

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.



Grand Rapids, Michigan
October 5, 2018

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 2,627,729	\$ 1,652,714
Investments	6,634,920	6,598,188
Pledges receivable	186,214	1,288,367
Field advances	243,289	199,024
Accounts receivable	47,404	111,353
Interest receivable	261,177	157,592
Prepaid expenses	64,159	60,247
Notes receivable, net	3,788,973	3,516,988
Property and equipment, net	907,135	885,204
	<u>\$ 14,761,000</u>	<u>\$ 14,469,677</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 63,417	\$ 105,331
Accrued expenses	105,840	92,859
Notes payable	1,100,000	1,000,000
Total Liabilities	<u>1,269,257</u>	<u>1,198,190</u>
Net assets:		
Unrestricted:		
Undesignated	8,346,452	7,311,166
Investment in property and equipment, net	907,135	885,204
	<u>9,253,587</u>	<u>8,196,370</u>
Temporarily restricted	4,238,156	5,075,117
Total Net Assets	<u>13,491,743</u>	<u>13,271,487</u>
Total Liabilities and Net Assets	<u>\$ 14,761,000</u>	<u>\$ 14,469,677</u>

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 2,023,536	\$ 3,226,362	\$ 5,249,898	\$ 1,841,138	\$ 3,192,195	\$ 5,033,333
Interest income	116,550	-	116,550	107,697	-	107,697
Investment income gain	324,718	-	324,718	617,838	-	617,838
Donated services	793,744	-	793,744	779,618	-	779,618
Foreign currency translation adjustment	(5,211)	-	(5,211)	(195)	-	(195)
Other revenues	29,488	-	29,488	800	-	800
Total support and revenue	3,282,825	3,226,362	6,509,187	3,346,896	3,192,195	6,539,091
Net Assets Released from Restriction	4,063,323	(4,063,323)	-	3,966,508	(3,966,508)	-
Total Support, Revenue and Net Assets Released From Restrictions	7,346,148	(836,961)	6,509,187	7,313,404	(774,313)	6,539,091
EXPENSES						
Program services	5,254,965	-	5,254,965	5,252,325	-	5,252,325
Supporting activities:						
Management and general	512,468	-	512,468	477,221	-	477,221
Fund-raising	521,498	-	521,498	583,809	-	583,809
Total expenses	6,288,931	-	6,288,931	6,313,355	-	6,313,355
Change in net assets before current year capital disbursement to member	1,057,217	(836,961)	220,256	1,000,049	(774,313)	225,736
Current year capital disbursement to member	-	-	-	(50,000)	-	(50,000)
Change in net assets	1,057,217	(836,961)	220,256	950,049	(774,313)	175,736
Net Assets, Beginning of Year	8,196,370	5,075,117	13,271,487	7,246,321	5,849,430	13,095,751
Net Assets, End of Year	\$ 9,253,587	\$ 4,238,156	\$ 13,491,743	\$ 8,196,370	\$ 5,075,117	\$ 13,271,487

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 220,256	\$ 225,736
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	46,223	47,479
Foreign currency translation adjustment	(1,881)	(195)
Increase in loan loss provision	379,535	275,000
Realized and unrealized gain on investments	(115,925)	(445,927)
Changes in:		
Pledges receivable	1,037,153	1,114,656
Field advances	(44,265)	14,897
Accounts receivable	35,874	(36,308)
Interest receivable	(103,585)	(109,987)
Notes receivable	-	1,702
Prepaid expenses	(3,912)	(21,002)
Accounts payable	51,161	(90,595)
Accrued expenses	12,981	(14,283)
Net Cash Provided by Operating Activities	1,513,615	961,173
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(68,154)	(60,151)
Notes issued	(1,253,320)	(610,509)
Collections on notes	598,471	306,941
Proceeds from sale of investments	950,000	-
Purchases of investments	(867,478)	(844,263)
Net Cash Used by Investing Activities	(640,481)	(1,207,982)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(100,000)	-
Proceeds from notes payable	200,000	-
Capital disbursement to member	-	(50,000)
Net Cash Provided (Used) by Financing Activities	100,000	(50,000)
Effect of Exchange Rate on Cash	1,881	195
Net Change in Cash and Cash Equivalents	975,015	(296,614)
Cash and Cash Equivalents, Beginning of Year	1,652,714	1,949,328
Cash and Cash Equivalents, End of Year	\$ 2,627,729	\$ 1,652,714
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (non capitalized)	\$ 10,500	\$ 10,500
Property and equipment in accounts payable	\$ 4,225	\$ -

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services	Supporting Activities		Total
		Management and General	Fund-raising	
Salaries	\$ 663,840	\$ 162,479	\$ 259,128	\$ 1,085,447
Employee benefits	103,210	83,810	98,823	285,843
	<u>767,050</u>	<u>246,289</u>	<u>357,951</u>	<u>1,371,290</u>
Home office costs:				
Printed materials	1,412	13,530	15,346	30,288
Promotion events/mailings	2,117	2,786	35,259	40,162
Travel	52,599	16,332	29,826	98,757
Operations	402,574	194,469	45,519	642,562
Professional fees	4,412	29,260	5,483	39,155
Training and education	829	1,148	1,729	3,706
Facilities	26,286	8,654	30,385	65,325
Total home office costs	<u>490,229</u>	<u>266,179</u>	<u>163,547</u>	<u>919,955</u>
Field office costs:				
Donated services	793,744	-	-	793,744
Travel	466,489	-	-	466,489
Field office costs	238,075	-	-	238,075
Field equipment purchases	21,841	-	-	21,841
Training and education	35,587	-	-	35,587
National staff costs	901,642	-	-	901,642
Food production	408,461	-	-	408,461
Health	50,782	-	-	50,782
Small business development	651,853	-	-	651,853
Field development and planning	57,500	-	-	57,500
Other	371,712	-	-	371,712
Total field office costs	<u>3,997,686</u>	<u>-</u>	<u>-</u>	<u>3,997,686</u>
Total Expenses	<u>\$ 5,254,965</u>	<u>\$ 512,468</u>	<u>\$ 521,498</u>	<u>\$ 6,288,931</u>

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
	<u>740,101</u>	<u>267,239</u>	<u>379,941</u>	<u>1,387,281</u>
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	<u>398,309</u>	<u>209,982</u>	<u>203,868</u>	<u>812,159</u>
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	<u>4,113,915</u>	<u>-</u>	<u>-</u>	<u>4,113,915</u>
Total Expenses	<u>\$ 5,252,325</u>	<u>\$ 477,221</u>	<u>\$ 583,809</u>	<u>\$ 6,313,355</u>

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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 by 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 five 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 Southeast Asia Organization, Inc. (PWSEA), is a non-profit company located in the Philippines, was established for the purpose of promoting and enhancing development of small businesses in Southeast Asia and supporting the mission of PW.

Partners Worldwide Asia (PWA) Limited, was 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. PWA was dissolved during fiscal year 2018.

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, PWA and PWSEA. Due to immaterial financial activity, PWA and PWSEA are 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, 2018 and 2017

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. At June 30, 2018 and 2017, Partners Worldwide, Inc. and Affiliates exceeded federally insured limits by approximately \$1,800,000 and \$400,000, respectively. 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 net asset value (NAV), 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

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. A pledge discount was not calculated as of June 30, 2018 and 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.

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, 2018 and 2017

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, 2018 and 2017. 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, 2018, the allowance, totaling \$300,000 for PW and \$263,811 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, 2017, the allowance was \$300,000 for PW and \$262,501 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, 2018 and 2017

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, 2018 and 2017, donated services were recorded in the consolidated statements of activities in the amount of \$793,744 and \$779,618, 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.

3. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2018	2017
Barnabas CT Balanced Fund	\$ 6,321,263	\$ 6,207,405
PWE investments	313,657	390,783
	<u>\$ 6,634,920</u>	<u>\$ 6,598,188</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

3. INVESTMENTS, continued:

Investment income consists of the following:

	June 30,	
	2018	2017
PW interest and dividend income	\$ 206,665	\$ 127,096
PW realized gains on sale of investments	106,890	117,346
PW unrealized gains on investments	89,489	402,072
PWE unrealized losses on investments	(78,326)	(28,676)
	\$ 324,718	\$ 617,838

PW and PWE use the NAV to determine the fair value of all underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The following table lists the investments held at fair value using net asset value as a practical expedient by major category at June 30, 2018:

Investment Category	Total	Dignity Products LLC	Barnabas CT Balanced Fund
Strategy		Creating employment opportunities in a rural community through coconut processing and supported by related product sales.	The Barnabas Balanced Fund seeks to generate long-term capital appreciation similar to a portfolio of fifty percent stocks and fifty percent bonds.
Fair Value Determined Using NAV as a practical expedient	\$ 6,634,920	\$ 313,657	\$ 6,321,263
Remaining Life		N/A	N/A
Unfunded Commitments	\$ -	\$ -	\$ -
Timing to Draw Down		N/A	N/A
Redemption Terms		None	None
Redemption Restrictions		None	None

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

3. INVESTMENTS, continued:

The following table lists the investments by major category at June 30, 2017:

Investment Category	Total	Dignity Products LLC	Barnabas CT Balanced Fund
Strategy		Creating employment opportunities in a rural community through coconut processing and supported by related product sales.	The Barnabas Balanced Fund seeks to generate long-term capital appreciation similar to a portfolio of fifty percent stocks and fifty percent bonds.
Fair Value Determined Using NAV as a practical expedient	\$ 6,598,188	\$ 390,783	\$ 6,207,405
Remaining Life		N/A	N/A
Unfunded Commitments	\$ -	\$ -	\$ -
Timing to Draw Down		N/A	N/A
Redemption Terms		None	None
Redemption Restrictions		None	None

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

4. 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,	
	2018	2017
Note receivable from a third-party organization in Uganda, bearing interest at 4% and maturing in March 2025. This note was a restructure of two notes below.	\$ 550,000	\$ -
Note receivable from a third-party organization in Ghana, bearing interest at 14% and maturing in December 2018.	362,604	362,604
Note receivable from a third-party organization in Liberia, bearing interest at 4% and maturing in September 2027.	300,000	300,000
Note receivable from a third-party organization in Haiti, bearing interest at 0% and maturing in May 2019.	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	300,000
Note receivable from a third-party organization in Haiti, bearing interest at 9% and maturing in October 2021.	300,000	-
Note receivable from a third-party organization in Swaziland, bearing interest at 9.5% and maturing in June 2022.	290,152	290,152
Note receivable from a third-party organization in Mozambique, bearing interest at 0% and maturing in August 2029. This note was a restructure of two notes below.	279,167	-
Note receivable from a third-party organization in Ghana, bearing interest at 6% and maturing in February 2028.	275,715	-
Note receivable from a third-party organization in Kenya, bearing interest at 7% and maturing in June 2019.	209,718	209,718
Note receivable from a third-party organization in Kenya, bearing interest at 6% and maturing in July 2021.	171,428	200,000

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

4. NOTES RECEIVABLE, continued:

	June 30,	
	2018	2017
Note receivable from a third-party organization in Zambia, bearing interest at 0% and maturing in March 2021.	203,850	190,830
Note receivable from a third-party organization in Kenya, bearing interest at 3% and maturing in July 2022.	180,000	-
Note receivable from a third-party organization in Nicaragua due in full in October 2018, including interest at 5%.	150,000	150,000
Note receivable from a third-party organization in Uganda, bearing interest at 6% and maturing in September 2021.	150,000	-
Note receivable from a third-party organization in Uganda, bearing interest at 6% and maturing in September 2021.	150,000	-
Note receivable from a third-party organization in Haiti, bearing interest at 7% and maturing in August 2018.	55,300	-
Note receivable from a third-party organization in U.S.A., bearing interest at 9% and maturing in May 2019.	47,308	47,308
Note receivable from a third-party organization in Liberia due in full in November 2020, including interest at 1%.	45,180	45,180
Note receivable from a third-party organization in Ghana due in full in November 2018, including interest at 5%.	20,000	20,000
Note receivable from a third-party organization in Mozambique, bearing interest at 12% and maturing in June 2020.	12,362	21,024
Note receivable from a third-party organization in Ghana, bearing interest at 2.5% and matured in December 2016 and was paid in full as of June 30, 2018.	-	300,000
Note receivable from a third-party organization in Ghana, bearing interest at 6% and matured in November 2017 and was paid in full as of June 30, 2018.	-	300,000

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

4. NOTES RECEIVABLE, continued:

	June 30,	
	2018	2017
Note receivable from a third-party organization in Uganda with interest payments paid annually in advance at a rate of 6%. The note matured in February 2018. However, this was restructured with the note below to create a new note that combined both notes into one note for a total of \$550,000. See the combined note above.	-	300,000
Note receivable from a third-party organization in Uganda with interest payments paid annually in advance at a rate of 2%. The note matured in February 2017. However, this was restructured with the note above to create a new note that combined both notes into one note for a total of \$550,000. See the combined note above.	-	250,000
Note receivable from a third-party organization in Mozambique with interest payments paid annually in advance at a rate of 5%. The note matured in April 2017. However, this was restructured with the note below to create a new note that combined both notes into one note for a total of \$300,000. See the combined note above.	-	250,000
Note receivable from a third-party organization in Nigeria, bearing interest at 9% and matured in March 2018 and was paid in full as of June 30, 2018.	-	159,077
Note receivable from a third-party organization in Mozambique with interest payments paid annually in advance at a rate of 5%. The note matured in February 2017. However, this was restructured with the note below to create a new note that combined both notes into one note for a total of \$300,000. See the combined note above.	-	50,000
Note receivable from a third-party organization in Kenya, bearing interest at 6% and matured in December 2017 and was paid in full as of June 30, 2018.	-	33,596
Less: Provision for loan losses	(563,811)	(562,501)
	\$ 3,788,973	\$ 3,516,988

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

4. 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, 2018:							
Global notes	\$ 652,756	\$3,700,029	\$ -	\$ -	\$ -	\$ -	\$4,352,785
Allowance for doubtful accounts							(563,812)
							\$3,788,973
As a percentage of							
total loan portfolio	15.00%	85.00%	0.00%	0.00%	0.00%	0.00%	100.00%

Changes in allowance for estimated losses on loans in the aggregate for the year ended June 30, 2018, is presented as follows:

Balance, beginning	\$ 562,500
Provisions charged to expense	379,535
Loans charged off	(378,223)
	\$ 563,812

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

4. 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, 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, 2018 and 2017

4. NOTES RECEIVABLE, continued:

The allowance for estimated losses on loans by portfolio segment as of June 30, 2018 and 2017, is presented as follows:

	2018 Global Notes	2017 Global Notes
Allowance for loans individually evaluated for impairment	\$ -	\$ -
Allowance for loans collectively evaluated for impairment	\$ 563,812	\$ 562,500
	\$ 563,812	\$ 562,500
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	\$4,352,785	\$4,079,488
	\$4,352,785	\$4,079,488
Allowance as a percentage of loans individually evaluated for impairment	N/A	N/A
Allowance as a percentage of loans collectively evaluated for impairment	13%	14%
	13%	14%

For each class of financing receivables, the following presents the recorded investment by credit quality indicator as of June 30, 2018 and 2017:

	2018 Global Notes	2017 Global Notes
Performing	\$4,352,785	\$4,079,488
Nonperforming	-	-
	\$4,352,785	\$4,079,488

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, 2018 and 2017

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2018	2017
Land	\$ 350,000	\$ 350,000
Building	529,420	529,420
Equipment	149,695	200,384
Software	71,529	66,852
Projects in process	147,804	33,638
	<u>1,248,448</u>	<u>1,180,294</u>
Accumulated depreciation and amortization	<u>(341,313)</u>	<u>(295,090)</u>
	<u>\$ 907,135</u>	<u>\$ 885,204</u>

Projects in process consist of CRM software, a new website and agricultural equipment. As of June 30, 2018 and 2017, there are no commitments related to these projects.

6. NOTES PAYABLE:

PW has an unsecured note payable with a third party, with interest at 1%, payable quarterly. The principal balance, totaling \$800,000, is due in full upon maturity in December 2021. The proceeds of the loan were used to make below-market loans to benefit nonprofit organizations in Kenya and Uganda (see Note 4).

PW has an unsecured note payable with a third party, with interest at 1%, payable in March. As of June 30, 2018, the principal balance outstanding was \$300,000. Principal payments of \$100,000 are due each March until paid in full in March 2021. 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 4).

PW had an unsecured note payable with a third party, with interest at 1.5%, payable quarterly. The principal balance, totaling \$100,000, was paid in full upon maturity in August 2017. 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 4).

Future minimum maturities are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 100,000
2020	100,000
2021	<u>900,000</u>
	<u>\$ 1,100,000</u>

As of June 30, 2018 and 2017, 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, 2018 and 2017

7. 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 \$34,541 and \$37,444 in 2018 and 2017, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	June 30,	
	2018	2017
Global	\$ 3,079,485	\$ 3,766,491
Africa	613,951	820,318
Latin America	456,066	451,942
Asia	87,884	36,356
North America	770	10
	<u>\$ 4,238,156</u>	<u>\$ 5,075,117</u>

9. MAJOR FUNDING SOURCE:

In fiscal year 2018, one major donor provided approximately 25% of PW's public support and revenue. In fiscal year 2017, one major donor provided approximately 26% of PW's public support and revenue.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 5, 2018, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.