

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

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, 2019 and 2018, 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.

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

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, 2019 and 2018, 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.

Emphasis of Matter

Partners Worldwide, Inc. and Affiliates has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has not had a material effect on the presentation of the June 30, 2019 and 2018, financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Grand Rapids, Michigan
October 25, 2019

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 1,882,109	\$ 2,627,729
Investments	7,451,216	6,634,920
Pledges receivable	207,500	186,214
Field advances	113,759	243,289
Accounts receivable	48,996	47,404
Interest receivable	380,899	261,177
Prepaid expenses	22,431	64,159
Notes receivable, net	3,990,221	3,788,973
Property and equipment, net	914,649	907,135
	\$ 15,011,780	\$ 14,761,000
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 94,843	\$ 63,417
Accrued expenses	85,610	105,840
Notes payable	1,100,000	1,100,000
Total Liabilities	1,280,453	1,269,257
Net assets:		
Without donor restrictions	10,221,086	9,253,587
With donor restrictions	3,510,241	4,238,156
Total Net Assets	13,731,327	13,491,743
Total Liabilities and Net Assets	\$ 15,011,780	\$ 14,761,000

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 2,054,780	\$ 2,885,907	\$ 4,940,687	\$ 2,023,536	\$ 3,226,362	\$ 5,249,898
Interest income	123,416	-	123,416	116,550	-	116,550
Investment income	459,796	-	459,796	324,718	-	324,718
Donated services	753,649	-	753,649	793,744	-	793,744
Foreign currency translation adjustment	(5,988)	-	(5,988)	(5,211)	-	(5,211)
Other revenues	83,447	-	83,447	29,488	-	29,488
Total support and revenue	3,469,100	2,885,907	6,355,007	3,282,825	3,226,362	6,509,187
Net Assets Released from Restriction	3,613,822	(3,613,822)	-	4,063,323	(4,063,323)	-
Total Support, Revenue and Net Assets Released From Restrictions	7,082,922	(727,915)	6,355,007	7,346,148	(836,961)	6,509,187
EXPENSES						
Program services	4,927,707	-	4,927,707	5,254,965	-	5,254,965
Supporting activities:						
Management and general	586,156	-	586,156	512,468	-	512,468
Fund-raising	601,560	-	601,560	521,498	-	521,498
Total expenses	6,115,423	-	6,115,423	6,288,931	-	6,288,931
Change in net assets	967,499	(727,915)	239,584	1,057,217	(836,961)	220,256
Net Assets, Beginning of Year	9,253,587	4,238,156	13,491,743	8,196,370	5,075,117	13,271,487
Net Assets, End of Year	\$ 10,221,086	\$ 3,510,241	\$ 13,731,327	\$ 9,253,587	\$ 4,238,156	\$ 13,491,743

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Supporting Activities		Total
		Management and General	Fund-raising	
Salaries	\$ 643,300	\$ 145,479	\$ 285,506	\$ 1,074,285
Employee benefits	72,168	72,724	112,230	257,122
	715,468	218,203	397,736	1,331,407
Home office costs:				
Printed materials	1,009	17,191	23,136	41,336
Promotion events/mailings	2,254	2,628	13,889	18,771
Travel	42,014	10,345	48,602	100,961
Operations	208,823	297,840	97,523	604,186
Professional fees	6,222	30,829	5,305	42,356
Training and education	835	1,098	2,767	4,700
Facilities	32,641	8,022	12,602	53,265
Total home office costs	293,798	367,953	203,824	865,575
Field office costs:				
Donated services	753,150	-	-	753,150
Travel	458,024	-	-	458,024
Field office costs	219,454	-	-	219,454
Field equipment purchases	24,487	-	-	24,487
Training and education	3,898	-	-	3,898
National staff costs	965,918	-	-	965,918
Food production	491,483	-	-	491,483
Small business development	617,496	-	-	617,496
Field development and planning	93,140	-	-	93,140
Other	291,391	-	-	291,391
Total field office costs	3,918,441	-	-	3,918,441
Total Expenses	\$ 4,927,707	\$ 586,156	\$ 601,560	\$ 6,115,423

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
	767,050	246,289	357,951	1,371,290
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	490,229	266,179	163,547	919,955
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	3,997,686	-	-	3,997,686
Total Expenses	\$ 5,254,965	\$ 512,468	\$ 521,498	\$ 6,288,931

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 239,584	\$ 220,256
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	88,475	46,223
Foreign currency translation adjustment	(5,988)	(5,211)
Increase in loan loss provision	11,188	379,535
Realized and unrealized gain on investments	(162,283)	(115,925)
Changes in:		
Pledges receivable	43,714	1,037,153
Field advances	129,530	(44,265)
Accounts receivable	(21,428)	35,874
Interest receivable	(119,722)	(103,585)
Prepaid expenses	41,728	(3,912)
Accounts payable	(13,738)	51,161
Accrued expenses	(20,230)	12,981
Net Cash Provided by Operating Activities	210,830	1,510,285
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(95,989)	(68,154)
Notes issued	(789,000)	(1,253,320)
Collections on notes	576,564	598,471
Proceeds from sale of investments	-	950,000
Purchases of investments	(654,013)	(867,478)
Net Cash Used by Investing Activities	(962,438)	(640,481)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	-	(100,000)
Proceeds from notes payable	-	200,000
Net Cash Provided by Financing Activities	-	100,000
Effect of Exchange Rate on Cash	5,988	5,211
Net Change in Cash and Cash Equivalents	(745,620)	975,015
Cash and Cash Equivalents, Beginning of Year	2,627,729	1,652,714
Cash and Cash Equivalents, End of Year	\$ 1,882,109	\$ 2,627,729
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (non capitalized)	\$ 11,000	\$ 10,500
Property and equipment in accounts payable	\$ -	\$ 4,225

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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.

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, 2019 and 2018

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, 2019 and 2018, Partners Worldwide, Inc. and Affiliates exceeded federally insured limits by approximately \$993,000 and \$1,800,000, 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 4. Realized and unrealized gains and losses, interest and dividends are presented as investment income in the consolidated statements of activities as a change in net assets without restriction unless designated as 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. 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. Further, all unconditional pledges receivable are expected to be collected within one year, therefore a pledge discount was not calculated as of June 30, 2019 and 2018.

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.

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, 2019 and 2018.

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.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTES RECEIVABLE, NET, continued

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, 2019, the allowance, totaling \$300,000 for PW and \$275,000 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, 2018, the allowance was \$300,000 for PW and \$263,811 for PWE.

PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded as support at estimated fair value at the time received. Such donations are reported as support without donor restrictions 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:

Without donor restrictions are those currently available at the discretion of management for use in the Partners Worldwide, Inc. and Affiliates' operations.

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

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 without donor restrictions, 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 in the consolidated statements of activities.

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

The costs of providing the program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs not directly attributable to specific program services or functions have been allocated to program services and supporting activities. Management allocates costs based on staff time attributed to the function. PW incurred no joint costs during the years ended June 30, 2019 and 2018.

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. PW adopted the provisions of this new standard for the year ended June 30, 2019. Significant changes include:

- Temporarily restricted net asset class is now referred to as net assets with donor restrictions.
- The unrestricted net asset class is now referred to as net assets without donor restrictions.
- The consolidated financial statements include a new disclosure regarding liquidity and the availability of resources.
- Disclosures related to functional allocation of expenses were expanded.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects PW's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The following table represents liquidity at June 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 1,882,109
Investments	7,451,216
Pledges receivable	207,500
Field advances	113,759
Accounts receivable	48,996
Interest receivable	380,899
Notes receivable, net	<u>3,990,221</u>
Financial assets, at year end	<u>14,074,700</u>
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose or time restrictions	(3,510,241)
Notes receivable, net	<u>(3,990,221)</u>
	<u>(7,500,462)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,574,238</u></u>

4. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2019	2018
Barnabas CT balanced fund	\$ 7,152,408	\$ 6,321,263
PWE investments	<u>298,808</u>	<u>313,657</u>
	<u><u>\$ 7,451,216</u></u>	<u><u>\$ 6,634,920</u></u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

4. INVESTMENTS, continued:

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, 2019:

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	\$ 7,451,216	\$ 298,808	\$ 7,152,408
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, 2019 and 2018

4. INVESTMENTS, continued:

The following table lists the investments 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, 2019 and 2018

5. 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,	
	2019	2018
Note receivable from a third-party organization in Uganda, bearing interest at 4% and maturing in March 2025.	\$ 529,610	\$ 550,000
Note receivable from a third-party organization in Ghana, bearing interest at 12% and matured in December 2018. This note is in the collections process.	362,604	362,604
Note receivable from a third-party organization in Haiti, bearing interest at 9% and maturing in October 2021.	321,750	300,000
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 Kenya, bearing interest at 3.5% and maturing in January 2026.	300,000	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 Ghana, bearing interest at 6% and maturing in February 2028.	275,715	275,715
Note receivable from a third-party organization in Nigeria bearing interest at 9% and maturing in December 2021.	258,347	-
Note receivable from a third-party organization in Mozambique, bearing interest at 0% and maturing in August 2029.	254,167	279,167
Note receivable from a third-party organization in Kenya, bearing interest at 7% and matured in June 2019. This note is less than 240 days past due. The note is in negotiations.	209,718	209,718

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. NOTES RECEIVABLE, continued:

	June 30,	
	2019	2018
Note receivable from a third-party organization in Zambia, bearing interest at 0% and maturing in March 2021.	213,850	203,850
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and maturing in October 2019.	150,000	150,000
Note receivable from a third-party organization in Uganda, bearing interest at 6% and maturing in September 2021.	150,000	150,000
Note receivable from a third-party organization in Uganda, bearing interest at 6% and maturing in September 2021.	150,000	150,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and maturing in September 2019.	150,000	-
Note receivable from a third-party organization in Kenya, bearing interest at 3% and maturing in July 2022.	146,246	180,000
Note receivable from a third-party organization in Kenya, bearing interest at 6% and maturing in July 2021.	128,574	171,428
Note receivable from a third-party organization in El Salvador, bearing interest at 5% and maturing in February 2023.	100,000	-
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and maturing in September 2020.	100,000	-
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and maturing in July 2019.	62,000	-
Note receivable from a third-party organization in U.S.A., bearing interest at 9% and was scheduled to mature in May 2019. This is less than 240 days past due. This note is in negotiations.	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

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. NOTES RECEIVABLE, continued:

	June 30,	
	<u>2019</u>	<u>2018</u>
Note receivable from a third-party organization in Ghana, bearing interest at 5% and maturing in November 2019. This is less than 240 days past due. This note is in negotiations.	20,000	20,000
Note receivable from a third-party organization in Haiti, bearing interest at 7% and matured and paid in full August 2018.	-	55,300
Note receivable from a third-party organization in Haiti, bearing interest at 0% and matured and paid in full in May 2019.	-	300,000
Note receivable from a third-party organization in Mozambique, bearing interest at 12% and matured and paid in full in June 2019.	-	12,362
Less: Provision for loan losses	<u>(575,000)</u>	<u>(563,811)</u>
	<u>\$ 3,990,221</u>	<u>\$ 3,788,973</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. 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, 2019:							
Global notes	\$ 652,756	\$3,185,439	\$ 577,026	\$ 150,000	\$ -	\$ -	\$4,565,221
Allowance for doubtful accounts							(575,000)
							<u>\$3,990,221</u>
As a percentage of total loan portfolio	14.30%	69.78%	12.64%	3.29%	0.00%	0.00%	100.00%

Changes in allowance for estimated losses on loans in the aggregate for the year ended June 30, 2019, is presented as follows:

Balance, beginning	\$ 563,812
Provisions charged to expense	11,188
Loans charged off	-
	<u>\$ 575,000</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. 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, 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, 2019 and 2018

5. NOTES RECEIVABLE, continued:

The allowance for estimated losses on loans by portfolio segment as of June 30, 2019 and 2018, is presented as follows:

	2019 Global Notes	2018 Global Notes
Allowance for loans individually evaluated for impairment	\$ -	\$ -
Allowance for loans collectively evaluated for impairment	575,000	563,812
	\$ 575,000	\$ 563,812
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	4,565,221	4,352,785
	\$4,565,221	\$4,352,785
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%	13%
	13%	13%

For each class of financing receivables, the following presents the recorded investment by credit quality indicator as of June 30, 2019 and 2018:

	2019 Global Notes	2018 Global Notes
Performing	\$3,912,465	\$3,700,029
Nonperforming	652,756	652,756
	\$4,565,221	\$4,352,785

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, 2019 and 2018

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2019	2018
Land	\$ 350,000	\$ 350,000
Building	543,792	529,420
Equipment	210,304	149,695
Vehicles	67,838	-
Software	172,504	71,529
Projects in process	-	147,804
	1,344,438	1,248,448
Accumulated depreciation and amortization	(429,789)	(341,313)
	\$ 914,649	\$ 907,135

7. 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 2020. The proceeds of the loan were used to make below-market loans to benefit nonprofit organizations in Kenya and Uganda (see Note 5).

PW has an unsecured note payable with a third party, with interest at 1%, payable in March. As of June 30, 2019 and 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 5).

Future minimum maturities are as follows:

Year Ending June 30,	
2020	\$ 100,000
2021	900,000
2022	100,000
	\$ 1,100,000

As of June 30, 2019 and 2018, PW was in compliance with all debt covenants.

8. 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 \$31,358 and \$34,541, in 2019 and 2018, respectively.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with time and purpose donor restrictions consist of the following:

	June 30,	
	2019	2018
Global	\$ 2,348,740	\$ 3,079,485
Africa	711,300	613,951
Latin America	350,255	456,066
Asia	90,982	87,884
North America	8,964	770
	<u>\$ 3,510,241</u>	<u>\$ 4,238,156</u>

10. MAJOR FUNDING SOURCE:

In fiscal year 2018, one major donor provided approximately 25% of PW's public support and revenue. There were no concentrations noted in fiscal year 2019.

11. RELATED PARTIES:

The board chair at PW is also on the board and part of the executive team at Barnabas Foundation. PW holds all of the investments, as recorded on the consolidated statements of financial position, at the Barnabas Foundation. The board member does not receive any incentives for this relationship. Further, another board member of PW is the executive director and CEO of one of the organizations to whom PW has provided notes receivable. The balance of the notes receivable at June 30, 2019 and 2018, are \$295,715. Lastly, a board member of PW is also on the board of one of the organizations to whom PWE has provided notes receivable. The balance of the note receivable at June 30, 2019 and 2018, are \$362,604.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 25, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.