

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

Consolidated Financial Statements

For the Year Ended June 30, 2015

## Table of Contents

---

	Page
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements:</b>	
Consolidated Statement of Financial Position With Consolidating Information	3
Consolidated Statement of Activities With Consolidating Information	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 15
<b>Supplementary Information:</b>	
Consolidated Schedule of Functional Operating Expenses	16

## **Independent Auditor's Report**

**Board of Directors  
Global Partnerships  
Seattle, Washington**

We have audited the accompanying financial statements of Global Partnerships and its subsidiaries (collectively "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statement of activities and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2015 and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1700  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 16 and the consolidating information in the consolidated statement of financial position and the consolidated statement of activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants  
September 15, 2015

## **FINANCIAL STATEMENTS**

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Statement of Financial Position With Consolidating Information  
June 30, 2015  
(With Comparative Totals for 2014)**

	Global Partnerships	Global Partnerships Social Investment Fund 5.0, LLC
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,022,081	\$ 1,445,344
Pledges receivable, current portion, net (Note 3)	429,210	
Social investment loans receivable, current portion, net (Note 4)	9,179	8,411,750
Investments (Note 6)	2,253,567	
Interest receivable	209	535,588
Other assets	36,074	2,778
<b>Total Current Assets</b>	<b>6,750,320</b>	<b>10,395,460</b>
Pledges receivable, long-term portion, net (Note 3)	1,227,550	
Social investment loans receivable, long-term portion, net (Note 4)	44,552	25,875,486
Derivative instruments (Note 5)		714,841
Investment in subsidiaries and other	6,376,255	200,000
Property and equipment, net (Note 8)	67,973	
<b>Total Assets</b>	<b>\$ 14,466,650</b>	<b>\$ 37,185,787</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 26,663	\$ 22,785
Long-term debt, current portion (Note 9)		600,000
Accrued liabilities	217,973	196,525
<b>Total Current Liabilities</b>	<b>244,636</b>	<b>819,310</b>
Deferred rent liability	88,064	
Long-term debt, net of current portion (Note 9)	4,418,500	32,200,000
Derivative instruments (Note 5)		
<b>Total Liabilities</b>	<b>4,751,200</b>	<b>33,019,310</b>
<b>Net Assets/Equity:</b>		
Members' equity		4,768,500
Accumulated earnings (deficit)		(602,023)
Unrestricted net assets	7,474,285	
Temporarily restricted net assets (Note 10)	2,241,165	
<b>Total Net Assets and Equity</b>	<b>9,715,450</b>	<b>4,166,477</b>
<b>Total Liabilities, Net Assets and Equity</b>	<b>\$ 14,466,650</b>	<b>\$ 37,185,787</b>

See accompanying notes.

Global Partnerships Social Investment Fund 2010, LLC	Global Partnerships Microfinance Fund 2008, LLC	Global Partnerships Microfinance Fund 2006, LLC	GP Fund Management, LLC	Eliminations	2015 Consolidated Total	2014 Consolidated Total
\$ 1,648,508	\$ -	\$ -	\$ 7,175	\$ -	\$ 7,123,108	\$ 10,428,048
23,587,239					429,210	232,175
318,923					32,008,168	34,998,702
					2,253,567	
					854,720	590,479
				(14,823)	24,029	19,596
<b>25,554,670</b>			<b>7,175</b>	<b>(14,823)</b>	<b>42,692,802</b>	<b>46,269,000</b>
					1,227,550	
442,506					25,920,038	27,902,545
					1,157,347	
				(6,308,405)	267,850	263,759
					67,973	80,843
<b>\$ 25,997,176</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,175</b>	<b>\$ (6,323,228)</b>	<b>\$ 71,333,560</b>	<b>\$ 74,516,147</b>
\$ 2,488	\$ -	\$ -	\$ 4,200	\$ (14,823)	\$ 41,313	\$ 58,696
23,500,000					24,100,000	17,366,533
228,862			1,000		644,360	470,043
<b>23,731,350</b>			<b>5,200</b>	<b>(14,823)</b>	<b>24,785,673</b>	<b>17,895,272</b>
					88,064	89,619
					36,618,500	48,432,603
<b>23,731,350</b>			<b>5,200</b>	<b>(14,823)</b>	<b>61,492,237</b>	<b>66,746,175</b>
1,500,000			39,905	(6,308,405)	125,873	641,417
765,826			(37,930)		7,474,285	5,866,752
					2,241,165	1,261,803
<b>2,265,826</b>			<b>1,975</b>	<b>(6,308,405)</b>	<b>9,841,323</b>	<b>7,769,972</b>
<b>\$ 25,997,176</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,175</b>	<b>\$ (6,323,228)</b>	<b>\$ 71,333,560</b>	<b>\$ 74,516,147</b>

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Statement of Activities With Consolidating Information  
For the Year Ended June 30, 2015  
(With Comparative Totals for 2014)**

	Global Partnerships	Global Partnerships Social Investment Fund 5.0, LLC
<b>Operating Unrestricted Activity Revenue and Other Support:</b>		
Contributions	\$ 928,290	\$ -
In-kind contributions	559,442	
Earned income	3,268,092	2,242,539
Other income	98,099	39,955
Net assets released from restrictions	1,114,397	
<b>Total Operating Unrestricted Activity Revenue and Other Support</b>	<b>5,968,320</b>	<b>2,282,494</b>
<b>Operating Expenses:</b>		
Program services	3,155,665	1,982,066
Management and general	214,226	
Fundraising	990,896	
<b>Total Operating Expenses</b>	<b>4,360,787</b>	<b>1,982,066</b>
<b>Excess of Revenues and Other Support Over Expenses From Operating Activities</b>	<b>1,607,533</b>	<b>300,428</b>
Unrealized foreign currency translation (losses) gains		(856,514)
Change in fair value of derivative instruments		983,267
<b>Change in Unrestricted Net Assets</b>	<b>1,607,533</b>	<b>427,181</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	2,093,759	
Net assets released from restrictions	(1,114,397)	
<b>Change in Temporarily Restricted Net Assets</b>	<b>979,362</b>	
<b>Changes in Net Assets</b>	<b>2,586,895</b>	<b>427,181</b>
<b>Beginning of Year Net Assets / Equity:</b>		
Members' equity		3,181,187
Accumulated earnings (deficit)		(1,029,204)
Unrestricted net assets	5,866,752	
Temporarily restricted net assets	1,261,803	
<b>Total Beginning of Year Net Assets / Equity</b>	<b>7,128,555</b>	<b>2,151,983</b>
<b>End of Year Net Assets / Equity:</b>		
Members' equity		3,181,187
Members' equity contribution		1,587,313
Members' equity return of capital		
Total members' equity		4,768,500
Accumulated earnings (deficit)		(602,023)
Return to equity holder		
Unrestricted net assets	7,474,285	
Temporarily restricted net assets	2,241,165	
<b>Total End of Year Net Assets / Equity</b>	<b>\$ 9,715,450</b>	<b>\$ 4,166,477</b>

See accompanying notes.



Global Partnerships Social Investment Fund 2010, LLC	Global Partnerships Microfinance Fund 2008, LLC	Global Partnerships Microfinance Fund 2006, LLC	GP Fund Management, LLC	Eliminations	2015 Consolidated Total	2014 Consolidated Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 928,290	\$ 915,953
1,851,131	487,222		1,069,106	(4,275,618)	559,442	623,829
14,305	95			(65,963)	4,642,472	4,632,144
					86,491	53,266
					1,114,397	1,312,174
<b>1,865,436</b>	<b>487,317</b>		<b>1,069,106</b>	<b>(4,341,581)</b>	<b>7,331,092</b>	<b>7,537,366</b>
1,330,134	(31,518)	(41,572)	1,056,674	(2,195,174)	5,256,275	5,623,320
					214,226	246,397
					990,896	851,663
<b>1,330,134</b>	<b>(31,518)</b>	<b>(41,572)</b>	<b>1,056,674</b>	<b>(2,195,174)</b>	<b>6,461,397</b>	<b>6,721,380</b>
<b>535,302</b>	<b>518,835</b>	<b>41,572</b>	<b>12,432</b>	<b>(2,146,407)</b>	<b>869,695</b>	<b>815,986</b>
(381,149)	(26,071)				(1,263,734)	1,214
461,450	41,311				1,486,028	(328,681)
<b>615,603</b>	<b>534,075</b>	<b>41,572</b>	<b>12,432</b>	<b>(2,146,407)</b>	<b>1,091,989</b>	<b>488,519</b>
					2,093,759	941,330
					(1,114,397)	(1,312,174)
					<b>979,362</b>	<b>(370,844)</b>
<b>615,603</b>	<b>534,075</b>	<b>41,572</b>	<b>12,432</b>	<b>(2,146,407)</b>	<b>2,071,351</b>	<b>117,675</b>
1,500,000	1,500,000	86,225	100	(6,267,512)	641,417	159,923
150,223	1,612,332	(85,577)	(6,357)		5,866,752	5,859,727
					1,261,803	1,632,647
<b>1,650,223</b>	<b>3,112,332</b>	<b>648</b>	<b>(6,257)</b>	<b>(6,267,512)</b>	<b>7,769,972</b>	<b>7,652,297</b>
1,500,000	1,500,000	86,225	100	(6,267,512)		
		(44,005)	44,005	(1,587,313)		
	(1,500,000)	(42,220)	(4,200)	1,546,420		
1,500,000			39,905	(6,308,405)		
765,826	2,146,407	(44,005)	6,075	(2,146,407)	125,873	641,417
	(2,146,407)	44,005	(44,005)	2,146,407		
					7,474,285	5,866,752
					2,241,165	1,261,803
<b>\$ 2,265,826</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,975</b>	<b>\$ (6,308,405)</b>	<b>\$ 9,841,323</b>	<b>\$ 7,769,972</b>

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows  
For the Year Ended June 30, 2015  
(With Comparative Totals for 2014)**

	2015 Consolidated Total	2014 Consolidated Total
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 2,071,351	\$ 117,675
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	25,996	61,880
Social investment loan loss allowance	(198,771)	377,000
Unrealized (gain) loss on change in fair value of derivative instruments	(1,486,028)	328,681
Unrealized foreign currency translation losses (gains)	1,263,734	(1,214)
Unrealized gain on investments	(5,354)	
Changes in assets and liabilities:		
Pledges receivable	(1,424,585)	821,383
Interest receivable	(264,241)	(196,898)
Other assets	(4,433)	5,328
Other investments	(4,091)	(200,000)
Accounts payable	(17,383)	112
Accrued liabilities	174,317	52,252
Deferred rent liability	(1,555)	2,791
<b>Net Cash Provided by Operating Activities</b>	<b>128,957</b>	<b>1,368,990</b>
<b>Cash Flows From Investing Activities:</b>		
Issuance of social investment loans	(28,001,722)	(27,214,721)
Principal repayments on social investment loans	31,909,800	11,344,072
Purchases of investments	(2,248,213)	
Purchase of property and equipment	(13,126)	(17,590)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>1,646,739</b>	<b>(15,888,239)</b>
<b>Cash Flows From Financing Activities:</b>		
Issuance of long-term debt instruments	12,285,897	9,563,853
Principal repayments on long-term debt instruments	(17,366,533)	(1,150,000)
<b>Net Cash (Used) Provided by Financing Activities</b>	<b>(5,080,636)</b>	<b>8,413,853</b>
<b>Net Change in Cash</b>	<b>(3,304,940)</b>	<b>(6,105,396)</b>
Cash balance, beginning of year	10,428,048	16,533,444
<b>Cash Balance, End of Year</b>	<b>\$ 7,123,108</b>	<b>\$ 10,428,048</b>
<b>Supplemental Information:</b>		
Cash paid for interest	\$ 1,985,241	\$ 2,139,181

See accompanying notes.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 1 - Nature of Operations and Significant Accounting Policies

**Organization and Program Services** - Founded in 1994, Global Partnerships (GP) is a 501(c)(3) nonprofit impact investor whose mission is to expand opportunity for people living in poverty. GP pioneers and invests in market-based, sustainable solutions that help impoverished people earn a living and improve their lives. GP provides grant capital to finance promising, early stage opportunities and loan capital to sustain and expand already-proven solutions by investing in innovative mission-driven partners. As of June 30, 2015, GP had more than \$60.4 million invested in 49 partner organizations in 12 countries in Latin America and the Caribbean. With these mission-aligned partners, GP supports programs that deliver high social impact in the areas of health services, micro entrepreneurship education, rural livelihoods and green technology.

Since 2005, GP has formed five Social Investment Funds (collectively, the Funds) to serve as investment vehicles to make low-cost secured and unsecured loans to qualified partner organizations. Investors in the Funds, who purchased notes payable from the Funds or made loans to the Funds, include accredited private investors, development banks, and institutions. Three of these Funds have reached maturity and all investors in these funds received timely repayment in full. The current active Funds include Global Partnerships Social Investment Fund 5.0, LLC (SIF5.0) and Global Partnerships Social Investment Fund 2010, LLC (SIF2010). SIF5.0 and SIF2010 were formed in December 2012 and August 2010, respectively. The Global Partnerships Microfinance Fund 2006, LLC (MFF2006) repaid all investors on schedule in March 2012 and transferred a single remaining partner loan to GP Fund Manager during the year ended June 30, 2015. The Global Partnerships Microfinance Fund 2008, LLC (MFF2008) repaid all investors on schedule in June 2015 and transferred its remaining capital and retained earnings to GP. As of June 30, 2015, GP has outstanding contributed capital of \$4,768,500 in cash to SIF5.0 and \$1,500,000 in cash to SIF2010.

The GP Fund Management LLC (Fund Manager) was formed in June 2005 to provide investment fund management services. Wholly owned by GP, the management responsibilities for the Fund Manager are assigned to GP according to the Investment Advisory Services Agreement. GP contributed \$100 in capital contributions at the formation and during the year ended June 30, 2015, \$44,005 of equity was transferred from MFF2006.

**Principles of Consolidation** - The consolidated financial statements include the activities of GP and its subsidiaries, Global Partnerships Social Investment Fund 5.0, LLC, Global Partnerships Social Investment Fund 2010, LLC, Global Partnerships Microfinance Fund 2008, LLC, Global Partnerships Microfinance Fund 2006, LLC, and GP Fund Management, LLC (collectively, the Organization). All inter-company transactions have been eliminated.

**Basis of Presentation** - Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of GP and changes therein are classified and reported as follows:

Unrestricted Net Assets - Represents resources, which have met all applicable donor restrictions and are considered to be available for unrestricted use.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of June 30, 2015 and 2014, the GP had no permanently restricted net assets.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 1 - Continued

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

**Cash Equivalents** - GP considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Pledges Receivable** - Unconditional promises to give (pledges) are recognized as revenues in the period they are received. Pledges receivable over periods in excess of one year are recorded net of discounts (the present value component) to reflect the time value of money. Amortization of discounts is included in contribution revenue.

The allowance for doubtful pledges receivable is maintained at a level considered adequate to provide for potential uncollected past due pledges. The adequacy of the allowance is based upon management's evaluation of the quality, character, and inherent risks associated with the pledges.

**Social Investment Loan Receivables** - Social investment loans receivable are stated at the amount management expects to collect on the outstanding balance. The Organization has established an allowance for loan losses through a provision for loan losses charged to expenses. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. This allowance is determined based upon a quarterly review of each loan, including age of the balance, historical experience with the customer and the risk of the institution and country.

**Investments** - Investments are stated at fair value, with both realized and unrealized gains and losses recorded in the consolidated statement of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor restrictions or law. The estimated fair value of limited partnerships for which quoted market prices are not available is based on valuations provided by the external investment manager. Certificates of deposits held in the investment portfolio are reported at cost plus accrued interest.

**Investment in Other Entity** - GP's investment in another entity is carried at cost. The cost of this investment totaled \$250,000 at June 30, 2015 and 2014. GP did not identify any events or changes in circumstances that may have had a significant adverse effect on the value of this investment and therefore, no impairment has been recorded for the years ended June 30, 2015 and 2014.

**Accounting for Derivative Instruments** - Derivatives which consist of foreign currency swap agreements are recorded in the statement of financial position at fair value. Fair value for the GP's derivative financial instruments is based on the present value of projected cash flows given currency rates in effect as of a given measurement date. Changes in the fair value of derivative instruments are recorded in the consolidated statement of activities.

**Accounting for Foreign Currency Denominated Transactions** - The books and records of GP are maintained in U.S. dollars. Assets and liabilities are translated into U.S. dollars using the current exchange rates at the date of the consolidated statement of financial position. Unrealized foreign currency exchange translation gains and losses are recorded in the consolidated statement of activities as a nonoperating item.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 1 - Continued

**Property and Equipment** - GP capitalizes assets with a cost greater than \$1,000 and an estimated useful life of one or more years. Purchased property is carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method of accounting over useful lives of five to ten years.

**Federal Income Tax** - The Internal Revenue Service has determined that GP is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements. The four investment funds and GP Fund Management LLC are single member limited liability companies and are disregarded for federal tax purposes. GP files income tax returns with the U.S. government. GP is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

**In-Kind Contributions** - GP receives a significant amount of donated professional services from attorneys and other professional services firms. Donated services are recorded only if specific professional expertise is provided, in accordance with generally accepted accounting principles. Donated goods and services are recorded at fair market value at the date of receipt.

**Earned Revenue** - In addition to philanthropic support, GP earns revenue through the creation and management of its investment funds. Fund management fees are earned in each fund for which GP provides servicing and monitoring. Fund closing fees are earned upon each investor capital call of a new fund. These fund management and closing fees are eliminated in consolidation. In addition, GP and SIF 5.0 receives loan and commitment fees from partner organizations and these are recognized at the time of loan commitment since the loan origination costs directly related to these fees generally exceed the fee income.

**Allocation of Functional Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions. These affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

**Comparative Amounts for 2014** - For comparative purposes, the financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the GP's consolidated financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**Subsequent Events** - GP's management has evaluated subsequent events through September 15, 2015, the date on which the financial statements were available to be issued.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 2 - Concentrations

Financial instruments which potentially subject GP to concentrations of credit risk consist of cash, pledges receivable, loans receivable and investor notes payable. The Organization maintains some of its cash and cash equivalents in depository institution accounts that, at times, may exceed federally insured limits.

GP had pledges receivable from two and three donors which represents approximately 47 and 65 percent of total pledges receivable at June 30, 2015 and 2014, respectively. GP had contributions from two and three donors representing 33 and 40 percent of total contributions at June 30, 2015 and 2014, respectively. GP had in-kind contributions from two law firms representing 79 and 82 percent of total in-kind contributions at June 30, 2015 and 2014, respectively. GP had investor notes payable to one investor representing 32 and 36 percent of outstanding long-term debt at June 30, 2015 and 2014, respectively.

#### Note 3 - Pledges Receivable and Contribution Revenue

Pledges receivable consist of the following unconditional promises to give by donors at June 30:

	<u>2015</u>	<u>2014</u>
Receivables due in one year	\$ 434,210	\$ 237,175
Receivables due in two to five years	<u>1,259,050</u>	<u>                    </u>
<b>Gross Pledges Receivable</b>	<b>1,693,260</b>	<b>237,175</b>
Less allowance for uncollectible pledges	(5,000)	
Less unamortized discount to present value	(31,500)	(5,000)
Less current portion, net	<u>(429,210)</u>	<u>(232,175)</u>
<b>Total Long-Term Pledges Receivable</b>	<b><u>\$ 1,227,550</u></b>	<b><u>\$ -</u></b>

Contribution revenue consisted of the following for the year ending June 30:

	<u>2015</u>	<u>2014</u>
Unrestricted contributions	\$ 928,290	\$ 915,953
Temporarily restricted contributions	<u>2,093,759</u>	<u>941,330</u>
<b>Total Contributions</b>	<b><u>\$ 3,022,049</u></b>	<b><u>\$ 1,857,283</u></b>

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

#### Note 4 - Social Investment Loans Receivable

GP provides loans to a select group of mission-aligned partner organizations, such as microfinance institutions, cooperatives and other social enterprises serving people living in poverty. These partner organizations are financially sustainable channels that deliver goods and services that empower people in poverty to address the challenges they face. However, too often these organizations lack the access to affordable capital to reach those who could truly benefit. GP's Social Investment Funds provide loans to partners to help sustain and grow already proven solutions to poverty. These loans mature at various times over the life of the Funds and are disbursed and repaid in either U.S. Dollars or the local currency of the respective country. Interest income is recognized when earned based on rates established in the underlying loan agreements.

Loans receivable are due as follows at June 30:

For the Year Ending June 30,	<u>2015</u>	<u>2014</u>
2015	\$ -	\$ 35,783,702
2016	32,630,397	15,629,112
2017	11,768,114	6,025,000
2018	14,255,363	6,828,433
2019	<u>440,561</u>	<u>                    </u>
	59,094,435	64,266,247
Less current maturities, net of allowance	(32,008,168)	(34,998,702)
Less allowance for loan losses (current portion)	(622,229)	(785,000)
Less allowance for loan losses (long-term portion)	<u>(544,000)</u>	<u>(580,000)</u>
<b>Total Long-Term Social Investment Loans Receivable</b>	<b><u>\$ 25,920,038</u></b>	<b><u>\$ 27,902,545</u></b>

During the years ended June 30, 2015 and 2014, no write-downs were charged against the allowance for loan losses. Changes in the allowance for loan losses represent the estimated, uncollectible receivable based on a credit risk rating assessment of each outstanding loan. All loans are reserved based on management's estimates of its borrower's credit-worthiness, current economic conditions, and historical information.

GP provides some of its social investment loans denominated in the foreign currency of the country where the partner organization is located. Loans receivable denominated in a foreign currency are translated into U.S. dollars at the balance sheet date rate of exchange. Unrealized foreign currency (losses) gains of (\$1,263,734) and \$1,214 were recognized for the year ending June 30, 2015 and 2014, respectively, and are included in nonoperating section of the consolidated statement of activities.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 5 - Derivative Financial Instruments

To manage the fluctuations of foreign currency values related to the loans denominated in foreign currencies, GP enters into a currency swap agreement for each foreign currency loan. A currency swap is a foreign exchange agreement between two parties to exchange principal and interest payments on a loan in one currency for principal and interest payments on an equal loan in another currency. The Organization enters into currency swap agreements for all loans denominated in foreign currencies and these swap agreements mature in concert with the outstanding foreign currency loans. The cost of the currency swap agreements is part of the loan costs paid for by the partner organization receiving the foreign currency loan. GP records the net settlement from each transaction. As a result of the currency swap agreements GP has reduced its currency risk so that the value of the loan repayments would be less or greater than the original loan amounts. GP does not enter into derivative financial instrument agreements for trading or speculative purposes. The net position of the currency swaps is recorded in the statement of financial position. The derivative instruments were recorded at their fair value resulting in a change in fair value of derivative instruments of \$1,486,028 and (\$328,681) for the year ended June 30, 2015 and 2014, respectively. The change in fair value of derivative instruments is included in the nonoperating section of the consolidated statement of activities. The balance at June 30, 2015 and 2014 is shown in Note 7.

#### Note 6 - Investments

The objective of GP's investments is to provide not only financial returns, liquidity, and protection of principal, but also to further GP's philanthropic mission and social impact goals. The certificates of deposit are placed with financial institutions providing sources of capital to under-served communities. The limited partnership investment provides debt financing to financial institutions that in turn make loans to entrepreneurs in developing communities. GP may withdraw all or any portion of the limited partnership capital balance as long as it provides at least 30 days prior written notice to the administrator of the fund before withdrawing its interest in the funds subject to certain restrictions including but not limited to one-month waiting period for a particular contribution.

Investments consist of the following at June 30, 2015:

Certificates of deposit	\$ 1,248,213
Limited partnership	<u>1,005,354</u>
<b>Total Investments</b>	<b><u>\$ 2,253,567</u></b>

#### Note 7 - Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy which prioritizes the inputs to valuation approaches into three broad levels based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the GP's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Inputs are unadjusted and represent quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable.



## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 7 - Continued

Level 3 - Inputs are unobservable and reflect institutional management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and/or the risk inherent in the inputs to the model.

**Valuation Techniques** - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using institutional management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. Following is a description of the valuation methodologies used for assets measured at fair value. There was no change in the valuation of investments using Level 3 inputs during the year ended June 30, 2015.

Derivative Financial Instruments - Determined to be Level 3 as the fair value is determined by the institutional managers' calculation of the present value of projected future cash flows given currency rates in effect as of a given measurement date.

Limited Partnership - Determined to be Level 3 as the fair value is determined by the partnerships' general partners, who follow the valuation guidelines, such as appraisals and comparable company trade data, stipulated in the respective limited partnership agreements.

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs (Level 3) is as follows:

	<u>Derivative Financial Instruments</u>	<u>Limited Partnership</u>
Balance, June 30, 2014	\$ (328,681)	\$ -
Purchases		1,000,000
Unrealized gains	<u>1,486,028</u>	<u>5,354</u>
<b>Balance, June 30, 2015</b>	<b><u>\$ 1,157,347</u></b>	<b><u>\$ 1,005,354</u></b>

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 8 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures, equipment and software	\$ 229,676	\$ 216,550
Leasehold improvements	<u>31,313</u>	<u>31,313</u>
	260,989	247,863
Less accumulated depreciation and amortization	<u>(193,016)</u>	<u>(167,020)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 67,973</u></b>	<b><u>\$ 80,843</u></b>

#### Note 9 - Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
<u>Global Partnerships</u>		
Limited recourse notes issued between March, 2013 and June, 2015 to provide capital for GP's equity contribution in SIF5.0. These notes have only limited recourse to the performance of SIF5.0 and have no claim on GP's general resources for repayment. The notes accrue interest annually at a rate of 5%, but payment is only made at the maturity date and is dependent on surplus cash from SIF5.0 that is returned to GP for its equity in the Fund. The notes mature in March 2023. As of June 30, 2015, the contingent interest liability and contingent principal repayment amounts to be paid likely at maturity cannot be reasonably estimated by management.	\$ 4,268,500	\$ 2,681,178
Recoverable grant agreements issued in December, 2013 and January, 2014 to provide capital for early-stage organizations or program initiatives. These grant agreements are only repayable from the proceeds of the capital invested and have no claim on GP's general resources for repayment. The grantor is not entitled to profit or interest.	150,000	150,000

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2015**

**Note 9 - Continued**

	<u>2015</u>	<u>2014</u>
<u>Global Partnerships Microfinance Fund 2008</u>		
Unsecured notes in MFF2008 issued October 2008 with interest payable quarterly at rates of 3.00%, 3.25%, 4.00%, 4.69% and 4.75% per annum. These notes matured in October 2014 and were repaid to the investors.		17,366,533
<u>Global Partnerships Social Investment Fund 2010</u>		
Unsecured notes in SIF2010 issued October 2010, and April and May 2011 with interest payable quarterly at rates ranging between 2.715% and 4.59% per annum, maturity dates of October 2015 and June 2016. Included in unsecured notes is a note where terms of the agreement require the payment of additional interest contingent on surplus cash remaining at the close of SIF2010. As of June 30, 2015, management determined that the contingent interest likely paid out at the maturity of the fund would be approximately \$120,000. This is recorded as accrued interest at June 30, 2015.	23,500,000	23,500,000
<u>Global Partnerships Social Investment Fund 5.0</u>		
Unsecured notes in SIF5.0 issued between March, 2013 and June, 2015 with interest payable quarterly at rates ranging from 2.00% to 4.00% per annum, maturity dates of March, 2016, March, 2018 and March, 2023.	<u>32,800,000</u>	<u>22,101,425</u>
	<u><b>\$ 60,718,500</b></u>	<u><b>\$ 65,799,136</b></u>

Debt maturities consist of the following at June 30:

For the Year Ending June 30,

2016	\$ 24,100,000
2017	
2018	15,550,000
2019	1,700,000
2020	300,000
Thereafter	<u>19,068,500</u>
	<u><b>\$ 60,718,500</b></u>

Investors in the Funds purchased unsecured notes and provided loans to the Funds for the purpose of providing the resources for making secured and unsecured loans to qualified partner institutions in Latin America and the Caribbean.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

---

#### Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Pledges - time restriction	\$ 1,656,759	\$ 232,175
Health services - purpose restriction	531,906	861,128
Synergy Capital Fund - time and purpose restrictions	<u>52,500</u>	<u>168,500</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 2,241,165</u></b>	<b><u>\$ 1,261,803</u></b>

#### Note 11 - Commitments

**Operating Leases** - GP leases office space under a noncancelable operating lease agreement that expires in October 2020. The lease calls for minimum lease payments of \$10,373 per month. GP also leases office equipment under noncancelable operating leases that expire in June 2016. The equipment leases call for monthly payments of \$228.

Future minimum rentals under noncancelable operating leases are as follows for the years ending June 30:

For the Year Ending June 30,

2016	\$ 146,232
2017	148,023
2018	152,371
2019	156,719
2020	161,067
Thereafter	<u>95,435</u>
<b>Total Minimum Rental Payments</b>	<b><u>\$ 859,847</u></b>

Rent expense for operating leases totaled \$169,405 and \$169,946 for the years ended June 30, 2015 and 2014, respectively.

#### Note 12 - Retirement Plan

GP has a 401(k) retirement plan (the Plan) available to all eligible employees. GP makes contributions to the Plan for participants in accordance with requirements specified in the Plan documents. During the years ended June 30, 2015 and 2014, GP's contributions to the Plan were \$144,861 and \$132,358, respectively.

#### Note 13 - Related Parties

Certain unsecured notes invested in GP are held with board members and other related parties with outstanding balances of \$3,050,000 and \$2,798,330 as of June 30, 2015 and 2014, respectively.

**SUPPLEMENTARY INFORMATION**

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Schedule of Functional Operating Expenses  
For the Year Ended June 30, 2015  
(With Comparative Totals for 2014)**

	Total Program Services	Management and General	Fundraising	2015 Consolidated Total	2014 Consolidated Total
Wages and salaries	\$ 1,262,056	\$ 111,795	\$ 567,103	\$ 1,940,954	\$ 1,814,606
Employee benefits	316,496	23,603	112,655	452,754	379,270
Payroll taxes	104,228	5,741	41,901	151,870	135,720
<b>Total Salaries and Related Expenses</b>	<b>1,682,780</b>	<b>141,139</b>	<b>721,659</b>	<b>2,545,578</b>	<b>2,329,596</b>
Interest	2,152,536			2,152,536	2,183,202
Legal and accounting fees	589,967	24,610	4,841	619,418	681,464
Contract labor	247,785	735	4,292	252,812	184,470
Program grants	235,811			235,811	134,630
Occupancy	127,100	6,984	40,790	174,874	173,316
Travel	147,233	32	23,228	170,493	140,289
Consulting fees	72,061	4,574	35,722	112,357	94,594
Marketing	6,717	33	98,140	104,890	120,594
Loan fees	74,000			74,000	41,069
Miscellaneous	19,378	9,303	17,374	46,055	34,678
Insurance	24,115	15,414		39,529	45,321
Office equipment and maintenance	15,526	1,133	20,742	37,401	45,206
Bank charges	14,632	6,211	8,031	28,874	26,958
Depreciation and amortization	17,846	1,159	6,989	25,994	61,880
Telephone	13,597	460	2,716	16,773	21,412
Office supplies and postage	8,508	169	6,372	15,049	18,723
Business taxes	5,454	2,270		7,724	6,978
Reserve for social investment losses	(198,771)			(198,771)	377,000
<b>Total Expenses</b>	<b>\$ 5,256,275</b>	<b>\$ 214,226</b>	<b>\$ 990,896</b>	<b>\$ 6,461,397</b>	<b>\$ 6,721,380</b>

See independent auditor's report.