

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

PARTNERS WORLDWIDE, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners Worldwide, Inc. and Affiliates
Grand Rapids, Michigan

We have audited the accompanying consolidated financial statements of Partners Worldwide, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Partners Worldwide, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Grand Rapids, Michigan
October 11, 2017

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 1,652,714	\$ 1,949,328
Investments	6,598,188	5,307,998
Pledges receivable, net	1,288,367	2,343,913
Field advances	199,024	213,921
Accounts receivable	111,353	60,050
Interest receivable	157,592	47,605
Prepaid expenses	60,247	39,245
Notes receivable, net	3,516,988	3,490,122
Property and equipment, net	885,204	872,532
	\$ 14,469,677	\$ 14,324,714
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 105,331	\$ 121,821
Accrued expenses	92,859	107,142
Notes payable	1,000,000	1,000,000
Total Liabilities	1,198,190	1,228,963
Net assets:		
Unrestricted:		
Undesignated	8,196,370	7,196,321
Designated for future building needs	-	50,000
	8,196,370	7,246,321
Temporarily restricted	5,075,117	5,849,430
Total Net Assets	13,271,487	13,095,751
Total Liabilities and Net Assets	\$ 14,469,677	\$ 14,324,714

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,841,138	\$ 3,192,195	\$ 5,033,333	\$ 1,383,571	\$ 3,168,545	\$ 4,552,116
Interest income	107,697	-	107,697	120,009	-	120,009
Investment income gain (loss)	617,838	-	617,838	(6,945)	-	(6,945)
Donated services	779,618	-	779,618	542,493	-	542,493
Foreign currency translation adjustment	(195)	-	(195)	(1,545)	-	(1,545)
Other revenues	800	-	800	1,712	-	1,712
Total support and revenue	3,346,896	3,192,195	6,539,091	2,039,295	3,168,545	5,207,840
Net Assets Released from Restriction	3,966,508	(3,966,508)	-	4,026,618	(4,026,618)	-
Total Support, Revenue and Net Assets Released From Restrictions	7,313,404	(774,313)	6,539,091	6,065,913	(858,073)	5,207,840
EXPENSES						
Program services	5,252,325	-	5,252,325	4,627,077	-	4,627,077
Supporting activities:						
Management and general	477,221	-	477,221	370,263	-	370,263
Fund-raising	583,809	-	583,809	498,801	-	498,801
Total expenses	6,313,355	-	6,313,355	5,496,141	-	5,496,141
Change in net assets before current year capital disbursement to member	1,000,049	(774,313)	225,736	569,772	(858,073)	(288,301)
Current year capital disbursement to member	(50,000)	-	(50,000)	-	-	-
Change in net assets	950,049	(774,313)	175,736	569,772	(858,073)	(288,301)
Net Assets, Beginning of Year	7,246,321	5,849,430	13,095,751	6,676,549	6,707,503	13,384,052
Net Assets, End of Year	\$ 8,196,370	\$ 5,075,117	\$ 13,271,487	\$ 7,246,321	\$ 5,849,430	\$ 13,095,751

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 225,736	\$ (288,301)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	47,479	37,623
Foreign currency translation adjustment	(195)	(1,545)
Increase in loan loss provision	275,000	75,000
Realized and unrealized gain (loss) on investments	(445,927)	6,184
Changes in:		
Pledges receivable	1,114,656	1,387,771
Field advances	14,897	(64,534)
Accounts receivable	(36,308)	1,155
Interest receivable	(109,987)	(25,139)
Notes receivable	1,702	-
Prepaid expenses	(21,002)	(9,818)
Accounts payable	(90,595)	59,269
Accrued expenses	(14,283)	12,294
Net Cash Provided by Operating Activities	961,173	1,189,959
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(60,151)	(82,611)
Notes issued	(610,509)	(905,929)
Collections on notes	306,941	436,344
Proceeds from sale of investments	-	44,221
Purchases of investments	(844,263)	(577,347)
Net Cash Used by Investing Activities	(1,207,982)	(1,085,322)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	300,000
Capital disbursement to member	(50,000)	-
Net Cash Provided (Used) by Financing Activities	(50,000)	300,000
Effect of Exchange Rate on Cash	195	1,545
Net Change in Cash and Cash Equivalents	(296,614)	406,182
Cash and Cash Equivalents, Beginning of Year	1,949,328	1,543,146
Cash and Cash Equivalents, End of Year	\$ 1,652,714	\$ 1,949,328
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (non capitalized)	\$ 10,500	\$ 7,500

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services	Supporting Activities		Total
		Management and General	Fund-raising	
Salaries	\$ 645,613	\$ 170,221	\$ 265,590	\$ 1,081,424
Employee benefits	94,488	97,018	114,351	305,857
	740,101	267,239	379,941	1,387,281
Home office costs:				
Printed materials	4,616	13,301	25,462	43,379
Promotion events/mailings	2,454	2,929	28,966	34,349
Travel	46,916	19,027	52,490	118,433
Operations	304,973	138,107	61,111	504,191
Professional fees	15,863	24,813	5,801	46,477
Training and education	751	3,466	-	4,217
Facilities	22,736	8,339	30,038	61,113
Total home office costs	398,309	209,982	203,868	812,159
Field office costs:				
Donated services	779,618	-	-	779,618
Travel	473,437	-	-	473,437
Field office costs	207,091	-	-	207,091
Field equipment purchases	22,667	-	-	22,667
Training and education	25,799	-	-	25,799
National staff costs	884,177	-	-	884,177
Food production	404,140	-	-	404,140
Small business development	716,776	-	-	716,776
Field development and planning	49,500	-	-	49,500
Other	550,710	-	-	550,710
Total field office costs	4,113,915	-	-	4,113,915
Total Expenses	\$ 5,252,325	\$ 477,221	\$ 583,809	\$ 6,313,355

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services	Supporting Activities		Total
		Management and General	Fund-raising	
Salaries	\$ 551,138	\$ 143,828	\$ 219,747	\$ 914,713
Employee benefits	124,498	47,107	89,409	261,014
	675,636	190,935	309,156	1,175,727
Home office costs:				
Printed materials	3,690	9,869	4,220	17,779
Promotion events/mailings	1,594	3,409	108,191	113,194
Travel	57,567	6,223	8,890	72,680
Operations	116,004	129,950	42,660	288,614
Professional fees	8,437	19,524	5,557	33,518
Training and education	933	2,499	148	3,580
Facilities	20,880	7,854	19,979	48,713
Total home office costs	209,105	179,328	189,645	578,078
Field office costs:				
Donated services	542,493	-	-	542,493
Travel	503,632	-	-	503,632
Field office costs	291,131	-	-	291,131
Field equipment purchases	2,412	-	-	2,412
Training and education	22,655	-	-	22,655
National staff costs	813,528	-	-	813,528
Food production	378,575	-	-	378,575
Small business development	779,179	-	-	779,179
Field development and planning	83,015	-	-	83,015
Other	325,716	-	-	325,716
Total field office costs	3,742,336	-	-	3,742,336
Total Expenses	\$ 4,627,077	\$ 370,263	\$ 498,801	\$ 5,496,141

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

Partners Worldwide, Inc. (PW), a Michigan nonprofit corporation, was established for the purpose of promoting and enhancing international and domestic development of small business in developing communities and countries and creating jobs.

PW operates as a charitable religious organization within the meaning of Section 501(c)(3) of the Internal Revenue Code (Code) and applicable state regulations and has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. It is exempt from federal and state income taxes and contributions by the public are deductible for income tax purposes.

Partners Worldwide Canada (PWC), a Canada not for profit corporation, was established for the purpose of promoting and enhancing international and domestic development of small businesses in less developed communities and countries, creating jobs, and supporting the mission of PW.

PW Entrepreneurs L3C (PWE), a Michigan low-profit limited liability company, was established for the purpose of promoting and enhancing international and domestic development of small businesses in less developed communities and countries, creating jobs, and supporting the mission of PW. There are six members in PWE, of which PW has the majority ownership. During the year ended June 30, 2017, one member liquidated their membership interest of \$50,000.

Partners Worldwide Asia (PWA) Limited, a non-profit company located in Hong Kong, was established for the purpose of promoting and enhancing development of small businesses in Asia and supporting the mission of PW. It is management's plan to dissolve this entity by the end of the next fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The preparation of consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Partners Worldwide, Inc. and Affiliates include the consolidating financial resources and activities of PW and its subsidiary organizations, PWC, PWE and PWA. Due to immaterial financial activity, PWA is not presented separately within the consolidating statements. All inter-organization balances and transactions have been eliminated in the consolidation.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank and brokerage checking, savings and money market accounts. Certain items that meet the definition of cash equivalents but are part of a larger pool of investments are included in investments. From time to time, deposits may exceed federally insured limits. Partners Worldwide, Inc. and Affiliates have not experienced any loss on its cash and cash equivalents and does not believe that it is exposed to any significant credit risk related to these accounts.

INVESTMENTS

Investments are reported at fair value, as disclosed in Note 3. Realized and unrealized gains and losses are presented in the consolidated statements of activities as a change in unrestricted net assets unless designated as temporarily restricted by the donor. Donated investments are liquidated at market value on the date of donation.

PLEDGES RECEIVABLE, NET

Unconditional pledges receivable are recognized as revenue in the period the pledge is made and as assets, decreases of liabilities or expenses depending on the form of the benefits to be received. Pledges receivable are stated at the amount management expects to collect from balances outstanding. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its evaluation of the status of individual accounts, past credit history with donors and the donors' current financial condition. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. PW considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful promises to give has been recorded. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

Unconditional pledges receivable that are expected to be collected within one year are reported at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted rates applicable to the years in which the promises are expected to be received. This discount rate is based on yields of the various U.S. Treasury bills corresponding to the timing of the pledge commitment. Amortization of the discount is included in contributions revenue in the accompanying consolidated statements of activities.

FIELD ADVANCES

PW funds numerous projects in countries outside the United States. Field managers in those countries request funding for approved projects. Field advances include amounts forwarded to those foreign bank accounts. As funds are spent, the field advance account is decreased and the various project expenses are recognized.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from balances outstanding. Management has reviewed the balances that comprise the various categories of accounts receivable and determined such balances to be fully collectible. Accordingly, no provision for uncollectible accounts is included in the consolidated financial statements for years ending June 30, 2017 and 2016. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

NOTES RECEIVABLE, NET

PW and PWE provide loan capital to qualified affiliates worldwide, who then manage funds locally by identifying and providing loans to entrepreneurs who have received business training, mentoring and coaching and are prepared to take their business to the next level.

Notes receivable are reported net of any anticipated losses due to uncollectible accounts. The allowance for loan losses is based on management's evaluation of the collectability of the overall loan portfolio, including trends in historical loss experience, payment patterns from the borrowers, and general economic conditions. As of June 30, 2017, the allowance, totaling \$300,000 for PW and \$262,500 for PWE, is maintained at a level that, in management's judgment, is adequate to absorb potential losses inherent in the loan portfolios. As of June 30, 2016, the allowance was \$300,000 for PW and \$187,500 for PWE.

PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded as support as estimated fair value at the time received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, PW reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. PW follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by classes of net assets as follows:

Unrestricted net assets are those currently available at the discretion of the Board for use in the Partners Worldwide, Inc. and Affiliates' operations, Board designated amounts for use in future ministry and those resources invested in property and equipment.

Temporarily restricted net assets are those contributed with donor restrictions for specific operating purposes or those with timing restrictions. PW temporarily restricted net assets consist of cash, pledges receivable and investments restricted for business growth and job creation program efforts throughout the world.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND SUPPORT

Contributions are recorded when the cash is received, unconditional pledges are made or when ownership of donated assets is transferred. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. If the restriction is met in the same reporting period as received, then it is recorded as unrestricted.

DONATED SERVICES

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. As of June 30, 2017 and 2016, donated services were recorded in the consolidated statements of activities in the amount of \$779,618 and \$542,493, respectively.

In addition, many other volunteers have contributed significant amounts of time to PW without compensation. These contributions, although clearly substantial, are not recognized as contributions in the consolidated financial statements since the recognition criteria was not met.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are recorded when incurred. The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of activities and presented on the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

RECENTLY ADOPTED ACCOUNTING STANDARDS

Accounting Standards Update (ASU) 2015-07 updates the *Fair Value Measurement* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The primary change resulting from ASU 2015-07 is updated disclosure requirements for investments valued at net asset value, which removes the requirement to categorize these investments within the fair value hierarchy. ASU 2015-07 is effective for fiscal years after December 15, 2016. PW adopted ASU 2015-07 for the year ended June 30, 2017, and has implemented the guidance retrospectively. Investments held at net asset value for the years ended June 30, 2017 and 2016, are no longer classified within the fair value hierarchy.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

3. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2017	2016
	Market	Market
Cash equivalent fund	\$ 9,255	\$ 602,032
Barnabas CT Balanced Fund	6,198,150	4,286,507
PWE investments	390,783	419,459
	\$ 6,598,188	\$ 5,307,998

Investment income consists of the following:

	June 30,	
	2017	2016
	PW interest and dividend income	\$ 127,096
PW realized gains on sale of investments	117,346	44,221
PW unrealized gains (losses) on investments	402,072	(126,423)
PWE unrealized losses on investments	(28,676)	(50,405)
	\$ 617,838	\$ (6,945)

4. FAIR VALUE MEASUREMENTS:

PW and PWE use appropriate valuation techniques to determine fair value based on inputs available. When available, PW and PWE measure fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Bond funds are valued using significant other inputs, including information from fund balances based on quoted market prices.

Level 3 - Significant unobservable inputs which may include PW's own assumptions in determining fair value. PW's alternative investments funds are valued using information from fund managers based on quoted market prices or other valuation methods.

Non-leveled investments - PWE's investments held in U.S. and foreign companies are valued using information from the corporation financials based on PWE's pro-rata net asset value based on equity ownership. PWE's investments in foreign corporations are subject to various risk factors arising from the investment activities of the underlying vehicles including market, credit, and currency risk.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

Management reviews and evaluates the values provided by PW's fund manager and PWE's corporate manager's and agrees with the valuation methods and assumptions used in determining the fair value.

Fair values of assets are as follows:

	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant other observable inputs Level 3	Total
June 30, 2017:				
Barnabas CT Balanced Fund:				
Cash and equivalents	\$ 9,255	\$ -	\$ -	\$ 9,255
Core fixed income	-	378,023	-	378,023
Large cap equity	512,940	-	-	512,940
Small and mid cap equity	125,786	-	-	125,786
International equity	377,355	-	-	377,355
Emerging market equity	258,199	-	-	258,199
Private equities	312,464	-	-	312,464
Opportunistic fixed income	-	891,927	-	891,927
Global asset allocation	-	463,274	463,274	926,548
Global equities	967,446	-	-	967,446
TIPS	486,507	-	-	486,507
Alternative funds	-	-	960,955	960,955
	<u>3,049,952</u>	<u>1,733,224</u>	<u>1,424,229</u>	<u>6,207,405</u>
PWE Investments:				
Dignity Products LLC				<u>390,783</u>
Total Investments	<u>\$ 3,049,952</u>	<u>\$ 1,733,224</u>	<u>\$ 1,424,229</u>	<u>\$ 6,598,188</u>

Following is a reconciliation of activity for assets measured at fair value based on significant unobservable inputs (Level 3):

	Level 3 Investments
Balance at June 30, 2016	\$ 807,845
Additions	497,335
Realized gain on sale of investments	10,234
Unrealized gain on investments	<u>108,815</u>
Balance at June 30, 2017	<u>\$ 1,424,229</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets are as follows:

	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant other observable inputs Level 3	Total
June 30, 2016:				
Barnabas CT Balanced Fund:				
Cash and equivalents	\$ 602,032	\$ -	\$ -	\$ 602,032
Core fixed income	-	457,341	-	457,341
Large cap equity	354,653	-	-	354,653
Small and mid cap equity	83,854	-	-	83,854
International equity	251,534	-	-	251,534
Emerging market equity	172,239	-	-	172,239
Global equities	223,423	-	-	223,423
Private equities	-	579,627	-	579,627
Opportunistic fixed income	-	646,511	-	646,511
Global asset allocation	709,480	-	-	709,480
Alternative funds	-	-	807,845	807,845
	2,397,215	1,683,479	807,845	4,888,539
PWE Investments:				
Dignity Products LLC				413,962
Greenline Coffee LLC				5,497
				419,459
Total Investments	\$ 2,397,215	\$ 1,683,479	\$ 807,845	\$ 5,307,998

Following is a reconciliation of activity for assets measured at fair value based on significant unobservable inputs (Level 3):

	Level 3 Investments
Balance at June 30, 2015	\$ 870,001
Additions	31,818
Realized gain on sale of investments	1,098
Unrealized losses on investments	(95,072)
Balance at June 30, 2016	\$ 807,845

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

PWE adopted the updated Net Asset Value (NAV) provisions of the *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board Accounting Standards Codification.

PWE uses the NAV to determine the fair value of all underlying investments which do not have readily determinable fair value. These statements are consistent with the measurement principles or attributes of an investment company. The following table lists Level 3 investments by major category.

Investment Category	Total June 30, 2017	Dignity Products LLC
Strategy		Creating employment opportunities in a rural community through coconut processing and supported by related product sales.
Fair Value Determined Using NAV	\$ 390,783	\$ 390,783
Remaining Life		N/A
Unfunded Commitments	\$ -	\$ -
Timing to Draw Down		N/A
Redemption Terms		None
Redemption Restrictions		None

PWE adopted the updated Net Asset Value (NAV) provisions of the *Fair Value Measurements and Disclosures* topic of the FASB ASC.

PWE uses the NAV to determine the fair value of all underlying investments which do not have readily determinable fair value. These statements are consistent with the measurement principles or attributes of an investment company. The following table lists Level 3 investments by major category.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

Investment Category	Total June 30, 2016	Dignity Products LLC	Greenline Coffee LLC
Strategy		Creating employment opportunities in a rural community through coconut processing and supported by related product sales.	Creating employment opportunities in an underserved community through establishing a self-sustaining Coffee Shop, supported by store sales.
Fair Value Determined Using NAV	\$ 419,459	\$ 413,962	\$ 5,407
Remaining Life		N/A	N/A
Unfunded Commitments	\$ -	\$ -	\$ -
Timing to Draw Down		N/A	N/A
Redemption Terms		None	None
Redemption Restrictions		None	None

5. PLEDGES RECEIVABLE:

Pledges receivable are expected to be collected in the following periods:

	June 30,	
	2017	2016
Less than one year	\$ 1,288,367	\$ 1,274,713
One year to five years	-	1,075,000
	1,288,367	2,349,713
Less present value discount	-	(5,800)
Net	<u>\$ 1,288,367</u>	<u>\$ 2,343,913</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

5. PLEDGES RECEIVABLE, continued:

The discount to present value was calculated using the approximate yield on a three-year Treasury bill, equal to .71 for pledges receivable as of June 30, 2016. A pledge discount was not calculated as of June 30, 2017, as all pledges are expected to be collected in less than one year. PW considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful promises to give has been recorded. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

6. NOTES RECEIVABLE:

PW and PWE encourage job creation in developing countries by providing below market loan capital to in-country lending affiliates, who in turn provide loans to small through middle market businesses.

The unsecured notes receivable are due from unrelated entities and consist of the following:

	June 30,	
	2017	2016
Note receivable from a third-party organization in Ghana, bearing interest at 12% and maturing in December 2017.	\$ 362,604	\$ 374,602
Note receivable from a third-party organization in Ghana, bearing interest at 2.5% and matured in December 2016. Management is working through the renewal and fully expects to have it completed by the end of the second quarter of the next fiscal year.	300,000	300,000
Note receivable from a third-party organization in Ghana, bearing interest at 6% and maturing in November 2017.	300,000	300,000
Note receivable from a third-party organization in Liberia, bearing interest at 4.5% and maturing in September 2017.	300,000	300,000
Note receivable from a third-party organization in Uganda with interest payments paid annually in advance at a rate of 6%. The note is due in February 2018.	300,000	300,000
Note receivable from a third-party organization in Haiti, bearing interest at 0% and maturing in July 2017.	300,000	300,000
Note receivable from a third-party organization in Kenya, bearing interest at 5.5% and maturing in December 2018.	300,000	225,000

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES RECEIVABLE, continued:

	June 30,	
	2017	2016
Note receivable from a third-party organization in Swaziland, bearing interest at 9.5% and maturing in June 2022.	290,152	284,593
Note receivable from a third-party organization in Mozambique with interest payments paid annually in advance at a rate of 5%. The note was due in April 2017, and is available for annual renewal. Management is working through the renewal and fully expects to have it completed by the end of the second quarter of the next fiscal year.	250,000	250,000
Note receivable from a third-party organization in Uganda with interest payments paid annually in advance at a rate of 2%. The note was due in February 2017, and is available for annual renewal. Management is working through the renewal and fully expects to have it completed by the end of the second quarter of the next fiscal year.	250,000	250,000
Note receivable from a third-party organization in Kenya, bearing interest at 7% and maturing in June 2019.	209,718	134,718
Note receivable from a third-party organization in Kenya, bearing interest at 4% and maturing in July 2017.	200,000	201,702
Note receivable from a third-party organization in Zambia, bearing interest at 0% and maturing in March 2021.	190,830	119,961
Note receivable from a third-party organization in Nigeria, bearing interest at 9% and maturing in March 2018.	159,077	218,750
Note receivable from a third-party organization in Nicaragua due in full in September 2019, including interest at 5%.	150,000	-

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES RECEIVABLE, continued:

	June 30,	
	2017	2016
Note receivable from a third-party organization in Mozambique with interest payments paid annually in advance at a rate of 5%. The note was due in February 2017, and is available for annual renewal. Management is working through the renewal and fully expects to have it completed by the end of the second quarter of the next fiscal year.	50,000	50,000
Note receivable from a third-party organization in U.S.A., bearing interest at 9% and maturing in May 2019.	47,308	50,000
Note receivable from a third-party organization in Liberia due in full in November 2020, including interest at 1%.	45,180	-
Note receivable from a third-party organization in Kenya, bearing interest at 6% and maturing in December 2017.	33,596	66,074
Note receivable from a third-party organization in Mozambique, bearing interest at 12% and maturing in June 2020.	21,024	32,222
Note receivable from a third-party organization in Ghana due in full in November 2017, including interest at 5%.	20,000	20,000
Note receivable from a third-party organization in Mozambique with interest payments paid annually in advance at a rate of 4%. The note was due in November 2016, and is available for annual renewal.	-	200,000
Less: Provision for loan losses	(562,501)	(487,500)
	\$ 3,516,988	\$ 3,490,122

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES RECEIVABLE, continued:

Partners Worldwide, Inc. and Affiliates adopted the provisions of the *Receivables* topic of the FASB ASC. These provisions require disclosures about the credit quality of financing receivables and the allowance for credit losses. PW and PWE provide loan capital to qualified affiliates world wide, who then manage funds locally by identifying and providing loans to entrepreneurs who have received business training, mentoring, and coaching and are prepared to take their business to the next level.

PW and PWE determined their allowance for estimated losses on these Global notes by looking at historical default rates and analyzing the aging of the past due notes.

The aging of the Global loan portfolio by classes of notes consist of the following:

Classes of notes	Not in repayment	Current	Less than 240 days past due	Greater than 240 days but less than 2 years past due	Greater than 2 years less than 5 years past due	Greater than 5 years past due	Total
As of June 30, 2017:							
Global notes	\$ -	\$3,762,231	\$ 223,116	\$ 94,141	\$ -	\$ -	\$4,079,488
Allowance for doubtful accounts							(562,500)
							<u>\$3,516,988</u>
As a percentage of							
total loan portfolio	0.00%	92.22%	5.47%	2.31%	0.00%	0.00%	100.00%

Changes in allowance for estimated losses on loans in the aggregate for the year ended June 30, 2017, is presented as follows:

Balance, beginning	\$ 487,500
Provisions charged to expense	275,000
Loans charged off	(200,000)
	<u>\$ 562,500</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES RECEIVABLE, continued:

Classes of notes	Not in repayment	Current	Less than 240 days past due	Greater than 240 days but less than 2 years past due	Greater than 2 years less than 5 years past due	Greater than 5 years past due	Total
As of June 30, 2016:							
Global notes	\$ -	\$3,827,445	\$ 137,753	\$ 12,424	\$ -	\$ -	\$3,977,622
Allowance for doubtful accounts							487,500
							<u>\$4,465,122</u>
As a percentage of total loan portfolio	0.00%	96.22%	3.46%	0.31%	0.00%	0.00%	100.00%

Changes in allowance for estimated losses on loans in the aggregate for the year ended June 30, 2016, is presented as follows:

Balance, beginning	\$ 412,500
Provisions charged to expense	75,000
Loans charged off	-
	<u>\$ 487,500</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES RECEIVABLE, continued:

The allowance for estimated losses on loans by portfolio segment as of June 30, 2017 and 2016, is presented as follows:

	<u>2017</u>	<u>2016</u>
	Global	Global
	Notes	Notes
Allowance for loans individually evaluated for impairment	\$ -	\$ -
Allowance for loans collectively evaluated for impairment	<u>\$ 562,500</u>	<u>\$ 487,500</u>
	<u>\$ 562,500</u>	<u>\$ 487,500</u>
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	<u>\$4,079,488</u>	<u>\$3,977,622</u>
	<u>\$4,079,488</u>	<u>\$3,977,622</u>
Allowance as a percentage of loans individually evaluated for impairment	N/A	N/A
Allowance as a percentage of loans collectively evaluated for impairment	<u>14%</u>	<u>12%</u>
	<u>14%</u>	<u>12%</u>

For each class of financing receivables, the following presents the recorded investment by credit quality indicator as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	Global	Global
	Notes	Notes
Performing	<u>\$4,079,488</u>	<u>\$3,977,622</u>
Nonperforming	<u>-</u>	<u>-</u>
	<u>\$4,079,488</u>	<u>\$3,977,622</u>

For Global notes, the credit quality indicator is performance determined by delinquency status. Delinquency status is updated quarterly by PW and PWE's loan issuer/loan committee.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

7. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2017	2016
Land	\$ 350,000	\$ 350,000
Building	529,420	529,420
Equipment	200,384	209,898
Software	66,852	30,825
Projects in process	33,638	-
	1,180,294	1,120,143
Accumulated depreciation and amortization	(295,090)	(247,611)
	\$ 885,204	\$ 872,532

Projects in process consist of the development of a new information systems platform. As of June 30, 2017, there are no commitments related to this project.

8. NOTES PAYABLE:

PW has an unsecured note payable with a third party, with interest at 1%, payable quarterly. The principal balance, totaling \$600,000, is due in full upon maturity in December 2017. The proceeds of the loan were used to make below-market loans to benefit nonprofit organizations in Kenya and Uganda (see Note 6).

PW has an unsecured note payable with a third party, with interest at 1.5%, payable quarterly. The principal balance, totaling \$100,000, is due in full upon maturity in August 2017. The proceeds of the loan were used to make below-market loans to benefit nonprofit organizations in Ghana (see Note 6). Subsequent to year end, this loan was paid in full.

PW has an unsecured note payable with a third party, with interest at 1%, payable in March. As of June 30, 2017, the principal balance outstanding was \$300,000. Principal payments of \$100,000 are due in March until paid in full in March 2020. The proceeds of the loan were used to make below-market loans to benefit nonprofit organizations in economic challenged areas around the world. (see Note 6).

Future minimum maturities are as follows:

Year Ending June 30,	
2018	\$ 800,000
2019	200,000
	\$ 1,000,000

As of June 30, 2017 and 2016, PW was in compliance with or has obtained waivers for all debt covenants.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

9. RETIREMENT PLAN:

PW has a defined contribution retirement plan for substantially all of its employees who meet the eligibility requirements. Contributions to the plan are at the discretion of management. PW's current policy is to make contributions equal to 4% of qualified wages. Contributions were \$37,444 and \$30,891 in 2017 and 2016, respectively.

10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	June 30,	
	2017	2016
Global	\$ 3,766,491	\$ 4,298,225
Africa	820,318	978,402
Latin America	451,942	433,969
Asia	36,356	136,071
North America	10	2,763
	<u>\$ 5,075,117</u>	<u>\$ 5,849,430</u>

11. MAJOR FUNDING SOURCE:

In fiscal year 2017, one major donor provided approximately 26% of PW's public support and revenue. In fiscal year 2016, one major donor provided approximately 27% of PW's public support and revenue.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 11, 2017, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated. See Note 8 for a subsequent event.