

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

PARTNERS WORLDWIDE, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, and the changes in its consolidated net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Partners Worldwide, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners Worldwide, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Partners Worldwide, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners Worldwide, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Grand Rapids, Michigan
November 21, 2022

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 1,227,435	\$ 1,864,451
Investments	11,747,034	11,279,942
Pledges receivable	200,816	292,304
Field advances and other assets	287,353	296,964
Interest receivable	326,828	360,948
Board designated investments	166,264	177,538
Notes receivable, net	2,435,639	3,205,055
Property and equipment, net	776,306	811,358
	<u>\$ 17,167,675</u>	<u>\$ 18,288,560</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 142,076	\$ 112,863
Accrued expenses	130,323	137,392
Notes payable	1,095,980	1,098,000
Total liabilities	<u>1,368,379</u>	<u>1,348,255</u>
Net assets:		
Without donor restrictions	11,385,954	12,896,204
With donor restrictions	4,413,342	4,044,101
Total net assets	<u>15,799,296</u>	<u>16,940,305</u>
Total Liabilities and Net Assets	<u>\$ 17,167,675</u>	<u>\$ 18,288,560</u>

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,736,011	\$ 3,655,569	\$ 5,391,580	\$ 2,306,524	\$ 3,376,459	\$ 5,682,983
Interest income	64,115	-	64,115	89,577	-	89,577
Investment income (loss)	(1,199,646)	-	(1,199,646)	1,946,427	-	1,946,427
Donated services	270,861	-	270,861	286,252	-	286,252
Foreign currency translation adjustment	(201,375)	-	(201,375)	(8,628)	-	(8,628)
Other revenues	11,323	-	11,323	102,078	-	102,078
Total Support and Revenue	681,289	3,655,569	4,336,858	4,722,230	3,376,459	8,098,689
Net Assets Released from Restriction	3,286,328	(3,286,328)	-	3,186,062	(3,186,062)	-
Total Support, Revenue and Net Assets Released From Restrictions	3,967,617	369,241	4,336,858	7,908,292	190,397	8,098,689
EXPENSES						
Program services	4,381,301	-	4,381,301	4,095,810	-	4,095,810
Supporting activities:						
Management and general	484,141	-	484,141	466,723	-	466,723
Fund-raising	612,425	-	612,425	510,994	-	510,994
Total Expenses	5,477,867	-	5,477,867	5,073,527	-	5,073,527
Change in Net Assets	(1,510,250)	369,241	(1,141,009)	2,834,765	190,397	3,025,162
Net Assets, Beginning of Year	12,896,204	4,044,101	16,940,305	10,061,439	3,853,704	13,915,143
Net Assets, End of Year	\$ 11,385,954	\$ 4,413,342	\$ 15,799,296	\$ 12,896,204	\$ 4,044,101	\$ 16,940,305

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services	Supporting Activities		Total
		Management and General	Fund-raising	
Salaries	\$ 766,516	\$ 135,539	\$ 324,869	\$ 1,226,924
Employee benefits	104,236	63,510	76,457	244,203
	870,752	199,049	401,326	1,471,127
Home office costs:				
Operations	213,640	194,933	129,522	538,095
Facilities	29,897	20,593	16,007	66,497
Travel	28,183	11,809	55,959	95,951
Professional fees	38,474	39,427	1,078	78,979
Promotion events/mailings	5,241	5,857	7,379	18,477
Printed materials	1,126	7,031	741	8,898
Training and education	1,032	5,442	413	6,887
Total home office costs	317,593	285,092	211,099	813,784
Field office costs:				
National staff costs	961,654	-	-	961,654
Small business development	508,829	-	-	508,829
Donated services	270,861	-	-	270,861
Food production	527,705	-	-	527,705
Field office costs	367,849	-	-	367,849
Travel	247,271	-	-	247,271
Field development and planning	191,515	-	-	191,515
Field equipment purchases	14,260	-	-	14,260
Training and education	2,385	-	-	2,385
Other	100,627	-	-	100,627
Total field office costs	3,192,956	-	-	3,192,956
Total Expenses	\$ 4,381,301	\$ 484,141	\$ 612,425	\$ 5,477,867

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 Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ (1,141,009)	\$ 3,025,162
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	66,948	81,022
Foreign currency translation adjustment	(201,375)	(8,628)
Provisions charged to expense	120,000	270,000
Realized and unrealized (gain) loss on investments	1,944,132	(1,358,114)
Loan forgiveness	(2,020)	(299,007)
Changes in:		
Pledges receivable	91,488	(170,764)
Field advances and other assets	82,742	21,514
Interest receivable	34,120	(55,596)
Accounts payable	(43,918)	(17,097)
Accrued expenses	(7,069)	36,139
Net Cash Provided by Operating Activities	944,039	1,524,631
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(31,896)	(11,108)
Notes issued	(66,252)	(172,000)
Collections on notes	715,668	607,430
Proceeds from sale of investments	437,639	520,369
Purchases of investments	(2,837,589)	(2,641,659)
Net Cash Used by Investing Activities	(1,782,430)	(1,696,968)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program notes payable	-	247,600
Net Cash Provided by Financing Activities	-	247,600
Effect of Exchange Rate on Cash	201,375	8,628
Net Change in Cash and Cash Equivalents	(637,016)	83,891
Cash and Cash Equivalents, Beginning of Year	1,864,451	1,780,560
Cash and Cash Equivalents, End of Year	\$ 1,227,435	\$ 1,864,451
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (non capitalized)	\$ 8,000	\$ 7,993
Non-cash loan forgiveness recognized as revenue	\$ 2,020	\$ 299,007
Noncash disposal of fully depreciated assets	\$ 259,788	\$ -

See notes to consolidated financial statements

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, Partners Worldwide, Inc. and Affiliates exceeded federally insured limits by approximately \$612,000 and \$1,146,000, 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 (loss) 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.

BOARD DESIGNATED INVESTMENTS

The board of directors created a fund for estate gifts that are received with no donor restrictions. Ten percent of the gifts from this fund will be distributed immediately to the general operations of PW. The remaining funds are then invested and distributed annually over the next six years for general operations.

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, 2022 and 2021.

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, 2022 and 2021

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, 2022, the allowance, totaling \$300,000 for PW and \$300,000 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, 2021, the allowance was \$300,000 for PW and \$180,000 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 restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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 received.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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. The donated services are valued based on an estimate of the wage for the same services. The services provided during the years ended June 30, 2022 and 2021, were business consulting services as part of their Business Affiliate program.

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, 2022 and 2021.

FOREIGN OPERATIONS

As of June 30, 2022 and 2021, PW held notes receivables with businesses in foreign countries in the amount of \$2,987,806 and \$3,632,173, 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 2020, the Financial Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. PW adopted the provisions of this new standard during the year ended June 30, 2022. Adoption of this standard expanded disclosures related to contributed nonfinancial assets, but had no effect on change in net assets or net assets in total for the years ending June 30, 2022 and 2021.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects PW's financial assets as of June 30, 2022 and 2021, 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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,227,435	\$ 1,864,451
Investments	11,747,034	11,279,942
Pledges receivable	200,816	292,304
Field advances and other assets	287,353	296,964
Interest receivable	326,828	360,948
Board designated investments	166,264	177,538
Notes receivable, net	2,435,639	3,205,055
Financial assets, at year end	16,391,369	17,477,202
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose or time restrictions	(4,413,342)	(4,044,101)
Board designated investments	(166,264)	(177,538)
Notes receivable, net, to be collected greater than one year	(1,885,639)	(2,655,055)
	(6,465,245)	(6,876,694)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,926,124	\$ 10,600,508

PW structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The board designated investments could be made available within the next twelve months, if needed.

4. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2022	2021
Barnabas CT balanced fund (NAV)	\$ 7,750,899	\$ 10,636,080
Barnabas aggressive growth fund (NAV)	3,504,454	-
PWE investments (NAV)	215,380	225,539
Barnabas conservative fund (NAV)	179,738	266,192
PWC investments (cost)	62,732	65,621
Barnabas income fund (NAV)	33,831	264,048
	\$ 11,747,034	\$ 11,457,480

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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 tables list the investments held at fair value using net asset value as a practical expedient by major category at June 30, 2022 and 2021.

June 30, 2022:

<u>Investment Category</u>	<u>Strategy</u>	<u>Fair Value Determined Using NAV</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>Remaining Life</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Dignity Products LLC	Generate income while preserving capital.	\$ 215,380	\$ -	N/A	N/A	None	None
Barnabas CT Balanced Fund	Generate long-term capital appreciation similar to a portfolio of fifty percent stocks and fifty percent bonds.	7,750,899	-	N/A	N/A	None	None
Barnabas Aggressive Growth Fund	Generate long-term capital appreciation	3,504,454	-	N/A	N/A	None	None
Barnabas Conservative Fund	Generate current income with some capital appreciation.	179,738	-	N/A	N/A	None	None
Barnabas Income Fund	Generate income while preserving capital.	<u>33,831</u>	-	N/A	N/A	None	None
		<u><u>\$11,684,302</u></u>					

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

4. INVESTMENTS, continued:

June 30, 2021:

<u>Investment Category</u>	<u>Strategy</u>	<u>Fair Value Determined Using NAV</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Timing to Draw Down Commitments</u>	<u>Remaining Life</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Dignity Products LLC	Generate income while preserving capital.	\$ 225,539	\$ -	N/A	N/A	None	None
Barnabas CT Balanced Fund	Generate long-term capital appreciation similar to a portfolio of fifty percent stocks and fifty percent bonds.	10,636,080	-	N/A	N/A	None	None
Barnabas Conservative Fund	Generate current income with some capital appreciation.	266,192	-	N/A	N/A	None	None
Barnabas Income Fund	Generate income while preserving capital.	<u>264,048</u>	-	N/A	N/A	None	None
		<u>\$11,391,859</u>					

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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,	
	2022	2021
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 Uganda, bearing interest at 4% and maturing in March 2025.	359,700	402,916
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and maturing in July 2031.	349,056	-
Note receivable from a third-party organization in Kenya, bearing interest at 7% and maturing in February 2028.	290,534	-
Note receivable from a third-party organization in Nigeria, bearing interest at 9% and maturing in May 2024.	226,754	226,754
Note receivable from a third-party organization in Zambia, bearing interest at 0% and matured in March 2021. This is more than 2 years old, but less than 5 years past due. This note is in negotiations.	213,850	213,850
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 Mozambique, bearing interest at 0% and maturing in August 2029.	180,932	204,167
Note receivable from a third-party organization in El Salvador, bearing interest at 5% and maturing in November 2029.	175,842	134,614
Note receivable from a third-party organization in Kenya, bearing interest at 6% and maturing in October 2025.	146,800	178,187

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

5. NOTES RECEIVABLE, continued:

	June 30,	
	2022	2021
Note receivable from a third-party organization in Ghana, bearing interest at 6% and maturing in August 2028.	142,249	275,715
Note receivable from a third-party organization in Mozambique bearing interest at 6% and maturing in December 2025.	130,879	153,672
Note receivable from a third-party organization in Liberia, bearing interest at 4% and maturing in September 2027. During the years ended June 30, 2022 and 2021, \$-0- and \$60,714 was uncollectible and written off, respectively.	89,286	89,286
Note receivable from a third-party organization in Liberia, bearing interest at 6% and matured in September 2021. During the years ended June 30, 2022 and 2021, \$-0- and \$89,286 was uncollectible and written off, respectively.	59,135	59,135
Note receivable from a third-party organization in U.S.A., bearing interest at 9% and matures in December 2024.	47,834	52,881
Note receivable from a third-party organization in Liberia that matured in November 2020, including interest at 1%. This is over 2 years but less than 5 years past due. This note is in negotiations.	45,180	45,180
Note receivable from a third-party organization in Ghana, bearing interest at 5% and matures in November 2022.	20,000	20,000
Note receivable from a third-party organization in Haiti, bearing interest at 9% and matured in March 2022.	-	243,575
Note receivable from a third-party organization in Kenya, bearing interest at 3.5% and maturing in June 2026. During the year ended June 30, 2022, this note was consolidated with another note from the same third-party with new agreed upon terms.	-	224,775

(continued)

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

5. NOTES RECEIVABLE, continued:

	June 30,	
	2022	2021
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and matured in September 2021. During the year ended June 30, 2022, this note was consolidated with two other notes from the same third-party with new agreed upon terms.	-	150,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and matured in April 2021. During the year ended June 30, 2022, this note was consolidated with two other notes from the same third-party with new agreed upon terms.	-	150,000
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and matured in June 2021. During the year ended June 30, 2022, this note was consolidated with two other notes from the same third-party with new agreed upon terms.	-	100,000
Note receivable from a third-party organization in Kenya, bearing interest at 3% and scheduled to mature in January 2023. During the year ended June 30, 2022, this note was consolidated with another note from the same third-party with new agreed upon terms.	-	97,496
Note receivable from a third-party organization in Nicaragua, bearing interest at 7% and matured and was fully paid off in August 2021.	-	43,133
Note receivable from a third-party organization in Nicaragua, bearing interest at 5% and matured and was fully paid off in May 2022.	-	40,000
Note receivable from a third-party organization in El Salvador, bearing interest at 2% and matured and was fully paid off in July 2021.	-	15,000
Note receivable from a third-party organization in Kenya, bearing interest at 6% and matured and was fully paid off in July 2021.	-	7,111
Less: Provision for loan losses	(600,000)	(480,000)
	\$ 2,435,639	\$ 3,205,055

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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, 2022:							
Global notes	\$ 843,497	\$1,649,192	\$ 194,634	\$ -	\$ 348,316	\$ -	\$3,035,639
Allowance for doubtful accounts							(600,000)
							<u>\$2,435,639</u>
As a percentage of total loan portfolio	27.79%	54.33%	6.41%	0.00%	11.47%	0.00%	100.00%

Changes in allowance for estimated losses on loans in the aggregate for the year ended June 30, 2022, are presented as follows:

Balance, beginning	\$ 480,000
Provisions charged to expense	120,000
Loans charged off	-
	<u>\$ 600,000</u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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, 2021:							
Global notes	\$ 362,604	\$2,813,421	\$ 463,850	\$ 45,180	\$ -	\$ -	\$3,685,055
Allowance for doubtful accounts							(480,000)
							\$3,205,055
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)
	\$ 480,000

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

5. NOTES RECEIVABLE, continued:

The allowance for estimated losses on loans by portfolio segment as of June 30, 2022 and 2021, is presented as follows:

	2022 Global Notes	2021 Global Notes
Allowance for loans individually evaluated for impairment	\$ -	\$ -
Allowance for loans collectively evaluated for impairment	600,000	480,000
	<u>\$ 600,000</u>	<u>\$ 480,000</u>
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	3,035,639	3,685,055
	<u>\$3,035,639</u>	<u>\$3,685,055</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	20%	13%
	<u>20%</u>	<u>13%</u>

For each class of financing receivables, the following presents the recorded investment by credit quality indicator as of June 30, 2022 and 2021:

	2022 Global Notes	2021 Global Notes
Performing	\$2,192,142	\$3,322,451
Nonperforming	843,497	362,604
	<u>\$3,035,639</u>	<u>\$3,685,055</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, 2022 and 2021

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2022	2021
Land	\$ 350,000	\$ 350,000
Building	505,286	543,792
Equipment	130,257	171,148
Vehicles	67,838	67,838
Software	59,007	207,873
	<u>1,112,388</u>	<u>1,340,651</u>
Accumulated depreciation and amortization	<u>(336,082)</u>	<u>(529,293)</u>
	<u>\$ 776,306</u>	<u>\$ 811,358</u>

7. NOTES PAYABLE:

PW has an unsecured note payable with a third party, with interest at 1%, payable quarterly. An addendum to the note was signed in October 2021 extending the maturity date to September 2024 with principal payments beginning in December 2022. The outstanding principal balance was \$800,000 at June 30, 2022 and 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, 2022 and 2021, the principal balance outstanding was \$295,980 and \$298,000, respectively. 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, was 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 and \$49,407 was recorded as a contribution in accordance with ASU 2018-08, which is recorded as contributions 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, was 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 in the consolidated statements of activities.

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

7. NOTES PAYABLE, continued:

Future minimum maturities are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 175,000
2024	650,000
2025	<u>270,980</u>
	<u><u>\$ 1,095,980</u></u>

As of June 30, 2022 and 2021, 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 \$34,270 and \$34,537 for the years ending June 30, 2022 and 2021, respectively.

9. NET ASSETS:

The following classifications reflect the nature of net assets:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Undesignated	\$ 11,219,690	\$ 12,718,666
Board designated	<u>166,264</u>	<u>177,538</u>
	11,385,954	12,896,204
Net assets with donor restrictions:		
Restricted by time or purpose:		
Global	1,971,813	1,802,154
Africa	1,811,861	1,694,333
Latin America	581,076	492,402
Asia	44,156	51,266
North America	<u>4,436</u>	<u>3,946</u>
	4,413,342	4,044,101
Total net assets	<u><u>\$ 15,799,296</u></u>	<u><u>\$ 16,940,305</u></u>

PARTNERS WORLDWIDE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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 \$51,786 and \$103,714 during the years ending June 30, 2022 and 2021, respectively.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 21, 2022, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.