

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2021 and 2020

# 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, 2021 and 2020, 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, 2021 and 2020, 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 25, 2021

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Consolidated Statements of Financial Position

	June 30,	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents	\$ 1,864,451	\$ 1,780,560
Investments	11,457,480	7,978,076
Pledges receivable	292,304	121,540
Field advances and other assets	296,964	231,253
Interest receivable	360,948	305,352
Notes receivable, net	3,205,055	3,910,485
Property and equipment, net	<u>811,358</u>	<u>881,272</u>
Total Assets	<u>\$ 18,288,560</u>	<u>\$ 15,208,538</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 112,863	\$ 42,735
Accrued expenses	137,392	101,253
Notes payable	<u>1,098,000</u>	<u>1,149,407</u>
Total Liabilities	<u>1,348,255</u>	<u>1,293,395</u>
Net assets:		
Without donor restrictions	12,896,204	10,061,439
With donor restrictions	<u>4,044,101</u>	<u>3,853,704</u>
Total Net Assets	<u>16,940,305</u>	<u>13,915,143</u>
Total Liabilities and Net Assets	<u>\$ 18,288,560</u>	<u>\$ 15,208,538</u>

See notes to consolidated financial statements

## PARTNERS WORLDWIDE, INC. AND AFFILIATES

### Consolidated Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 2,306,524	\$ 3,376,459	\$ 5,682,983	\$ 1,652,881	\$ 3,180,743	\$ 4,833,624
Interest income	89,577	-	89,577	99,513	-	99,513
Investment income	1,946,427	-	1,946,427	141,785	-	141,785
Donated services	286,252	-	286,252	433,300	-	433,300
Foreign currency translation adjustment	(8,628)	-	(8,628)	(27,961)	-	(27,961)
Other revenues	102,078	-	102,078	17,336	-	17,336
Total support and revenue	4,722,230	3,376,459	8,098,689	2,316,854	3,180,743	5,497,597
Net Assets Released from Restriction	3,186,062	(3,186,062)	-	2,837,280	(2,837,280)	-
Total Support, Revenue and Net Assets Released From Restrictions	7,908,292	190,397	8,098,689	5,154,134	343,463	5,497,597
<b>EXPENSES</b>						
Program services	4,095,810	-	4,095,810	4,331,444	-	4,331,444
Supporting activities:						
Management and general	466,723	-	466,723	417,572	-	417,572
Fund-raising	510,994	-	510,994	564,765	-	564,765
Total expenses	5,073,527	-	5,073,527	5,313,781	-	5,313,781
Change in net assets	2,834,765	190,397	3,025,162	(159,647)	343,463	183,816
Net Assets, Beginning of Year	10,061,439	3,853,704	13,915,143	10,221,086	3,510,241	13,731,327
Net Assets, End of Year	\$ 12,896,204	\$ 4,044,101	\$ 16,940,305	\$ 10,061,439	\$ 3,853,704	\$ 13,915,143

See notes to consolidated financial statements

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services	Supporting Activities		Total
		Management and General	Fund-raising	
Salaries	\$ 647,680	\$ 128,786	\$ 265,188	\$ 1,041,654
Employee benefits	106,017	71,628	61,571	239,216
	753,697	200,414	326,759	1,280,870
Home office costs:				
Operations	495,125	216,080	91,850	803,055
Facilities	25,794	7,316	45,962	79,072
Travel	3,823	410	18,675	22,908
Professional fees	10,017	33,991	1,150	45,158
Promotion events/mailings	1,565	2,918	9,930	14,413
Printed materials	1,316	5,574	14,982	21,872
Training and education	176	20	1,686	1,882
Total home office costs	537,816	266,309	184,235	988,360
Field office costs:				
National staff costs	908,286	-	-	908,286
Small business development	506,867	-	-	506,867
Donated services	286,252	-	-	286,252
Food production	576,308	-	-	576,308
Field office costs	259,475	-	-	259,475
Travel	61,128	-	-	61,128
Field development and planning	119,750	-	-	119,750
Field equipment purchases	20,878	-	-	20,878
Training and education	8,177	-	-	8,177
Other	57,176	-	-	57,176
Total field office costs	2,804,297	-	-	2,804,297
Total Expenses	\$ 4,095,810	\$ 466,723	\$ 510,994	\$ 5,073,527

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

See notes to consolidated financial statements

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 3,025,162	\$ 183,816
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	81,022	84,073
Foreign currency translation adjustment	(8,628)	(27,961)
Provisions charged to expense	270,000	333,100
Realized and unrealized (gain) loss on investments	(1,358,114)	79,063
Loan forgiveness	(299,007)	(183,493)
Changes in:		
Pledges receivable	(170,764)	85,960
Field advances and other assets	21,514	(183,903)
Interest receivable	(55,596)	75,547
Accounts payable	(17,097)	85,728
Accrued expenses	36,139	15,643
Net Cash Provided by Operating Activities	1,524,631	547,573
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(11,108)	(50,696)
Notes issued	(172,000)	(808,684)
Collections on notes	607,430	555,320
Proceeds from sale of investments	520,369	-
Purchases of investments	(2,641,659)	(605,923)
Net Cash Used by Investing Activities	(1,696,968)	(909,983)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from paycheck protection program notes payable	247,600	232,900
Net Cash Provided by Financing Activities	247,600	232,900
Effect of Exchange Rate on Cash	8,628	27,961
Net Change in Cash and Cash Equivalents	83,891	(101,549)
Cash and Cash Equivalents, Beginning of Year	1,780,560	1,882,109
Cash and Cash Equivalents, End of Year	\$ 1,864,451	\$ 1,780,560
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest (non capitalized)	\$ 7,993	\$ 11,000
Non-cash loan forgiveness recognized as revenue	\$ 299,007	\$ 183,493

See notes to consolidated financial statements



# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 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 is not presented separately within the consolidating statements. All inter-organization balances and transactions have been eliminated in the consolidation.

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 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, 2021 and 2020, Partners Worldwide, Inc. and Affiliates exceeded federally insured limits by approximately \$1,146,000 and \$1,328,000, 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 cost and 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 restrictions 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, 2021 and 2020.

#### 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, 2021 and 2020

### 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, 2021, the allowance, totaling \$300,000 for PW and \$180,000 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, 2020, the allowance was \$300,000 for PW and \$60,000 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 restrictions are reclassified to net assets without donor restrictions 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, 2021 and 2020

### 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, 2021 and 2020.

#### FOREIGN OPERATIONS

As of June 30, 2021 and 2020, PW held notes receivables with businesses in foreign countries in the amount of \$3,161,845 and \$4,212,294, 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 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, which updates the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification (ASC). This ASU clarifies the scope and accounting guidance for contributions made. PW adopted the provisions of this new standard during the year ended June 30, 2021, 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, 2021 and 2020.

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects PW's financial assets as of June 30, 2021 and 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.

	June 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,864,451	\$ 1,780,560
Investments	11,457,480	7,978,076
Pledges receivable	292,304	121,540
Field advances and other assets	296,964	231,253
Interest receivable	360,948	305,352
Notes receivable, net	3,205,055	3,910,485
Financial assets, at year end	17,477,202	14,327,266
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose or time restrictions	(4,044,101)	(3,853,704)
Board designated	(177,538)	-
Notes receivable, net, to be collected greater than one year	(2,655,055)	(3,343,888)
	(6,876,694)	(7,197,592)
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,600,508	\$ 7,129,674

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,	
	2021	2020
Barnabas CT balanced fund (NAV)	\$ 10,636,080	\$ 7,763,588
Barnabas conservative fund (NAV)	266,192	-
Barnabas income fund (NAV)	264,048	-
PWE investments (NAV)	225,539	214,488
PWC investments (cost)	65,621	-
	\$ 11,457,480	\$ 7,978,076

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021:

Investment Category	Total	Dignity Products LLC	Barnabas CT Balanced Fund	Barnabas Conservative Fund	Barnabas Income 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.	The Barnabas Conservative Fund seeks to generate current income with some capital appreciation.	The Barnabas Income Fund seeks to generate income while preserving capital.
Fair Value Determined Using NAV as a practical expedient	\$ 11,391,859	\$ 225,539	\$ 10,636,080	\$ 266,192	\$ 264,048
Remaining Life		N/A	N/A	N/A	N/A
Unfunded Commitments	\$ -	\$ -	\$ -	\$ -	\$ -
Timing to Draw Down		N/A	N/A	N/A	N/A
Redemption Terms		None	None	None	None
Redemption Restrictions		None	None	None	None

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

4. INVESTMENTS, continued:

The following table lists the investments 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, 2021 and 2020

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,	
	2021	2020
Note receivable from a third-party organization in Uganda, bearing interest at 4% and maturing in March 2025.	\$ 402,916	\$ 472,457
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 Ghana, bearing interest at 6% and maturing in August 2028.	275,715	275,715
Note receivable from a third-party organization in Haiti, bearing interest at 9% and maturing in March 2022.	243,575	313,500
Note receivable from a third-party organization in Nigeria, bearing interest at 9% and maturing in May 2024.	226,754	235,632
Note receivable from a third-party organization in Kenya, bearing interest at 3.5% and maturing in June 2026.	224,775	246,473
Note receivable from a third-party organization in Zambia, bearing interest at 0% and was scheduled to mature in March 2021. This is less than 240 days past due. This note is in negotiations.	213,850	213,850
Note receivable from a third-party organization in Mozambique, bearing interest at 0% and maturing in August 2029.	204,167	229,167
Note receivable from a third-party organization in Nigeria bearing interest at 9% and maturing in December 2022.	195,004	195,004
Note receivable from a third-party organization in Kenya, bearing interest at 6% and maturing in October 2025.	178,187	199,232

(continued)



# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. NOTES RECEIVABLE, continued:

	June 30,	
	2021	2020
Note receivable from a third-party organization in Mozambique bearing interest at 6% and maturing in December 2025.	153,672	178,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and maturing in September 2021. Subsequent to year end, this note was consolidated with two other notes from the same third-party with new agreed upon terms.	150,000	150,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and was scheduled to mature in April 2021. This is less than 240 days past due. Subsequent to year end, this note was consolidated with two other notes from the same third-party with new agreed upon terms.	150,000	150,000
Note receivable from a third-party organization in El Salvador, bearing interest at 5% and maturing in September 2023.	134,614	150,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and was scheduled to mature in June 2021. This is less than 240 days past due. Subsequent to year end, this note was consolidated with two other notes from the same third-party with new agreed upon terms.	100,000	100,000
Note receivable from a third-party organization in Kenya, bearing interest at 3% and maturing in January 2023.	97,496	119,966
Note receivable from a third-party organization in Liberia, bearing interest at 4% and maturing in September 2027. During the years ending June 30, 2021 and 2020, \$60,714 and \$150,000 was uncollectible and written off, respectively.	89,286	150,000
Note receivable from a third-party organization in Liberia, bearing interest at 6% and maturing in September 2021. During the year ending June 30, 2021, \$89,286 was uncollectible and written off.	59,135	150,000

(continued)

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. NOTES RECEIVABLE, continued:

	June 30,	
	2021	2020
Note receivable from a third-party organization in U.S.A., bearing interest at 9% and matures in December 2024.	52,881	57,991
Note receivable from a third-party organization in Liberia that matured in November 2020, including interest at 1%. This is over 240 days but less than 2 years past due. This note is in negotiations.	45,180	45,180
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and matures in August 2021.	43,133	170,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and maturing in May 2022.	40,000	-
Note receivable from a third-party organization in Ghana, bearing interest at 5% and matures in November 2021.	20,000	20,000
Note receivable from a third-party organization in El Salvador, bearing interest at 2% and maturing in July 2021.	15,000	-
Note receivable from a third-party organization in Kenya, bearing interest at 6% and maturing in July 2021.	7,111	85,714
Less: Provision for loan losses	(480,000)	(360,000)
	\$ 3,205,055	\$ 3,910,485

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021:							
Global notes	\$ 362,604	\$2,813,421	\$ 463,850	\$ 45,180	\$ -	\$ -	\$3,685,055
Allowance for doubtful accounts							(480,000)
							<u>\$3,205,055</u>
As a percentage of							
total loan portfolio	9.84%	76.35%	12.59%	1.23%	0.00%	0.00%	100.00%

Changes in allowance for estimated losses on loans in the aggregate for the year ended June 30, 2021, are presented as follows:

Balance, beginning	\$ 360,000
Provisions charged to expense	270,000
Loans charged off	(150,000)
	<u>\$ 480,000</u>

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2020:							
Global notes	\$ 362,604	\$3,699,890	\$ -	\$ 207,991	\$ -	\$ -	\$4,270,485
Allowance for doubtful accounts							(360,000)
							<u>\$3,910,485</u>
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)
	<u>\$ 360,000</u>

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. NOTES RECEIVABLE, continued:

The allowance for estimated losses on loans by portfolio segment as of June 30, 2021 and 2020, is presented as follows:

	2021 Global Notes	2020 Global Notes
Allowance for loans individually evaluated for impairment	\$ -	\$ -
Allowance for loans collectively evaluated for impairment	480,000	360,000
	<u>\$ 480,000</u>	<u>\$ 360,000</u>
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	3,685,055	4,270,485
	<u>\$3,685,055</u>	<u>\$4,270,485</u>
Allowance as a percentage of loans individually evaluated for impairment	N/A	N/A
Allowance as a percentage of loans collectively evaluated for impairment	13%	8%
	<u>13%</u>	<u>8%</u>

For each class of financing receivables, the following presents the recorded investment by credit quality indicator as of June 30, 2021 and 2020:

	2021 Global Notes	2020 Global Notes
Performing	\$3,322,451	\$3,907,881
Nonperforming	362,604	362,604
	<u>\$3,685,055</u>	<u>\$4,270,485</u>

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

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2021	2020
Land	\$ 350,000	\$ 350,000
Building	543,792	543,792
Equipment	171,148	225,631
Vehicles	67,838	67,838
Software	207,873	207,873
	<u>1,340,651</u>	<u>1,395,134</u>
Accumulated depreciation and amortization	<u>(529,293)</u>	<u>(513,862)</u>
	<u>\$ 811,358</u>	<u>\$ 881,272</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 September 2021. The proceeds of the loan were used to make below-market loans to benefit nonprofit organizations in economically challenged areas around the world. (see Note 5).

PW has an unsecured note payable with a third party, with interest at 1%, payable in March 2024. As of June 30, 2021 and 2020, the principal balance outstanding was \$300,000. Principal payments of \$100,000 are due each March until paid in full in March 2024. The proceeds of the loan were used to make below-market loans to benefit nonprofit organizations in economically challenged areas around the world. (see Note 5).

During the year ended June 30, 2020, 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%. During the year ended June 30, 2021, PW received certification of loan forgiveness from the SBA for the full amount. During the years ended June 30, 2021 and 2020, \$49,407 and \$183,493, respectively, was recorded as a contribution in accordance with ASU 2018-08, which is recorded as contributions and grants in the consolidated statements of activities.

During the year ended June 30, 2021, PW obtained a second Paycheck Protection Program loan administered by the SBA under the CARES Act. This unsecured note, dated February 26, 2021, is in the amount of \$247,600 with a fixed interest rate of 1%. During the year ended June 30, 2021, PW received certification of loan forgiveness from the SBA for the full amount. During the year ended June 30, 2021, \$247,600 was recorded as a contribution in accordance with ASU 2018-08, which is recorded as contributions and grants in the consolidated statements of activities.

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

7. NOTES PAYABLE, continued:

Future minimum maturities are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 800,000
2023	100,000
2024	100,000
2025	98,000
	1,098,000
	\$ 1,098,000

As of June 30, 2021 and 2020, 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 \$34,537 and \$29,466 for the years ending June 30, 2021 and 2020, respectively.

9. NET ASSETS:

The following classifications reflect the nature of net assets:

	June 30,	
	2021	2020
Net assets without donor restrictions:		
Undesignated	\$ 12,718,666	\$ 10,061,439
Board designated	177,538	-
	12,896,204	10,061,439
Net assets with donor restrictions:		
Restricted by time or purpose:		
Global	1,802,154	1,981,364
Africa	1,694,333	1,412,547
Latin America	492,402	404,092
Asia	51,266	53,516
North America	3,946	2,185
	4,044,101	3,853,704
Total net assets	\$ 16,940,305	\$ 13,915,143

# PARTNERS WORLDWIDE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 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. Lastly, PW received contributions from members of the board in the amount of \$103,714 and \$98,686 during the years ending June 30, 2021 and 2020, respectively.

### 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 consolidated 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 25, 2021, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to year end, PW restructured their \$800,000 note payable to extend the maturity date from September 2021 to September 2024. The interest rate remains at 1%. Interest only payments will be made quarterly through September 2022. Principal and interest payments will be made quarterly starting December 31, 2022.