Pact, Inc. and Affiliates

Consolidated Financial Report
September 30, 2016

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Pact, Inc. and Affiliates
Washington, D.C.

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, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 84% of consolidated total assets at September 30, 2016, and total revenues constituting 24% 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pact, Inc. and Affiliates as of September 30, 2016, 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 2015 consolidated financial statements and, based on our audit and the report of the other auditors, we expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited consolidated 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 28, 2017, 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, 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 28, 2017

Pact, Inc. and Affiliates

Consolidated Balance Sheet
September 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Assets		
Cash and cash equivalents	**$ 25,273,931**	$ 30,302,914
Investments	**3,528,091**	3,236,903
Federal grants receivable	**6,424,351**	5,199,402
Other grants receivable	**2,352,990**	2,467,843
Advances and other receivables	**1,659,234**	4,101,750
Prepaid expenses and deposits	**2,710,189**	2,207,781
Loan portfolio, net of loan loss reserve	**158,699,734**	104,898,903
Property and equipment, net	**3,820,622**	4,460,174
	$ 204,469,142	$ 156,875,670
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 15,193,726**	$ 10,323,529
Beneficiary savings and reserved funds	**61,574,872**	39,667,866
Net returns on loans, reinvested earnings	**10,302,747**	4,378,167
Notes payable	**2,640,000**	2,640,000
Refundable advances – federal	**2,446,298**	2,888,104
Refundable advances – other	**12,428,787**	14,027,742
Client loan funds	**7,745,235**	9,146,952
Deferred rent	**1,693,009**	1,681,214
	114,024,674	84,753,574
Commitments and contingencies (Notes 9, 10 and 11)		
Net assets:		
Unrestricted – Pact, Inc.	**4,237,724**	2,334,732
Unrestricted – Pact Institute, Inc.	**4,224,589**	3,606,983
Unrestricted – Pact UK	**-**	-
Unrestricted – Pact Global Microfinance Fund	**81,982,155**	66,180,381
	90,444,468	72,122,096
	$ 204,469,142	$ 156,875,670

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended September 30, 2016
(With Comparative Totals for 2015)

	Unrestricted	
	2016	2015
Support and revenue:		
Grants and contracts	**$ 131,786,881**	$ 127,679,716
Contributions	**154,098**	82,328
Microfinance loan activities	**36,896,226**	29,420,622
Fee income on microfinance loans	**672,065**	811,961
Investment income (loss), net	**291,188**	(99,651)
Other revenue	**7,783**	76,042
Net loss on loans	**(5,473,782)**	(9,802,105)
Total support and revenue	**164,334,459**	148,168,913
Expenses:		
Program services	**110,769,194**	106,048,585
Total program services	**110,769,194**	106,048,585
Supporting services:		
Management and general	**18,529,161**	18,840,761
Unrestricted general expenses	**20,827,350**	19,577,015
Fundraising	**25,651**	229,060
Total supporting services	**39,382,162**	38,646,836
Total expenses	**150,151,356**	144,695,421
Change in net assets before non-operating activity	**14,183,103**	3,473,492
Non-operating activity:		
Unrealized foreign exchange gain (loss)	**4,139,269**	(20,910,168)
Change in net assets	**18,322,372**	(17,436,676)
Net assets:		
Beginning	**72,122,096**	89,558,772
Ending	**$ 90,444,468**	$ 72,122,096

See notes to consolidated financial statements.

Pact, Inc. and Affiliates

Consolidated Statement of Cash Flows
Year Ended September 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 18,322,372**	$ (17,436,676)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss (gain) on investments	**(108,659)**	138,218
Depreciation	**1,026,575**	1,017,720
Loss on sales of property and equipment	**299,667**	2,551
Changes in assets and liabilities:		
(Increase) decrease in:		
Federal grants receivable	**(1,224,949)**	(1,708,529)
Other grants receivable	**114,853**	(319,380)
Advances and other receivables	**2,442,516**	(491,216)
Prepaid expenses and deposits	**(502,408)**	(196,083)
Due from related party	**-**	1,822
Loan loss (gain) reserve allowance	**1,013,868**	(16,140)
Increase (decrease) in:		
Accounts payable and accrued expenses	**4,870,197**	2,468,980
Beneficiary savings and reserved funds	**21,907,006**	2,703,379
Net returns on loans, reinvested earnings	**5,924,580**	3,607,081
Refundable advances – federal	**(441,806)**	(2,878,955)
Refundable advances – other	**(1,598,955)**	(538,912)
Deferred rent	**11,795**	45,928
Client loan funds	**(1,401,717)**	(3,784,663)
Net cash provided by (used in) operating activities	**50,654,935**	(17,384,875)
Cash flows from investing activities:		
Purchases of investments	**(182,529)**	(38,567)
Disbursements for loans	**(158,699,734)**	(104,898,903)
Receipts from collections of loans	**103,885,035**	111,954,402
Proceeds from sales of property and equipment	**40,080**	597,400
Purchase of property and equipment	**(726,770)**	(1,171,272)
Net cash (used in) provided by investing activities	**(55,683,918)**	6,443,060
Cash flows from financing activities:		
Proceeds from notes payable	**-**	2,640,000
Net cash provided by financing activities	**-**	2,640,000
Net decrease in cash and cash equivalents	**(5,028,983)**	(8,301,815)
Cash and cash equivalents:		
Beginning	**30,302,914**	38,604,729
Ending	**$ 25,273,931**	$ 30,302,914

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Pact, Inc. and Affiliates (collectively Pact) consists 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 20 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.

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 consolidated 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, 2016.

Principles of consolidation: The consolidated 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 $12 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2016.

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 consolidated 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 (loss) 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, 2016.

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. Advances are written off when deemed uncollectible. There was no provision for doubtful accounts at September 30, 2016.

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.

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 Pact Institute, Inc.: 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.

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 Pact Institute, Inc.: The reporting currency and functional currency is the U.S. dollar. Monthly expenses that are incurred by field offices in foreign countries 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 1,215 in Burmese Kyat at September 30, 2016. In 2016, a foreign exchange gain of $4,139,269 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, 2016.

Management evaluated Pact's tax positions and concluded that Pact has taken no uncertain tax positions that require adjustment to the consolidated 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 2013.

Use of estimates: The preparation of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended September 30, 2015, from which the summarized information was derived.

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 the Association for the fiscal year beginning July 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

Subsequent events: Pact evaluated subsequent events through March 28, 2017, which is the date the consolidated financial statements were available to be issued.

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, 2016:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income – short term bond	$ 530,706	$ -	$ -	$ 530,706
Fixed income – ultrashort bond	530,193	-	-	530,193
Fixed income – intermediate term bond	265,330	-	-	265,330
Equity – large blend	629,080	-	-	629,080
Equity – foreign large value	361,536	-	-	361,536
Equity – diversified emerging markets	282,988	-	-	282,988
Equity – small value	233,490	-	-	233,490
Equity – small blend	230,740	-	-	230,740
Equity – foreign small/mid blend	121,232	-	-	121,232
Equity – foreign small/mid value	121,088	-	-	121,088
Equity – world stock	110,544	-	-	110,544
Equity – global real estate	55,393	-	-	55,393
Equity – real estate	54,235	-	-	54,235
	3,526,555	-	-	3,526,555
Money market funds	1,536	-	-	1,536
	$ 3,528,091	$ -	$ -	$ 3,528,091

Investment income consists of the following for the year ended September 30, 2016:

Interest and dividends	$ 182,529
Unrealized gain on investments	108,659
	$ 291,188

Note 3. Advances and Other Receivables

Advances and other receivables consist of the following at September 30, 2016:

Subrecipient advances	$	1,168,807
Employee advances		238,152
Other receivables		252,275
	$	1,659,234

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, 2016, are due within the next 12 months. Loans outstanding for the year ended September 30, 2016, consists of the following:

Loans receivable	$	162,453,339
Less loan loss allowance		(3,753,605)
Net loan portfolio	$	158,699,734

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, 2016, is as follows:

Balance at beginning of year	$	2,739,737
Provision for loan losses		1,070,939
Loans written off		(211,746)
Recoveries		154,675
Balance at end of year	$	3,753,605

Loans are considered delinquent if they have not been repaid when due. See Note 14 for more information. As of September 30, 2016, PGMF had delinquencies totaling $524,226. As of September 30, 2016, the average effective yield on loans receivable was 30%.

The net losses on loans of $5,473,782 that is on the 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, 2016, and depreciation expense for the year ended September 30, 2016, are as follows:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Software	3 years	$ 2,341,750	$ 1,949,653	$ 392,097	$ 306,223
Leasehold improvements	11 years	1,487,602	524,011	963,591	105,120
Property and equipment	3-10 years	3,808,068	2,165,758	1,642,310	615,232
Work in progress		822,624	-	822,624	-
		$ 8,460,044	$ 4,639,422	$ 3,820,622	$ 1,026,575

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at September 30, 2016:

Accrued personnel expenses	$ 6,559,923
Accounts payable and accrued expenses	8,633,803
	$ 15,193,726

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, 2016, consist of the following:

Savings (compulsory)	$ 38,079,424
Savings (voluntary)	11,308,365
Total deposits from customers	$ 49,387,789

During fiscal year 2016, the annual effective interest rate on customer deposits was 15%; 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 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.

As of September 30, 2016, other client liabilities consist of the following:

Beneficiary Welfare Fund	$ 9,800,107
Employee Benefit Fund	2,270,050
Other deposits	116,926
Total other client liabilities	$ 12,187,083

Note 7. Beneficiary Savings and Reserved Funds (Continued)

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. 1% of gross income monthly contributed by PGMF
3. 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, 2016, was $10,302,747, of which $4,378,167 was earned in 2015.

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, 2016, was $1,312,651.

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.

Note 10. Leases (Continued)

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 $3,680,980 for the year ended September 30, 2016.

Total future lease payments are as follows:

Years ending September 30:		
2017	$	2,318,378
2018		1,846,506
2019		1,736,862
2020		1,633,739
2021		1,742,026
2022 and thereafter		7,207,259
	$	16,484,770

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 consolidated financial statements.

Note 12. Major Grantor

During the year ended September 30, 2016, 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, 2016, approximately 51% of total revenue was related to grants funded directly by USAID. Another 5% of Pact's revenues were funded indirectly by USAID through subawards and subcontracts to other development partners that Pact engaged with during fiscal year 2016.

Note 13. Interest Expense

Interest expense for the year ended September 30, 2016, includes:

Interest on client deposits and other client liabilities	$	6,991,790
Total interest expense	$	6,991,790

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.

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.

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	917,509	$ 161,929,113
Past due loan:		
1-90 days	133	50,284
91-180 days	193	65,037
181-270 days	57	15,542
271-365 days	178	47,622
Over 365 days	1,944	345,741
Gross carrying amount	920,014	$ 162,453,339

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	$ 12,246,479
Magway Central	21,923,150
Magway north/Sagaing	14,751,111
Mandalay/ Shan North	23,504,986
Shan South	12,312,907
Delta West	23,408,288
Delta East	20,433,679
Rakhine	2,338,740
Delta North	19,155,599
Yangon	12,378,400
Total	$ 162,453,339

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.

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	696,252	$ 100,024,324
Extra Loan	34,472	1,829,103
MSE Loan	19,500	7,277,769
Health Care Loan	3,982	222,654
Education Loan	3,057	122,501
Agriculture Loan	162,570	52,587,205
SRG Wholesale Loan	11	9,159
Lease	170	380,624
Total	920,014	$ 162,453,339

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. As of September 30, 2016, PGMF held $2,624,911 in U.S. Dollars. PGMF recorded $4,139,269 in foreign exchange gains due to the 6% decrease in the value of the U.S. Dollar compared to the Myanmar kyat during the fiscal year ended September 30, 2016.

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 cash is $10,401,582, which is 6% 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.

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

Exposure to liquidity risk (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:

	2016	2015
At period end	19%	38%
Average for the period	38%	56%
Maximum for the period	77%	99%
Minimum for the period	7%	27%

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 four years through semi-annual installments of MMK 1,567,958,300 each. As of September 30, 2016, the total liability to UNDP was $7,745,235, of which $4,518,054 is due within one year.

Note 16. Line of Credit

Pact, Inc. has an express credit line loan agreement, which will expire on July 13, 2017. Management is currently in negotiations to extend the line to December 2017. 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 outstanding debt balance was $2,640,000 at September 30, 2016.

RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Pact, Inc. and Affiliates
Washington, D.C.

We have audited the consolidated financial statements of Pact, Inc. and Affiliates (collectively, Pact) as of and for the year ended September 30, 2016, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements on pages 1 and 2, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

In our prior report dated April 14, 2016, we indicated that the 2015 supplementary information was fairly stated, in all material respects, in relation to the 2015 financial statements as a whole.

RSM US LLP

Washington, D.C.
March 28, 2017

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Pact, Inc. and Affiliates

Consolidating Balance Sheet
September 30, 2016

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Eliminations	Total
Assets						
Cash and cash equivalents	$ 6,353,999	$ 7,865,695	$ -	$ 11,054,237	$ -	$ 25,273,931
Investments	3,528,091	-	-	-	-	3,528,091
Federal grants receivable	6,271,644	-	-	152,707	-	6,424,351
Other grants receivable	234,197	1,993,793	125,000	-	-	2,352,990
Advances and other receivables	1,411,064	284,265	-	116,612	(152,707)	1,659,234
Prepaid expenses and other assets	2,045,436	340,109	665	323,979	-	2,710,189
Loan portfolio, net of loan loss reserve	-	-	-	158,699,734	-	158,699,734
Due (to) from related party	(2,384,101)	3,661,817	(38,843)	(1,240,503)	1,630	-
Property and equipment, net	1,966,448	-	-	1,854,174	-	3,820,622
	$ 19,426,778	$ 14,145,679	$ 86,822	$ 170,960,940	$ (151,077)	$ 204,469,142
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	$ 7,382,832	$ 1,325,647	$ 2,752	$ 6,480,865	$ 1,630	$ 15,193,726
Beneficiary savings and reserved funds	-	-	-	61,574,872	-	61,574,872
Net returns on loans, reinvested earnings	-	-	-	10,302,747	-	10,302,747
Notes payable	2,640,000	-	-	-	-	2,640,000
Refundable advances – federal	2,599,005	-	-	-	(152,707)	2,446,298
Refundable advances – other	874,208	8,595,443	84,070	2,875,066	-	12,428,787
Client loan funds	-	-	-	7,745,235	-	7,745,235
Deferred rent	1,693,009	-	-	-	-	1,693,009
	15,189,054	9,921,090	86,822	88,978,785	(151,077)	114,024,674
Net assets – unrestricted	4,237,724	4,224,589	-	81,982,155	-	90,444,468
	$ 19,426,778	$ 14,145,679	$ 86,822	$ 170,960,940	$ (151,077)	$ 204,469,142

Pact, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended September 30, 2016

	Pact, Inc.	Pact Institute	Pact UK	PGMF	Eliminations	Total
Support and revenue:						
Grants and contracts	$ 100,637,738	$ 24,706,175	$ 40,932	$ 6,665,511	$ (263,475)	$ 131,786,881
Contributions	154,098	-	-	-	-	154,098
Microfinance loan activities	-	-	-	36,896,226	-	36,896,226
Fee income on microfinance loans	-	-	-	672,065	-	672,065
Investment loss income, net	291,188	-	-	-	-	291,188
Other revenue (losses)	29,868	(22,085)	-	-	-	7,783
Net loss on loans	-	-	-	(5,473,782)	-	(5,473,782)
Affiliated fees	1,214,914	-	-	-	(1,214,914)	-
Total support and revenue	102,327,806	24,684,090	40,932	38,760,020	(1,478,389)	164,334,459
Expenses:						
Program services	85,245,996	21,516,787	40,932	4,228,954	(263,475)	110,769,194
Total program services	85,245,996	21,516,787	40,932	4,228,954	(263,475)	110,769,194
Supporting services:						
Management and general	14,679,915	2,475,247	-	2,588,913	(1,214,914)	18,529,161
Unrestricted general expenses	473,252	74,450	-	20,279,648	-	20,827,350
Fundraising	25,651	-	-	-	-	25,651
Total supporting services	15,178,818	2,549,697	-	22,868,561	(1,214,914)	39,382,162
Total expenses	100,424,814	24,066,484	40,932	27,097,515	(1,478,389)	150,151,356
Change in net assets before non-operating activity	1,902,992	617,606	-	11,662,505	-	14,183,103
Non-operating activity:						
Unrealized foreign exchange gain	-	-	-	4,139,269		4,139,269
Change in net assets	1,902,992	617,606	-	15,801,774	-	18,322,372
Net assets:						
Beginning	2,334,732	3,606,983	-	66,180,381	-	72,122,096
Ending	$ 4,237,724	$ 4,224,589	$ -	$ 81,982,155	$ -	$ 90,444,468

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact, Inc.
Year Ended September 30, 2016
(With Comparative Totals for 2015)

	Program Services					Supporting Services					
	USAID Funded Directly	USAID Funded Indirectly	Other Federal	Non-Federal	Total Program Services	Management and General	Unrestricted General Expenses	Fundraising	Total Supporting Services	Total Expenses	2015
Salaries and related expenses	$ 14,243,782	$ 1,945,930	$ 1,030,909	$ 656,132	$ 17,876,753	$ 9,146,712	$ 49,126	$ 4,946	$ 9,200,784	$ 27,077,537	$ 23,742,419
Fringe benefits	3,747,461	569,162	219,250	113,866	4,649,739	2,867,799	17,372	1,525	2,886,696	7,536,435	6,986,876
Supplies and other	2,458,658	419,631	(44,656)	188,414	3,022,047	1,384,175	254,721	1,504	1,640,400	4,662,447	4,187,820
Travel	2,716,042	660,999	174,525	124,415	3,675,981	1,013,938	25,337	-	1,039,275	4,715,256	4,457,719
Occupancy	1,312,399	86,842	201,292	34,211	1,634,744	1,273,332	(80)	-	1,273,252	2,907,996	3,428,849
Allowances	1,914,869	200,285	66,482	47,177	2,228,813	191,362	7,533	-	198,895	2,427,708	2,419,826
Training and conferences	3,608,893	383,362	224,965	201,905	4,419,125	176,940	37,565	300	214,805	4,633,930	4,278,158
Consultant fees	1,295,617	230,807	139,962	104,024	1,770,410	238,370	7,415	-	245,785	2,016,195	1,889,084
Banking and professional fees	970,452	108,905	104,846	104,657	1,288,860	803,774	20,641	17,376	841,791	2,130,651	2,594,481
Vehicles and equipment	238,278	11,646	310	-	250,234	1,153	-	-	1,153	251,387	385,479
Depreciation	-	-	-	-	-	537,360	8,990	-	546,350	546,350	619,600
Affiliate admin cost recovery	-	-	-	-	-	(2,955,000)	-	-	(2,955,000)	(2,955,000)	(2,450,000)
	32,506,451	4,617,569	2,117,885	1,574,801	40,816,706	14,679,915	428,620	25,651	15,134,186	55,950,892	52,540,311
Subgrants and subcontracts	39,234,520	2,095,556	1,402,375	1,696,839	44,429,290	-	44,632	-	44,632	44,473,922	44,473,922
	71,740,971	6,713,125	3,520,260	3,271,640	85,245,996	14,679,915	473,252	25,651	15,178,818	100,424,814	97,014,233
Allocation of management and general	11,865,085	1,503,037	712,523	564,118	14,644,763	(14,679,915)	27,503	7,649	(14,644,763)	-	-
	$ 83,606,056	$ 8,216,162	$ 4,232,783	$ 3,835,758	$ 99,890,759	$ -	$ 500,755	$ 33,300	$ 534,055	$ 100,424,814	$ 97,014,233

Statement of Functional Expenses – Pact Institute, Inc.
Year Ended September 30, 2016
(With Comparative Totals for 2015)

	2016				
	Program Services	Management and General	Unrestricted General Expenses	Total Expenses	2015
Salaries and related expenses	**$ 5,953,294**	**$ 288,309**	**$ (285)**	**$ 6,241,318**	$ 5,859,058
Fringe benefits	**1,501,584**	**87,752**	**190**	**1,589,526**	1,544,098
Travel	**1,156,593**	**54,736**	**4,488**	**1,215,817**	1,461,584
Supplies and other	**1,168,092**	**141,091**	**489**	**1,309,672**	1,397,319
Allowances	**277,040**	**28**	**1,033**	**278,101**	326,040
Training and conferences	**2,691,408**	**1,867**	**2,458**	**2,695,733**	2,120,638
Occupancy	**683,348**	**-**	**12**	**683,360**	631,795
Consultant fees	**390,083**	**20,486**	**-**	**410,569**	661,395
Banking and professional fees	**265,340**	**299,978**	**64,676**	**629,994**	287,870
Vehicles and equipment	**206,911**	**-**	**-**	**206,911**	460,173
Admin cost recovery	**-**	**1,581,000**	**-**	**1,581,000**	950,000
	14,293,693	**2,475,247**	**73,061**	**16,842,001**	15,699,970
Subgrants and subcontracts	**7,223,094**	**-**	**1,389**	**7,224,483**	6,165,684
	21,516,787	**2,475,247**	**74,450**	**24,066,484**	21,865,654
Allocation of management and general	**2,475,247**	**(2,475,247)**	**-**	**-**	-
	$ 23,992,034	**$ -**	**$ 74,450**	**$ 24,066,484**	$ 21,865,654

Pact, Inc. and Affiliates

Statement of Functional Expenses – Pact Global Microfinance Fund
Year Ended September 30, 2016
(With Comparative Totals for 2015)

	2016				
	Program Services	**Management and General**	**Unrestricted General Expenses**	**Total Expenses**	2015
Salaries and related expenses	**$ 1,161,318**	**$ -**	**$ 9,054,998**	**$ 10,216,316**	$ 9,228,318
Supplies and other	**1,475,102**	**-**	**7,945,683**	**9,420,785**	7,207,624
Fringe benefits	**73,422**	**-**	**753,534**	**826,956**	1,834,573
Affiliate admin cost recovery	**-**	**2,588,913**	**-**	**2,588,913**	1,500,000
Travel	**151,909**	**-**	**1,006,823**	**1,158,732**	1,023,601
Occupancy	**79,629**	**-**	**490,212**	**569,841**	509,337
Depreciation	**33,649**	**-**	**389,049**	**422,698**	398,120
Allowances	**69,506**	**-**	**211,229**	**280,735**	278,754
Banking and professional fees	**297,640**	**-**	**135,943**	**433,583**	261,348
Training and conferences	**47,607**	**-**	**266,874**	**314,481**	199,359
Consultant fees	**67,092**	**-**	**25,303**	**92,395**	106,488
	3,456,874	**2,588,913**	**20,279,648**	**26,325,435**	22,547,522
Subgrants and subcontracts	**772,080**	**-**	**-**	**772,080**	772,080
	4,228,954	**2,588,913**	**20,279,648**	**27,097,515**	23,319,602
Allocation of management and general	**-**	**(2,588,913)**	**2,588,913**	**-**	-
	$ 4,228,954	**$ -**	**$ 22,868,561**	**$ 27,097,515**	$ 23,319,602

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, 2016

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received
PricewaterhouseCoopers Limited	B1754	ASM EARF Research	$ 34,311	$ -
Development Alternatives Inc. (DAI)	B3763	Zimbabwe Accountability and Artisanal Mining-ZAAMP	6,619	-
AusAID	P3186	Zimbabwe Civil Society Program	13,635	-
Global Fund To Fight AIDS, Tuberculosis & Malaria	P3190	GF Round & Tuberculosis Fund	285,997	-
Global Fund To Fight AIDS, Tuberculosis & Malaria	P3193	Malaria Control Towards Malaria Eradication	444,412	-
European Union	P3218	Enabling Capacity Program II (ECP II)	4,296	-
Danish Ministry of Foreign Affairs (DMFA)	P3220	Support to South Sudan Peace Fund II	(11,733)	-
Swedish Internat'l Dev Cooperation Agency (SIDA)	P3229	Support EPS, NCSOCD, & LGSD	486,953	-
Department for International Development (DFID)	P3231	BORDERS II	636,052	351,024
The European Commission	P3235	Urgent Fund-Post-Referendum Monitoring Project	82,992	99,358
KPMGEA	P3245	Strategic Climate Institutions Program (SCIP)	129,446	118,189
Education Above All Foundation	P3248	Reach'g Edu Attaint of Children Hinterland (REACH)	703,819	756,034
European Union	P3251	Enabling Capacity Programme 3	291,221	186,015
Department for International Development (DFID)	P3426	Zimbabwe Accountability and Artisanal Mining Progr	659,210	607,134
Society for Family Health	P3430	SFH Grants Training	1,333	1,238
Danish Ministry of Foreign Affairs (DMFA)	P4046	Belarus: Capacity Development and Civic Education	106,595	102,418
		Total non-U.S. federal government awards	$ 3,875,158	$ 2,221,410

Pact, Inc. and Affiliates

Schedule of Program Expenditures and Cash Received – Pact Institute, Inc.
Year Ended September 30, 2016

Funding Agency	Pact Ref.	Program or Project	Expenditures	Cash Received (Refunded)
M2M Sponsors	Z1736	M2M Fund Raising	$ 5,985	$ 6,000
Bill & Melinda Gates Foundation	Z3071	Strengthening MNCH Frontline Organizations in NE N	6,240	(132,486)
Dutch Ministry of Foreign Affairs	Z3072	Mineral Traceability in Eastern DRC	24	(47,225)
Chevron Corporation	Z3073	HIV/AIDS PMTCT in Bayelsa State	584,067	-
QIT MAdagascar Minerals S.A.	Z3078	Improving Access to Education via Rio TintoÆs Scho	164,185	77,296
Ministry of Energy and Minerals, Tanzania	Z3082	ASM Small-scale Grants Scheme	2,387	-
Bill & Melinda Gates Foundation	Z3086	SAQIP	75	-
Bill & Melinda Gates Foundation	Z3087	Increasing Care Seeking Behavior in Nigeria for Ch	2,533,079	-
Conrad N. Hilton Foundation	Z3088	Hilton Foundation ECD	618,871	410,000
International Tin Research Institute (ITRI)	Z3089	ITRI Tin Supply Chain Initiative 2014	(165)	101,924
Ministry of Mines Ethiopia	Z3090	Support to improve the Economic, Social and	193,834	121,380
Population Services International (PSI)	Z3092	Strengthening P3 in Sexual and Reproductive Health	351,968	252,009
World Bank	Z3093	ASM Revenue Transparency in Burundi	9,322	44,987
British Foreign & Commonwealth Office (FCO)	Z3094	Voluntary Principles on Security and Human Rights	-	88,607
Bill & Melinda Gates Foundation	Z3098	SAQIP	3,535,735	4,423,473
Corporate Donations	Z3099	Reducing Child Labor in DRC Mines	117,415	20,000
International Tin Research Institute (ITRI)	Z3100	iTSci 2015	1,511,438	2,891,541
DRC Ministry of Mines	Z3102	SAEP	561,216	272,028
Global Fund To Fight AIDS, Tuberculosis & Malaria	Z3103	Global Fund-Lesotho HIV/AIDS	1,269,647	366,067
United Nations Children's Fund (UNICEF)	Z3104	Integrated Child Protection Initiative for Vulnera	168,809	195,617
American Cancer Society, Inc.	Z3105	KENCASA Institutional Strengthening Project	130,505	165,192
Dutch Ministry of Foreign Affairs	Z3106	Scaling up Mineral Traceability in the Great Lakes	2,251,114	2,821,650
Visa International	Z3107	Visa Card Usage Behavior Change	125,905	-
Population Services International (PSI)	Z3109	Nzatonse Phase II	99,606	72,786
World Bank	Z3110	Support to CSOs in Ethiopia - EITI	73,765	111,053
Embassy of Finland	Z3111	Capacity Building Services To FLC Recipients	12,305	24,112
Namibian National Association of the Deaf	Z3112	SFH Grants Training	1,474	6,736
Ministry of Gender Equality and Child Welfare	Z3113	MGECW	58,440	56,713
United Nations Children's Fund (UNICEF)	Z3738	Accelerating Stunting Reduction	448,719	515,097
United Nations Office for Project Svcs (UNOPS)	Z3745	PBF Jonglei Project	228,376	331,251
International Tin Research Institute (ITRI)	Z3746	iTSCi 2016	3,828,096	2,671,979
Microsoft Corporation	Z3747	Microsoft Program to Reduce Child Labor	87,860	105,000
Chevron Corporation	Z3753	PROMOT II	159,759	1,430,000
Global Fund To Fight AIDS, Tuberculosis & Malaria	Z3759	Stepping Up TB/HIV	211,355	1,381,401
Geological Institute of America, Inc.	Z3761	Artisanal Gem Guidebook	2,392	-
The Coca Cola Foundation	Z4071	Swan-yi: Empowered women build their own future	(273)	-
Swedish Internat'l Dev Cooperation Agency (SIDA)	Z4074	PROCEED	249,102	(7,297)
The Coca Cola Foundation	Z4081	The Mekong Vitality (Suc song Mekong) project	334,631	-
Chevron Corporation	Z4083	SHINE II Sustainable Health Improvement and empowe	1,135,335	937,875
Ooredoo Myanmar Limited	Z4085	Indefinite Quantity Contract for Community Develop	57,832	43,123
United Nations Office for Project Svcs (UNOPS)	Z4087	Organizational capacity development for 3MDG local	501,715	379,750
Chevron Corporation	Z4088	Start-up phase for rural electrification project	(5)	-
KrisEnergy (APSARA) LTD	Z4090	Strengthening Women Entrepreneurs in Preah Sihanou	55,027	14,572
ABB Pte. Ltd.	Z4092	Improving Access to Renewable Energy in Myanmar	47,161	9,000
Chevron Corporation	Z4094	Renewable Energy Project - Phase I	980,177	395,550
Stockholm Environment Institute	Z4095	Enabling Knowledge Sharing	2,998	2,913
The Coca Cola Foundation	Z4096	Water Access and Sanitation Hmaw-bi Township	134,589	-
The Coca Cola Foundation	Z4097	Swan Yi II	772,871	666,667
Let there be light Myanmar.org	Z4098	Let there be light Myanmar	4,051	5,561
Chevron Corporation	Z4099	Flood Recovery Assistance Support	71,855	-
The Coca Cola Foundation	Z4101	Concert Proceeds for Flood Relief	2,739	5,598
Experian	Z4102	Mekong Vitality II	20,705	125,000
International Center for Living Aquatic Resources	Z4740	MYCulture	82,268	149,060
Shell Myanmar Energy Pte. Ltd.	Z4742	Ahlin Yaung	227,509	287,077
Ooredoo Myanmar Limited	Z4744	Expansion of Mobile Health Clinics	60,560	63,085
Swedish Internat'l Dev Cooperation Agency (SIDA)	Z4747	PROCEED II	381,261	608,016
Monkey Forest Consulting Ltd.	Z4757	Livelihood Extension Service Project (LES)	66,775	100,000
Ooredoo Myanmar Limited	Z4760	Mobile Health Clinic	62,531	320,567
		Total program expenditures and cash received	$ 24,605,217	$ 22,890,305