

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2018

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Independent Auditor's Report

**To the Board of Directors
Global Partnerships and Subsidiaries
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, 2018, and the related consolidated statements of activities and 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.



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

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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, 2018 and the consolidated change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 consolidated schedule of functional operating expenses on page 17 and the consolidating information in the consolidated statement of financial position and the consolidated statement of activities are 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.

Clark Nuber P.S.

Certified Public Accountants
September 20, 2018

FINANCIAL STATEMENTS

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Consolidated Statement of Financial Position With Consolidating Information
June 30, 2018
(With Comparative Totals for 2017)

	Global Partnerships	Global Partnerships Eleos Social Venture Fund, LLC	Global Partnerships Social Investment Fund 6.0, LLC	Global Partnerships Social Investment Fund 5.0, LLC	GP Fund Management, LLC	Eliminations	2018 Consolidated Total	2017 Consolidated Total
Assets								
Current Assets:								
Cash and cash equivalents	\$ 3,202,690	\$ 835,764	\$ 2,766,870	\$ 2,143,615	\$ 1,598	\$ -	\$ 8,950,537	\$ 8,568,899
Pledges receivable, current portion, net (Note 3)	337,830						337,830	455,883
Social investment loans receivable, current portion, net (Note 4)	286,076		21,895,355	20,771,948			42,953,379	40,039,740
Short-term investments (Note 6)	5,053,317						5,053,317	4,834,779
Interest receivable	4,528		121,131	509,427			635,086	641,000
Other assets	83,074		12,750			(24,217)	71,607	76,748
Total Current Assets	8,967,515	835,764	24,796,106	23,424,990	1,598	(24,217)	58,001,756	54,617,049
Pledges receivable, long-term portion, net (Note 3)	176,394						176,394	469,427
Social investment loans receivable, long-term portion, net (Note 4)	134,924		23,697,987	26,817,232			50,650,143	37,638,250
Social investments in securities	174,438	1,556,206					1,730,644	1,375,666
Derivative instruments (Note 5)			486,804	208,048			694,852	1,932,606
Long-term investments (Note 6)	2,845,447						2,845,447	3,455,317
Investment in subsidiaries, other entities and other assets	14,873,850		212,836	400,000		(14,873,850)	612,836	512,836
Property and equipment, net (Note 8)	43,744						43,744	47,763
Total Assets	\$ 27,216,312	\$ 2,391,970	\$ 49,193,733	\$ 50,850,270	\$ 1,598	\$ (14,898,067)	\$ 114,755,816	\$ 100,048,914
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable	\$ 70,186	\$ -	\$ 19,594	\$ 20,523	\$ -	\$ (24,217)	\$ 86,086	\$ 73,847
Current portion of long-term debt (Note 9)			350,000	2,000,000			2,350,000	20,600,000
Accrued liabilities	744,584		92,087	252,924			1,089,595	1,162,696
Total Current Liabilities	814,770		461,681	2,273,447		(24,217)	3,525,681	21,836,543
Deferred rent liability	57,309						57,309	71,908
Derivative instruments (Note 5)			349,539	129,740			479,279	178,215
Long-term debt, net of current portion (Note 9)	12,873,750	1,216,250	41,700,000	41,250,000			97,040,000	63,330,000
Total Liabilities	13,745,829	1,216,250	42,511,220	43,653,187		(24,217)	101,102,269	85,416,666
Net Assets/Equity:								
Member's equity		1,173,750	7,450,000	6,250,000	100	(14,873,850)		
Accumulated earnings (deficit)		1,970	(767,487)	947,083	1,498		183,064	(273,833)
Unrestricted net assets	12,956,259						12,956,259	13,772,349
Temporarily restricted net assets (Note 10)	514,224						514,224	1,133,732
Total Net Assets and Equity	13,470,483	1,175,720	6,682,513	7,197,083	1,598	(14,873,850)	13,653,547	14,632,248
Total Liabilities, Net Assets and Equity	\$ 27,216,312	\$ 2,391,970	\$ 49,193,733	\$ 50,850,270	\$ 1,598	\$ (14,898,067)	\$ 114,755,816	\$ 100,048,914

See independent auditor's report.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Consolidated Statement of Activities With Consolidating Information
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Global Partnerships	Global Partnerships Eleos Social Venture Fund, LLC	Global Partnerships Social Investment Fund 6.0, LLC	Global Partnerships Social Investment Fund 5.0, LLC	GP Fund Management, LLC	Eliminations	2018 Consolidated Total	2017 Consolidated Total
Operating Unrestricted Activity Revenue and Other Support:								
Contributions	\$ 1,127,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,127,314	\$ 1,140,239
In-kind contributions	201,704						201,704	330,994
Earned income	1,850,668		3,005,520	3,660,794	1,825,163	(3,650,325)	6,691,820	5,750,735
Other income	364,738	2,458	72,221	55,873		(201,488)	293,802	188,001
Net assets released from restrictions	1,004,881						1,004,881	1,384,732
Total Operating Unrestricted Activity Revenue and Other Support	4,549,305	2,458	3,077,741	3,716,667	1,825,163	(3,851,813)	9,319,521	8,794,701
Operating Expenses:								
Program services	4,044,793	578	2,756,594	3,015,035	1,826,041	(3,851,813)	7,791,228	7,646,625
Management and general	290,525						290,525	260,346
Fundraising	1,030,077						1,030,077	950,376
Total Operating Expenses	5,365,395	578	2,756,594	3,015,035	1,826,041	(3,851,813)	9,111,830	8,857,347
Excess (Deficiency) of Revenues and Other Support Over Expenses From Operating Activities	(816,090)	1,880	321,147	701,632	(878)		207,691	(62,646)
Unrealized foreign currency translation gains (losses)			(431,019)	1,402,953			971,934	140,421
Change in fair value of derivative instruments			206,944	(1,745,762)			(1,538,818)	(342,961)
Change in Unrestricted Net Assets	(816,090)	1,880	97,072	358,823	(878)		(359,193)	(265,186)
Changes in Temporarily Restricted Net Assets								
Contributions	385,373						385,373	412,591
Net assets released from restrictions	(1,004,881)						(1,004,881)	(1,384,732)
Change in Temporarily Restricted Net Assets	(619,508)						(619,508)	(972,141)
Changes in Net Assets	(1,435,598)	1,880	97,072	358,823	(878)		(978,701)	(1,237,327)
Beginning of Year Net Assets/Equity:								
Member's equity		1,000,000	5,800,000	6,250,000	100	(13,050,100)		
Accumulated earnings (deficit)		90	(864,559)	588,260	2,376		(273,833)	(3,499)
Unrestricted net assets	13,772,349						13,772,349	13,767,201
Temporarily restricted net assets	1,133,732						1,133,732	2,105,873
Total Beginning of Year Net Assets/Equity	14,906,081	1,000,090	4,935,441	6,838,260	2,476	(13,050,100)	14,632,248	15,869,575
End of Year Net Assets/Equity:								
Member's equity		1,000,000	5,800,000	6,250,000	100	(13,050,100)		
Member's equity contribution		173,750	1,650,000			(1,823,750)		
Total member's equity		1,173,750	7,450,000	6,250,000	100	(14,873,850)		
Accumulated earnings (deficit)		1,970	(767,487)	947,083	1,498		183,064	(273,833)
Unrestricted net assets	12,956,259						12,956,259	13,772,349
Temporarily restricted net assets	514,224						514,224	1,133,732
Total End of Year Net Assets/Equity	\$ 13,470,483	\$ 1,175,720	\$ 6,682,513	\$ 7,197,083	\$ 1,598	\$ (14,873,850)	\$ 13,653,547	\$ 14,632,248

See independent auditor's report.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	2018 Consolidated Total	2017 Consolidated Total
Cash Flows From Operating Activities:		
Change in net assets	\$ (978,701)	\$ (1,237,327)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,708	20,849
Provision for estimated loan losses	1,040,836	1,197,749
Unrealized losses on change in fair value of derivative instruments	1,538,818	342,961
Unrealized foreign currency translation gains	(971,934)	(140,421)
Loss on impairment of social equity security		75,562
Unrealized gain on investments	(24,192)	(36,398)
Donated social investments in equity securities		(257,500)
Changes in assets and liabilities:		
Pledges receivable	411,086	970,240
Interest receivable	5,914	(10,207)
Other assets	5,141	(19,404)
Other investments	(100,000)	(98,734)
Accounts payable	12,239	(26,588)
Accrued liabilities	(73,101)	203,253
Deferred rent liability	(14,599)	(10,252)
Net Cash Provided by Operating Activities	871,215	973,783
Cash Flows From Investing Activities:		
Issuance of social investment loans	(44,010,560)	(28,965,762)
Principal repayments on social investment loans	28,016,126	19,337,733
Purchases of investments	(1,143,873)	(4,215,963)
Proceeds from investments	1,559,397	
Purchase of social investments in equity securities	(354,978)	(550,000)
Purchase of property and equipment	(15,689)	(20,482)
Net Cash Used by Investing Activities	(15,949,577)	(14,414,474)
Cash Flows From Financing Activities:		
Issuance of long-term debt	21,010,000	10,842,000
Principal repayments on long-term debt	(5,550,000)	(378,000)
Net Cash Provided by Financing Activities	15,460,000	10,464,000
Net Change in Cash	381,638	(2,976,691)
Cash balance, beginning of year	8,568,899	11,545,590
Cash Balance, End of Year	\$ 8,950,537	\$ 8,568,899
Supplementary Information:		
Noncash contribution of donated social investments in equity securities	\$ -	\$ 257,500
Cash paid for interest	\$ 2,652,361	\$ 2,331,305

See accompanying notes.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

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 is an impact-led investor, investing in sustainable social enterprises who deliver high-impact products and services for people living in poverty. As of June 30, 2018, GP had more than \$96 million invested in 65 microfinance institutions (MFIs), social businesses and cooperatives in 21 countries in Latin America, the Caribbean and East Africa. With these mission-aligned partners, GP supports programs that deliver high social impact in the areas of economic resilience, health services and clean energy.

Since 2005, GP has formed seven Social Investment Funds (collectively, the Funds) to serve as investment vehicles to make low-cost secured and unsecured loans and, to a lesser extent, equity investments 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, foundations and other institutions. Four 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 6.0, LLC (SIF6.0), Global Partnerships Social Investment Fund 5.0, LLC (SIF5.0), and Global Partnerships Eleos Social Venture Fund, LLC (SVF). SIF5.0, SIF6.0, and SVF were formed in October 2012, July 2015, and April 2016, respectively. As of June 30, 2018, GP has outstanding contributed capital of \$6,250,000, \$7,450,000, and \$1,173,750 to SIF5.0, SIF6.0 and SVF respectively.

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 of the fund manager.

Principles of Consolidation - The consolidated financial statements include the activities of GP and its subsidiaries, Global Partnerships Eleos Social Venture Fund, LLC, Global Partnerships Social Investment Fund 6.0, LLC, Global Partnerships Social Investment Fund 5.0, 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 the Organization 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, 2018 and 2017, the Organization had no permanently restricted net assets.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

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 - the Organization 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.

Social Investments in Securities - These social investments consist of investments in business enterprises that seek to deliver high impact products and services to impoverished households. As of June 30, 2018, the Organization had securities in 10 business enterprises. These investments are carried at the lower of cost or impaired cost. The cost or impaired cost of these investments totaled \$1,730,644 and \$1,375,666 at June 30, 2018 and 2017, respectively. During the year ended June 30, 2018 the Organization did not identify any events or changes in circumstances that may have had a significant adverse effect on the value of its investments and therefore, no impairment loss was recorded. During the year ended June 30, 2017, management performed an impairment analysis and recognized a \$75,562 impairment loss on one private equity investment held on the cost basis.

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 and investor notes held in the investment portfolio are reported at cost plus accrued interest.

Investment in Other Entity - The Organization's investment in another entity is carried at cost. The cost of this investment totaled \$412,836 at June 30, 2018 and 2017, respectively. The Organization 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, 2018 and 2017.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

Note 1 - Continued

Other Assets - Others assets consist of a refundable deposit the Organization provided to another entity. Other assets totaled \$200,000 and \$100,000 at June 30, 2018 and 2017, respectively.

Accounting for Derivative Instruments - Derivatives which consist of foreign currency swap agreements and forward contracts are recorded in the statement of financial position at fair value. Fair value for the Organization'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 the Organization 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.

Property and Equipment - The Organization 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 three 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 - The Organization 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, the Organization 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, the Organization 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.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

Note 1 - Continued

Operating and Nonoperating Activities - All activities are considered operating except for unrealized gains and losses on derivative financial instruments and unrealized foreign currency translation gains and losses.

Comparative Amounts for 2017 - 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 Organization's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events - The Organization's management has evaluated subsequent events through September 20, 2018, the date on which the financial statements were available to be issued.

Note 2 - Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash, pledges receivable, loans receivable, equity securities 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.

The Organization had pledges receivable from two donors which represents approximately 57 and 53 percent of total pledges receivable at June 30, 2018 and 2017, respectively. The Organization had in-kind contributions from two law firms representing 80 and 88 percent of total in-kind contributions during the years ended June 30, 2018 and 2017, respectively. The Organization had investor notes payable to one investor representing 34 and 35 percent of outstanding long-term debt at June 30, 2018 and 2017, respectively.

Note 3 - Pledges Receivable and Contribution Revenue

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

	<u>2018</u>	<u>2017</u>
Receivables due in one year	\$ 342,830	\$ 460,883
Receivables due in two to five years	181,194	477,527
Gross Pledges Receivable	524,024	938,410
Less allowance for uncollectible pledges	(5,000)	(5,000)
Less unamortized discount to present value	(4,800)	(8,100)
Less current portion, net	<u>(337,830)</u>	<u>(455,883)</u>
Total Long-Term Pledges Receivable	<u>\$ 176,394</u>	<u>\$ 469,427</u>

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

Note 3 - Continued

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

	<u>2018</u>	<u>2017</u>
Unrestricted contributions	\$ 1,127,314	\$ 1,140,239
Temporarily restricted contributions	<u>385,373</u>	<u>412,591</u>
Total Contributions	<u>\$ 1,512,687</u>	<u>\$ 1,552,830</u>

Note 4 - Social Investment Loans Receivable

The Organization 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. The Organization'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. Interest is not accrued on loans that are in default.

Loans receivable are due as follows at June 30:

For the Year Ending June 30,	<u>2018</u>	<u>2017</u>
2018	\$ -	\$ 41,578,493
2019	43,555,271	24,548,123
2020	32,387,172	8,142,728
2021	16,917,379	5,219,476
2022	<u>2,425,700</u>	<u>711,923</u>
	95,285,522	80,200,743
Less current maturities, net of allowance	(42,953,379)	(40,039,740)
Less allowance for loan losses (current portion)	(601,892)	(1,538,753)
Less allowance for loan losses (long-term portion)	<u>(1,080,108)</u>	<u>(984,000)</u>
Total Long-Term Social Investment Loans Receivable	<u>\$ 50,650,143</u>	<u>\$ 37,638,250</u>

Loans receivable are past due as follows at June 30, 2018:

Greater than 180 days past due	<u>\$ 646,768</u>
	<u>\$ 646,768</u>

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

Note 4 - Continued

The allowance for loan losses represents 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. There is at least a reasonable possibility that the recorded estimate will change by a material amount in the near term.

A reconciliation of the allowance for loan losses was as follows at June 30:

	<u>2018</u>	<u>2017</u>
Allowance for loan losses, beginning balance	\$ 2,522,753	\$ 1,776,346
Direct loan write-downs	(1,881,589)	(451,342)
Provision for estimated credit losses	<u>1,040,836</u>	<u>1,197,749</u>
Allowance for Loan Losses, Ending Balance	<u><u>\$ 1,682,000</u></u>	<u><u>\$ 2,522,753</u></u>

The Organization 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 gain of \$971,934 and \$140,421 were recognized for the years ending June 30, 2018 and 2017, respectively, and are included in nonoperating section of the consolidated statement of activities.

Note 5 - Derivative Financial Instruments

To manage the fluctuations of foreign currency values related to the loans denominated in foreign currencies, the Organization enters into a currency hedge agreement for each foreign currency loan. A currency hedge 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 hedge agreements for all loans denominated in foreign currencies and these hedge agreements mature in concert with the outstanding foreign currency loans. The cost of the currency hedge agreements is part of the loan costs paid for by the partner organization receiving the foreign currency loan. The Organization records the net settlement from each transaction. As a result of the currency hedge agreements the Organization has reduced its currency risk so that the value of the loan repayments would not be less or greater than the original loan amounts. The Organization does not enter into derivative financial instrument agreements for trading or speculative purposes. The net position of the currency hedge is recorded in the consolidated statement of financial position. The derivative instruments were recorded at their fair value resulting in an unrealized loss in fair value of derivative instruments of (\$1,538,818) and (\$342,961) for the year ended June 30, 2018 and 2017, respectively. The change in fair value of derivative instruments is included in the nonoperating section of the consolidated statement of activities. The balance of the derivative instruments at June 30, 2018 and 2017 is shown in Note 7.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

Note 6 - Investments

The objective of the Organization's investments is to provide not only financial returns, liquidity, and protection of principal, but also to further the Organization's philanthropic mission and social impact goals. The certificates of deposit are placed with financial institutions providing sources of capital to under-served communities. Community investment notes represent fixed income securities with a targeted investment in a number of different impact areas including microfinance and development projects. The limited partnership investment provides debt financing to financial institutions that in turn make loans to entrepreneurs in developing communities. The Organization may withdraw all or any portion of its limited partnership interests based on the tranche in which the funds are invested. Funds invested in tranche A may be withdrawn provided a 30 day prior written notice. Funds invested in tranche B may be withdrawn on an annual basis. As of June 30, 2018 and 2017, limited partnership interests in tranche A totaled \$1,074,416 and \$1,059,009, respectively, and funds held in tranche B totaled \$417,041 and \$408,255, respectively.

Investments consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 3,561,861	\$ 4,282,935
Community investment notes	2,845,447	2,539,897
Limited partnership interests	<u>1,491,456</u>	<u>1,467,264</u>
Total Investments	<u>\$ 7,898,764</u>	<u>\$ 8,290,096</u>

Investments were reported in the statement of financial position as follows at June 30:

	<u>2018</u>	<u>2017</u>
Short-term investments	\$ 5,053,317	\$ 4,834,779
Long-term investments	<u>2,845,447</u>	<u>3,455,317</u>
	<u>\$ 7,898,764</u>	<u>\$ 8,290,096</u>

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

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 Organization'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.

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, 2018.

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 Interests - 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 Interests</u>
Balance, June 30, 2017	\$ 1,754,391	\$ 1,467,264
Unrealized (losses) gains, net	<u>(1,538,818)</u>	<u>24,192</u>
Balance, June 30, 2018	<u>\$ 215,573</u>	<u>\$ 1,491,456</u>

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

Note 8 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures, equipment and software	\$ 270,927	\$ 255,238
Leasehold improvements	<u>31,313</u>	<u>31,313</u>
	302,240	286,551
Less accumulated depreciation and amortization	<u>(258,496)</u>	<u>(238,788)</u>
Total Property and Equipment, Net	<u>\$ 43,744</u>	<u>\$ 47,763</u>

Note 9 - Long-Term Debt

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

	<u>2018</u>	<u>2017</u>
<u>Global Partnerships</u>		
Limited recourse notes issued between March 2013 and June 2016 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, 2018, the contingent interest liability to be paid at maturity totaled \$1,173,039.	\$ 5,750,000	\$ 5,750,000
Limited recourse notes issued between October 2015 and March 2018 to provide capital for GP's equity contribution in SIF6.0. These notes have only limited recourse to the performance of SIF6.0 and have no claim on GP's general resources for repayment. The notes accrue interest annually at a rate of 3.5% to 6%, but payment is only made at the maturity date and is dependent on surplus cash from SIF6.0 that is returned to GP for its equity in the Fund. The notes mature in September 2025. As of June 30, 2018, the contingent interest liability to be paid at maturity totaled \$589,574.	6,950,000	5,300,000
Recoverable grant agreement issued in March 2018 to provide capital for early-stage social enterprises. This recoverable grant is only repayable from the cumulative proceeds of the capital invested and has no claim on GP's general resources for repayment.	173,750	

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

Note 9 - Continued

	<u>2018</u>	<u>2017</u>
<u>Global Partnerships Eleos Social Venture Fund</u>		
Unsecured notes in SVF issued between July 2016 and June 2018 with interest payable at a rate of 2.5% per annum, but payment is only made at the maturity date and is dependent on surplus cash from SVF. The notes mature in July 2026. As of June 30, 2018, the contingent interest liability to be paid at maturity totaled \$23,403.	1,216,250	250,000
<u>Global Partnerships Social Investment Fund 5.0</u>		
Unsecured notes in SIF5.0 issued between March 2013 and June 2018 with interest payable quarterly at rates ranging from 2% to 4% per annum, maturity dates between March 2019 and March 2023.	43,250,000	43,750,000
<u>Global Partnerships Social Investment Fund 6.0</u>		
Unsecured notes in SIF6.0 issued between September 2015 and March 2018 with interest payable quarterly at rates ranging from 1% to 4% per annum, maturity dates between September 2018 and September 2025.	42,050,000	28,880,000
	99,390,000	83,930,000
Less current portion	<u>(2,350,000)</u>	<u>(20,600,000)</u>
Long-Term Debt	<u>\$ 97,040,000</u>	<u>\$ 63,330,000</u>

Debt maturities consist of the following at June 30:

For the Year Ending June 30,

2019	\$ 2,350,000
2020	7,000,000
2021	10,923,750
2022	14,770,000
2023	43,950,000
Thereafter	<u>20,396,250</u>
	<u>\$ 99,390,000</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, the Caribbean and East Africa.

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

Note 10 - Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Pledges - time restriction	\$ 514,224	\$ 877,826
Health services - purpose restriction		210,323
Impact research - purpose restriction		45,583
Total Temporarily Restricted Net Assets	<u>\$ 514,224</u>	<u>\$ 1,133,732</u>

During the year ended June 30, 2018 releases from restrictions totaled \$365,123 for program and \$639,758 due to the collection of pledges. During the year ended June 30, 2017 releases from restrictions totaled \$75,262 for program and \$1,309,470 due to the collection of pledges

Note 11 - Commitments

Operating Leases - GP leases office space under a noncancelable operating lease agreement that expires in January 2021. The lease calls for minimum lease payments ranging from \$12,909 to \$13,634 per month. GP also leases office equipment under noncancelable operating leases that expire in June 2021. The equipment leases call for monthly payments of \$226.

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

For the Year Ending June 30,

2019	\$ 159,431
2020	163,779
2021	98,147
Thereafter	<u>2,712</u>
Total Minimum Rental Payments	<u>\$ 424,069</u>

Rent expense for operating leases totaled \$186,741 and \$186,268 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, GP's contributions to the Plan were \$175,709 and \$180,283, respectively.

Note 13 - Related Parties

Certain unsecured notes invested in the Organization are held with board members and other related parties with outstanding balances of approximately \$4,500,000 as of June 30, 2018 and 2017, respectively.

SUPPLEMENTARY INFORMATION

GLOBAL PARTNERSHIPS AND SUBSIDIARIES

**Consolidated Schedule of Functional Operating Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	Total Program Services	Management and General	Fundraising	2018 Consolidated Total	2017 Consolidated Total
Wages and salaries	\$ 2,068,217	\$ 136,590	\$ 573,556	\$ 2,778,363	\$ 2,661,007
Employee benefits	428,562	29,236	118,683	576,481	548,934
Payroll taxes	145,868	6,762	35,211	187,841	182,767
Total Salaries and Related Expenses	2,642,647	172,588	727,450	3,542,685	3,392,708
Interest	2,633,000			2,633,000	2,333,522
Provision for social investment losses	1,040,836			1,040,836	1,197,749
Contract labor	409,937	46,705	35,263	491,905	381,884
Legal and accounting fees	256,052	25,512		281,564	515,059
Travel	218,104	1,460	57,863	277,427	225,102
Occupancy	150,501	10,001	39,680	200,182	197,366
Consulting fees	182,446		14,358	196,804	85,971
Marketing	6,672	222	106,077	112,971	105,526
Office equipment and maintenance	59,070	1,959	18,023	79,052	82,971
Loan fees	52,009			52,009	85,000
Miscellaneous	38,599	3,252	4,775	46,626	58,964
Insurance	25,500	15,900		41,400	40,363
Bank charges	16,083	10,132	9,372	35,587	31,175
Telephone	11,746	762	9,709	22,217	22,271
Office supplies and postage	17,523	481	3,071	21,075	24,274
Depreciation and amortization	14,247	1,099	4,362	19,708	20,849
Business taxes	16,256	452	74	16,782	16,331
Program grants					40,262
Total Expenses	<u>\$ 7,791,228</u>	<u>\$ 290,525</u>	<u>\$ 1,030,077</u>	<u>\$ 9,111,830</u>	<u>\$ 8,857,347</u>

See independent auditor's report.