PARTNERSGLOBAL AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

For the Years Ended September 30, 2018 and 2017

and
Report Thereon

PARTNERSGLOBAL AND AFFILIATE

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For the Years Ended September 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PartnersGlobal and Affiliate

We have audited the accompanying consolidated financial statements of PartnersGlobal and Affiliate (collectively referred to as Partners), which comprise the consolidated statement of financial position as of September 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 Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Partners as of September 30, 2018, 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.

Other Matters

Prior Period Financial Statements

Partners' 2017 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated May 15, 2018, expressed an unmodified opinion on those audited financial statements.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidated schedule of functional expenses and supplementary consolidating information are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Marcum LLP

Washington, DC
April 4, 2019

PARTNERSGLOBAL AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

	2018	2017
ASSETS		
Cash	$ 2,186,508	$ 568,374
Grants and contracts receivable	35,794	233,768
Other receivables and advances	725,607	683,305
Prepaid expenses	9,862	77,990
Property and equipment, net	559,881	603,971
Deposits	67,375	56,712
TOTAL ASSETS	$ 3,585,027	$ 2,224,120
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 506,552	$ 369,214
Refundable advances	2,232,042	854,330
Deferred lease incentive	393,887	444,711
Deferred rent	405,200	377,824
TOTAL LIABILITIES	3,537,681	2,046,079
Net Assets		
Unrestricted	47,346	160,921
Temporarily restricted	-	17,120
TOTAL NET ASSETS	47,346	178,041
TOTAL LIABILITIES AND NET ASSETS	$ 3,585,027	$ 2,224,120

The accompanying notes are an integral part of these consolidated financial statements.

PARTNERSGLOBAL AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Government grants and contracts	$ 6,024,939	$ -	$ 6,024,939	$ 4,030,930	$ -	$ 4,030,930
Other grants and contracts	627,908	-	627,908	384,814	100,000	484,814
Sublease income and other income	192,167	-	192,167	220,669	-	220,669
Net assets released from restrictions:						
Satisfaction of purpose restrictions	17,120	(17,120)	-	170,197	(170,197)	-
TOTAL REVENUE AND SUPPORT	6,862,134	(17,120)	6,845,014	4,806,610	(70,197)	4,736,413
EXPENSES						
Program Services:						
Africa Regional programs	3,074,798	-	3,074,798	1,815,925	-	1,815,925
Middle East and North Africa (MENA) Regional programs	1,856,915	-	1,856,915	1,487,034	-	1,487,034
Latin America and Caribbean (LAC) Regional programs	130,210	-	130,210	51,440	-	51,440
Global and other programs	239,119	-	239,119	287,357	-	287,357
Total Program Services	5,301,042	-	5,301,042	3,641,756	-	3,641,756
Supporting Service:						
General and administrative	1,674,667	-	1,674,667	1,232,062	-	1,232,062
TOTAL EXPENSES	6,975,709	-	6,975,709	4,873,818	-	4,873,818
CHANGE IN NET ASSETS	(113,575)	(17,120)	(130,695)	(67,208)	(70,197)	(137,405)
NET ASSETS, BEGINNING OF YEAR	160,921	17,120	178,041	228,129	87,317	315,446
NET ASSETS, END OF YEAR	$ 47,346	$ -	$ 47,346	$ 160,921	$ 17,120	$ 178,041

The accompanying notes are an integral part of these consolidated financial statements.

PARTNERSGLOBAL AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (130,695)	$ (137,405)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	88,405	62,851
Amortization of deferred lease incentive	(50,824)	(50,824)
Changes in assets and liabilities:		
Grants and contracts receivable	197,974	50,938
Other receivables and advances	(42,302)	(237,858)
Prepaid expenses	68,128	(14,860)
Deposits	(10,663)	-
Accounts payable and accrued expenses	137,338	(105,945)
Refundable advances	1,377,712	658,811
Deferred rent	27,376	31,990
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,662,449	257,698
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(44,315)	(72,783)
NET CASH USED IN INVESTING ACTIVITIES	(44,315)	(72,783)
NET INCREASE IN CASH	1,618,134	184,915
CASH, BEGINNING OF YEAR	568,374	383,459
CASH, END OF YEAR	$ 2,186,508	$ 568,374

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

PartnersGlobal is a nonprofit corporation established on February 18, 1988, which operates an office in Washington, D.C. PartnersGlobal is an international organization committed to building sustainable local capacity to advance civil society and a culture of change and conflict management worldwide. PartnersGlobal accomplishes its mission directly and in partnership with PartnersGlobal International Centers (the Centers) located in Albania, Argentina, Brazil, Bulgaria, Colombia, El Salvador, Georgia, Hungary, Iraq, Jordan, Kosovo, Lebanon, Mexico, Nigeria, Peru, Poland, Senegal, Serbia, Slovakia and Yemen through various programs. These activities are funded primarily with grants and contracts from the federal government and private sources.

PartnersGlobal Institute (the Institute), a nonprofit affiliate of PartnersGlobal, was incorporated on December 22, 2016, in the District of Columbia, to be an independent company that performs research and works with communities and civil society organizations, governments and businesses to transform conflict, strengthen democratic institutions and achieve sustainable development. These activities are funded primarily with contracts from private sources.

Principles of Consolidation

The consolidated financial statements include the accounts of PartnersGlobal and PartnersGlobal Institute (collectively referred to as Partners). All intercompany transactions and balances were eliminated in consolidation. As of October 1, 2018, the Institute amended its by-laws so that PartnersGlobal's board no longer controls the Institute. For the year ending September 30, 2019, the Institute will no longer be required to be consolidated into the financial statements of PartnersGlobal.

Basis of Accounting

The accompanying consolidated financial statements of Partners are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Receivables and Advances

Grants and contracts receivable consist of billed and unbilled amounts due for expenditures incurred in excess of payments received under cost reimbursement grants, and billings for services rendered in excess of payments received under consulting and other service contracts. Grants and contracts receivable are recorded at their net realizable value. Partners uses the allowance method to record potentially uncollectible receivables. Management determines the allowance for doubtful accounts based on management's evaluation of the collectibility of receivables.

Other receivables and advances consist mostly of advances made by Partners to the Centers and to subrecipients, net of the actual program expenses incurred by the Centers and subrecipients through year-end. Other receivables and advances are recorded by Partners

1. Organization and Summary of Significant Accounting Policies (continued)

Receivables and Advances (continued)

until the Centers or subrecipients provide support that the amounts have been used for allowable costs under the program. Any amounts due to the Centers and subrecipients for allowable expenditures incurred in excess of advances made are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Property and Equipment

Property and equipment are recorded at cost. All expenditures for property and equipment of $5,000 or more and an economic life in excess of one year are capitalized. Costs related to developing internal-use software are capitalized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350-40, *Internal Use Software*, while costs incurred during the preliminary and post-implementation operation stages are expensed. Depreciation on furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are recorded at cost and amortized over the shorter of the remaining lease term or the estimated useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support or expenses in the accompanying consolidated statements of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Classification of Net Assets

The net assets of Partners are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of Partners' operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

Partners recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered unrestricted revenue and support and available for general operations unless specifically restricted by the donor. Partners reports grants of cash and other assets as temporarily restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Revenue recognized on these grants for which the cash has not been received from the grantor as of year-end is reflected as grants and contracts receivable in the accompanying consolidated statements of financial position.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Partners has cost-reimbursable grants and contracts with U.S. government agencies and other organizations. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Direct and indirect expenses incurred, but not yet reimbursed or billed, under these grants and contracts are reported as grants and contracts receivable in the accompanying consolidated statements of financial position. Payments received, but not yet expended, for these grants and contracts are reflected as refundable advances in the accompanying consolidated statements of financial position.

Partners also has fixed-price contracts with U.S. government agencies and other organizations, and revenue from these contracts is recognized as the services are performed. Revenue billed and collected for which the service or function has not been fulfilled is reflected as refundable advances in the accompanying consolidated statements of financial position. Revenue recognized from services and fees for which payments have not been received is reflected as grants and contracts receivable in the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

The costs of providing Partners' programs and activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated proportionately among the program and supporting services that benefit from those costs based on total direct expenses.

Estimates

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

2. Grants and Contracts Receivable

Grants and contracts receivable consisted of the following as of September 30, 2018 and 2017:

	2018	2017
Unbilled grants and contracts	$ 21,305	$ 226,673
Other	14,489	7,095
Total Grants and Contracts Receivable	$ 35,794	$ 233,768

All grants and contracts receivable are due within one year and are considered fully collectible.

Continued

3. Other Receivables and Advances

Other receivables and advances consisted of the following as of September 30, 2018 and 2017:

	2018	2017
Advances to subrecipients	$ 435,974	$ 325,806
Advances to the Centers and vendors	213,854	300,864
Other receivables	75,779	56,635
Total Other Receivables and Advances	$ 725,607	$ 683,305

All other receivables are considered fully collectible.

4. Property and Equipment and Accumulated Depreciation

Partners' property and equipment consisted of the following as of September 30, 2018 and 2017:

	2018	2017
Leasehold improvements	$ 559,065	$ 559,065
Furniture and equipment	144,223	119,510
Software	92,385	72,783
Total Property and Equipment at Cost	795,673	751,358
Less: Accumulated Depreciation and Amortization	(235,792)	(147,387)
Property and Equipment, Net	$ 559,881	$ 603,971

Depreciation and amortization expense was $88,405 and $62,851 for the years ended September 30, 2018 and 2017, respectively.

5. Line of Credit

Partners has a $150,000 line of credit with a financial institution, with no set expiration date. Interest charged on any borrowings is calculated using a variable interest rate based on the Wall Street Journal prime rate plus 1.65%. As of September 30, 2018 and 2017, the interest rate was 6.90% and 5.90%, respectively. There were no borrowings during the year, nor was there a balance due on the line of credit agreement as of September 30, 2018 and 2017.

6. Temporarily Restricted Net Assets

As of September 30, 2017, Partners' temporarily restricted net assets of $17,120 were available for various projects or purposes under global and other programs. There were no temporarily restricted net assets as of September 30, 2018.

Continued

7. Risks, Commitments and Contingencies

Operating Lease

Partners entered into a non-cancellable lease agreement for office space in Washington, D.C. that expires on June 30, 2026. Monthly base rent begins at $33,687, plus a prorated share of basic property operating costs. The lease also contains an escalation clause for increases in the annual minimum rent at a rate of 2.25% per year. Under GAAP, all rental payments, including rent increases, are recognized on a straight-line basis over the term of the lease. The terms of the lease include a tenant allowance of $559,065 to build out and furnish the office space. The tenant allowance is reflected as deferred lease incentive in the accompanying consolidated statements of financial position and is being amortized ratably over the term of the lease.

The following is a schedule of future minimum lease payments as of September 30, 2018:

For the Year Ending September 30,	
2019	$ 397,803
2020	407,960
2021	461,702
2022	472,087
2023	482,731
Thereafter	1,383,149
Total	$ 3,605,432

Office rent expense totaled $372,940 and $361,631 for the years ended September 30, 2018 and 2017, respectively.

Partners subleased a portion of its office space to an unrelated organization through April 30, 2019. Sublease income recognized under this agreement was $187,200 and $127,200 for the years ended September 30, 2018 and 2017, respectively. Total expected future minimum receipts under this sublease agreement is $82,000 for the year ending September 30, 2019.

Compliance Audit

Partners has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although Partners expects such amounts, if any, to be insignificant.

Concentration of Credit Risk

Partners maintains its cash with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of September 30, 2018, Partners exceeded the

Continued

7. Risks, Commitments and Contingencies (continued)

Concentration of Credit Risk (continued)

maximum limit insured by FDIC by approximately $1,871,000. All amounts were fully insured as of September 30, 2017. Partners monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

Revenue Concentration Risk

Partners received a significant amount of revenue and support from U.S. federal government agencies, or as a pass-through in which another organization received the grant from the U.S. federal government. During the years ended September 30, 2018 and 2017, the revenue earned by Partners from federal grants represents approximately 88% and 85% of total revenue and support, respectively. A significant reduction in the level of support from the federal government could adversely affect the level and quality of programs and activities of Partners.

Foreign Operations

In order to accomplish the activities related to its mission, Partners provides capital assistance, technical assistance and training in numerous foreign countries through its relationship with the Centers and subrecipients. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate in those foreign countries. As of September 30, 2018 and 2017, Partners had advances to the Centers and subrecipients in these foreign countries of $649,828 and $626,670, which represents 18% and 28% of total assets, respectively. These advances are considered to be fully collectible.

8. Pension Plan

Partners has a defined contribution 403(b) Plan (the Plan) covering all permanent employees. Under the Plan, Partners makes discretionary contributions based on a percentage of the annual salary of the covered employees. Partners contributed $46,479 and $25,290 to the Plan during the years ended September 30, 2018 and 2017, respectively.

9. Income Taxes

PartnersGlobal and the Institute are exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the year ended September 30, 2018, no provision for income taxes was made, as Partners had no net significant unrelated business income.

Continued

9. Income Taxes (continued)

Partners follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Partners performed an evaluation of uncertainty in income taxes for the years ended September 30, 2018 and 2017, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of September 30, 2018, the statute of limitations for tax years ended September 30, 2015 through September 30, 2017, remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which Partners files tax returns. It is Partners' policy to recognize interest and/or penalties related to uncertainty in income taxes or interest expense, if any, in income tax expense. As of September 30, 2018, Partners had no accruals for interest and/or penalties. There are currently no tax examinations in progress.

10. Subsequent Events

In preparing these consolidated financial statements, Partners has evaluated events and transactions for potential recognition or disclosure through April 4, 2019, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

PARTNERSGLOBAL AND AFFILIATE

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2018

	Program Services						
	Africa Regional Programs	Middle East and North Africa (MENA) Regional Programs	Latin America and Caribbean (LAC) Regional Programs	Global and Other Programs	Total Program Services	General and Administrative	Total
Subgrants and contractual services	$ 2,273,636	$ 521,916	$ 13,730	$ 19,960	$ 2,829,242	$ 247,689	$ 3,076,931
Personnel	438,852	687,714	43,974	114,613	1,285,153	535,655	1,820,808
Fringe benefits	153,634	261,974	15,395	37,800	468,803	187,523	656,326
Travel	152,830	319,989	29,303	51,261	553,383	18,977	572,360
Occupancy	-	33,431	-	2,250	35,681	426,020	461,701
Other costs	6,991	12,262	13,770	3,533	36,556	166,229	202,785
Supplies and equipment	6,653	5,129	-	4,458	16,240	52,417	68,657
Training costs	41,913	6,845	14,038	5,169	67,965	-	67,965
Communications	289	7,655	-	75	8,019	40,157	48,176
TOTAL EXPENSES	$ 3,074,798	$ 1,856,915	$ 130,210	$ 239,119	$ 5,301,042	$ 1,674,667	$ 6,975,709

See independent auditors' report on supplementary information.

PARTNERSGLOBAL AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
September 30, 2018

	PartnersGlobal	PartnersGlobal Institute	Eliminations	Total
ASSETS				
Cash	$ 2,149,640	$ 36,868	$ -	$ 2,186,508
Grants and contracts receivable	18,800	16,994	-	35,794
Other receivables and advances	715,474	10,133	-	725,607
Prepaid expenses	9,862	-	-	9,862
Property and equipment, net	559,881	-	-	559,881
Deposits	67,375	-	-	67,375
Due from affiliate	19,945	-	(19,945)	-
TOTAL ASSETS	$ 3,540,977	$ 63,995	$ (19,945)	$ 3,585,027
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 483,787	$ 22,765	$ -	$ 506,552
Refundable advances	2,190,413	41,629	-	2,232,042
Deferred lease incentive	393,887	-	-	393,887
Deferred rent	405,200	-	-	405,200
Due to affiliate	-	19,945	(19,945)	-
TOTAL LIABILITIES	3,473,287	84,339	(19,945)	3,537,681
Net Assets (Deficit)				
Unrestricted	67,690	(20,344)	-	47,346
TOTAL NET ASSETS (DEFICIT)	67,690	(20,344)	-	47,346
TOTAL LIABILITIES AND NET ASSETS	$ 3,540,977	$ 63,995	$ (19,945)	$ 3,585,027

See independent auditors' report on supplementary information.

PARTNERSGLOBAL AND AFFILIATE

CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended September 30, 2018

	PartnersGlobal	PartnersGlobal Institute	Total
REVENUE AND SUPPORT			
Government grants and contracts	$ 6,024,939	$ -	$ 6,024,939
Other grants and contracts	100,066	527,842	627,908
Sublease income and other income	192,167	-	192,167
TOTAL REVENUE AND SUPPORT	6,317,172	527,842	6,845,014
EXPENSES			
Program Services:			
Middle East and North Africa (MENA)			
Regional programs	1,535,643	321,272	1,856,915
Africa Regional programs	3,074,798	-	3,074,798
Latin America and Caribbean (LAC)			
Regional programs	50,069	80,141	130,210
Global and other programs	134,978	104,141	239,119
Total Program Services	4,795,488	505,554	5,301,042
Supporting Services:			
General and administrative	1,639,277	35,390	1,674,667
TOTAL EXPENSES	6,434,765	540,944	6,975,709
CHANGE IN NET ASSETS	(117,593)	(13,102)	(130,695)
NET ASSETS, BEGINNING OF YEAR	185,283	(7,242)	178,041
NET ASSETS (DEFICIT), END OF YEAR	$ 67,690	$ (20,344)	$ 47,346

See independent auditors' report on supplementary information.