12,222</u>	<u>(1,222)</u>	<u>11,000</u>	<u>-</u>
Total		<u>\$63,471</u>	<u>\$(17,298)</u>	<u>\$46,173</u>	<u>\$35,009</u>

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of unexpended donor designated grants and contributions with the following restrictions as of December 31, 2019 and 2018:

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Effectiveness of Agriculture in India	\$574,930	\$1,062,946
Agricultural Advisory Services in Ethiopia	148,335	-
India Rice Waste Management	122,312	-
Digital Agriculture Extension in East Africa	23,312	-
Uganda Coffee Agronomy Training	<u>12,172</u>	<u>-</u>
Total	<u>\$881,061</u>	<u>\$1,062,946</u>

Net assets released from donor restrictions by incurring expenses which satisfied the restricted purposes by occurrence of events specified by the donors were as follows:

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Effectiveness of Agriculture in India	\$488,016	\$ 295,327
Agricultural Advisory Services in Ethiopia	41,840	-
India Rice Waste Management	53,397	-
Digital Agriculture Extension in East Africa	75,366	-
Uganda Coffee Agronomy Training	212,807	-
India and Africa Program Development	-	782,620
One Acre Fund Data Project	-	147,546
Overcoming Barriers to Soil Fertility Management	-	65,930
Advisory Services for India Coffee Farmers	<u>-</u>	<u>132,108</u>
Total	<u>\$871,426</u>	<u>\$1,423,531</u>

NOTE 7 CONDITIONAL GRANTS

Operating Grant Commitments:

PAD received a \$3 million commitment from an individual donor in 2016, payable in three annual installments of \$1 million, which was unrestricted for program expansion and general operating costs. Each installment of the grant was subject to specific conditions. During 2018, upon achieving the requirements set forth in the grant, the final installment of \$1 million was received, and there were no remaining amounts due on this commitment as of December 31, 2018. In 2019, this donor renewed its support of PAD by entering into a new multi-year, conditional grant agreement totaling \$1,500,000 that will support general operations through 2021. The first installment of \$500,000 was recognized in 2019 as *Gifts, Grants and Contributions* in the accompanying Statement of Activities. The remaining installments of \$500,000 per year in 2020 and 2021 are subject to specific conditions.

In 2018, PAD was awarded a \$4 million grant for general operating support from Wellspring Philanthropic Fund, payable in two installments of \$2 million. Each installment of the grant was strictly conditional upon satisfactory program accomplishments and progress reports. During 2019 and 2018, upon achieving the requirements set forth in the grant, the installments of \$2 million were received and recognized as revenue in each respective year, and there are no remaining amounts due on this commitment as of December 31, 2019.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 7 *(Continued)*

Restricted Grant Commitment:

During 2019, PAD received a commitment to fund a project entitled “Improving Agricultural Advisory in Ethiopia through Digital (DFID DF)”. The total commitment is \$760,694, administered on a cost-reimbursement basis, and contingent upon successful receipt of Digital Green’s approval and the execution of the deliverable services. During the year ended December 31, 2019, the Organization had met the conditions to receive \$190,175 of this grant award, and the remaining conditional portion totaled \$570,519 as of December 31, 2019.

During 2019, PAD also received a commitment of \$480,475 to fund a project entitled “ICT-based Interventions in the Uganda Coffee Agronomy Training”. Each installment of the grant is strictly conditional upon satisfactory program accomplishments and progress reports. During the year ended December 31, 2019, the Organization had met the conditions to receive \$225,000 of this grant award, and the remaining conditional portion totaled \$255,475 as of December 31, 2019.

Since the terms of the conditional components of the above grant commitments had not been met as of December 31, 2019 and 2018, the aggregate conditional commitment of \$1,825,994 and \$2,021,027, respectively, has not been recognized in the accompanying financial statements.

NOTE 8 EMPLOYEE BENEFIT PLAN

PAD maintains a 401(k) retirement savings plan covering all eligible employees. The Plan allows eligible employees of the Organization to defer a percentage of their earnings from current taxation and also allows for after tax contributions. The Plan makes a tiered matching contribution of up to 4% of employee compensation as well as provides an opportunity for a discretionary employer contribution that is determined annually by the Board of Directors. For the years ended December 31, 2019 and 2018, PAD made matching contributions of \$61,182 and \$42,538, respectively, which are included in *Employee Benefits* in the accompanying Statement of Functional Expenses.

NOTE 9 OPERATING LEASES

United States:

PAD occupies office space in Boston, Massachusetts pursuant to a tenancy-at-will arrangement that may be canceled by either party subject to a 30-day notice requirement. During the years presented, the monthly rent ranged from \$2,250 to \$3,250.

Kenya:

In 2018, PAD entered into a six-year lease agreement to lease approximately 1,600 square feet of office space in Nairobi Kenya, which serves as one of the Organization’s foreign branch offices for its East African programs. *(See Note 11)* For the first two years of the lease agreement, monthly rent payments will be approximately \$1,300 per month and are subject to annual increases. In 2019, PAD entered into a new three-year lease agreement for additional office space in Kakamega Kenya which requires monthly payments of approximately \$700. For both Kenyan offices, the Organization is also responsible for paying additional amounts for office service charges and local taxes.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 9 *(Continued)*

The following is a schedule of the estimated future rental payments related to the Kenya offices:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2020	\$ 25,188
December 31, 2021	25,957
December 31, 2022	22,901
December 31, 2023	20,339
December 31, 2024	<u>6,780</u>
Total	<u>\$101,165</u>

In addition to office space leased under formal agreements as noted above, the Organization also pays for extra workspace for its international employees as needed and through month-to-month, informal co-working arrangements.

NOTE 10 RELATED PARTY TRANSACTIONS

Salaries:

During the years presented, PAD's Managing Director, who is compensated as an employee and also serves as an Officer of the Board of Directors and is allocated to various program expense categories based on the nature of the service.

Contracted Services:

An Officer of the Board of Directors is compensated by the Jameel Poverty Action Lab ("JPAL"), a research organization based at the Massachusetts Institute of Technology. He is a board member, the co-chair for research, and a member of the executive committee of JPAL. This global organization supports J-PAL South Asia, an organization based in India which provided contracted services totaling \$196,231 and \$361,343 to PAD in connection with implementation and field costs for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 CONCENTRATIONS

Credit Risk:

The Organization is subject to concentrations in credit risk relating to cash balances. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution, and beginning in 2019, the Organization maintained additional accounts for its excess deposits that are fully insured by the Depositors Insurance Fund ("DIF"). The Organization had \$1,274,613 and \$4,113,580 in excess of federally insured limits as of December 31, 2019 and 2018, respectively; however, the Organization has not experienced any losses on such accounts and management considers credit risk on cash to be low. In addition, PAD maintains bank accounts in Kenya with balances of \$147,858 and \$47,996 as of December 31, 2019 and 2018, respectively, which are not part of the FDIC or DIF programs.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 11 *(Continued)*

Gifts, Grants and Contributions:

For the years ended December 31, 2019 and 2018, 65% and 80% of total *Gifts, Grants and Contributions* are from two donors, respectively.

Grants Receivable:

As of December 31, 2019, amounts due from two grant awards accounted for 63% of total *Grants Receivable*.

As of December 31, 2018, amounts due from one grant award accounted for 78% of total *Grants Receivable*.

Foreign Operations:

Foreign operations are subject to risk inherent in operating under different legal systems and various political and economic environments. Changes or restrictions in these systems and environments can have a significant impact on the areas where the Organization is able to operate some of its existing programs with its current mission.

As discussed in Note 1, PAD registered a foreign branch office in Kenya under The Companies Act, 2015 in June 2018. There were no transactions processed through the branch office during the year ended December 31, 2018. The Kenyan branch office began operations during 2019, and during the year ended December 31, 2019, PAD maintained bank accounts in Kenya, conducted financial transactions using Kenyan shillings and is subject to the volatility of the Kenyan Shilling to the U.S. Dollar. Any gain or loss resulting from fluctuations in the currency exchange rate is reported as an increase or decrease in net assets without donor restrictions in the accompanying Statement of Activities.

NOTE 12 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, perpetual endowments and accumulated earnings net of appropriations within one year, because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments, or when restricted by donors for purposes more limited than general expenditures.

PRECISION AGRICULTURE FOR DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Summarized Comparative Information for 2018)

(Continued)

NOTE 12 (Continued)

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash	\$ 3,231,824	\$ 4,482,455
Investments	1,022,077	-
Grants Receivable	1,329,604	1,076,187
Accounts Receivable	<u>34,789</u>	<u>21,754</u>
Total Financial Assets as of December 31, 2019 and 2018	5,618,294	5,580,396
Less Amounts Not Available to be Used Within One Year:		
Grants Receivable, Non-Current	(70,284)	(329,493)
Board-Designated Funds	<u>(2,266,897)</u>	<u>(1,506,261)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 3,281,113</u>	<u>\$ 3,744,642</u>

As part of the Organization's liquidity management, the Board of Directors has a policy to structure the financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has Board-Designated funds that, while the Organization does not intend to spend these for purposes within the next year, these amounts could be made available for current operations, if necessary.

For the purpose of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities.

NOTE 13 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through September 18, 2020, the date which the financial statements were available for issue, and noted the following event which met the criteria:

Impact of COVID-19:

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact and duration cannot be reasonably estimated at this time. As a response to the outbreak, Congress established the Paycheck Protection Program through the CARES Act, which was signed into law on March 27, 2020. PAD received a Paycheck Protection Program loan of \$106,300, which is expected to be forgiven.