

# **TechnoServe, Inc.**

Consolidated Financial Report  
December 31, 2016

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
TechnoServe, Inc.  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of TechnoServe, Inc. (TechnoServe), which comprise the consolidated balance sheet as of December 31, 2016, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 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.

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, the financial statements referred to above present fairly, in all material respects, the financial position of TechnoServe as of December 31, 2016, and the changes in their net assets 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 TechnoServe's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 December 20, 2017, on our consideration of TechnoServe'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 the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 TechnoServe's internal control over financial reporting and compliance.

*RSM US LLP*

Washington, D.C.  
December 20, 2017

**TechnoServe, Inc.**

**Consolidated Balance Sheet  
December 31, 2016  
(With Comparative Totals for 2015)**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents:		
In United States	\$ 27,284,084	\$ 30,810,005
In assisted countries	10,783,652	8,536,682
<b>Total cash and cash equivalents</b>	<b>38,067,736</b>	<b>39,346,687</b>
Certificates of deposit	-	1,000,000
Grants and contributions receivable, net	10,345,346	10,335,233
Other receivables	2,690,253	2,145,923
Prepaid expenses and other assets	2,035,492	1,892,125
Property and equipment, net	1,769,588	2,635,217
	<b>\$ 54,908,415</b>	<b>\$ 57,355,185</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,807,721	\$ 4,500,072
Accrued employee benefits	3,891,101	3,558,143
Deferred rent and lease incentives	704,609	822,088
Deferred loan guarantees	895,157	1,424,647
Deferred grant revenue and refundable advances	38,387,990	39,505,441
	<b>49,686,578</b>	<b>49,810,391</b>
Commitments and contingencies (Notes 6 and 8)		
Net assets:		
Unrestricted	5,039,792	7,004,647
Temporarily restricted	182,045	540,147
	<b>5,221,837</b>	<b>7,544,794</b>
	<b>\$ 54,908,415</b>	<b>\$ 57,355,185</b>

See notes to consolidated financial statements.

TechnoServe, Inc.

**Consolidated Statement of Activities**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for 2015)**

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Support and revenue:</b>				
Private contributions and grants	\$ 60,930,853	\$ 1,850	\$ 60,932,703	\$ 64,093,380
Government grants	20,547,638	-	20,547,638	22,034,570
Contributed services and in-kind	2,567,426	-	2,567,426	2,107,883
Gain on sale of Ghana building	2,288,727	-	2,288,727	-
Other losses, net	(265,258)	-	(265,258)	(46,949)
Satisfaction of program restrictions	359,952	(359,952)	-	-
<b>Total support and revenue</b>	<b>86,429,338</b>	<b>(358,102)</b>	<b>86,071,236</b>	<b>88,188,884</b>
<b>Expenses:</b>				
Program services	75,597,552	-	75,597,552	77,406,453
<b>Supporting services:</b>				
Management and general	10,364,382	-	10,364,382	9,515,407
Fundraising	1,761,624	-	1,761,624	1,713,600
<b>Total expenses</b>	<b>87,723,558</b>	<b>-</b>	<b>87,723,558</b>	<b>88,635,460</b>
<b>Change in net assets before translation adjustment</b>	<b>(1,294,220)</b>	<b>(358,102)</b>	<b>(1,652,322)</b>	<b>(446,576)</b>
Currency translation adjustments	(670,635)	-	(670,635)	(1,414,495)
<b>Change in net assets</b>	<b>(1,964,855)</b>	<b>(358,102)</b>	<b>(2,322,957)</b>	<b>(1,861,071)</b>
<b>Net assets:</b>				
Beginning	7,004,647	540,147	7,544,794	9,405,865
Ending	<b>\$ 5,039,792</b>	<b>\$ 182,045</b>	<b>\$ 5,221,837</b>	<b>\$ 7,544,794</b>

See notes to consolidated financial statements.

**TechnoServe, Inc.**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)**

	2016			2015 Total	
	Program Services	Supporting Services			
		Management and General	Fundraising	Total	
Salaries and benefits	\$ 33,326,603	\$ 6,484,177	\$ 671,565	\$ 40,482,345	\$ 40,209,361
Outside services	10,323,372	1,447,419	867,634	12,638,425	15,098,449
Pass-through awards	9,165,485	-	-	9,165,485	9,462,861
Operational activities support	7,310,284	449,810	95,225	7,855,319	5,596,512
Office operations	3,627,913	1,305,210	89,903	5,023,026	4,780,853
In-country travel	3,503,465	144,796	-	3,648,261	3,932,278
International travel	2,277,758	289,315	27,732	2,594,805	2,870,013
Contributed services and in-kind	2,490,917	-	-	2,490,917	2,107,883
Vehicle operations	2,243,520	4,929	1,625	2,250,074	2,848,198
Depreciation and amortization	688,393	197,458	-	885,851	714,902
Equipment purchases	639,842	41,268	7,940	689,050	1,014,150
<b>Total expenses</b>	<b>\$ 75,597,552</b>	<b>\$ 10,364,382</b>	<b>\$ 1,761,624</b>	<b>\$ 87,723,558</b>	<b>\$ 88,635,460</b>

See notes to consolidated financial statements.

TechnoServe, Inc.

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for 2015)**

	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets before translation adjustment	\$ (1,652,322)	\$ (446,576)
Currency translation adjustment	(670,635)	(1,414,495)
Change in net assets	<u>(2,322,957)</u>	<u>(1,861,071)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Deferred rent and lease incentives	(117,479)	(61,250)
Depreciation	885,851	714,902
Bad debt expense (recovery)	1,420,151	(167,220)
Net gain from sale of property and equipment	(2,204,671)	-
Changes in assets and liabilities		
(Increase) decrease in:		
Grants and contributions receivable	(1,430,264)	904,301
Other receivables	(544,330)	(167,083)
Prepaid expenses and other assets	(143,367)	317,090
Increase (decrease) in:		
Accounts payable and accrued expenses	1,307,649	968,341
Accrued employee benefits	332,958	515,398
Deferred loan guarantees	(529,490)	(1,129,035)
Deferred grant revenue and refundable advances	(1,117,451)	(9,879,634)
<b>Net cash used in operating activities</b>	<u><b>(4,463,400)</b></u>	<u><b>(9,845,261)</b></u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(452,346)	(1,303,395)
Proceeds from disposal of property and equipment	2,636,795	14,413
Proceeds from maturity of certificates of deposit	1,000,000	1,000,000
Purchases of certificates of deposit	-	(1,000,000)
<b>Net cash provided by (used in) investing activities</b>	<u><b>3,184,449</b></u>	<u><b>(1,288,982)</b></u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,278,951)</b>	<b>(11,134,243)</b>
<b>Cash and cash equivalents:</b>		
Beginning	<u>39,346,687</u>	<u>50,480,930</u>
Ending	<u><u><b>\$ 38,067,736</b></u></u>	<u><u><b>\$ 39,346,687</b></u></u>

See notes to consolidated financial statements.



## TechnoServe, Inc.

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** TechnoServe, Inc. (TechnoServe) is a tax-exempt 501(c)(3), nonprofit organization established in 1968. Its mission is to help entrepreneurial men and women in poor rural areas of the developing world to build profitable businesses that create income, opportunity and economic growth for their families, their communities and their countries. TechnoServe accomplishes this by providing management, technical assistance and training to businesses and institutions primarily related to the agricultural sector. TechnoServe's operations are conducted primarily in Africa and Latin America with the support of U.S. offices located in Norwalk, Connecticut and Washington, D.C.

A summary of TechnoServe's significant accounting policies follows:

**Basis of accounting:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received, revenue is recognized when earned, and expenses are recognized when incurred.

**Principles of consolidation:** The consolidated financial statements of TechnoServe include the accounts for TechnoServe headquarters, all TechnoServe field offices and CEDI (Community Enterprise Development and Investment Trust Fund, locally registered in Ghana). All inter-entity transactions have been eliminated in consolidation.

**Basis of presentation:** TechnoServe reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. TechnoServe did not have any permanently restricted net assets at December 31, 2016.

**Cash and cash equivalents:** TechnoServe considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. TechnoServe maintains its cash and cash equivalents (and certificates of deposits) in bank deposit accounts which, at times, may exceed federally insured limits. TechnoServe has not experienced any losses in such accounts.

**Grants and contribution receivable:** Receivables are carried at original invoice or promise to give amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. 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. No interest is charged on past due receivables. The allowance for doubtful accounts was \$87,697 at December 31, 2016.

**Property and equipment:** Property and equipment have a useful life of more than one year and an acquisition cost of \$5,000 or more. Acquisitions under \$5,000 are expensed in the current year of operations. Property and equipment are carried at historical cost and are depreciated on the straight-line basis over their estimated useful lives.

TechnoServe, Inc.

Notes to Consolidated Financial Statements

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

The estimated useful lives are as follows:

Vehicles in program countries	3 years
Leasehold improvements	Lesser of 10 years or the life of the lease
Building in Ghana	50 years
Furniture and equipment	3-10 years
Software	3 years

Property and equipment acquired with U.S. federal funds are subject to rules governing disposition of such assets by the respective governmental agency.

**Deferred rent and lease incentives:** The value of the rent abatement, tenant improvement allowance, as well as rent increases in future years, received under the lease agreements for office space for TechnoServe's Washington, D.C. office, is being allocated on a straight-line basis over the term of the lease as an adjustment to rent expense in each period.

**Deferred loan guarantees:** TechnoServe has several grants under which the grantors have provided funds to serve as loan guarantees for small businesses to be able to secure loans. In accordance with the grant guidelines, TechnoServe has entered into risk sharing agreements with certain financial institutions whereby TechnoServe is liable to these financial institutions for any defaulted loans under the terms of the risk sharing agreements. The maximum liability of TechnoServe is limited to the amount of grantor funds provided, less any loan defaults, which totaled \$895,157 at December 31, 2016. The full amount of this liability has been recognized on the consolidated balance sheet as any unused portion of the funds reverts back to the grantors at the end of the grant period.

**Deferred grant revenue and refundable advances:** TechnoServe receives awards from federal agencies for various purposes. Awards expended not yet reimbursed are accrued as grant receivables to the extent allowable unreimbursed expenses have been incurred for the purposes specified by an approved award. TechnoServe defers award proceeds received under approved awards to the extent they exceed expenditures incurred for the purposes specified under the award restrictions. Proceeds from the monetization of commodities are also reported as refundable advances.

**Unrestricted net assets:** Unrestricted net assets represent unrestricted resources available to support TechnoServe's operations and temporarily restricted resources that become available for use by TechnoServe in accordance with the intentions of the donors.

**Temporarily restricted net assets:** Temporarily restricted net assets represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of TechnoServe according to the terms of the contribution.

**Support and revenue recognition:** All unconditional contributions, including unconditional promises to give, are reported as unrestricted revenue when received in the absence of a donor's explicit stipulation or circumstances surrounding the receipt of the contribution that make clear the donor's restrictions on use. Donor-restricted contributions are reported as temporarily restricted revenues, which increase temporarily restricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Notes to Consolidated Financial Statements**

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

Grants, cooperative agreements and contracts are deemed to be exchange transactions and, accordingly, are recorded as unrestricted revenue. Grants, cooperative agreements and contracts receivable are amounts due from funding organizations for reimbursable expenses incurred. Deferred grant revenue and refundable advances represent cash advances received that are to be used for the implementation of the specific agreement's objectives. Grants or cooperative agreements that provide for reimbursement to TechnoServe of specified program, project and supporting services expenditures are recognized as unrestricted support as the reimbursable expenditures are incurred.

**Grant solicitation and fund-raising costs:** Grant solicitation costs consist of the costs of raising country-specific or project-specific grants from private donors or public sources such as governmental agencies. Fund-raising costs consist of expenses incurred in raising unrestricted contributions from private sources.

**Contributed services and in-kind contributions:** TechnoServe receives contributed services in support of its programs. Certain contributed services meet the criteria for recognition under generally accepted accounting principles. In-kind contributions received are valued and recorded as revenue at their fair value at the time the contribution is received. Contributed services and in-kind contributions are reflected on the consolidated statement of activities as contributions and program expenses.

**Concentration of risk:** Support and revenue from USDA and USAID represented approximately 9% and 11%, respectively, of total support and revenue for the year ended December 31, 2016. Additionally, as of December 31, 2016, approximately 28% of TechnoServe's cash and cash equivalents are denominated in foreign currency amounts and subject to currency fluctuations.

**Foreign currency translation:** The functional currency of TechnoServe is the U.S. dollar. The financial statements and transactions of TechnoServe's foreign operations are generally maintained in the relevant local currency. Assets and liabilities of TechnoServe's foreign operations are translated into U.S. dollars at the applicable exchange rates at year-end. Related revenues and expenses are translated at the prevailing monthly average rate. Gains and losses resulting from foreign currency transactions are included in change in net assets. For the year ended December 31, 2016, TechnoServe had a loss of \$670,635 from foreign currency translation adjustments which is included in other losses on the consolidated statement of activities.

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. Accordingly, certain costs have been allocated among all the programs and supporting services benefited.

**Income taxes:** TechnoServe is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, TechnoServe has been determined by the Internal Revenue Service not to be a private foundation. Income, which is not related to its exempt purpose, less applicable deductions, is subject to federal and state corporate income taxes. TechnoServe had no net unrelated business income for the year ended December 31, 2016.

Management has evaluated TechnoServe's tax positions and has concluded that TechnoServe has taken no uncertain tax positions that require disclosure. TechnoServe files tax returns in the U.S. federal and Washington, D.C. jurisdictions. Generally, TechnoServe is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2013.

**Notes to Consolidated Financial Statements**

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

**Use of estimates:** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Prior year information:** The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with TechnoServe's consolidated financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**Recent accounting pronouncement:** In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The amendments set forth the FASB's changes to net asset classification requirements and the information presented about a not-for-profit entity's endowments, liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Certain provisions of this standard will be required to be applied on a retrospective basis in the year the ASU is adopted. TechnoServe is currently evaluating the impact of the pending adoption of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, along with various updates in 2016 and 2015, 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 U.S. 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. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. TechnoServe is currently evaluating the impact of the pending adoption of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 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 balance sheet 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. 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. TechnoServe is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

**Subsequent events:** TechnoServe evaluated subsequent events through December 20, 2017, which is the date the consolidated financial statements were available to be issued.

**TechnoServe, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 2. Property and Equipment**

At December 31, 2016, property and equipment consist of the following:

Vehicles in program countries	\$ 7,826,318
Software	1,247,004
Leasehold improvements	840,271
Furniture and equipment	765,125
Building in Ghana	78,240
	<u>10,756,958</u>
Less accumulated depreciation	<u>(8,987,370)</u>
	<u>\$ 1,769,588</u>

Depreciation expense was \$885,851 for the year ended December 31, 2016.

During 2016 TechnoServe sold its interest in one of two buildings in Ghana for \$2,600,000. A gain in the amount of \$2,288,727 was recognized and is included in the gain on disposal of property and equipment reported on the consolidated statement of cash flows.

**Note 3. Grants and Contributions Receivable**

As of December 31, 2016, grants and contributions receivable consist of the following:

Program specific	\$ 10,179,922
Other grant and contribution receivables	253,121
	<u>10,433,043</u>
Less: Allowance for doubtful accounts	<u>(87,697)</u>
	<u>\$ 10,345,346</u>

As of December 31, 2016, all grants and contributions receivable are expected to be collected within one year.

**Note 4. Deferred Grant Revenue and Refundable Advances**

Deferred grant revenue and refundable advances consist of the following at December 31, 2016:

Restricted agreements	\$ 31,360,961
USDA monetization proceeds	6,804,672
USAID agreements	222,357
	<u>\$ 38,387,990</u>

**Note 5. 401(k) Pension and Tax Sheltered Annuity Plans**

U.S. employees and U.S. citizens and other expatriates living abroad may participate in the 401(k) pension plan. TechnoServe contributes to the plan an amount up to 8% of each participant's base compensation up to \$220,000. Vesting occurs at a rate of 100% after three years of service.

**TechnoServe, Inc.**

**Notes to Consolidated Financial Statements**

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**Note 5. 401(k) Pension and Tax Sheltered Annuity Plans (Continued)**

A host country national plan is available to all other TechnoServe employees living abroad who are not covered by the 401(k) plan. Employees are eligible upon completing six months of service. Both employee and employer contributions are dictated by local country policies.

TechnoServe's contributions to the plans totaled \$2,015,957 for the year ended December 31, 2016, and those amounts are included in salaries and benefits on the accompanying consolidated statement of functional expenses.

**Note 6. Operating Lease Commitments**

TechnoServe leases office space and equipment under operating leases in Norwalk, Connecticut; Washington, D.C.; and in several foreign countries. TechnoServe's headquarters lease in Washington, D.C. was entered into in August 2010 and commenced January 1, 2011. Additional space was added to the headquarters office in January 2015 and expires on December 31, 2018. The original lease in Washington, D.C. expires June 30, 2021.

Under the lease agreement for the office space for the Washington, D.C. location, TechnoServe's monthly lease payments escalate annually. TechnoServe also initially received the benefit of a tenant improvement allowance of \$777,060. In 2015, the office space was expanded and an additional \$23,850 tenant improvement allowance was allotted. Both allowances are being amortized on a straight-line basis over the life of the lease. A deferred rent and lease incentive liability is recorded on the consolidated balance sheet in relation to the escalating lease payments and tenant improvement allowance.

Scheduled minimum future lease payments under non-cancelable operating leases as of December 31, 2016, are as follows:

Years ending December 31:	
2017	\$ 2,028,243
2018	1,322,315
2019	885,280
2020	758,713
2021	357,970
	<u>\$ 5,352,521</u>

Rent expense was \$2,229,389 for the year ended December 31, 2016.

**Note 7. Temporarily Restricted Net Assets**

During the year ended December 31, 2016, TechnoServe received \$1,850 of temporarily restricted contributions. TechnoServe incurred expenses and other adjustments on temporarily restricted contributions of \$359,952. At December 31, 2016, TechnoServe has a temporarily restricted net asset balance of \$182,045. Temporarily restricted net assets consist of contributions restricted due to time and purpose.

TechnoServe, Inc.

**Notes to Consolidated Financial Statements**

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**Note 8. Contingencies**

**U.S. federal grants:** TechnoServe participates in a number of federally assisted grant programs which are subject to financial and compliance audits by USAID and USDA or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

**Litigation:** TechnoServe is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on its financial position, changes in net assets or cash flows.

**Note 9. Conditional Contributions**

As of December 31, 2016, TechnoServe has \$77,163,127 of cash to be collected on conditional pledges. This amount is not recognized in the accompanying consolidated financial statements as such contributions are payable over a four-year period, conditional upon the successful management of TechnoServe based on a number of milestones and the future discretion of the donor.