

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2020 and 2019

# 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, 2020 and 2019, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the 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, 2020 and 2019, 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 "Capin Crouse LLP".

Grand Rapids, Michigan  
October 23, 2020

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Consolidated Statements of Financial Position

	June 30,	
	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,780,560	\$ 1,882,109
Investments	7,978,076	7,451,216
Pledges receivable	121,540	207,500
Field advances and other assets	231,253	185,186
Interest receivable	305,352	380,899
Notes receivable, net	3,910,485	3,990,221
Property and equipment, net	881,272	914,649
<b>Total Assets</b>	<b>\$ 15,208,538</b>	<b>\$ 15,011,780</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable	\$ 42,735	\$ 94,843
Accrued expenses	101,253	85,610
Notes payable	1,149,407	1,100,000
<b>Total Liabilities</b>	<b>1,293,395</b>	<b>1,280,453</b>
<b>Net assets:</b>		
Without donor restrictions	10,061,439	10,221,086
With donor restrictions	3,853,704	3,510,241
<b>Total Net Assets</b>	<b>13,915,143</b>	<b>13,731,327</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,208,538</b>	<b>\$ 15,011,780</b>

See notes to consolidated financial statements

## PARTNERS WORLDWIDE, INC. AND AFFILIATES

### Consolidated Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,652,881	\$ 3,180,743	\$ 4,833,624	\$ 2,054,780	\$ 2,885,907	\$ 4,940,687
Interest income	99,513	-	99,513	123,416	-	123,416
Investment income	141,785	-	141,785	459,796	-	459,796
Donated services	433,300	-	433,300	753,649	-	753,649
Foreign currency translation adjustment	(27,961)	-	(27,961)	(5,988)	-	(5,988)
Other revenues	17,336	-	17,336	83,447	-	83,447
Total support and revenue	2,316,854	3,180,743	5,497,597	3,469,100	2,885,907	6,355,007
Net Assets Released from Restriction	2,837,280	(2,837,280)	-	3,613,822	(3,613,822)	-
Total Support, Revenue and Net Assets Released From Restrictions	5,154,134	343,463	5,497,597	7,082,922	(727,915)	6,355,007
EXPENSES						
Program services	4,331,444	-	4,331,444	4,927,707	-	4,927,707
Supporting activities:						
Management and general	417,572	-	417,572	586,156	-	586,156
Fund-raising	564,765	-	564,765	601,560	-	601,560
Total expenses	5,313,781	-	5,313,781	6,115,423	-	6,115,423
Change in net assets	(159,647)	343,463	183,816	967,499	(727,915)	239,584
Net Assets, Beginning of Year	10,221,086	3,510,241	13,731,327	9,253,587	4,238,156	13,491,743
Net Assets, End of Year	\$ 10,061,439	\$ 3,853,704	\$ 13,915,143	\$ 10,221,086	\$ 3,510,241	\$ 13,731,327

See notes to consolidated financial statements

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Supporting Activities		Total
		Management and General	Fund-raising	
Salaries	\$ 509,689	\$ 116,620	\$ 267,085	\$ 893,394
Employee benefits	70,746	54,044	83,422	208,212
	580,435	170,664	350,507	1,101,606
Home office costs:				
Operations	471,154	164,622	80,695	716,471
Facilities	23,962	25,702	46,802	96,466
Travel	20,976	5,458	27,604	54,038
Professional fees	6,435	35,564	4,816	46,815
Promotion events/mailings	1,497	2,545	36,232	40,274
Printed materials	1,208	7,937	15,360	24,505
Training and education	750	5,080	2,749	8,579
Total home office costs	525,982	246,908	214,258	987,148
Field office costs:				
National staff costs	914,711	-	-	914,711
Small business development	655,525	-	-	655,525
Donated services	433,300	-	-	433,300
Food production	429,854	-	-	429,854
Field office costs	336,042	-	-	336,042
Travel	286,229	-	-	286,229
Field development and planning	121,028	-	-	121,028
Field equipment purchases	24,098	-	-	24,098
Training and education	13,240	-	-	13,240
Other	11,000	-	-	11,000
Total field office costs	3,225,027	-	-	3,225,027
Total Expenses	\$ 4,331,444	\$ 417,572	\$ 564,765	\$ 5,313,781

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:				
Operations	208,823	297,840	97,523	604,186
Travel	42,014	10,345	48,602	100,961
Facilities	32,641	8,022	12,602	53,265
Professional fees	6,222	30,829	5,305	42,356
Printed materials	1,009	17,191	23,136	41,336
Promotion events/mailings	2,254	2,628	13,889	18,771
Training and education	835	1,098	2,767	4,700
Total home office costs	293,798	367,953	203,824	865,575
Field office costs:				
National staff costs	965,918	-	-	965,918
Donated services	753,150	-	-	753,150
Small business development	617,496	-	-	617,496
Food production	491,483	-	-	491,483
Travel	458,024	-	-	458,024
Other	291,391	-	-	291,391
Field office costs	219,454	-	-	219,454
Field development and planning	93,140	-	-	93,140
Field equipment purchases	24,487	-	-	24,487
Training and education	3,898	-	-	3,898
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 Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 183,816	\$ 239,584
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	84,073	88,475
Foreign currency translation adjustment	(27,961)	(5,988)
Provisions charged to expense	333,100	11,188
Realized and unrealized (gain) loss on investments	79,063	(162,283)
Loan forgiveness	(183,493)	-
Changes in:		
Pledges receivable	85,960	43,714
Field advances and other assets	(183,903)	149,830
Interest receivable	75,547	(119,722)
Accounts payable	85,728	(13,738)
Accrued expenses	15,643	(20,230)
Net Cash Provided by Operating Activities	547,573	210,830
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(50,696)	(95,989)
Notes issued	(808,684)	(789,000)
Collections on notes	555,320	576,564
Purchases of investments	(605,923)	(654,013)
Net Cash Used by Investing Activities	(909,983)	(962,438)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from paycheck protection program notes payable	232,900	-
Net Cash Provided by Financing Activities	232,900	-
Effect of Exchange Rate on Cash	27,961	5,988
Net Change in Cash and Cash Equivalents	(101,549)	(745,620)
Cash and Cash Equivalents, Beginning of Year	1,882,109	2,627,729
Cash and Cash Equivalents, End of Year	\$ 1,780,560	\$ 1,882,109
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest (non capitalized)	\$ 11,000	\$ 11,000
Non-cash loan forgiveness recognized as revenue	\$ 183,493	\$ -

See notes to consolidated financial statements



# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 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), 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.

### 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 PWSEA. Due to immaterial financial activity, 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, 2020 and 2019

### 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, 2020 and 2019, Partners Worldwide, Inc. and Affiliates exceeded federally insured limits by approximately \$1,328,000 and \$993,000, 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, 2020 and 2019.

#### FIELD ADVANCES AND OTHER ASSETS

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.

Other assets consist of an immaterial amount of accounts receivable.

#### 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, 2020 and 2019

### 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, 2020, the allowance, totaling \$300,000 for PW and \$60,000 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, 2019, the allowance was \$300,000 for PW and \$275,000 for PWE.

During the year ended June 30, 2020, PW offered a six month grace period, which allowed the borrowers to not make any interest or principal payments that may have been required by the original promissory note due to the COVID-19 pandemic as noted in Note 11. Further, interest did not accrue during that period.

#### 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, 2020 and 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### REVENUE AND SUPPORT, continued

PW has elected the policy to record conditional contributions received with donor restrictions as contributions without donor restrictions if the restrictions are met within the same fiscal year as received.

#### 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 and consolidated statements of functional expenses. 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, 2020 and 2019.

#### FOREIGN OPERATIONS

As of June 30, 2020 and 2019, PW held notes receivables with businesses in foreign countries in the amount of \$4,212,294 and \$4,517,913, respectively. It should be noted that the political situation in these countries are subject to rapid change. Therefore, the reader should be aware that while management believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the value of the assets in other countries.

#### RECENTLY ADOPTED ACCOUNTING STANDARD

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (topic 606 of the FASB Accounting Standards Codification (ASC)). PW adopted the provisions of this new standard during the year ended June 30, 2020. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total for the years ending June 30, 2020 and 2019.

In 2018, the FASB issued ASU No. 2018-08, which updates the *Not-for-Profit Entities* topic of the FASB ASC. This ASU clarifies the scope and accounting guidance for contributions received. PW adopted the provisions of this new standard during the year ended June 30, 2020, and has implemented the guidance on a modified retrospective approach, meaning, changes are only applied to the portion of revenue that has not yet been recognized before the adoption of this ASU and there is no impact to beginning net assets as of June 30, 2020 and 2019.

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects PW's financial assets as of June 30, 2020, 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, 2020 and 2019:

	June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,780,560	\$ 1,882,109
Investments	7,978,076	7,451,216
Pledges receivable	121,540	207,500
Field advances and other assets	231,253	185,186
Interest receivable	305,352	380,899
Notes receivable, net	3,910,485	3,990,221
Financial assets, at year end	14,327,266	14,097,131
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose or time restrictions	(3,853,704)	(3,510,241)
Notes receivable, net, to be collected greater than one year	(3,343,888)	(3,490,221)
	(7,197,592)	(7,000,462)
Financial assets available to meet cash needs for general expenditures within one year	\$ 7,129,674	\$ 7,096,669

PW structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### 4. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2020	2019
Barnabas CT balanced fund	\$ 7,763,588	\$ 7,152,408
PWE investments	214,488	298,808
	\$ 7,978,076	\$ 7,451,216

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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, 2020:

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	\$ 7,978,076	\$ 214,488	\$ 7,763,588
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, 2020 and 2019

4. INVESTMENTS, continued:

The following table lists the investments 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, 2020 and 2019

### 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,	
	2020	2019
Note receivable from a third-party organization in Uganda, bearing interest at 4% and maturing in March 2025.	\$ 472,457	\$ 529,610
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.	313,500	321,750
Note receivable from a third-party organization in Ghana, bearing interest at 6% and maturing in August 2028.	275,715	275,715
Note receivable from a third-party organization in Kenya, bearing interest at 3.5% and maturing in June 2026.	246,473	300,000
Note receivable from a third-party organization in Nigeria, bearing interest at 9% and maturing in May 2024.	235,632	-
Note receivable from a third-party organization in Mozambique, bearing interest at 0% and maturing in August 2029.	229,167	254,167
Note receivable from a third-party organization in Zambia, bearing interest at 0% and maturing in March 2021.	213,850	213,850
Note receivable from a third-party organization in Kenya, bearing interest at 7% and maturing in October 2025.	199,232	209,718
Note receivable from a third-party organization in Nigeria bearing interest at 9% and maturing in June 2022.	195,004	258,347

(continued)



# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

5. NOTES RECEIVABLE, continued:

	June 30,	
	2020	2019
Note receivable from a third-party organization in Mozambique bearing interest at 6% and maturing in December 2025.	178,000	-
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and maturing in November 2020.	170,000	-
Note receivable from a third-party organization in Liberia, bearing interest at 4% and maturing in September 2027. During the year ending June 30, 2020, \$150,000 was uncollectible and	150,000	300,000
Note receivable from a third-party organization in Liberia, 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 2021.	150,000	150,000
Note receivable from a third-party organization in El Salvador, bearing interest at 5% and maturing in September 2023.	150,000	100,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and maturing in April 2021.	150,000	-
Note receivable from a third-party organization in Kenya, bearing interest at 3% and maturing in January 2023.	119,966	146,246
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and maturing in June 2021.	100,000	100,000
Note receivable from a third-party organization in Kenya, bearing interest at 6% and maturing in July 2021.	85,714	128,574
Note receivable from a third-party organization in U.S.A., bearing interest at 9% and matured in May 2019. This is greater than 240 days and less than 2 years past due. This note is in negotiations.	57,991	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, 2020 and 2019

5. NOTES RECEIVABLE, continued:

	June 30,	
	2020	2019
Note receivable from a third-party organization in Ghana, bearing interest at 5% and maturing in May 2021.	20,000	20,000
Note receivable from a third-party organization in Liberia, bearing interest at 6%. Loan was uncollectible and written off in	-	150,000
Note receivable from a third-party organization in Swaziland, bearing interest at 9.5% and maturing in June 2022. Loan was partially paid, and the remaining balance was written off due to uncollectibility.	-	290,152
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and maturing in October 2019. Loan was paid in full.	-	150,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and maturing in July 2019. Loan was paid in full.	-	62,000
Less: Provision for loan losses	(360,000)	(575,000)
	\$ 3,910,485	\$ 3,990,221

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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 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, 2020:							
Global notes	\$ 362,604	\$3,699,890	\$ -	\$ 207,991	\$ -	\$ -	\$4,270,485
Allowance for doubtful accounts							(360,000)
							\$3,910,485
As a percentage of total loan portfolio	8.49%	86.64%	0.00%	4.87%	0.00%	0.00%	100.00%

Changes in allowance for estimated losses on loans in the aggregate for the year ended June 30, 2020 are presented as follows:

Balance, beginning	\$ 575,000
Provisions charged to expense	333,100
Loans charged off	(548,100)
	\$ 360,000

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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, 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 are 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, 2020 and 2019

5. NOTES RECEIVABLE, continued:

The allowance for estimated losses on loans by portfolio segment as of June 30, 2020 and 2019, is presented as follows:

	2020 Global Notes	2019 Global Notes
Allowance for loans individually evaluated for impairment	\$ -	\$ -
Allowance for loans collectively evaluated for impairment	360,000	575,000
	\$ 360,000	\$ 575,000
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	4,270,485	4,565,221
	\$4,270,485	\$4,565,221
Allowance as a percentage of loans individually evaluated for impairment	N/A	N/A
Allowance as a percentage of loans collectively evaluated for impairment	8%	13%
	8%	13%

For each class of financing receivables, the following presents the recorded investment by credit quality indicator as of June 30, 2020 and 2019:

	2020 Global Notes	2019 Global Notes
Performing	\$3,907,881	\$3,912,465
Nonperforming	362,604	652,756
	\$4,270,485	\$4,565,221

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, 2020 and 2019

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2020	2019
Land	\$ 350,000	\$ 350,000
Building	543,792	543,792
Equipment	225,631	210,304
Vehicles	67,838	67,838
Software	207,873	172,504
	<u>1,395,134</u>	<u>1,344,438</u>
Accumulated depreciation and amortization	<u>(513,862)</u>	<u>(429,789)</u>
	<u>\$ 881,272</u>	<u>\$ 914,649</u>

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 internationally (see Note 5).

PW has an unsecured note payable with a third party, with interest at 1%, payable in March 2021. As of June 30, 2020 and 2019, 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).

PW obtained a Paycheck Protection Program loan administered by the Small Business Administration (SBA) under the U.S. Coronavirus Aid Relief and Economic Security (CARES) Act. This unsecured note, dated April 24, 2020, is in the amount of \$232,900 with a fixed interest rate of 1%. The maturity date is April 24, 2022. Management intends to apply for loan forgiveness based upon the qualification outlined by the SBA in the respective loan agreement. Should PW not qualify for full loan forgiveness, payments on any unforgiven portion of the loan will commence on November 24, 2020. As of June 30, 2020, PW has incurred \$183,493 of eligible costs and have recognized the anticipated forgiveness as a contribution in accordance with ASU 2018-08. There was an outstanding balance of \$49,407 as of June 30, 2020.

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

7. NOTES PAYABLE, continued:

Future minimum maturities are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 949,407
2022	100,000
2023	100,000
	<hr/>
	\$ 1,149,407
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As of June 30, 2020 and 2019, 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 \$29,466 and \$31,358 for the years ending June 30, 2020 and 2019, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Global	\$ 1,981,364	\$ 2,348,740
Africa	1,412,547	711,300
Latin America	404,092	350,255
Asia	53,516	90,982
North America	2,185	8,964
	<hr/>	<hr/>
	\$ 3,853,704	\$ 3,510,241
	<hr/> <hr/>	<hr/> <hr/>

10. 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 Barnabas Foundation. The board member does not receive any incentives for this relationship. Further, a board member of PW was the executive director and CEO at one of the organizations to whom PW provided a notes receivable. The balance of the notes receivable at June 30, 2019 was \$295,715. Also, this board member was also on the board at one of the organizations to whom PWE has provided a notes receivable. The balance of the note receivable at June 30, 2019, was \$362,604. The board member was no longer part of the board at June 30, 2020. Lastly, PW received contributions from members of the board in the amount of \$98,686 and \$80,649 during the years ending June 30, 2020 and 2019, respectively.

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

### 11. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of PW for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

### 12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 23, 2020, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.