

FINANCIAL STATEMENTS

**GLOBAL PARTNERSHIP FOR
AFGHANISTAN**

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

GLOBAL PARTNERSHIP FOR AFGHANISTAN

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Global Partnership for Afghanistan
New York, NY

We have audited the accompanying statements of financial position of the Global Partnership for Afghanistan (GPFA) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of GPFA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GPFA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GPFA as of December 31, 2010 and 2009, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

April 28, 2011

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GLOBAL PARTNERSHIP FOR AFGHANISTAN

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 432,169	\$ 761,373
Grants and contracts receivable	910,875	372,934
Contributions and pledges receivable	53,264	34,951
Other receivables	-	4,409
Prepaid expenses and other assets	<u>71,077</u>	<u>13,994</u>
Total current assets	<u>1,467,385</u>	<u>1,187,661</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment, net of accumulated depreciation of \$25,718 and \$20,031 for 2010 and 2009, respectively	<u>8,160</u>	<u>13,847</u>
TOTAL ASSETS	<u>\$ 1,475,545</u>	<u>\$ 1,201,508</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 543,343	\$ 76,992
Deferred contract revenue	<u>197,586</u>	<u>118,811</u>
Total current liabilities	<u>740,929</u>	<u>195,803</u>
NET ASSETS		
Unrestricted	562,334	834,846
Temporarily restricted (Note 2)	<u>172,282</u>	<u>170,859</u>
Total net assets	<u>734,616</u>	<u>1,005,705</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,475,545</u>	<u>\$ 1,201,508</u>

GLOBAL PARTNERSHIP FOR AFGHANISTAN

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contracts	\$ 2,420,579	\$ 134,543	\$ 2,555,122
Foundation and corporate support	66,000	100,000	166,000
Individual contributions	191,663	-	191,663
Board contributions	180,730	-	180,730
In-kind contributions	133,394	-	133,394
Interest income	769	-	769
Program revenues	41,497	-	41,497
Other revenue	-	-	-
Exchange rate (loss) gain	(21,953)	-	(21,953)
Net assets released from restrictions - satisfaction of donor restrictions (Note 3)	<u>233,120</u>	<u>(233,120)</u>	<u>-</u>
Total support and revenue	<u>3,245,799</u>	<u>1,423</u>	<u>3,247,222</u>
EXPENSES			
Program Services	2,978,530	-	2,978,530
General and Administrative	349,497	-	349,497
Fundraising	<u>190,284</u>	<u>-</u>	<u>190,284</u>
Total expenses	<u>3,518,311</u>	<u>-</u>	<u>3,518,311</u>
Changes in net assets	(272,512)	1,423	(271,089)
Net assets at beginning of year	<u>834,846</u>	<u>170,859</u>	<u>1,005,705</u>
NET ASSETS AT END OF YEAR	<u>\$ 562,334</u>	<u>\$ 172,282</u>	<u>\$ 734,616</u>

See accompanying notes to financial statements.

2009		
Unrestricted	Temporarily Restricted	Total
\$ 1,945,889	\$ 210,903	\$ 2,156,792
86,000	180,000	266,000
271,006	-	271,006
158,000	-	158,000
122,219	-	122,219
1,202	-	1,202
16,900	-	16,900
1,711	-	1,711
1,657	-	1,657
<u>403,571</u>	<u>(403,571)</u>	<u>-</u>
<u>3,008,155</u>	<u>(12,668)</u>	<u>2,995,487</u>
2,089,398	-	2,089,398
360,124	-	360,124
<u>133,134</u>	<u>-</u>	<u>133,134</u>
<u>2,582,656</u>	<u>-</u>	<u>2,582,656</u>
425,499	(12,668)	412,831
<u>409,347</u>	<u>183,527</u>	<u>592,874</u>
<u>\$ 834,846</u>	<u>\$ 170,859</u>	<u>\$ 1,005,705</u>

See accompanying notes to financial statements.

GLOBAL PARTNERSHIP FOR AFGHANISTAN

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits (Note 4)	\$ 1,164,751	\$ 102,843	\$ 123,850	\$ 1,391,444
Printing and production	5,053	276	5,000	10,329
Consultants and professional fees	133,377	184,277	16,848	334,502
Occupancy	127,901	18,098	15,000	160,999
Insurance	-	2,859	-	2,859
Depreciation	5,687	-	-	5,687
Telephone	63,867	3,501	-	67,368
Travel	49,800	7,083	2,334	59,217
Postage and delivery	135	118	218	471
Supplies	17,559	1,313	2,593	21,465
Subscriptions and publications	-	10,354	-	10,354
Events and meetings	4,517	442	22,751	27,710
Bank fees	2,698	3,550	1,506	7,754
Equipment	54,181	5,491	-	59,672
Temporary labor	151,035	55	-	151,090
Program expenses	433,337	-	-	433,337
Planting materials	500,160	-	-	500,160
Vehicle expenses	113,027	154	176	113,357
Training	82,680	21	-	82,701
Staff canteen and per diems	47,664	-	-	47,664
Bad debt	8,873	1,153	-	10,026
Other	<u>12,228</u>	<u>7,909</u>	<u>8</u>	<u>20,145</u>
TOTAL	<u>\$ 2,978,530</u>	<u>\$ 349,497</u>	<u>\$ 190,284</u>	<u>\$ 3,518,311</u>

See accompanying notes to financial statements.

GLOBAL PARTNERSHIP FOR AFGHANISTAN

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits (Note 4)	\$ 703,620	\$ 165,894	\$ 57,498	\$ 927,012
Printing and production	8,382	-	-	8,382
Consultants and professional fees	74,164	116,978	11,173	202,315
Occupancy	110,246	9,600	9,600	129,446
Insurance	-	2,632	-	2,632
Depreciation	3,846	-	-	3,846
Telephone	28,206	3,738	-	31,944
Travel	19,287	32,480	3,401	55,168
Postage and delivery	247	343	956	1,546
Repairs and maintenance	13,343	251	-	13,594
Supplies	22,481	1,488	96	24,065
Subscriptions and publications	-	6,257	704	6,961
Events and meetings	-	300	48,545	48,845
Bank fees	2,653	4,528	-	7,181
Equipment	64,797	-	599	65,396
Temporary labor	53,910	-	-	53,910
Program expenses	362,787	-	-	362,787
Planting materials	349,764	-	-	349,764
Vehicle expenses	86,006	-	-	86,006
Training	108,101	1,540	-	109,641
Licenses and permits	530	75	-	605
Staff canteen and per diems	76,125	109	-	76,234
Other	903	13,911	562	15,376
	<u>903</u>	<u>13,911</u>	<u>562</u>	<u>15,376</u>
TOTAL	\$ <u>2,089,398</u>	\$ <u>360,124</u>	\$ <u>133,134</u>	\$ <u>2,582,656</u>

GLOBAL PARTNERSHIP FOR AFGHANISTAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (271,089)	\$ 412,831
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	5,687	3,846
(Increase) decrease in:		
Grants and contracts receivable	(537,941)	(51,212)
Contributions and pledges receivable	(18,313)	(23,666)
Other receivables	4,409	(1,941)
Prepaid expenses and other assets	(57,083)	46,735
Increase (decrease) in:		
Accounts payable and accrued expenses	466,351	476
Deferred contract revenue	<u>78,775</u>	<u>118,811</u>
Net cash provided (used) by operating activities	<u>(329,204)</u>	<u>505,880</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	<u>-</u>	<u>(16,319)</u>
Net cash used by investing activities	<u>-</u>	<u>(16,319)</u>
Net increase (decrease) in cash and cash equivalents	(329,204)	489,561
Cash and cash equivalents at beginning of year	<u>761,373</u>	<u>271,812</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 432,169</u>	<u>\$ 761,373</u>

GLOBAL PARTNERSHIP FOR AFGHANISTAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Global Partnership for Afghanistan (GPFA) is a non-profit organization, formed in November 2001 and incorporated under the laws of the State of New York. GPFA is a people-to-people, capacity-building organization, that works to help rural Afghan families revive and rehabilitate their fruit and nut orchards, vineyards, croplands and forests; thereby generating food, jobs, income and environmental and health benefits.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The accompanying financial statements include the world-wide operations of GPFA. At December 31, 2010 and 2009, assets held overseas (in Afghanistan) totaled \$981,952 and \$415,331, respectively.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, GPFA has updated references to GAAP in its financial statements issued for the years ended December 31, 2010 and 2009. The adoption of FASB ASC 105 did not impact GPFA's financial position or results of operations.

Cash and cash equivalents -

GPFA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, GPFA maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

GPFA had \$21,092 and \$289,843 of cash and cash equivalents on hand and held at financial institutions in foreign countries at December 31, 2010 and 2009, respectively. The majority of funds invested in foreign countries is uninsured.

Furniture and equipment -

Furniture and equipment purchased with unrestricted funds (with an acquisition value exceeding \$2,500) are stated at cost and are depreciated on the straight-line basis over their related estimated useful lives, generally three to five years. Furniture and equipment purchased with donor-restricted funds are expensed and charged to the corresponding program. Maintenance, repairs and renewals that neither materially add value to existing property (nor prolong its life) are expensed as incurred.

GLOBAL PARTNERSHIP FOR AFGHANISTAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Furniture and equipment (continued) -

GPFA purchases equipment for its overseas programs with funding received from the U.S. Government and other donors. Under the terms of these agreements, the title to equipment remains with GPFA, but the donor generally retains control of the equipment disposition at the end of the award period.

In most cases (and under the direction of the donor), GPFA donates this equipment to local organizations at the end of the award period. Therefore, equipment purchased under these programs are expensed when incurred and such assets are not reflected as capital assets in the accompanying Statements of Financial Position.

Income taxes -

GPFA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. GPFA is not a private foundation. GPFA is subject to unrelated business income taxes under Section 512 of the Internal Revenue Code.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2010 and 2009, GPFA has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of GPFA and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of GPFA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Grants and contributions -

Grants awarded to GPFA from U.S. Government agencies and pass-through entities are accounted for as exchange transactions and, accordingly, unrestricted revenue is recognized when the qualifying expenditures are incurred.

GLOBAL PARTNERSHIP FOR AFGHANISTAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Grants and contributions (continued) -

Grants awarded to GPFA from non-Federal organizations are accounted for as contributions or exchange transactions, depending on the nature of the award. Contributions are recorded as temporarily restricted revenue in the year notification is received from the donor.

Contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. GPFA's policy is to treat donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Contracts -

Contracts awarded to GPFA are accounted for as exchange transactions and, accordingly, revenue is recognized when the qualifying expenditures are incurred. Any funds received in advance of incurring qualifying expenditures are recorded as deferred contract revenue.

Use of estimates -

The preparation of 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 of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-kind contributions -

GPFA receives contributions of services (pro-bono) and other donations considered "in-kind"; all in furtherance of its program purpose. During the years ended December 31, 2010 and 2009, contributions of \$133,394 and \$122,219, respectively, representing the fair value of donated office space (valued at \$2,500/month) and other professional fees, have been included in current year support and revenue (and expenses) in the accompanying Statements of Activities and Changes in Net Assets.

GPFA also receives additional in-kind contributions for which an estimate of the fair value is not determinable.

GLOBAL PARTNERSHIP FOR AFGHANISTAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Program services	\$ 162,282	\$ 150,859
Restricted for time (General support)	<u>10,000</u>	<u>20,000</u>
	<u>\$ 172,282</u>	<u>\$ 170,859</u>

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, or through the passage of time, thus satisfying the restricted purposes specified by the donors:

	<u>2010</u>	<u>2009</u>
Program services	\$ 223,120	\$ 393,571
Passage of time	<u>10,000</u>	<u>10,000</u>
	<u>\$ 233,120</u>	<u>\$ 403,571</u>

4. RETIREMENT PLAN

GPFA offers its U.S.-based employees retirement benefits through a 401(k) plan. The 401(k) plan covers all U.S.-based employees who have attained the age of 21 and work at least 20 hours per week. GPFA currently matches each eligible employee's annual contributions, not exceeding 3% of their total gross salary. Employees are fully vested in the plan after 12 months of participation. Total retirement expense for the years ended December 31, 2010 and 2009 was \$7,629 and \$15,370, respectively.

5. SUBSEQUENT EVENTS

In preparing these financial statements, GPFA has evaluated events and transactions for potential recognition or disclosure through April 28, 2011, the date the financial statements were issued.