

**PRECISION DEVELOPMENT, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2020**

*(With Summarized Comparative Information for 2019)*



**PRECISION DEVELOPMENT, INC.**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**  
*(With Summarized Comparative Information for 2019)*



**Mission Statement**

*Precision Development (PxD) is a global non-profit organization that harnesses technology, data science, and behavioral economics to build digital services that empower people to change their own lives.*

*We build low-cost information systems at scale to share knowledge with the world's poorest and most disadvantaged people.*

*Our pioneering model of digital development is implemented in collaboration with partner organizations to maximize scale, and we continuously experiment, iterate and gather evidence on impact to improve service delivery and demonstrate our value.*

PRECISION DEVELOPMENT, INC.  
REPORT ON FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
*(With Summarized Comparative Information for 2019)*

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Precision Development, Inc.  
Newton, Massachusetts

We have audited the accompanying financial statements of Precision Development, Inc., formerly known as Precision Agriculture for Development, Inc., (a Massachusetts nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, 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 Development, Inc. as of December 31, 2020 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 Development, Inc.

**Report on Summarized Comparative Information**

We have previously audited Precision Development, Inc.'s 2019 financial statements, and our report dated September 18, 2020 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
January 31, 2022

PRECISION DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020 AND 2019

**ASSETS**

|   | <u>2020</u>                | <u>2019</u>                |
|---|----------------------------|----------------------------|
| <b><u>CURRENT ASSETS:</u></b>             |                            |                            |
| Cash, Without Donor Restrictions          | \$ 501,806                 | \$ 1,502,470               |
| Cash, With Donor Restrictions             | 2,494,698                  | 212,457                    |
| Short-Term Investments                    | 281,527                    | 272,077                    |
| Grants Receivable                         | 387,245                    | 1,259,320                  |
| Accounts Receivable                       | -                          | 34,789                     |
| Prepaid Expenses and Deposits             | <u>151,941</u>             | <u>29,873</u>              |
| Total Current Assets                      | <u>3,817,217</u>           | <u>3,310,986</u>           |
| <b><u>PROPERTY AND EQUIPMENT, NET</u></b> | <u>32,057</u>              | <u>46,173</u>              |
| <b><u>NON-CURRENT ASSETS:</u></b>         |                            |                            |
| Board Designated Reserve                  | 2,223,197                  | 2,266,897                  |
| Grants Receivable, Net of Current Portion | <u>-</u>                   | <u>70,284</u>              |
| Total Non-Current Assets                  | <u>2,223,197</u>           | <u>2,337,181</u>           |
| <b><u>TOTAL ASSETS</u></b>                | <b><u>\$ 6,072,471</u></b> | <b><u>\$ 5,694,340</u></b> |

**LIABILITIES AND NET ASSETS**

|  |                            |                            |
|--|----------------------------|----------------------------|
| <b><u>CURRENT LIABILITIES:</u></b>             |                            |                            |
| Accounts Payable and Accrued Expenses          | \$ 207,083                 | \$ 132,891                 |
| Accrued Payroll and Related Costs              | <u>197,999</u>             | <u>108,892</u>             |
| Total Current Liabilities                      | <u>405,082</u>             | <u>241,783</u>             |
| <b><u>TOTAL LIABILITIES</u></b>                | <u>405,082</u>             | <u>241,783</u>             |
| <b><u>NET ASSETS:</u></b>                      |                            |                            |
| Net Assets Without Donor Restrictions:         |                            |                            |
| Undesignated                                   | 949,494                    | 2,304,599                  |
| Board Designated Reserve                       | <u>2,223,197</u>           | <u>2,266,897</u>           |
| Total Net Assets Without Donor Restrictions    | <u>3,172,691</u>           | <u>4,571,496</u>           |
| Net Assets With Donor Restrictions             | <u>2,494,698</u>           | <u>881,061</u>             |
| Total Net Assets                               | <u>5,667,389</u>           | <u>5,452,557</u>           |
| <b><u>TOTAL LIABILITIES AND NET ASSETS</u></b> | <b><u>\$ 6,072,471</u></b> | <b><u>\$ 5,694,340</u></b> |

PRECISION DEVELOPMENT, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
*(With Summarized Comparative Totals for 2019)*

|   | <u>WITHOUT</u><br><u>DONOR</u><br><u>RESTRICTIONS</u> | <u>WITH</u><br><u>DONOR</u><br><u>RESTRICTIONS</u> | <u>TOTAL ACTIVITIES</u><br><u>2020</u> | <u>2019</u>                |
|---|---|--|--|----------------------------|
| <b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>      |   |  |  |                            |
| <i>Support and Revenues:</i>                                |   |  |  |                            |
| Gifts, Grants and Contributions                             | \$ 564,210  | \$ 4,857,958                                       | \$ 5,422,168                           | \$ 3,858,910               |
| Program Revenue   | 102,677   | -  | 102,677                                | 112,125                    |
| Investment Return   | 15,800  | -  | 15,800                                 | 33,472                     |
| Other Income  | 2,200   | -  | 2,200                                  | 3,210                      |
| Total Support and Revenues                                  | 684,887   | 4,857,958  | 5,542,845                              | 4,007,717                  |
| <i>Reclassification of Net Assets:</i>                      |   |  |  |                            |
| Net Assets Released from Restriction                        | 3,244,321   | (3,244,321)  | -                                      | -                          |
| <b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b> | <b><u>3,929,208</u></b>                               | <b><u>1,613,637</u></b>                            | <b><u>5,542,845</u></b>                | <b><u>4,007,717</u></b>    |
| <b><u>FUNCTIONAL EXPENSES:</u></b>                          |   |  |  |                            |
| Program Services  | 4,488,235   | -  | 4,488,235                              | 3,066,203                  |
| Administrative  | 609,207   | -  | 609,207                                | 623,916                    |
| Fund Raising  | 230,571   | -  | 230,571                                | 186,776                    |
| <b><u>TOTAL FUNCTIONAL EXPENSES</u></b>                     | <b><u>5,328,013</u></b>                               | <b><u>-</u></b>                                    | <b><u>5,328,013</u></b>                | <b><u>3,876,895</u></b>    |
| <b><u>CHANGE IN NET ASSETS</u></b>                          | <b><u>(1,398,805)</u></b>                             | <b><u>1,613,637</u></b>                            | <b><u>214,832</u></b>                  | <b><u>130,822</u></b>      |
| <b><u>NET ASSETS - BEGINNING OF YEAR</u></b>                | <b><u>4,571,496</u></b>                               | <b><u>881,061</u></b>                              | <b><u>5,452,557</u></b>                | <b><u>5,321,735</u></b>    |
| <b><u>NET ASSETS - END OF YEAR</u></b>                      | <b><u>\$ 3,172,691</u></b>                            | <b><u>\$ 2,494,698</u></b>                         | <b><u>\$ 5,667,389</u></b>             | <b><u>\$ 5,452,557</u></b> |

PRECISION DEVELOPMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

*(With Summarized Comparative Totals for 2019)*

|                                      | <u>PROGRAM</u><br><u>SERVICES</u> | <u>ADMINI-</u><br><u>STRATIVE</u> | <u>FUND</u><br><u>RAISING</u> | <u>TOTAL</u><br><u>FUNCTIONAL EXPENSES</u> |                     |
|--------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|--|---------------------|
|                                      |                                   |                                   |                               | <u>2020</u>                                | <u>2019</u>         |
| Salaries                             | \$ 2,356,849                      | \$ 229,575                        | \$ 133,402                    | \$ 2,719,826                               | \$ 791,789          |
| Payroll Taxes                        | 226,966                           | 22,880                            | 14,479                        | 264,325                                    | 62,599              |
| Employee Benefits                    | 154,126                           | 39,441                            | 14,357                        | 207,924                                    | 213,243             |
| Contract Personnel Costs             | 985,023                           | 27,568                            | 66,506                        | 1,079,097                                  | 1,454,295           |
| Implementation and Field Costs       | 319,867                           | 683                               | -                             | 320,550                                    | 359,314             |
| Travel and Meeting Costs             | 76,218                            | 9,818                             | 1,827                         | 87,863                                     | 312,482             |
| Professional Fees                    | 191,326                           | 104,000                           | -                             | 295,326                                    | 394,660             |
| Rent Expense                         | 26,374                            | 32,017                            | -                             | 58,391                                     | 83,938              |
| Insurance                            | 13,372                            | 2,568                             | -                             | 15,940                                     | 18,204              |
| Information Technology and Equipment | 93,863                            | 93,350                            | -                             | 187,213                                    | 125,961             |
| Office Expense                       | 38,221                            | 32,289                            | -                             | 70,510                                     | 42,489              |
| Depreciation Expense                 | -                                 | 14,116                            | -                             | 14,116                                     | 14,115              |
| Miscellaneous Expense                | 6,030                             | 902                               | -                             | 6,932                                      | 3,806               |
|                                      | <u>\$ 4,488,235</u>               | <u>\$ 609,207</u>                 | <u>\$ 230,571</u>             | <u>\$ 5,328,013</u>                        | <u>\$ 3,876,895</u> |
| <b>Total Functional Expenses</b>     |                                   |                                   |                               |  |                     |



PRECISION DEVELOPMENT, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

|  | <u>2020</u>                | <u>2019</u>                |
|--|----------------------------|----------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>  |                            |                            |
| Change in Net Assets   | \$ 214,832                 | \$ 130,822                 |
| <i>Adjustments to Reconcile the Above to Net Cash<br/>Provided (Used) by Operating Activities:</i> |                            |                            |
| Depreciation Expense   | 14,116                     | 14,115                     |
| Investment Return  | (15,800)                   | (33,472)                   |
| <i>(Increase) Decrease in Current Assets:</i>  |                            |                            |
| Grants Receivable  | 872,075                    | (512,626)                  |
| Accounts Receivable  | 34,789                     | (13,035)                   |
| Prepaid Expenses   | (122,068)                  | (13,475)                   |
| <i>Increase (Decrease) in Current Liabilities:</i>   |                            |                            |
| Accounts Payable and Accrued Expenses  | 74,192                     | (152,407)                  |
| Accrued Payroll and Related Costs  | 89,107                     | 84,122                     |
| <i>(Increase) Decrease in Other Assets:</i>  |                            |                            |
| Grants Receivable, Non-Current   | 70,284                     | 259,209                    |
| Net Adjustment   | <u>1,016,695</u>           | <u>(367,569)</u>           |
| <b><u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>                                     | <b><u>1,231,527</u></b>    | <b><u>(236,747)</u></b>    |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>  |                            |                            |
| Purchase of Property and Equipment   | -                          | (25,279)                   |
| Acquisition/Sale of Investments  | 6,350                      | (988,605)                  |
| Cash Flows from Investing Activities   | <u>6,350</u>               | <u>(1,013,884)</u>         |
| <b><u>NET INCREASE (DECREASE) IN CASH BALANCES</u></b>   | <b><u>1,237,877</u></b>    | <b><u>(1,250,631)</u></b>  |
| <b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>  | <b><u>3,231,824</u></b>    | <b><u>4,482,455</u></b>    |
| <b><u>CASH BALANCES - END OF YEAR</u></b>  | <b><u>\$ 4,469,701</u></b> | <b><u>\$ 3,231,824</u></b> |
| <i>Cash Balances:</i>  |                            |                            |
| Cash, Without Donor Restrictions   | \$ 501,806                 | \$ 1,502,470               |
| Cash, With Donor Restrictions  | 2,494,698                  | 212,457                    |
| Cash, Board Designated Operating Reserve   | 1,473,197                  | 1,516,897                  |
| Total Cash Balances  | <u>\$ 4,469,701</u>        | <u>\$ 3,231,824</u>        |

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

NOTE 1     ORGANIZATION

Precision Agriculture for Development, Inc. was incorporated in December 2015 under Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Effective September 2020, the Organization’s legal name was change to Precision Development, Inc. (“PxD” or the “Organization”).

PxD 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, PxD is conducting program activities in several countries, including Kenya. In June 2018, the Organization 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. In October 2019, PxD registered a foreign branch office in Ethiopia. Registration of branch offices in the other countries in which PxD operates are not required and have not been sought.

NOTE 2     PROGRAM SERVICES

Precision Development is a nonprofit organization with a mission to support people living in extreme poverty by providing customized digital information and services that increase productivity, profitability, and environmental sustainability. PxD is pioneering a model for digital development: reaching smallholder farmers and other users with personalized advice through their mobile phones. PxD collaborates with in-country partners, governments, and multilateral institutions to reach users at scale with mobile-based personalized advice, and gather evidence of its impact.

Using two-way communication and information aggregation, PxD offers its users valuable and practical information, customized to their geography, market, and characteristics. PxD incorporates insights from behavioral economics, human-centered design, and social learning theory, and makes use of A/B testing and data science to identify what types of information and delivery mechanisms work best for its users.

To date, PxD and its partners service 5.3 million users. PxD works in eleven countries in Africa, Asia, and Latin America, and is rapidly expanding as governments and organizations look for innovative ways to utilize new technologies to deliver actionable information to people who need it.

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 accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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.

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

*(Continued)*

NOTE 3      *(Continued)*

**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 U.S. GAAP. 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 U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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*<sup>TM</sup>, 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 includes funds which represent resources designated by the Board of Directors for specific purposes.

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

*(Continued)*

NOTE 3     *(Continued)*

*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, 2019 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, 2019, from which the summarized information was derived.

**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, the non-current grants receivable were due within two years.

Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material. 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*<sup>TM</sup>, 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.

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

*(Continued)*

NOTE 3 *(Continued)*

**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 U.S. GAAP, 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.

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.

Unconditional, 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*<sup>TM</sup>, 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.

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 (Continued)

**Functional Expenses:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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, and Contract Personnel Costs*. *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.

NOTE 4 INVESTMENTS

For the years presented, PxD held an investment portfolio with Fidelity Investments with the following composition:

| <u>Investment Type</u>  | <u>December 31, 2020</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      | \$ 280,750               | \$280,750   | \$ -   |
| Certificates of Deposit | <u>750,777</u>           | <u>-</u>  | <u>750,777</u>                                       |
| Total                   | <u>\$1,031,527</u>       | <u>\$280,750</u>  | <u>\$750,777</u>                                     |

  

| <u>Investment Type</u>  | <u>December 31, 2019</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>                                   |

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 4 (Continued)

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.

Financial Statement Classification:

|                          | <u>2020</u>        | <u>2019</u>        |
|--------------------------|--------------------|--------------------|
| Short-Term Investments   | \$ 281,527         | \$ 272,077         |
| Board Designated Reserve | <u>750,000</u>     | <u>750,000</u>     |
| Total                    | <u>\$1,031,527</u> | <u>\$1,022,077</u> |

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2020 and 2019:

| <u>Asset Category</u>   | <u>Est.<br/>Life</u> | <u>Cost</u>     | <u>Accumulated<br/>Depreciation</u> | <u>Net Book Value</u> |                 |
|-------------------------|----------------------|-----------------|-------------------------------------|-----------------------|-----------------|
|                         |                      |                 |                                     | <u>2020</u>           | <u>2019</u>     |
| Leasehold Improvements  | 2 - 6                | \$51,249        | \$28,970                            | \$22,279              | \$35,173        |
| Furniture and Equipment | 5                    | <u>12,222</u>   | <u>2,444</u>                        | <u>9,778</u>          | <u>11,000</u>   |
| Total                   |                      | <u>\$63,471</u> | <u>\$31,414</u>                     | <u>\$32,057</u>       | <u>\$46,173</u> |

NOTE 6 NET ASSETS

**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, 2020 and 2019:

| <u>Nature of Restriction</u>   | <u>2020</u>        | <u>2019</u>      |
|--|--------------------|------------------|
| Improving Income and Food Security<br>in Kenya, Pakistan and Nigeria | \$1,098,106        | \$ -             |
| Effectiveness of Agriculture in India                                | 770,654            | 574,930          |
| Evidence Generation Initiative                                       | 322,920            | -                |
| Agricultural Advisory Services in Ethiopia                           | 148,335            | 148,335          |
| Natural Hazards and Climate Risk Management                          | 94,132             | -                |
| Programming Initiatives in Pakistan                                  | 35,162             | -                |
| One Million Farmers Project  | 25,389             | -                |
| India Rice Waste Management  | -                  | 122,312          |
| Digital Agriculture Extension in East Africa                         | -                  | 23,312           |
| Uganda Coffee Agronomy Training                                      | -                  | <u>12,172</u>    |
| Total  | <u>\$2,494,698</u> | <u>\$881,061</u> |

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 6 (Continued)

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>2020</u>        | <u>2019</u>      |
|--|--------------------|------------------|
| Improving Income and Food Security<br>in Kenya, Pakistan and Nigeria | \$ 701,894         | \$ -             |
| Effectiveness of Agriculture in India                                | 1,084,328          | 488,016          |
| Evidence Generation Initiative                                       | 283,134            | -                |
| Agricultural Advisory Services in Ethiopia                           | 420,019            | 41,840           |
| Natural Hazards and Climate Risk Management                          | 5,868              | -                |
| Programming Initiatives in Pakistan                                  | 28,761             | -                |
| One Million Farmers Project  | 19,611             | -                |
| India Rice Waste Management  | 122,312            | 53,397           |
| Digital Agriculture Extension in East Africa                         | 134,788            | 75,366           |
| Uganda Coffee Agronomy Training                                      | 132,364            | 212,807          |
| Paycheck Protection Program  | 106,300            | -                |
| India and Pakistan Program Development                               | 99,976             | -                |
| COVID Adaptation Fund  | 74,800             | -                |
| Other Program Initiatives  | 30,166             | -                |
| Total  | <u>\$3,244,321</u> | <u>\$871,426</u> |

**Board Designated Net Assets:**

The board of directors has designated liquid assets without donor instructions as a *Board Designated Reserve* with the following composition:

|                         | <u>2020</u>        | <u>2019</u>        |
|-------------------------|--------------------|--------------------|
| Cash                    | \$1,473,197        | \$1,516,897        |
| Certificates of Deposit | <u>750,000</u>     | <u>750,000</u>     |
| Total                   | <u>\$2,223,197</u> | <u>\$2,266,897</u> |

NOTE 7 CONDITIONAL GRANTS

**Operating Grant Commitment:**

In 2019, PxD received a \$1,500,000 commitment from an individual donor, payable in three annual installments of \$500,000, which are intended to support general operations through 2022. Each installment of the grant is subject to specific conditions. 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 due in 2021 and 2022 are subject to specific conditions.



PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

*(Continued)*

NOTE 7      *(Continued)*

**Restricted Grant Commitments:**

During 2019, PxD received a funding commitment to support 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 the funder’s approval and the execution of the deliverable services. During the years ended December 31, 2020 and 2019, the Organization had met the conditions to receive \$420,019 and \$190,175, respectively, of this grant award, and the remaining conditional portion totaled \$150,500 as of December 31, 2020.

During 2019, PxD received a funding commitment of \$480,475 to fund a project entitled “ICT-based Interventions in the Uganda Coffee Agronomy Training”. Each installment of the grant was strictly conditional upon satisfactory program accomplishments and progress reports. During the years ended December 31, 2020 and 2019, the Organization had met the conditions to receive \$120,192 and \$225,000, respectively, of this grant award, and the remaining conditional portion totaled \$135,283 as of December 31, 2020.

During 2020, PxD received funding from two donors that was deemed to be conditional upon certain programmatic barriers. During the year ended December 31, 2020, the Organization had met the conditions to recognize revenue totaling \$680,854 related to these grant commitments. The remaining conditional portions for these commitments totaled \$1,018,700 as of December 31, 2020.

Since the terms of the conditional components of the above grant commitments had not been met as of December 31, 2020 and 2019, the aggregate conditional commitment of \$2,304,483 and \$1,825,994, respectively, has not been recognized in the accompanying financial statements.

NOTE 8      EMPLOYEE BENEFIT PLANS

PxD maintains a 401(k) retirement savings plan covering all eligible employees based in the United States. 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 matching contribution of up to 4% of employee compensation. For the years ended December 31, 2020 and 2019, PxD made matching 401k contributions of \$58,084 and \$61,182, respectively, which are included in *Employee Benefits* in the accompanying Statement of Functional Expenses. Additionally, PxD makes pension contributions in accordance with local payroll compliance requirements on behalf of its employees based in the United Kingdom, Kenya and Ethiopia.

NOTE 9      OPERATING LEASES

**United States:**

Through June 2020, PxD occupied office space in Boston, Massachusetts pursuant to a tenancy-at-will arrangement that was cancelable by either party subject to a 30-day notice requirement. During the years presented (through June 2020), the monthly rent ranged from \$2,250 to \$3,250.

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

*(Continued)*

NOTE 9      *(Continued)*

**Kenya:**

In 2018, PxD 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 were approximately \$1,300 per month and were subject to annual increases. In 2019, PxD 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.

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, 2021  | \$25,957        |
| December 31, 2022  | 22,901          |
| December 31, 2023  | 20,339          |
| December 31, 2024  | <u>6,780</u>    |
| Total              | <u>\$75,977</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, PxD’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 (“J-PAL”), 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 J-PAL. This global organization supports J-PAL South Asia, an organization based in India which provided contracted services totaling \$75,375 and \$196,231 to PxD in connection with implementation and field costs for the years ended December 31, 2020 and 2019, respectively.

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

*(Continued)*

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 \$3,357,913 and \$1,274,613 in excess of federally insured limits as of December 31, 2020 and 2019, respectively; however, the Organization has not experienced any losses on such accounts and management considers credit risk on cash to be low. In addition, PxD maintains bank accounts in Kenya with balances of \$28,934 and \$147,858 as of December 31, 2020 and 2019, respectively, which are not part of the FDIC or DIF programs.

**Gifts, Grants and Contributions:**

For the years ended December 31, 2020 and 2019, 57% and 65% of total *Gifts, Grants and Contributions* are from two donors, respectively.

**Grants Receivable:**

As of December 31, 2020 and 2019, amounts due from two grant awards accounted for 56% and 63%, respectively, 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, PxD registered a foreign branch office in Kenya under The Companies Act, 2015 in June 2018 and began operations during 2019. During the years presented, PxD 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    CONTINGENCIES

**Impact of COVID-19:**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of grants, contributions, revenue and other material adverse effects to the Organization’s financial position, change in net assets and cash flows. The Organization is not able to estimate the length of severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves.

PRECISION DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

*(With Summarized Comparative Information for 2019)*

*(Continued)*

NOTE 12 *(Continued)*

**Paycheck Protection Program:**

The Organization received a loan in the amount of \$106,300 from Citibank through the Paycheck Protection Program established by the U.S. CARES Act (the “PPP Loan”) on May 3, 2020. PxD has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA. The Organization has applied for and expects to receive full forgiveness of the loan, while any remaining balance would be repayable over a five-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs (payroll, rent, utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Organization decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. As of December 31, 2020, PxD has incurred \$106,300 of qualifying costs, which have been recognized as grant revenue for the year then ended.

**Foreign Registrations and Compliance:**

During 2021, the Organization was notified of payroll tax and pension obligations due to the Ethiopian government dating back to November 2019. Upon notification, management engaged legal and accounting support in Ethiopia to quickly remit all payments and ensure proper compliance with local laws going forward. In total, the Organization paid approximately \$248,000 to the Ethiopian government in October 2021, which represented all past due amounts and associated penalties. Management calculated the payroll liability related to the obligation as of December 31, 2020 to be \$164,711, which has been included in *Accrued Payroll and Related Costs* in the accompanying Statements of Financial Position.

The Organization is currently in the process of determining which countries, in which the Organization operates, that will require registration as a branch office. The Organization expects to register in all applicable countries as required to be in compliance with local laws. Other than the above noted instance of noncompliance in Ethiopia, PxD believes that the Organization is in full compliance in all countries in which it currently operates.

NOTE 13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of December 31, 2020 and 2019, 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 DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 13 (Continued)

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Financial Assets:                                       |                     |                     |
| Cash  | \$ 4,469,701        | \$ 3,231,824        |
| Investments   | 1,031,527           | 1,022,077           |
| Grants Receivable                                       | 387,245             | 1,329,604           |
| Accounts Receivable                                     | <u>-</u>            | <u>34,789</u>       |
| Total Financial Assets as of December 31, 2020 and 2019 | 5,888,473           | 5,618,294           |
| Less Amounts Not Available to be Used Within One Year:  |                     |                     |
| Grants Receivable, Non-Current                          | -                   | (70,284)            |
| Board Designated Reserves                               | <u>(2,223,197)</u>  | <u>(2,266,897)</u>  |
| Financial Assets Available to Meet                      |                     |                     |
| General Expenditures Within One Year                    | <u>\$ 3,665,276</u> | <u>\$ 3,281,113</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 14 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 January 31, 2022, the date which the financial statements were available for issue, and noted the following event which met the criteria:

**PPP Loan Forgiveness:**

The PPP loan forgiveness application was approved by the SBA for \$106,300 on June 16, 2021.