

PRECISION DEVELOPMENT, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021)



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PRECISION DEVELOPMENT, INC., INC.
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(WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Precision Development, Inc.
Newton, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Precision Development, Inc. (a Massachusetts nonprofit), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Precision Development, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change In Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the Organization adopted new accounting guidance for leases ASC 842. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Precision Development, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:


- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Precision Development, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Precision Development, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Precision Development, Inc.

Other Matter

We have previously audited Precision Development, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2023. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
January 17, 2024

PRECISION DEVELOPMENT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS
AS OF DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	\$ 826,226	\$ 4,771,905
Short-Term Investments	1,031,766	26,774
Grants Receivable	-	361,081
Accounts Receivable	130,244	94,699
Prepaid Expenses and Other Assets	238,879	282,799
Total Current Assets	<u>2,227,115</u>	<u>5,537,258</u>
Property and Equipment, Net	3,825	17,941
Right of Use Asset, Net	20,672	-
Board-Designated Reserve	-	999,357
Total Noncurrent Assets	<u>-</u>	<u>999,357</u>
Total Assets	<u><u>\$ 2,251,612</u></u>	<u><u>\$ 6,554,556</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 85,331	\$ 287,514
Accrued Expenses and Other Liabilities	50,539	43,355
Lease Liabilities	20,672	-
Total Liabilities	<u>156,542</u>	<u>330,869</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	570,461	671,606
Designated by the Board for Operating Reserve	-	999,357
Total Without Donor Restrictions	<u>570,461</u>	<u>1,670,963</u>
With Donor Restrictions	1,524,609	4,552,724
Total Net Assets	<u>2,095,070</u>	<u>6,223,687</u>
Total Liabilities and Net Assets	<u><u>\$ 2,251,612</u></u>	<u><u>\$ 6,554,556</u></u>

See accompanying Notes to Financial Statements.

PRECISION DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUE, SUPPORT, AND GAINS				
Gifts, Grants, and Contributions	\$ 3,137,301	\$ 754,038	\$ 3,891,339	\$ 7,447,468
Program Revenue	209,434	-	209,434	290,082
Investment Return	(2,726)	-	(2,726)	829
Other Income	20,969	-	20,969	-
Net Assets Released from Restrictions - Other	3,782,153	(3,782,153)	-	-
Total Revenue, Support, and Gains	7,147,131	(3,028,115)	4,119,016	7,738,379
EXPENSES				
Program Services	6,896,239	-	6,896,239	5,934,269
Management and General	1,122,617	-	1,122,617	912,928
Fundraising	228,777	-	228,777	334,884
Total Expenses	8,247,633	-	8,247,633	7,182,081
CHANGE IN NET ASSETS	(1,100,502)	(3,028,115)	(4,128,617)	556,298
Net Assets - Beginning of Year	1,670,963	4,552,724	6,223,687	5,667,389
NET ASSETS - END OF YEAR	<u>\$ 570,461</u>	<u>\$ 1,524,609</u>	<u>\$ 2,095,070</u>	<u>\$ 6,223,687</u>

See accompanying Notes to Financial Statements.

PRECISION DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 4,227,453	\$ 473,287	\$ 134,957	\$ 4,835,697
Employee Benefits	353,222	59,493	14,922	427,637
Payroll Taxes	206,558	35,073	7,863	249,494
Contract Personnel Costs	603,541	196,521	58,250	858,312
Implementation and Field Costs	684,132	52,321	2,866	739,319
Travel and Meeting Costs	260,812	30,383	8,030	299,225
Professional Fees	68,868	49,366	832	119,066
Lease Costs	60,296	3,234	675	64,205
Insurance	1,055	4,485	-	5,540
Information Technology and Equipment	125,354	205,236	142	330,732
Office Expenses	133,565	13,212	240	147,017
Depreciation Expense	14,116	-	-	14,116
Miscellaneous Expense	157,267	6	-	157,273
	<u>\$ 6,896,239</u>	<u>\$ 1,122,617</u>	<u>\$ 228,777</u>	<u>\$ 8,247,633</u>
Total Expenses by Function	<u>\$ 6,896,239</u>	<u>\$ 1,122,617</u>	<u>\$ 228,777</u>	<u>\$ 8,247,633</u>

See accompanying Notes to Financial Statements.

PRECISION DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 1,421,981	\$ 259,005	\$ 209,510	\$ 1,890,496
Employee Benefits	134,017	41,742	8,185	183,944
Payroll Taxes	219,870	31,144	14,273	265,287
Contract Personnel Costs	2,815,154	262,033	99,714	3,176,901
Implementation and Field Costs	877,556	1,040	-	878,596
Travel and Meeting Costs	33,857	174	495	34,526
Professional Fees	218,851	103,774	-	322,625
Lease Costs	51,345	3,427	-	54,772
Insurance	1,143	7,003	-	8,146
Information Technology and Equipment	90,916	178,038	2,707	271,661
Office Expenses	60,699	17,797	-	78,496
Depreciation Expense	6,365	7,751	-	14,116
Miscellaneous Expense	2,515	-	-	2,515
Total Expenses by Function	<u>\$ 5,934,269</u>	<u>\$ 912,928</u>	<u>\$ 334,884</u>	<u>\$ 7,182,081</u>

See accompanying Notes to Financial Statements.

PRECISION DEVELOPMENT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (4,128,617)	\$ 556,298
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	14,116	14,116
Realized and Unrealized (Gain) on Operating Investments	(5,005)	(829)
Changes in Operating Assets and Liabilities:		
Grants Receivable	361,081	26,164
Accounts Receivable, Net	(35,545)	(94,699)
Prepaid Expenses and Other Assets	43,920	(130,858)
Accounts Payable and Accrued Expenses	(202,183)	80,431
Accrued Payroll and Related Costs	7,184	(154,644)
Net Cash Provided (Used) by Operating Activities	<u>(3,945,049)</u>	<u>295,979</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition/Sale of Investments, Net	<u>(630)</u>	<u>6,225</u>
Net Cash Provided (Used) by Investing Activities	<u>(630)</u>	<u>6,225</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,945,679)	302,204
Cash and Cash Equivalents - Beginning of Year	<u>4,771,905</u>	<u>4,469,701</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 826,226</u></u>	<u><u>\$ 4,771,905</u></u>

See accompanying Notes to Financial Statements.

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Precision Development, Inc. (the Organization) 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 changed from Precision Agriculture for Development, Inc. to Precision Development, Inc.

The Organization 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 individuals and foundation donations and grants.

Foreign Registration

As more fully described in Note 11, the Organization is conducting program activities in several countries. 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, the Organization registered a foreign branch office in Ethiopia. Registration of branch offices in the other countries in which the Organization operates are not required and have not been sought.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840. The standard had a impact on the 2022 statement of financial position but did not have an impact on the 2022 statement of activities and statement of changes in net assets, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less. Cash and cash equivalents does not include cash pooled with investments.

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from two to six years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Grants and Accounts Receivable

Grants receivable reflects the balances due on unconditional grant commitments. Accounts receivable reports 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 noncurrent. As of December 31, 2022 there were no grants receivable. As of December 31, 2021, grants receivable totaling \$361,081 were due within one year.

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. The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement 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.

Leases

The Organization leases office space under operating lease agreements. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) assets, current operating lease liabilities, and long-term operating lease liabilities on the statements of financial position.

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

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

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Organization satisfies a performance obligation. Revenue recognized in accordance with Topic 606 includes data collection and data quality programs and other similar programs. This revenue is recognized as revenue without restrictions over time when the services and occur. Contract assets related to Topic 606 revenue are included in accounts receivable and totaled \$130,244 at December 31, 2022 and \$94,699 at December 31, 2021. There was no beginning contract assets at January 1, 2021, and there were no contract liabilities related to Topic 606 revenue in 2022 or 2021.

The Organization receives grants and contributions from various donors and grantors, including unconditional promises to give, that are recognized as revenue in the period received. Conditional grants, contributions, and promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. See Note 8 for detail of conditional grants.

Contributed Nonfinancial Assets

The Organization maintains a policy whereby the value of donated goods and services which require a specialized skills 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 prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. There were no contributed nonfinancial assets during 2022 or 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but no statement of activities is presented. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021 from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated through January 17, 2024, the date the financial statements were available to be issued.

NOTE 2 PROGRAM SERVICES

The Organization 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. The Organization is pioneering a model for digital development: reaching smallholder farmers and other users with personalized advice through their mobile phones. The Organization 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, the Organization offers its users valuable and practical information, customized to their geography, market, and characteristics. The Organization incorporates insight 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, the Organization and its partners service 5.3 million users. The Organization works in eleven countries in Africa, Asia and Latin America, and is expanding as governments and organizations look for innovative ways to utilize new technologies to deliver actionable information to people who need it.

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021, 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 with 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.

	2022	2021
Cash and Cash Equivalents	\$ 826,226	\$ 4,771,905
Investments	1,031,766	1,026,131
Grants and Accounts Receivables	130,244	455,780
Total Financial Assets	<u>1,988,236</u>	<u>6,253,816</u>
Less Amounts Not Available to be Used Within One Year:		
Board-Designated Reserves	-	(999,357)
Donor Restricted Net Assets	<u>(1,524,609)</u>	<u>(4,552,724)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 463,627</u>	<u>\$ 701,735</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, board designated funds may be made available for current operations, if necessary, with approval by the board.

For the purposes of analyzing resources available to meet general expenditures over a 12-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 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets valued using the net asset value practical expedient are not required to be reported within the hierarchy.

The Organization invests in CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Money Market Funds – Money market funds are valued at the quoted price of shares reported in the active market in which funds are traded.

Certificates of Deposits – Certificates of deposits are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions.

The following tables summarize fair value measurements for financial assets measured at fair value on a recurring basis at December 31:

	Total	Level 1	Level 2	Level 3
<u>December 31, 2022</u>				
Money Market Funds	\$ 287,413	\$ 287,413	\$ -	\$ -
Certificates of Deposits	744,353	-	744,353	-
Total	<u>\$ 1,031,766</u>	<u>\$ 287,413</u>	<u>\$ 744,353</u>	<u>\$ -</u>
<u>December 31, 2021</u>				
Money Market Funds	\$ 26,774	\$ 26,774	\$ -	\$ -
Certificates of Deposits	999,357	-	999,357	-
Total	<u>\$ 1,026,131</u>	<u>\$ 26,774</u>	<u>\$ 999,357</u>	<u>\$ -</u>

PRECISION DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Leasehold Improvements	\$ 51,249	\$ 51,249
Furniture and Equipment	12,222	12,222
Subtotal	63,471	63,471
Less: Accumulated Depreciation	(59,646)	(45,530)
Total Property and Equipment	<u>\$ 3,825</u>	<u>\$ 17,941</u>

NOTE 6 LEASES – ASC 842

The Organization occupies office space under noncancelable, operating lease agreements. The following table provides quantitative information concerning the Organization's leases:

Lease Costs	
Operating Lease Costs	<u>\$ 15,600</u>
Total Lease Costs	<u>\$ 15,600</u>
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 15,600
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 35,998
Weighted-Average Remaining Lease Term - Operating Leases	1.3 Years
Weighted-Average Discount Rate - Operating Leases	0.99%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 15,600
2024	5,200
Total Lease Payments	20,800
Less: Interest	(128)
Present Value of Lease Liabilities	<u>\$ 20,672</u>

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NOTE 7 OPERATING LEASES – ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of period adoption with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

United States

Through June 2020, the Organization 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 year-end December 31, 2020, the monthly rent ranged from \$2,250 to \$3,250.

Kenya

In 2018, the Organization entered into a six-year lease agreement to lease approximately 1,600 square feet of office space in Nairobi Kenya, which services as one of the Organization's foreign branch offices for its East African programs (see Note 12). 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, the Organization 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 amount for office services charges and local taxes.

Future minimum lease payments were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 22,901
2023	20,339
2024	6,780
Total Minimum Lease Payments	<u>\$ 50,020</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.

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NOTE 8 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:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Digital Agricultural Advisory and Market Linkages for Smallholder Coffee and Spice Farmers	\$ 1,100,015	\$ 1,426,842
Effectiveness of Agriculture in India	345,958	654,152
Natural Hazards and Climate Risk Management	42,343	120,135
Digital Education in East Africa	36,293	260,438
Improving Income and Food Security in Kenya, Pakistan and Nigeria	-	1,188,000
Evidence Generating Initiative	-	870,000
Agricultural Advisory Services in Ethiopia	-	33,157
Total Net Assets with Donor Restrictions	<u>\$ 1,524,609</u>	<u>\$ 4,552,724</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by occurrence of events specified by the donors as follows for the years ended December 31:

	2022	2021
Improving Income and Food Security in Kenya, Pakistan and Nigeria	\$ 1,138,991	\$ 1,899,017
Effectiveness of Agriculture in India	665,195	316,501
Evidence Generating Initiative	870,000	452,920
Agricultural Advisory Services in Ethiopia	459,205	584,407
Natural Hazards and Climate Risk Management	97,792	53,997
Programming Initiatives in Pakistan	-	35,162
One Million Farmers Project	-	25,389
India and Pakistan Program Development	150,000	100,000
Digital Agricultural Advisory and Market Linkages for Smallholder Coffee and Spice Farmers	326,826	51,868
Digital Education in East Africa	74,144	293,186
Other Program Initiatives	-	51,124
Total	<u>\$ 3,782,153</u>	<u>\$ 3,863,571</u>

The board of directors may designate financial assets as board-designated reserves. The total reserve at December 31, 2021 included \$999,357 of certificates of deposit. As of December 31, 2022, there were no board designated financial assets.

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NOTE 9 CONDITIONAL GRANTS

Operating Grant Commitments

In 2019, the Organization received a \$1,500,000 commitment from an individual donor, payable in three annual installments of \$500,000, which was intended to support general operations through 2022. The first installment of \$500,000 was received and recognized in 2019 and the second installment was recognized in 2021. The remaining installment of \$500,000 was received and recognized in 2022 as Gifts, Grants and Contributions in the accompanying statements of activities.

In 2021, the Organization received a \$500,000 commitment from an individual donor payable in two installments of \$250,000, which are intended to support general operations through 2022. The first installment of \$250,000 was received and recognized in 2021, and the second installment of \$250,000 was received and recognized in 2022 as Gifts, Grants and Contributions in the accompanying statements of activities.

Restricted Grant Commitments

During 2019, the Organization received funding commitment to support a project entitled “Improving Agricultural Advisory in Ethiopia through Digital (DFID DF). The total commitment is \$760,694 and was increased to \$830,868 in October 2021, 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 year ending December 31, 2021, the Organization had met all conditions to recognize the remaining \$220,647 of this grant award as grant revenue.

During 2019, the Organization 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, 2022 and 2021, the Organization had met the conditions to recognize \$55,283 and \$80,000, respectively, of this grant award as revenue, and there were no conditions remaining as of December 31, 2022.

During 2019, the Organization received funding from two donors that was deemed to be conditional upon certain programmatic barriers. During the year ended December 31 2021, the Organization had met the conditions to recognize revenue totaling \$1,000,000, respectively, related to these grant commitments. During 2021, the Organization received additional funding of \$315,000 that was recognized as restricted revenue and released when the restrictions were satisfied in 2022.

During 2022, the Organization received a conditional grant of \$597,762 to fund a project impacting vulnerable populations, of which the Organization had met programmatic conditions to recognize \$299,979 of grant revenue. The remaining \$297,783 was deemed conditional as of December 31, 2022.

During 2022, the Organization received a conditional grant to provide support to leverage remote sensing and machine learning. During 2022, the Organization had met the conditions to recognize \$750,000 of the grant, and the remaining \$250,000 was deemed conditional as of December 31, 2022.

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NOTE 9 CONDITIONAL GRANTS (CONTINUED)

Since the terms of the conditional components of the above grants commitments had not been met as of December 31, 2022 and 2021, the aggregate conditional commitment of \$547,783 and \$805,283, respectively, has not been recognized in the accompanying financial statements.

NOTE 10 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11 CONCENTRATIONS OF RISK

Cash

The Organization maintains cash balances in several federally insured financial institutions (FDIC), and beginning in 2019, the Organization maintained additional accounts for its excess deposit that are fully insured by the Depositors Insurance Fund. The cash exceeding federally insured limits totaled approximately \$398,096 and \$3,478,341 at December 31, 2022 and 2021, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. In addition, the Organization maintains bank accounts in Kenya with balances of approx. \$40,985 and \$56,571 as of December 31, 2022 which are not part of the FDIC or DIF programs.

Gifts, Grants and Contributions

As reported in the statements of activities, for the year ended December 31, 2022, 43% of the total Gifts, Grants and Contributions are from three donors. For the year ended December 31, 2021, 58% of the total Gifts, Grants and Contributions are from three donors.

Grants Receivable

As of December 31, 2021, amounts due from two grantors accounted for 100% of the total Grants Receivable on the statements of financial position. No amounts were due at December 31, 2022.

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NOTE 11 CONCENTRATIONS OF RISK (CONTINUED)

Foreign Operations

Foreign operations are subject to risk inherent in operating under different legal systems and various political and economic environments. Changes or restriction 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, the Organization registered a foreign branch office in Kenya under The Companies Act, 2015 in June 2018 and began operations during 2019. During the years presented, the Organization 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 EMPLOYEE BENEFITS

The Organization 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 allows for after tax contributions. The Plan makes a matching contribution of up to 4% of employee compensation. For the years ended December 31, 2022 and 2021, the Organization made matching 401k contributions of \$53,029 and \$63,361, respectively, which are included in Employee Benefits in the accompanying Statement of Functional Expenses. Additionally, the Organization makes pension contributions in accordance with local payroll compliance requirements on behalf of its employees based in the United Kingdom, Kenya and Ethiopia.

NOTE 13 RELATED PARTY TRANSACTIONS

Salaries

During the years presented, the Organization's managing director is compensated as an employee and also serves as an officer of the board directors and his salary is allocated to various programs expense categories based on the nature of the services.

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 provide contracted services totaling \$192,793 and \$181,598 to the Organization in connection with implementation and field costs for the years ended December 31, 2022 and 2021, respectively.

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NOTE 14 CONTINGENCIES

Foreign Registration and Compliance

During 2021, the Organization was notified of payroll tax and pensions obligation due to the Ethiopian government dating back to November 2019. Upon notification, management engaged legal and account 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. The amount was paid in full in October 2021.