

**PARTNERS INTERNATIONAL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners International
Spokane, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Partners International (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Partners International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners International's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

Spokane, Washington
November 7, 2022

**PARTNERS INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 892,732	1,242,045
Short-Term Investments	2,380,901	2,743,807
Receivable	31,023	-
Prepaid Expenses	23,214	3,040
Total Current Assets	3,327,870	3,988,892
PROPERTY AND EQUIPMENT		
Net of Accumulated Depreciation and Amortization	5,112	13,146
Total Property and Equipment	5,112	13,146
OTHER ASSETS		
Long-Term Investments	81,860	87,739
Certificate of Deposit	100,000	100,000
Other Assets	33,792	-
Total Other Assets	215,652	187,739
	\$ 3,548,634	\$ 4,189,777
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 15,250	\$ 39,552
Accrued Expenses	129,198	345,872
Total Current Liabilities	144,448	385,424
OTHER LIABILITIES		
Gift Annuities	35,080	43,746
Deferred Gain on Sale of Building	-	8,293
Total Other Liabilities	35,080	52,039
Total Liabilities	179,528	437,463
NET ASSETS		
Without Donor Restrictions	1,885,811	2,400,768
With Donor Restrictions:		
Perpetual in Nature	100,000	100,000
Purpose Restrictions	1,383,295	1,251,546
Total With Donor Restrictions	1,483,295	1,351,546
Total Net Assets	3,369,106	3,752,314
Total Liabilities and Net Assets	\$ 3,548,634	\$ 4,189,777

See accompanying Notes to Financial Statements.

**PARTNERS INTERNATIONAL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions from Constituency	\$ 2,012,699	\$ 3,523,901	\$ 5,536,600
Gifts In-Kind	-	-	
Investment Loss	(160,983)	-	(160,983)
Annuity Distributions, Net of Actuarial Adjustment of \$8,666	3,527	-	3,527
Gain from Sale of Building	8,293	-	8,293
Other Income	847	-	847
	<u>1,864,383</u>	<u>3,523,901</u>	<u>5,388,284</u>
 Net Assets Released from Donor Restrictions	 <u>3,392,152</u>	 <u>(3,392,152)</u>	 <u>-</u>
Total Support and Revenue	<u>5,256,535</u>	<u>131,749</u>	<u>5,388,284</u>
 EXPENSES			
Ministries and Programs	4,341,027	-	4,341,027
Supporting Services:			
General and Administrative	1,024,921	-	1,024,921
Fundraising	405,544	-	405,544
Total Expenses	<u>5,771,492</u>	<u>-</u>	<u>5,771,492</u>
 Change in Net Assets Before Discontinuation of East Asia Segment	 (514,957)	 131,749	 (383,208)
 DISCONTINUATION OF SEGMENT			
 CHANGE IN NET ASSETS	 (514,957)	 131,749	 (383,208)
 Net Assets - Beginning of Year	 <u>2,400,768</u>	 <u>1,351,546</u>	 <u>3,752,314</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 1,885,811</u></u>	 <u><u>\$ 1,483,295</u></u>	 <u><u>\$ 3,369,106</u></u>

See accompanying Notes to Financial Statements.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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 \$13,242	(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
	<u>2,411,875</u>	<u>4,237,285</u>	<u>6,649,160</u>
 Net Assets Released from Donor Restrictions	 <u>3,984,305</u>	 <u>(3,984,305)</u>	 <u>-</u>
Total Support and Revenue	<u>6,396,180</u>	<u>252,980</u>	<u>6,649,160</u>
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	<u>5,808,036</u>	<u>-</u>	<u>5,808,036</u>
 Change in Net Assets Before Discontinuation of East Asia Segment	 588,144	 252,980	 841,124
DISCONTINUATION OF SEGMENT			
CHANGE IN NET ASSETS	588,144	252,980	841,124
Net Assets - Beginning of Year	<u>1,812,624</u>	<u>1,098,566</u>	<u>2,911,190</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,400,768</u></u>	<u><u>\$ 1,351,546</u></u>	<u><u>\$ 3,752,314</u></u>

See accompanying Notes to Financial Statements.

**PARTNERS INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	<u>Ministries and Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and Allocations	\$ 2,669,159	\$ -	\$ -	\$ 2,669,159
Salaries and Benefits	1,247,661	358,415	296,199	1,902,275
Travel	169,388	32,109	22,974	224,471
Office Expense	106,662	30,940	17,657	155,259
Outside Services	83,638	87,844	32,033	203,515
Occupancy	5,090	87,265	4,796	97,151
Depreciation and Amortization	-	7,631	402	8,033
Training	29,142	1,094	1,621	31,857
Computer Software and Services	9,293	68,501	5,736	83,530
Accounting / Audit Services	-	265,446	13,971	279,417
Advertising	9,425	953	3,579	13,957
Other Expenses	11,569	84,723	6,576	102,868
	<u>\$ 4,341,027</u>	<u>\$ 1,024,921</u>	<u>\$ 405,544</u>	<u>\$ 5,771,492</u>
Total Functional Expenses				

See accompanying Notes to Financial Statements.

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

	<u>Ministries and Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and Allocations	\$ 2,987,013	\$ -	\$ -	\$ 2,987,013
Salaries and Benefits	925,316	312,846	834,789	2,072,951
Travel	45,579	11,039	23,302	79,920
Office Expense	9,673	6,103	57,876	73,652
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 Software and Services	35,251	15,089	28,563	78,903
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
	<u>\$ 4,238,506</u>	<u>\$ 474,671</u>	<u>\$ 1,094,859</u>	<u>\$ 5,808,036</u>
Total Functional Expenses	<u>\$ 4,238,506</u>	<u>\$ 474,671</u>	<u>\$ 1,094,859</u>	<u>\$ 5,808,036</u>

See accompanying Notes to Financial Statements.

**PARTNERS INTERNATIONAL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Contributions Received	\$ 5,509,951	\$ 6,130,371
Interest and Dividends Received, Net	77,336	23,200
Cash Paid to Partners' Ministries	(2,886,394)	(2,987,013)
Cash Paid to Employees	(1,901,714)	(1,845,152)
Cash Paid to Service Providers	(1,270,293)	(726,669)
Net Cash Provided (Used) by Operating Activities	(471,114)	594,737
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,684,975)	(2,135,152)
Proceeds from Sale of Investments	3,815,442	2,115,171
Net Cash Provided (Used) by Investing Activities	130,467	(19,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gift Annuities Distributions	(8,666)	(1,927)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(349,313)	572,829
Cash and Cash Equivalents - Beginning of Year	1,242,045	669,216
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 892,732	\$ 1,242,045
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ (383,208)	\$ 841,124
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,033	20,743
Loss (Gain) on Investments, Net	238,319	(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	(53,966)	41,395
Organizational Costs	-	5,450
Other Receivables	(31,023)	1,000
Increase (Decrease) in Liabilities:		
Accounts Payable	(24,302)	660
Accrued Expenses	(216,674)	227,799
Deferred Gain on Sale of Building	(8,293)	(30,060)
Net Cash Provided (Used) by Operating Activities	\$ (471,114)	\$ 594,737

See accompanying Notes to Financial Statements.

**PARTNERS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 ORGANIZATION

Partners International (Partners) was incorporated in 1961 in California as a nonprofit corporation, and subsequently, in 2018 in Washington. Partners reincorporated in 2021 in Georgia. Partners is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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 IRC. Contributions by the public are deductible for tax purposes.

Partners exists to build the Church in the least reached places by partnering with indigenous ministries and connecting followers of Christ. Currently, more than three billion people have little or no access to the gospel. Partners identifies indigenous leaders with a vision to advance the gospel to the least reached and partners with them to accelerate their vision. This is accomplished by connecting them to global capital including financial, relational, knowledge, prayer. Partners is currently working with indigenous leaders in more than 30 countries.

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.

**PARTNERS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give and Receivables

Partners receives promises to give ranging in length from 1 to 10 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 years ended June 30, 2022 and 2021 was \$-0- and \$31,627, respectively.

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 \$3,000 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 \$35,080 and \$43,746 as of June 30, 2022 and 2021, respectively.

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.

**PARTNERS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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, 2022 and 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.

**PARTNERS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 IRC 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 years ended June 30, 2022 and 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.

**PARTNERS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm with the presentation of the current year financial statements. Such reclassifications resulted in no changes to previously reported change in total net assets.

Subsequent Events

Subsequent events have been evaluated through November 7, 2022 which represents the date that the financial statements were available to be issued.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Leasehold Improvements	\$ -	\$ 35,698
Office Equipment, Computer Equipment, and Computer Software	67,230	133,218
Total	<u>67,230</u>	<u>168,916</u>
Less: Accumulated Depreciation and Amortization	<u>(62,118)</u>	<u>(155,770)</u>
Property and Equipment, Net	<u>\$ 5,112</u>	<u>\$ 13,146</u>
Depreciation and Amortization Expense	<u>\$ 8,033</u>	<u>\$ 20,743</u>

**PARTNERS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 INVESTMENTS

Investments consisted of the following at June 30:

	2022	2021
Short-Term Investments:		
Cash and Money Market Accounts	\$ 2,380,901	\$ 262,899
Equity Securities	-	929,288
Mutual Funds	-	608,678
Treasury Notes	-	942,942
Total Short-Term Investments	2,380,901	2,743,807
Long-Term Investments:		
Assets Set Aside to Fund Gift Annuities:		
Cash and Money Market Accounts	81,860	850
Equity Securities	-	15,108
Mutual Funds	-	71,781
Total Long-Term Investments	81,860	87,739
Total Investments	\$ 2,462,761	\$ 2,831,546

At June 30, 2022 Partners was in the process of transitioning to a new investment manager; therefore investments were in cash at year-end.

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

	2022	2021
Interest and Dividends	\$ 98,060	\$ 40,197
Realized and Unrealized Gain on Investments	(238,319)	261,071
Investment Fees	(20,724)	(16,997)
Total	\$ (160,983)	\$ 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:

**PARTNERS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Measurement (Continued)

- 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.

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.

	2022				Total
	Cost	Level 1	Level 2	Level 3	
Cash and Money Market					
Accounts	\$ 2,462,761	\$ -	\$ -	\$ -	\$ 2,462,761
Total	<u>\$ 2,462,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,462,761</u>
	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	<u>\$ 263,749</u>	<u>\$ 2,567,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,831,546</u>

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 INTERNATIONAL
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NOTE 6 LEASES (CONTINUED)

Partners entered into an operating lease for office space in Atlanta, Georgia beginning in May 2021. The lease contract is for two years through May 2023 and then will continue on a month-to-month basis. Future minimum lease payments for the year ending June 30, 2023 are \$40,110.

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:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 892,732	\$ 1,242,045
Short-Term Investments	2,380,901	2,743,807
Receivable	31,023	-
Total	<u>3,304,656</u>	<u>3,985,852</u>
Less: Donor Restrictions for Program Projects	<u>(1,383,295)</u>	<u>(1,251,546)</u>
Total	<u>\$ 1,921,361</u>	<u>\$ 2,734,306</u>
Days of Internally Calculated Operating Expenses	<u>222</u>	<u>322</u>

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. 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.

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NOTE 9 RETIREMENT PLAN

Effective January 1, 2022, Partners established a 401(k) plan. The effective date for elective deferrals was as soon as administratively feasible following July 1, 2022. Partners may make discretionary matching contributions.



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