PARTNERS INTERNATIONAL

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

PARTNERS INTERNATIONAL
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners International
Spokane, Washington

We have audited the accompanying financial statements of Partners International (nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 auditors' 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.

Board of Directors
Partners International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners International as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Spokane, Washington
January 10, 2022

PARTNERS INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,242,045
Short-Term Investments	2,743,807
Prepaid Expenses and Other Assets	3,040
Total Current Assets	3,988,892
PROPERTY AND EQUIPMENT	
Net of Accumulated Depreciation and Amortization	13,146
Total Property and Equipment	13,146
OTHER ASSETS	
Long-Term Investments	87,739
Certificate of Deposit	100,000
Total Other Assets	187,739
	$ 4,189,777

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	$ 39,552
Accrued Expenses	345,872
Total Current Liabilities	385,424
OTHER LIABILITIES	
Gift Annuities	43,746
Deferred Gain on Sale of Building	8,293
Total Other Liabilities	52,039
Total Liabilities	437,463
NET ASSETS	
Without Donor Restrictions	2,400,768
With Donor Restrictions:	
Perpetual in Nature	100,000
Purpose Restrictions	1,251,546
Total With Donor Restrictions	1,351,546
Total Net Assets	3,752,314
Total Liabilities and Net Assets	$ 4,189,777

See accompanying Notes to Financial Statements.

PARTNERS INTERNATIONAL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions from Constituency	$ 1,818,598	$ 4,237,285	$ 6,055,883
Investment Gain	284,271	-	284,271
Annuity Distributions, Net of Actuarial Adjustment of $1,927	(4,984)	-	(4,984)
Gain from Sale of Building	30,060	-	30,060
Loss from Disposal of Equipment	(680)	-	(680)
Gain on Extinguishment of Debt	284,610	-	284,610
Total	2,411,875	4,237,285	6,649,160
Net Assets Released from Donor Restrictions	3,984,305	(3,984,305)	-
Total Support and Revenue	6,396,180	252,980	6,649,160
EXPENSES			
Ministries and Programs	4,238,506	-	4,238,506
Supporting Services:			
General and Administrative	474,671	-	474,671
Fundraising	1,094,859	-	1,094,859
Total Expenses	5,808,036	-	5,808,036
CHANGE IN NET ASSETS	588,144	252,980	841,124
Net Assets - Beginning of Year	1,812,624	1,098,566	2,911,190
NET ASSETS - END OF YEAR	$ 2,400,768	$ 1,351,546	$ 3,752,314

See accompanying Notes to Financial Statements.

PARTNERS INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Ministries and Programs	General and Administrative	Fundraising	Total
Grants and Allocations	$ 2,987,013	$ -	$ -	$ 2,987,013
Salaries	781,259	273,305	699,815	1,754,379
Benefits	144,057	39,541	134,974	318,572
Travel	45,579	11,039	23,302	79,920
Telecommunications	5,099	2,118	2,409	9,626
Postage	3,110	2,346	8,724	14,180
Supplies	1,216	1,187	2,597	5,000
Printing	248	452	44,146	44,846
Outside Services	141,968	9,509	81,630	233,107
Occupancy	23,523	41,517	41,753	106,793
Depreciation and Amortization	2,162	10,823	7,758	20,743
Hospitality	7,043	3,026	4,347	14,416
Training	4,264	812	4,026	9,102
Computer Consulting	2,013	9,056	9,056	20,125
Computing Equipment and Software	33,238	6,033	19,507	58,778
Audit Services	-	16,590	-	16,590
Advertising	107	58	5,695	5,860
Bad Debt Expense	-	31,627	-	31,627
Other Expenses	56,607	15,632	5,120	77,359
Total	$ 4,238,506	$ 474,671	$ 1,094,859	$ 5,808,036

See accompanying Notes to Financial Statements.

PARTNERS INTERNATIONAL
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Contributions Received	$ 6,130,371
Interest and Dividends Received, Net	23,200
Cash Paid to Partners' Ministries	(2,987,013)
Cash Paid to Employees	(1,845,152)
Cash Paid to Service Providers	(726,669)
Net Cash Provided by Operating Activities	594,737
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(2,135,152)
Proceeds from Sale of Investments	2,115,171
Net Cash Used by Investing Activities	(19,981)
CASH FLOWS FROM FINANCING ACTIVITIES	
Gift Annuities Distributions	(1,927)
NET INCREASE IN CASH AND CASH EQUIVALENTS	572,829
Cash and Cash Equivalents - Beginning of Year	669,216
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,242,045
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Changes in Net Assets	$ 841,124
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	20,743
Gain on Investments, Net	(261,071)
Gain on Extinguishment of Debt	(284,610)
Loss on Disposal of Equipment	680
(Increase) Decrease in Assets:	
Promises-to-Give Receivable	31,627
Prepaid Expenses and Other Assets	41,395
Organizational Costs	5,450
Other Receivables	1,000
Increase (Decrease) in Liabilities:	
Accounts Payable	660
Accrued Expenses	227,799
Deferred Gain on Sale of Building	(30,060)
Net Cash Provided by Operating Activities	$ 594,737

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

Partners International (Partners) was incorporated in 1961 in California as a nonprofit corporation, and subsequently, in 2018 in Washington. Partners is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and is also exempt from state income taxes. Partners has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Code. Contributions by the public are deductible for tax purposes.

Partners exists to enable, enhance, and extend partnerships with indigenous organizations involved in evangelism, church planning, leadership training, relief, and development to carry out their work. Partners actively performs due diligence on these partnering organizations through monitoring their ministry operations. It is also actively screening and selecting other indigenous organizations to partner with. Partners presently provides resources to approximately 68 worldwide indigenous organizations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Partners have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Affiliated Organizations

Partners is affiliated with several organizations which are not included in these financial statements because they are not under common control. Partners and these organizations do, however, participate together in outreaches in many foreign countries.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit. Money market mutual funds and cash held in investment brokerage accounts are included in investments.

Certificate of Deposit

Certificate of deposit is stated at cost.

Concentration of Credit Risk

Cash and cash equivalents, at times, exceed federally insured limits. Partners has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments set aside to fund gift annuities and endowment agreements are classified as long-term investments. See Note 5 for discussion of fair value measurements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give and Receivables

Partners receives promises to give ranging in length from one to ten years. Promises to give that are expected to be collected within one year are recorded at their pledge value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted. Promises to give written off during the year ended June 30, 2021 was $31,627.

Intentions

Partners has received indications of gifts from donors. Due to the uncertain nature of these intentions, these intentions do not meet the criteria of revenue recognition under U.S. GAAP; they are not reflected as contributions in the statement of activities and changes in net assets until the donation is collected. Partners has not recognized an asset or contribution receivable for these gifts.

Property and Equipment

Property and equipment purchased are carried at cost, net of accumulated depreciation. Expenditures of less than $2,000 and computers are charged to expense. Donated property and equipment are carried at estimated fair market value on the date of the donation, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years.

Gift Annuities

Partners has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes.

The difference between the amount contributed for the gift annuity and liability for future payments, determined on an actuarial basis, is recognized as income at the date of the gift and is reflected on the statement of activities and changes in net assets as contributions from new gift annuities. The difference between assets in trust and liabilities is reported on the statement of financial position as net assets without donor restrictions.

The liability for future payments to annuitants, or commensurate value, is calculated annually based upon actuarially computed present values to comply with state legal reserve requirements. The change in the commensurate value, net of investment income, payments to annuitants, and terminations is reflected on the statement of activities and changes in net assets as changes in value of split-interest agreements.

The commensurate value of gift annuities was $43,746 as of June 30, 2021.

Deferred Gain on Sale of Building

Gain on sale of building deferred related to sale leaseback transaction. Gain will be recognized over the term of the lease, see Note 6.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The financial statement presentation follows the requirements of Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Partners is required to report information regarding its financial position and activities according to the following classes of net assets:

Without Donor Restrictions – Amounts are those currently available at the discretion of the board of directors for use in Partners' operations and those resources invested in property and equipment.

With Donor Restrictions – Amounts are those which are stipulated by donors for specific program operating purposes. The majority of the ending balance represents funds that are purpose restricted for field ministries which have not been expended as of year-end. Releases of net assets was for field ministries. At June 30, 2021, there was $100,000 included in net assets with donor restrictions, the income earned from these funds is used toward training and operations in China, in accordance with the donor's stipulation for earnings from the gift, and the principal portion of this contribution is restricted in time until the return of Christ. Net assets with donor restrictions are restricted for program purposes.

All contributions are considered available for use unless specifically restricted by the donor or if they are subject to legal restrictions.

Contributions are recorded as with donor restriction if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from with donor restrictions to without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Partners' policy is to record donor-restricted contributions received and expended in the same accounting period as contributions with donor restrictions and net assets released from donor restrictions, unless restricted by time.

For contributions restricted by donors for the acquisition of property and other long-lived assets, the restriction is met when the property or other long-lived asset is placed in service.

Revenue, Support, and Expenses

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to Partners. Conditional promises to give are not recognized until they become unconditional, those with measurable performance or other barrier and a right of return are not recognized until the condition which they depend on have been met. Partners receives noncash gifts which are recorded as support at the estimated fair market value on the date of the gift. Goods given to Partners that do not have an objective basis for valuation are not recorded. Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

ASC 958, *Not-for-Profit Entities,* requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of Partners; however, since the above requirements were not met, the value of the contributed services is not recorded in the financial statements.

Functional Allocation of Expenses

The cost of providing the various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities based on evaluations of the related activity and time estimates.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Joint Costs

Partners allocates all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content.

Income Taxes

Partners has adopted ASC 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. Partners does not have any uncertain tax positions. The organization is exempt from income taxes under section 501(c)(3) of the Code and is classified as a Church therefore the organization does not file Form 990, Return of Organization Exempt from Income Tax.

Valuation of Long-Lived Assets

Partners, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. No impairments were recognized during the year ended June 30, 2021.

Agency Transactions

Partners receives gifts in kind of medical supplies. Partners functions as an agent or intermediary with respect to these gifts in kind, therefore Partners does not report related gift in kind revenue and expense related to these transactions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Periods

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its financial statements.

Subsequent Events

Subsequent events have been evaluated through January 10, 2022 which represents the date that the financial statements were available to be issued. Subsequent to June 30, 2021, Partners closed its Spokane offices and relocated to Atlanta, Georgia.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021:

Leasehold Improvements	$ 35,698
Office Equipment, Computer Equipment, and Computer Software	133,218
Total	168,916
Less: Accumulated Depreciation and Amortization	(155,770)
Property and Equipment, Net	$ 13,146
Depreciation and Amortization Expense	$ 20,743

NOTE 4 INVESTMENTS

Investments consisted of the following at June 30, 2021:

Short-Term Investments:	
Cash and Money Market Accounts	$ 262,899
Equity Securities	929,288
Mutual Funds	608,678
Treasury Notes	942,942
Total Short-Term Investments	2,743,807
Long-Term Investments:	
Assets Set Aside to Fund Gift Annuities:	
Cash and Money Market Accounts	850
Equity Securities	15,108
Mutual Funds	71,781
Total Long-Term Investments	87,739
Total Investments	$ 2,831,546

Investment income consisted of the following for the year ended June 30, 2021:

Interest and Dividends	$ 40,197
Realized and Unrealized Gain on Investments	261,071
Investment Fees	(16,997)
Total	$ 284,271

NOTE 5 FAIR VALUE MEASUREMENTS

Fair Value Measurement

Effective January 1, 2008, Partners adopted ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Partners has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices of identical or similar assets or liabilities in inactive markets;
- inputs other than the quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, Partners' assets at fair value as of June 30, 2021.

	Cost	Level 1	Level 2	Level 3	Total
Cash and Money Market Accounts	$ 263,749	$ -	$ -	$ -	$ 263,749
Equity Securities	-	944,396	-	-	944,396
Mutual Funds	-	680,459	-	-	680,459
Treasury Notes	-	942,942	-	-	942,942
Total	$ 263,749	$ 2,567,797	$ -	$ -	$ 2,831,546

NOTE 6 LEASES

In June 2018, Partners executed final documents to sell its building and land in Spokane, Washington and lease back 3,797 square feet of the building. The lease calls for rent payment through September 30, 2021. This transaction was accounted for in accordance with ASC 840-40, *Sale-Leaseback Transactions.* The amount of gain equal to the present value of future minimum lease payments, $99,776 was deferred and will be recognized over the term of the lease.

Partners entered into an operating lease for office space in Atlanta, Georgia beginning in May 2021. The lease contract is for one year through April 2022 and then will continue on a month-to-month basis.

The lease expense for future years on all leases is as follows:

Year Ending June 30,	Amount
2022	$ 63,992
Total	$ 63,992

NOTE 7 LIQUIDITY

Partners measures liquidity in terms of financial assets less donor restrictions for program projects, in terms of days of internally calculated operating expenses, as of the end of the year.

Liquidity calculation consisted of the following at June 30, 2021:

Cash and Cash Equivalents	$ 1,242,045
Short-Term Investments	2,743,807
Receivable	-
Total	3,985,852
Less: Donor Restrictions for Program Projects	(1,251,546)
Total	$ 2,734,306
Days of Internally Calculated Operating Expenses	635

NOTE 8 DEBT

On April 13, 2020, Partners received loan proceeds in the amount of $344,610 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. Partners repaid $60,000 of this loan on May 8, 2020.

On November 14, 2020, the SBA processed the Company’s PPP Loan forgiveness application and notified Washington Trust Bank the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Company was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt during the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on Partners’ financial position.