

Pact, Inc. and Affiliates

Consolidated Financial Report
September 30, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Pact, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pact, Inc. and Affiliates (collectively, Pact), which comprise the consolidated balance sheet as of September 30, 2017, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Pact Global Microfinance Fund (PGMF), a wholly owned affiliate, whose statements reflect total assets constituting 87% of consolidated total assets at September 30, 2017, and total revenues constituting 28% of consolidated total support and revenue for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for PGMF, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The Pact Global Microfinance Fund (PGMF) were not audited in accordance with *Government Auditing Standards*.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Pact, Inc. and Affiliates as of September 30, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Pact's 2016 financial statements and, based on our audit and the report of the other auditors, we expressed an unmodified audit opinion on those financial statements in our report dated March 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018, on our consideration of Pact's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pact's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
March 2, 2018

Pact, Inc. and Affiliates

**Consolidated Balance Sheet
September 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
Assets		
Cash and cash equivalents	\$ 36,179,420	\$ 25,273,931
Investments	3,970,580	3,528,091
Federal grants receivable	6,325,441	6,424,351
Other grants receivable	1,877,620	2,352,990
Advances and other receivables	2,908,338	1,659,234
Prepaid expenses and deposits	2,442,669	2,710,189
Loan portfolio, net of loan loss reserve	164,259,003	158,699,734
Property and equipment, net	2,640,833	3,820,622
	<u>\$ 220,603,904</u>	<u>\$ 204,469,142</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,330,566	\$ 15,193,726
Beneficiary savings and reserved funds	77,717,445	61,574,872
Net returns on loans, reinvested earnings	10,658,113	10,302,747
Notes payable	1,365,348	2,640,000
Refundable advances – federal	1,414,085	2,446,298
Refundable advances – other	5,645,470	12,428,787
Client loan funds	6,714,594	7,745,235
Deferred rent	1,669,818	1,693,009
	<u>116,515,439</u>	<u>114,024,674</u>
Commitments and contingencies (Notes 9, 10 and 11)		
Net assets:		
Unrestricted – Pact, Inc.	4,259,185	4,237,724
Unrestricted – Pact Institute, Inc.	4,800,393	4,224,589
Unrestricted – Pact UK	2,442	-
Unrestricted – Pact Global Microfinance Fund	95,026,445	81,982,155
	<u>104,088,465</u>	<u>90,444,468</u>
	<u>\$ 220,603,904</u>	<u>\$ 204,469,142</u>

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

**Consolidated Statement of Activities
Year Ended September 30, 2017
(With Comparative Totals for 2016)**

	Unrestricted	
	2017	2016
Support and revenue:		
Grants and contracts	\$ 145,702,497	\$ 131,786,881
Contributions	61,026	154,098
Microfinance loan activities	47,392,218	36,896,226
Fee income on microfinance loans	1,691,233	672,065
Investment income, net	424,489	291,188
Other revenue	295,765	7,783
Net loss on loans	(355,365)	(5,473,782)
Total support and revenue	195,211,863	164,334,459
Expenses:		
Program services	122,658,111	110,769,194
Total program services	122,658,111	110,769,194
Supporting services:		
Management and general	22,332,597	18,529,161
Unrestricted general expenses	25,935,365	20,827,350
Fundraising	16,463	25,651
Total supporting services	48,284,425	39,382,162
Total expenses	170,942,536	150,151,356
Change in net assets before non-operating activity	24,269,327	14,183,103
Non-operating activity:		
Unrealized foreign exchange (loss) gain	(10,625,330)	4,139,269
Change in net assets	13,643,997	18,322,372
Net assets:		
Beginning	90,444,468	72,122,096
Ending	\$ 104,088,465	\$ 90,444,468

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

**Consolidated Statement of Cash Flows
Year Ended September 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 13,643,997	\$ 18,322,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(275,865)	(108,659)
Loan loss reserve allowance	530,070	1,013,868
Depreciation	913,057	1,026,575
Loss on sales of property and equipment	916,324	299,667
Changes in assets and liabilities:		
(Increase) decrease in:		
Federal grants receivable	98,910	(1,224,949)
Other grants receivable	475,370	114,853
Advances and other receivables	(1,249,104)	2,442,516
Prepaid expenses and deposits	267,520	(502,408)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,863,160)	4,870,197
Beneficiary savings and reserved funds	16,142,573	21,907,006
Net returns on loans, reinvested earnings	355,366	5,924,580
Refundable advances – federal	(1,032,213)	(441,806)
Refundable advances – other	(6,783,317)	(1,598,955)
Client loan funds	(1,030,641)	(1,401,717)
Deferred rent	(23,191)	11,795
Net cash provided by operating activities	19,085,696	50,654,935
Cash flows from investing activities:		
Purchases of investments	(166,624)	(182,529)
Disbursements for loans	(164,259,003)	(158,699,734)
Receipts from collections of loans	158,169,664	103,885,035
Proceeds from sales of property and equipment	7,959	40,080
Purchase of property and equipment	(657,551)	(726,770)
Net cash used in investing activities	(6,905,555)	(55,683,918)
Cash flows from financing activities:		
Payments on notes payable	(1,274,652)	-
Net cash used in financing activities	(1,274,652)	-
Net increase (decrease) in cash and cash equivalents	10,905,489	(5,028,983)
Cash and cash equivalents:		
Beginning	25,273,931	30,302,914
Ending	\$ 36,179,420	\$ 25,273,931
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 8,391,542	\$ 7,099,315

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Pact, Inc. and Affiliates (collectively Pact) consist of the activities of Pact, Inc., Pact Global Microfinance Fund, Pact Institute, Inc. and Pact Global.

Pact, Inc. is an international nonprofit corporation whose mission is to strengthen civil societies around the world in order to achieve social, economic and environmental justice. The business and property of Pact, Inc. are managed and controlled by Pact, Inc.'s volunteer Board of Directors. Pact, Inc. receives a majority of its funding from the U.S. Agency for International Development (USAID) and other federal agencies, both directly and as pass-through awards from prime recipients. Other donors include instrumentalities of the United Nations, private foundations, foreign government agencies and multilateral alliances of foreign governments. Pact, Inc. provides high quality capacity building and grants management services to grassroots organizations through its Washington, D.C.-based corporate office and its 24 local field offices. Through various strategic approaches, including capacity building, good governance and utilizing markets, Pact, Inc. makes programmatic impact in the areas of health, natural resource management and livelihoods. Pact, Inc. staff provides technical assistance in a wide range of capacity strengthening areas, including financial management, project design and implementation, information management and communications, governance and strategic planning.

The Pact Global Microfinance Fund (PGMF) is a wholly owned subsidiary of Pact; it is structured to qualify as a Type I Supporting Organization under Section 509(a)(3) of the Internal Revenue Code. PGMF was incorporated in the State of Delaware on February 2, 2012, and has taken over several activities in Myanmar that were previously performed by Pact or the Institute. PGMF is a charity created by Pact, a 501(c)(3) public charity, to combat global poverty by expanding and strengthening Pact's microfinance work. PGMF has taken over several of Pact's microfinance projects and will continue to do so over time. PGMF will work with the U.S. government, United Nations agencies, and other public and private donors to offer financial services to low-income people. These services are offered with the goal of alleviating poverty and promoting sustainable development in the poorest parts of the world. PGMF is organized and will be operated to support Pact's charitable purposes. PGMF shares the vision of Pact: "A world where those who are poor and marginalized exercise their voice, build their own solutions and take ownership over their future." PGMF works to help Pact achieve one of its key goals of enabling people with limited livelihood choices to gain the resources needed to be income secure. PGMF will administer and develop services, tools, technology, innovation and partnerships that achieve excellence in sustainable traditional microfinance lending. PGMF currently provides: (1) microfinance services to impoverished individuals, particularly rural women, who have inadequate access to commercial financial services; (2) education, training and capacity building related to microfinance, disaster risk reduction and other humanitarian topics; and (3) grants to community organizations and groups that provide microfinance, disaster risk reduction and other humanitarian and poverty-reduction services. Initially, all of the microfinance projects will take place in Myanmar (also known as Burma). Eventually, PGMF may expand its activities to other developing countries.

Pact Institute, Inc. (the Institute) was organized in 1999 to support the activities of Pact, Inc. and to contribute to the growth of civil society, strengthen the community-focused nonprofit sector worldwide, and implement innovative program initiatives. The Institute serves Pact, Inc. by enabling, supporting and carrying out program activities, such as feasibility studies and pilot programs in fields that Pact, Inc. seeks to strengthen its experience. Such fields include health, natural resource management, economic empowerment and peace building.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Pact Global (Pact UK) was established as a Charitable Incorporated Organization (CIO) in the United Kingdom (UK) in February 2016 to support the activities of Pact, Inc. and to contribute to the growth of civil society, strengthen the community-focused nonprofit sector worldwide, and implement innovative programmer initiatives. Pact UK serves Pact, Inc. by enabling, supporting and carrying out programmer activities in the UK and European international development markets where Pact, Inc. sees to strengthen its presence. With a particular focus on the Department for International Development (DFID), Pact UK is expanding initiatives such as Mines to Markets, growing in the health and social accountability, and informing UK policy development on modern slavery, notably child labor.

A summary of Pact's significant accounting policies follows:

Basis of accounting: The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: Pact reports information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, as applicable. There were no temporarily restricted or permanently restricted net assets at September 30, 2017.

Principles of consolidation: The financial statements include the accounts of Pact, Inc., Pact Global Microfinance Fund, Pact UK and the Institute. All significant intercompany transactions have been eliminated.

Financial risk: Pact maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. Pact has not experienced any losses in such accounts. Pact believes it is not exposed to any significant financial risk on cash and cash equivalents.

Pact had approximately \$29 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2017.

Pact invests its reserves in mutual funds and money market funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Cash and cash equivalents: For purposes of reporting cash flows, Pact considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments: Investments consist of mutual funds and money market funds and are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is included as a component of investment income, net in the consolidated statement of activities.

Grants receivable: Receivables are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. The majority of Pact's receivables are comprised of amounts billed on federal and other grants, which are billable when expenditures are incurred. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. There was no provision for doubtful accounts at September 30, 2017.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Advances and other receivables: Advances and other receivables consist primarily of advances to subrecipients. Advances are liquidated when allowable expenditures, under the terms of the respective subrecipient agreements, are incurred and reported by the subrecipient. Management determines an allowance for advances by reviewing the listing of advances outstanding and identifying any troubled accounts. Amounts are written off when deemed uncollectible. There was no provision for doubtful accounts at September 30, 2017.

Loans: Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that PGMF does not intend to sell immediately or in the near future term. Loans are reported at the principal amount outstanding, net of allowances for loan losses, impairments and unearned loan fees (see Notes 4 and 14). All loans are recognized when cash is advanced to borrowers.

Allowances for loan losses: Allowances have been established for probable loan losses. The Board of Directors has delegated responsibility of credit risk assessment to PGMF's senior management. The provisions for losses charged to operations are based on management's judgment of current economic conditions, the value of the underlying collateral and the credit risk of the loan portfolio. Management believes that these allowances are adequate for loan losses inherent in the loan portfolio based on available information; however, future additions to the allowances may be necessary based on changes in economic conditions.

Impairment: A loan is impaired when it is probable that all principal and interest amounts due will not be collected according to contractual terms of the loan agreement. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate. Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures. As of September 30, 2017, there were no impairments.

Property and equipment: Property and equipment with a cost of \$5,000 or more are capitalized. Improvements to property and equipment that extend the useful lives of the assets are also capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Valuation of long-lived assets: Pact reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Refundable advances: Refundable advances represent the balance of cash received from government and private grants, for which allowable expenditures have not yet been incurred.

Support and revenue – Pact Inc., Pact UK and the Institute: Revenue from grants and contracts is recognized as related reimbursable expenses are incurred. Allowable expenses incurred in excess of cumulative reimbursements are reported within grants receivable. Cash received in excess of allowable expenditures incurred is reported as refundable advances.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Support and revenue – PGMF: Loan income and expenses are recognized based on the effective interest rate of the interest earning asset or the interest bearing liability. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount if maturity is calculated on an effective interest rate basis. Revenue from grants and contracts is recognized as related reimbursable expenses are incurred. Cash received in excess of allowable expenditures incurred is reported as refundable advances.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain management and staff expenses have been allocated to programs on the basis of time spent. Other expenses have been allocated to programs based upon salaries expense.

Foreign currency translation and transactions – Pact Inc., Pact UK and the Institute: The reporting currency and functional currency is the U.S. dollar. Monthly expenses that are incurred by field offices in foreign countries in foreign currencies are translated into U.S. dollars at the rate of exchange in effect during the month of the transaction. Gains and losses from foreign currency transactions are netted with expenses on the consolidated statement of activities.

Foreign currency translation and transactions – PGMF: Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the ruling rate in effect at the balance sheet date. Foreign exchange differences arising from translation are recognized in the consolidated statement of activities. The official exchange rate for U.S. dollars used in the translation of balance sheet items denominated in foreign currencies was 1,356.06 in Myanmar Kyat (MMK) at September 30, 2017. In 2017, a foreign exchange loss of \$10,625,330 was recorded.

Income taxes: Pact, Inc., the Institute and PGMF are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, all three organizations qualify for charitable contributions deductions and have been classified as organizations that are not private foundations. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Pact UK is registered as a charity in the United Kingdom. None of the entities had no significant net unrelated business income for the year ended September 30, 2017.

Management evaluated Pact's tax positions and concluded that Pact has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the accounting guidance for uncertainty in income taxes. Generally, Pact is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2014.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with Pact's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Upcoming accounting pronouncement: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. The new standard is effective for Pact for the fiscal year beginning October 1, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Pact is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Pact has not yet evaluated the impact of this ASU on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. This ASU is effective for fiscal years beginning after December 15, 2018. Pact is currently assessing the potential impact of this ASU on the financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments in this ASU are intended to improve the guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU No. 2014-09, *Revenue from Contracts with Customers*. Pact is currently assessing the potential impact of this ASU on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. For all other entities (non public), the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Pact is currently assessing the potential impact of this ASU on the financial statements.

Subsequent events: Pact evaluated subsequent events through March 2, 2018, which is the date the financial statements were available to be issued.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements and Investments

The Fair Value Measurement Topic of (the Accounting Standards Codification) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Topic of the Codification as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Fair Value Topic of the Codification are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Pact's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following table presents Pact's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2017:

Description	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income – short term bond	\$ 581,000	\$ -	\$ -	\$ 581,000
Fixed income – ultrashort bond	580,929	-	-	580,929
Fixed income – intermediate term bond	289,934	-	-	289,934
Equity – large blend	704,690	-	-	704,690
Equity – foreign large value	366,166	-	-	366,166
Equity – diversified emerging markets	389,578	-	-	389,578
Equity – small value	125,959	-	-	125,959
Equity – small blend	125,342	-	-	125,342
Equity – world stock	124,958	-	-	124,958
Equity – global real estate	60,471	-	-	60,471
Equity – dimensional fund advisor	597,285	-	-	597,285
	<u>3,946,312</u>	-	-	<u>3,946,312</u>
Money market funds	24,268	-	-	24,268
	<u>\$ 3,970,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,970,580</u>

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Fair Value Measurements and Investments(Continued)

Investment income consists of the following for the year ended September 30, 2017:

Interest and dividends	\$ 148,624
Unrealized gain on investments	275,865
	<u>\$ 424,489</u>

Note 3. Advances and Other Receivables

Advances and other receivables consist of the following at September 30, 2017:

Subrecipient advances	\$ 1,256,532
Employee advances	157,093
Other receivables	1,494,713
	<u>\$ 2,908,338</u>

Note 4. Loans Receivable

Loans receivable consists of loans granted to individuals and groups (customers). These loans are made for the purpose of financing agriculture activities, trading, small-scale artisan work and other services. No collateral or security is taken for these loans. These loans are granted generally for a period of between 4 and 12 months at an annual effective interest rate of 30%. All loans outstanding as of September 30, 2017, are due within the next 12 months. Loans outstanding for the year ended September 30, 2017, consist of the following:

Loans receivable	\$ 168,542,678
Less loan loss allowance	(4,283,675)
Net loan portfolio	<u>\$ 164,259,003</u>

PGMF will often make loans to borrowers who would be unable to secure financing from commercial sources. The ability of each borrower to repay its respective loan depends on the entrepreneurial success of each borrower. In addition, payments to PGMF depend on the economic and political environment of each locality in which loans are made.

A summary of the activity in the allowance for loan losses for the year ended September 30, 2017, is as follows:

Balance at beginning of year	\$ 3,753,605
Provision for loan losses	939,308
Loans written off	(15,602)
Revaluation	(393,636)
Balance at end of year	<u>\$ 4,283,675</u>

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Loans Receivable (Continued)

Loans are considered delinquent if they have not been repaid when due. See Note 14 for more information. As of September 30, 2017, PGMF had delinquencies totaling \$927,856. As of September 30, 2017, the average effective yield on loans receivable was 30%.

The net losses on loans of \$355,365 that is on the consolidated statement of activities represent loans that were made and written off in the current year and thus are reducing the revenue.

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at September 30, 2017, and depreciation expense for the year ended September 30, 2017, are as follows:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Software	3 years	\$ 2,341,750	\$ 2,245,208	\$ 96,542	\$ 295,555
Leasehold improvements	11 years	1,487,602	629,129	858,473	105,119
Property and equipment	3-10 years	3,636,624	2,351,211	1,285,413	443,706
Work in progress		468,523	68,118	400,405	68,677
		<u>\$ 7,934,499</u>	<u>\$ 5,293,666</u>	<u>\$ 2,640,833</u>	<u>\$ 913,057</u>

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at September 30, 2017:

Accrued personnel expenses	\$ 6,804,963
Accounts payable and accrued expenses	4,525,603
	<u>\$ 11,330,566</u>

Note 7. Beneficiary Savings and Reserved Funds

Beneficiary savings and reserved funds consist of deposits from loan customers and other client liabilities. Deposits from customers as of September 30, 2017, consist of the following:

Savings (compulsory)	\$ 20,294,714
Savings (voluntary)	41,800,864
Total deposits from customers	<u>\$ 62,095,578</u>

During fiscal year 2017, the annual effective interest rate on compulsory deposits was 15% and on voluntary deposits was 10%; all deposits are interest bearing. Interest is accrued monthly and capitalized on customer deposit accounts at the end of the year. Therefore, accrued interest on deposits is included in the deposits from loan customers on the consolidated balance sheet while interest expense on deposits is part of banking and professional fees, which are included in the program services on the consolidated statement of activities. Each of these types of customer deposits are available on demand with two weeks' notice.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7. Beneficiary Savings and Reserved Funds (Continued)

As of September 30, 2017, other client liabilities consist of the following:

Beneficiary Welfare Fund	\$	12,373,686
Employee Benefit Fund		3,234,375
Other deposits		13,806
Total other client liabilities	\$	<u>15,621,867</u>

The Beneficiary Welfare Fund is designed for microfinance customers who currently have outstanding loans, have completed a loan or are waiting to receive a loan from PGMF. To qualify for the funding program, clients must be current microfinance customers, take at least one loan per year to continue program coverage and agree to follow all the rules and regulations. It offers two types of benefits: (1) a one-time cash benefit and (2) the settling of outstanding loans with the Beneficiary Welfare Program funds. When a borrower dies or faces certain risk defined by the program, PGMF will settle the outstanding loans and also provide cash benefits, depending on the risks.

The Beneficiary Welfare Fund is created by the following contributions:

1. The collection of 1.5% of loan disbursements from borrowers.
2. Clients will contribute an additional 0.5% on a voluntary basis for natural disaster coverage for risky agriculture.
3. 1% of gross income monthly contributed by PGMF.
4. 15% annual interest, 1.25% monthly.

The Employee Benefit Plan (EBP) Fund was created on October 1, 2014, to provide a safety net for those employees in time of difficulty and to promote a supportive and healthy working environment. The EBP Fund was initially funded from current PGMF Microfinance Program Staff Health Care Plan funds. PGMF employees contribute 3,000/Kyat per month towards the EBP Fund. PGMF will also contribute an amount equal to 15% of the EBP Fund balance on an annual basis. The EBP Fund will provide several benefits to PGMF employees, including retirement and medical, childbirth and bereavement assistance.

Note 8. Net Returns on Loans

PGMF generates earnings from interest charged and collected, net of operating expenses, on loan fund assets (microfinance products) owned by various funding agencies. As ownership of the underlying assets does not transfer to PGMF until the point in time in which the projects have ended and the donors who originally contributed the initial funds for the microfinance loans have released those funds to PGMF, the net earnings or net return on loans from those loan funds are recorded as a liability due to the donors until released by the donors. The cumulative amount recorded as net returns on loans as of September 30, 2017, was \$10,658,113, of which \$10,302,747 was earned in 2016.

Note 9. Pension Plan

Pact has a 403(b) defined contribution salary deferral plan covering substantially all employees who have completed one year of employment. Contributions are based on a percentage of the employees' compensation: 8.8% for employer contributions for employees who have completed their first year and are in effect until their third year of service, increasing to 13% thereafter. Employees may contribute the maximum amount permitted by law. Pension expense for the year ended September 30, 2017, was \$1,416,719.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 10. Leases

Pact's corporate headquarters occupies office space in Washington, D.C. under the terms of a non-cancellable operating lease, and various foreign countries offices are occupied under leases on a month-to-month basis. The headquarters lease expires on November 30, 2025.

All lease expenditures are recognized on a straight-line basis ratably over the term of the lease. The difference between the straight-line expense and the required lease payment is reflected as deferred rent in the accompanying consolidated balance sheet.

Total rent expense was approximately \$3,770,376 for the year ended September 30, 2017.

Total future lease payments are as follows:

Years ending September 30:

2018	\$	2,788,871
2019		2,331,103
2020		1,692,367
2021		1,666,550
2022		1,676,039
2022 and thereafter		5,512,351
	\$	<u>15,667,281</u>

Note 11. Commitments and Contingencies

Federal awards: Pact participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the federal government or its representative. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate significant adjustments as a result of such audits.

Grants to subrecipients: Pact has authorized subgrants contingent upon the receipt of acceptable progress reports towards negotiated workplans. The contingent subgrants will be considered authorized when the contingency requirements are met. No liability has been recorded for these unobligated subaward amounts in the accompanying financial statements.

Note 12. Major Grantor

During the year ended September 30, 2017, Pact received significant direct funding from USAID. A reduction in funding from USAID would have a significant impact on the operations of Pact. For the year ended September 30, 2017, approximately 53% of total revenue was related to grants funded directly by USAID. Another 4% of Pact's revenues were funded indirectly by USAID through subawards and subcontracts to other development partners that Pact engaged with during fiscal year 2017.

Note 13. Interest Expense

Interest expense for the year ended September 30, 2017, includes:

Interest on client deposits and other client liabilities	\$	8,291,072
Interest on line of credit		100,470
Total interest expense	\$	<u>8,391,542</u>

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Financial Risk Management – PGMF Operations

By its nature, PGMF's activities are principally related to the use of financial instruments. A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party or the obligation to deliver cash or another financial asset to another party. Financial instruments result in certain risks to PGMF. The most significant risks facing PGMF are outlined below.

Credit risk: Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to PGMF as they fall due. This is an inherent risk associated with the microfinance industry. The majority of loans are short term in nature; approximately 40% of the loans fall due within nine months and no loans are over 12 months in duration.

The Board of Directors has delegated responsibility for the management of credit risk to senior management. A separate Program (Operations) department is responsible for oversight of PGMF's credit risk including:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to Business Unit Officers.
- Reviewing and assessing credit risk. PGMF's Program department assesses all credit exposures in excess of designated limits prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to geographies and market segments for loans and advances.
- Developing and maintaining PGMF's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.
- Reviewing compliance of business units with agreed exposure limits including those for selected industries' country risk and product types. Regular reports are provided to PGMF's Program department on the credit quality of local portfolios and appropriate corrective actions to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout PGMF in the management of credit risk.

Each branch is required to implement PGMF's credit policies and procedures with credit approval authorities delegated from management. Each business unit has a Branch Manager who reports on all credit related matters to senior management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

PGMF does not hold collateral against loans. The lending portfolio consists of non-securitized microfinance loans mutually guaranteed by group members. Customers are clustered into solidarity groups, which collectively secure the loans. Regular audits of branches and credit processes are undertaken by Internal Audit.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Financial Risk Management – PGMF Operations (Continued)

Impaired loans: Impaired loans are loans for which PGMF determines that it is probable that it will be unable to collect the principal and interest due according to the contractual terms of the loan.

Objective evidence that loans are impaired can include default or delinquency by a borrower, restructuring of a loan, indications that a borrower will enter bankruptcy or other observable data relating to a group of loans such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

Past due but not impaired loans: Loans where contractual interest or principal payments are past due but PGMF believes that impairment is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to PGMF.

Allowance for loan losses: PGMF establishes an allowance for loan losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred, but have not been identified on loans subject to individual assessment for impairment.

Loan loss impairment is provided between 1% to 2% of current loans outstanding or the provision percentage on default loans, whichever is higher. PGMF considers loans past due when contracted installments are delinquent more than 90 days. The loan loss provision is calculated based on the aging of default loans in the portfolio on the following basis:

Period of Default	Provision Percentage on Default Loans
Less than 90 days	25%
Between 91-180 days	50%
Between 181-270 days	75%
More than 270 days	100%
Over 365 days	Write off

PGMF reports loans at their outstanding balance, net of allowance made from loan loss provisions.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Financial Risk Management – PGMF Operations (Continued)

Write-off policy: PGMF writes off a loan/security balance (and any related allowances for impairment losses) when PGMF's Program department determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from the group guarantee will not be sufficient to pay back the entire exposure.

	Borrowers	Amount
Current loan	1,004,701	\$ 167,614,821
Past due loan:		
1-90 days	606	98,349
91-180 days	413	109,660
181-270 days	272	64,778
271-365 days	671	224,540
Over 365 days	2,229	430,530
Gross carrying amount	<u>1,008,892</u>	<u>\$ 168,542,678</u>

Credit risk management: PGMF monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Magway South	\$ 10,696,766
Magway Central	19,898,052
Magway North/Sagaing	16,155,119
Mandalay/Shan North	24,903,516
Shan South	13,764,399
Delta West	25,346,503
Delta East	19,337,787
Rakhine	4,896,909
Delta North	20,295,813
Yangon	13,247,814
Total	<u>\$ 168,542,678</u>

Concentration by location for loans is measured based on the location of the PGMF unit holding the asset, which has a high correlation with the location of the borrower.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Financial Risk Management – PGMF Operations (Continued)

PGMF also monitors credit risk by product concentration. An analysis of concentrations of credit risk at the reporting date is shown below:

	Borrowers		Amount
General Loan	739,248	\$	104,448,610
Extra Loan	80,639		8,865,795
Medium and Small Enterprise Loan	25,114		10,217,041
Health Care Loan	3,073		158,844
Education Loan	3,786		146,953
Agriculture Loan	156,449		44,028,505
Lease	310		468,913
Individual Loan	273		208,017
Total	<u>1,008,892</u>	<u>\$</u>	<u>168,542,678</u>

Foreign currency risk: Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. PGMF recorded \$10,625,330 in foreign exchange loss due to the 11.64% decrease in the value of the U.S. dollar compared to the MMK during the fiscal year ended September 30, 2017.

Liquidity risk: Liquidity risk is the risk that PGMF will encounter difficulty in raising funds to meet commitments associated with financial instruments. The objective of liquidity management is to ensure that PGMF has the ability to generate sufficient funds to meet all cash flow obligations as they become due. In managing its liquidity, PGMF takes into account various legal requirements and limitations and the need to maintain market confidence. Total PGMF cash is \$23,846,120, which is 12.46% of PGMF's total assets.

Management of liquidity risk: PGMF's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to PGMF's reputation.

Head office receives information from other units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Weekly reports cover the liquidity position of both PGMF and operating units.

Exposure to liquidity risk: A key measure used by PGMF for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered only including cash. A similar but not identical calculation is used to measure PGMF's compliance with the liquidity limit established by the regulator.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Financial Risk Management – PGMF Operations (Continued)

Details of the reported organization ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2017	2016
At period end	38%	19%
Average for the period	55%	38%
Maximum for the period	86%	77%
Minimum for the period	15%	7%

Operational risk: Operational risk is the risk caused by failures in operational processes or the systems that support them. This includes errors, omissions, system breakdowns, natural disasters, terrorist attacks and fraudulent activity, causing an impact in terms of unavailability of services, financial loss, increased costs and loss of reputation or failure to make anticipated income or profit.

The goal of operational risk management is to balance cost and risk within the constraints of the risk appetite of PGMF, but to be consistent with the prudent management required of a financial institution. Risk management priorities are identified through a combination of experience and observation, internal audit assessment and knowledge, internal controls, detailed risk assessment work, change management procedures, incident reports and common sense.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall organizational standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties including authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation including insurance where this is effective

Note 15. Assets Transferred From Donor-Ended Projects

Under the Asset and Liability Transfer Agreement dated June 2014, PGMF assumed ownership of the net assets of the United Nations Development Programme (UNDP) project. Under the revenue sharing clause of the transfer agreement dated September 23, 2015, PGMF agrees to pay a total of MMK 12,543,666,405 over five years through semi-annual installments of MMK 1,254,266,640 each. As of September 30, 2017, the total liability to UNDP was \$6,714,594, of which \$2,890,651 is due within one year.

Pact, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 16. Line of Credit

Pact, Inc. has an express credit line loan agreement, which will expire on October 13, 2019. The line bears interest at London InterBank Offered Rate (LIBOR) one-month plus 3.0% (subject to a floor of 4.0%) and is secured by Pact Inc.'s assets. The interest rate at September 30, 2017 was 4.23%. The outstanding debt balance was \$1,365,348 at September 30, 2017.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Pact, Inc. and Affiliates

We have audited the financial statements of Pact, Inc. and Affiliates (collectively, Pact) as of and for the year ended September 30, 2017, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The consolidating and other supplementary information is presented for purposes of additional analysis, rather than to present the financial position and results of activities of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, as explained in our report with the financial statements on pages 1 and 2, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In our prior report dated March 28, 2017, we indicated that based on our audit, the procedures performed as described above, and the report of the other auditors, the 2016 supplementary information was fairly stated, in all material respects, in relation to the 2016 financial statements as a whole.

RSM US LLP

Washington, D.C.
March 2, 2018

Pact, Inc. and Affiliates

**Consolidating Balance Sheet
September 30, 2017**

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 7,154,943	\$ 5,093,993	\$ 84,364	\$ 23,846,120	\$ -	\$ 36,179,420
Investments	3,970,580	-	-	-	-	3,970,580
Federal grants receivable	6,325,441	-	-	-	-	6,325,441
Other grants receivable	492,496	1,385,124	-	-	-	1,877,620
Advances and other receivables	1,192,168	262,998	30,540	1,422,632	-	2,908,338
Prepaid expenses and other assets	1,685,048	252,179	3,229	502,213	-	2,442,669
Loan portfolio, net of loan loss reserve	-	-	-	164,259,003	-	164,259,003
Due (to) from related party	(3,460,129)	3,469,074	(7,995)	(950)	-	-
Property and equipment, net	1,326,892	-	-	1,313,941	-	2,640,833
	<u>\$ 18,687,439</u>	<u>\$ 10,463,368</u>	<u>\$ 110,138</u>	<u>\$ 191,342,959</u>	<u>\$ -</u>	<u>\$ 220,603,904</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 9,728,022	\$ 1,335,158	\$ 107,696	\$ 159,690	\$ -	\$ 11,330,566
Beneficiary savings and reserved funds	-	-	-	77,717,445	-	77,717,445
Net returns on loans, reinvested earnings	-	-	-	10,658,113	-	10,658,113
Notes payable	1,365,348	-	-	-	-	1,365,348
Refundable advances – federal	1,414,085	-	-	-	-	1,414,085
Refundable advances – other	250,981	4,327,817	-	1,066,672	-	5,645,470
Client loan funds	-	-	-	6,714,594	-	6,714,594
Deferred rent	1,669,818	-	-	-	-	1,669,818
	<u>14,428,254</u>	<u>5,662,975</u>	<u>107,696</u>	<u>96,316,514</u>	<u>-</u>	<u>116,515,439</u>
Net assets – unrestricted	4,259,185	4,800,393	2,442	95,026,445	-	104,088,465
	<u>\$ 18,687,439</u>	<u>\$ 10,463,368</u>	<u>\$ 110,138</u>	<u>\$ 191,342,959</u>	<u>\$ -</u>	<u>\$ 220,603,904</u>

Pact, Inc. and Affiliates

**Consolidating Statement of Activities
Year Ended September 30, 2017**

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Eliminations	Total
Support and revenue:						
Grants and contracts	\$ 115,911,469	\$ 23,251,141	\$ 904,629	\$ 5,635,258	\$ -	\$ 145,702,497
Contributions	38,915	-	272,193	-	(250,082)	61,026
Microfinance loan activities	-	-	-	47,392,218	-	47,392,218
Fee income on microfinance loans	-	-	-	1,691,233	-	1,691,233
Investment income, net	424,489	-	-	-	-	424,489
Other (losses) revenue	(9,554)	305,319	-	-	-	295,765
Net loss on loans	-	-	-	(355,365)	-	(355,365)
Total support and revenue	116,365,319	23,556,460	1,176,822	54,363,344	(250,082)	195,211,863
Expenses:						
Program services	98,337,504	20,525,284	830,929	2,964,394	-	122,658,111
Total program services	98,337,504	20,525,284	830,929	2,964,394	-	122,658,111
Supporting services:						
Management and general	17,114,176	2,228,865	343,451	2,646,105	-	22,332,597
Unrestricted general expenses	875,715	226,507	-	25,083,225	(250,082)	25,935,365
Fundraising	16,463	-	-	-	-	16,463
Total supporting services	18,006,354	2,455,372	343,451	27,729,330	(250,082)	48,284,425
Total expenses	116,343,858	22,980,656	1,174,380	30,693,724	(250,082)	170,942,536
Change in net assets before non-operating activity	21,461	575,804	2,442	23,669,620	-	24,269,327
Non-operating activity:						
Unrealized foreign exchange loss	-	-	-	(10,625,330)	-	(10,625,330)
Change in net assets	21,461	575,804	2,442	13,044,290	-	13,643,997
Net assets:						
Beginning	4,237,724	4,224,589	-	81,982,155	-	90,444,468
Ending	\$ 4,259,185	\$ 4,800,393	\$ 2,442	\$ 95,026,445	\$ -	\$ 104,088,465

Pact, Inc. and Affiliates

**Statement of Functional Expenses – Pact, Inc.
Year Ended September 30, 2017
(With Comparative Totals for 2016)**

	Program Services					Supporting Services					2016
	USAID	USAID	Other	Total	Total	Unrestricted		Total	Total		
	Funded	Funded				Management	General			Supporting	
	Directly	Indirectly	Federal	Non-Federal	Program	and General	Expenses	Fundraising	Services	Expenses	
Salaries and related expenses	\$ 17,986,952	\$ 2,121,225	\$ 867,242	\$ 92,480	\$ 21,067,899	\$ 9,549,912	\$ 40,855	\$ 2,282	\$ 9,593,049	\$ 30,660,948	\$ 27,077,537
Fringe benefits	4,872,620	594,582	220,290	15,712	5,703,204	3,007,582	57,955	717	3,066,254	8,769,458	7,536,435
Supplies and other	2,884,231	210,673	(6,213)	7,005	3,095,696	1,625,032	422,145	129	2,047,306	5,143,002	4,662,447
Travel	2,798,578	338,553	97,672	6,673	3,241,476	1,280,748	63,855	-	1,344,603	4,586,079	4,715,256
Training and conferences	3,355,259	303,839	99,133	451	3,758,682	299,813	21,505	-	321,318	4,080,000	4,633,930
Banking and professional fees	594,260	106,847	77,045	185	778,337	2,326,112	43,948	13,335	2,383,395	3,161,732	2,130,651
Occupancy	1,678,579	56,627	28,335	2,328	1,765,869	1,281,952	120	-	1,282,072	3,047,941	2,907,996
Allowances	2,382,991	267,265	17,984	3,543	2,671,783	72,400	87,415	-	159,815	2,831,598	2,427,708
Consultant fees	891,280	244,273	106,773	9,542	1,251,868	268,192	400	-	268,592	1,520,460	2,016,195
Vehicles and equipment	554,828	18,714	933	-	574,475	8,140	-	-	8,140	582,615	251,387
Depreciation	-	-	-	-	-	549,345	2,997	-	552,342	552,342	546,350
Affiliate admin cost recovery	-	-	-	-	-	(3,155,052)	-	-	(3,155,052)	(3,155,052)	(2,955,000)
	37,999,578	4,262,598	1,509,194	137,919	43,909,289	17,114,176	741,195	16,463	17,871,834	61,781,123	55,950,892
Subgrants and subcontracts	50,571,463	2,756,474	912,797	187,481	54,428,215	-	134,520	-	134,520	54,562,735	44,473,922
	88,571,041	7,019,072	2,421,991	325,400	98,337,504	17,114,176	875,715	16,463	18,006,354	116,343,858	100,424,814
Allocation of management and general	14,485,655	1,542,691	525,474	50,755	16,604,575	(17,114,176)	503,896	5,705	(16,604,575)	-	-
	\$ 103,056,696	\$ 8,561,763	\$ 2,947,465	\$ 376,155	\$ 114,942,079	\$ -	\$ 1,379,611	\$ 22,168	\$ 1,401,779	\$ 116,343,858	\$ 100,424,814

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact Institute, Inc.

Year Ended September 30, 2017

(With Comparative Totals for 2016)

	2017				2016
	Program Services	Management and General	Unrestricted General Expenses	Total Expenses	
Salaries and related expenses	\$ 6,462,393	\$ 431,849	\$ 15,346	\$ 6,909,588	\$ 6,241,318
Training and conferences	2,425,885	233	2,878	2,428,996	2,695,733
Fringe benefits	1,557,030	138,116	4,705	1,699,851	1,589,526
Admin cost recovery	-	1,600,000	-	1,600,000	1,581,000
Travel	1,206,627	22,667	5,352	1,234,646	1,215,817
Banking and professional fees	416,334	4,747	198,209	619,290	629,994
Occupancy	574,729	-	-	574,729	683,360
Consultant fees	509,277	30,000	-	539,277	410,569
Vehicles and equipment	309,681	-	-	309,681	206,911
Allowances	245,143	-	-	245,143	278,101
Supplies and other	(108,819)	1,253	17	(107,549)	1,309,672
	13,598,280	2,228,865	226,507	16,053,652	16,842,001
Subgrants and subcontracts	6,927,004	-	-	6,927,004	7,224,483
	20,525,284	2,228,865	226,507	22,980,656	24,066,484
Allocation of management and general	2,228,865	(2,228,865)	-	-	-
	\$ 22,754,149	\$ -	\$ 226,507	\$ 22,980,656	\$ 24,066,484

Pact, Inc. and Affiliates

**Statement of Functional Expenses – Pact UK.
Year Ended September 30, 2017
(With Comparative Totals for 2016)**

	2017			2016
	Program Services	Management and General	Total Expenses	
Salaries and related expenses	\$ 258,829	\$ 173,117	\$ 431,946	\$ 17,262
Fringe benefits	92,445	53,073	145,518	4,680
Travel	61,176	43,727	104,903	5,498
Supplies and other	33,863	3,733	37,596	2,224
Allowances	5,571	-	5,571	-
Training and conferences	37,724	2,125	39,849	3,997
Occupancy	28,677	-	28,677	769
Consultant fees	127,892	4,286	132,178	5,081
Banking and professional fees	11,214	63,389	74,603	1,421
Vehicles and equipment	3,135	-	3,135	-
	660,526	343,450	1,003,976	40,932
Subgrants and subcontracts	170,404	-	170,404	-
	830,930	343,450	1,174,380	40,932
Allocation of management and general	86,163	(86,163)	-	-
	\$ 917,093	\$ 257,287	\$ 1,174,380	\$ 40,932

Pact, Inc. and Affiliates

**Statement of Functional Expenses – Pact Global Microfinance Fund
Year Ended September 30, 2017
(With Comparative Totals for 2016)**

	2017				2016
	Program Services	Management and General	Unrestricted General Expenses	Total Expenses	
Salaries and related expenses	\$ 905,011	\$ -	\$ 10,772,522	\$ 11,677,533	\$ 10,216,316
Interest Expense	147,331	-	8,143,741	8,291,072	6,991,790
Affiliate admin cost recovery	-	2,646,105	-	2,646,105	2,588,913
Supplies and other	331,784	-	944,061	1,275,845	7,160,097
Travel	126,707	-	1,023,486	1,150,193	1,158,732
Fringe benefits	51,702	-	961,300	1,013,002	826,956
Bad Debt	113,351	-	825,685	939,036	1,070,938
Vehicles and equipment	3,032	-	740,198	743,230	275,000
Occupancy	57,810	-	517,805	575,615	569,841
Training and conferences	45,502	-	344,537	390,039	314,481
Depreciation	25,855	-	282,686	308,541	422,698
Allowances	84,962	-	209,480	294,442	280,735
Banking and professional fees	708	-	255,289	255,997	433,583
Consultant fees	156,971	-	62,435	219,406	92,395
	2,050,726	2,646,105	25,083,225	29,780,056	32,402,475
Subgrants and subcontracts	913,668	-	-	913,668	772,080
	2,964,394	2,646,105	25,083,225	30,693,724	33,174,555
Allocation of management and general	(98,166)	98,166	-	-	-
	\$ 2,866,228	\$ 2,744,271	\$ 25,083,225	\$ 30,693,724	\$ 33,174,555

Pact, Inc. and Affiliates

**Schedule of Program Expenditures and Cash Received of Non-U.S. Federal Government Awards – Pact, Inc. and Pact UK
Year Ended September 30, 2017**

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received (Refunded)
PricewaterhouseCoopers Limited	B1754	ASM EARF Research	\$ 223,978	\$ 244,661
Development Alternatives Inc. (DAI)	B3763	Zimbabwe Accountability and Artisanal Mining – ZAAMP	497,237	500,000
Cardno – Emerging Markets Division	B3800	SDMR	324	-
Department for International Development (DFID)	B4786	Nepal's National Health Sector Program III-Monitor	171,220	171,669
Cardno – Emerging Markets Division	B4799	SPACE	2,038	-
Global Fund To Fight AIDS, Tuberculosis & Malaria	P3190	GF Round & Tuberculosis Fund	115,395	-
Global Fund To Fight AIDS, Tuberculosis & Malaria	P3193	Malaria Control Towards Malaria Eradication	62,994	-
Danish Ministry of Foreign Affairs (DMFA)	P3220	Support to South Sudan Peace Fund II	(7,906)	(395,311)
Swedish Internat'l Dev Cooperation Agency (SIDA)	P3229	Support EPS, NCSOCD, & LGSD	(14,934)	-
Department for International Development (DFID)	P3231	BORDERS II	(68)	-
Education Above All Foundation	P3248	Reach'g Edu Attaint of Children Hinterland (REACH)	(1,511)	(46,090)
European Union	P3251	Enabling Capacity Programme 3	127,789	-
Department for International Development (DFID)	P3426	Zimbabwe Accountability and Artisanal Mining Progr	(70)	-
Danish Ministry of Foreign Affairs (DMFA)	P4046	Belarus: Capacity Development and Civic Education	94,465	-
Total non-U.S. federal government awards			\$ 1,270,951	\$ 474,929

Pact, Inc. and Affiliates

Schedule of Program Expenditures and Cash Received – Pact Institute, Inc. Year Ended September 30, 2017

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received
Global Giving	Z1766	Global Giving CSP	\$ 1,045	\$ 1,045
Project Contributions	Z1766	CSP	27,893	-
World Bank	Z1768	ASM Global Database	147,991	23,595
The MasterCard Foundation	Z1778	2017 AfrEA Conference Travel Scholarships	50,848	50,000
World Bank	Z1785	Curating AfrEA Conference Strand for Climate Inves	19,673	20,000
KPMG LLP	Z1804	M2M Personal Protective Equipment (PPE)	-	10,000
Hewlett Packard Enterprise Foundation	Z1805	The Story of MyWORTH	-	15,000
Bill & Melinda Gates Foundation	Z3071	Strengthening MNCH Frontline Organizations in NE N	8	-
Chevron Corporation	Z3073	HIV/AIDS PMTCT in Bayelsa State	2,903	-
QIT Madagascar Minerals S.A.	Z3078	Improving Access to Education via Rio Tinto/Es Scho	579	19,634
Bill & Melinda Gates Foundation	Z3087	Increasing Care Seeking Behavior in Nigeria for Ch	628,915	567,202
Conrad N. Hilton Foundation	Z3088	Hilton Foundation ECD	65,935	-
Ministry of Mines Ethiopia	Z3090	Support to Improve the Economic, Social and	12,262	212,116
Population Services International (PSI)	Z3092	Strengthening P3 in Sexual and Reproductive Health	331,019	478,852
Bill & Melinda Gates Foundation	Z3098	SAQIP	3,373,280	-
International Tin Research Institute (ITRI)	Z3100	iTSci 2015	(2,737)	-
DRC Ministry of Mines	Z3102	SAEP	407,099	547,629
Global Fund to Fight AIDS, Tuberculosis & Malaria	Z3103	Global Fund-Lesotho HIV/AIDS	28,593	-
United Nations Children's Fund (UNICEF)	Z3104	Integrated Child Protection Initiative for Vulnera	124,831	113,737
American Cancer Society, Inc.	Z3105	KENCASA Institutional Strengthening Project	126,238	-
Dutch Ministry of Foreign Affairs	Z3106	Scaling up Mineral Traceability in the Great Lakes	803,159	402,332
Visa International	Z3107	Visa Card Usage Behavior Change	341,758	-
Population Services International (PSI)	Z3109	Nzatonse Phase II	92,291	84,606
Ministry of Gender Equality and Child Welfare	Z3113	MGECW	1,856	13,978
Apple	Z3447	Program Addressing Child Labor Artisanal Mining	392,771	603,054
United Nations Children's Fund (UNICEF)	Z3738	Accelerating Stunting Reduction	458,848	531,166
United Nations Office for Project Svcs (UNOPS)	Z3745	PBF Jonglei Project	1,096	-
International Tin Research Institute (ITRI)	Z3746	iTSCi 2016	1,007,119	2,315,939
Microsoft Corporation	Z3747	Microsoft Program to Reduce Child Labor	21,096	-
Chevron Corporation	Z3753	PROMOT II	744,338	-
Global Fund to Fight AIDS, Tuberculosis & Malaria	Z3759	Stepping Up TB/HIV	3,102,508	4,440,448
Geological Institute of America, Inc.	Z3761	Artisanal Gem Guidebook	44,982	50,000
United Nations Programme on HIV/AIDS	Z3773	Conference – Implementing Comprehensive HIVSTI Prog	59,379	59,380
Rio Tinto	Z3776	Rise Phase II	153,920	138,360
Google Inc.	Z3779	Watato Inje Ya Mungoti (WIM)	96,895	260,000
International Tin Research Institute (ITRI)	Z3780	iTSCi 2017	4,956,783	4,308,509
Organization for Economic Co-Operation and Develop	Z3788	Civil Society Funding for May in Paris	17,549	17,358
NetHope	Z3789	NetHope 2017 Device Challenge	27,016	160,000
Deutsche Gesellschaft fur Intr Zusammenarbeit	Z3790	Community Dialogue and Conflict Mgmt Between Munic	7,909	-
KEFI Minerals Ethiopia Ltd	Z3792	Kefi Scoping Trip	31,901	18,957
Department of Disease Control	Z4063	Strengthening SI System for CABA/VC U'nder ACHIEVE	259	-
Chevron Corporation	Z4078	Youth-ALLY	43	-
The Coca Cola Foundation	Z4081	The Mekong Vitality (Suc song Mekong) Project	2,271	-
Chevron Corporation	Z4083	SHINE II Sustainable Health Improvement and Empowe	378,634	253,149
United Nations Office for Project Svcs (UNOPS)	Z4087	Organizational Capacity Development for 3MDG Local	863,635	542,750
Chevron Corporation	Z4094	Renewable Energy Project – Phase I	737,587	-
The Coca Cola Foundation	Z4097	Swan Yi II	802,902	666,666
Experian	Z4102	Mekong Vitality II	98,225	-
International Center for Living Aquatic Resources	Z4740	MYCulture	197,047	65,965
Shell Myanmar Energy Pte. Ltd.	Z4742	Ahlin Yaung	583,293	764,146
Swedish International Dev. Cooperation Agency (SIDA)	Z4747	PROCEED II	683,770	622,947
Monkey Forest Consulting Ltd.	Z4757	Livelihood Extension Service Project (LES)	255,925	107,000
Ooredoo Myanmar Limited	Z4760	Mobile Health Clinic	424,993	308,662
Apple	Z4770	Improving OHS for ASM in Belitung Indonesia	280,180	324,775
United Nations Office for Project Svcs (UNOPS)	Z4784	Lift Small Grants Fund for Civil Society	106,410	417,192
Cogan Family Foundation	Z4787	Revolving Fund Energy Access	8,330	25,000
Experian	Z4791	PROSPER	22,076	-
Total program expenditures and cash received			\$ 23,155,129	\$ 19,561,149