

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

Consolidated Financial Statements

For the Year Ended June 30, 2016

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Global Partnerships and its subsidiaries (collectively "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statement of activities and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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## **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, 2016 and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

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



Certified Public Accountants  
September 14, 2016

## **FINANCIAL STATEMENTS**

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Statement of Financial Position With Consolidating Information**  
**June 30, 2016**  
**(With Comparative Totals for 2015)**

	Global Partnerships	Global Partnerships Social Investment Fund 6.0, LLC
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 8,488,171	\$ 2,223,939
Pledges receivable, current portion, net (Note 3)	1,063,500	
Social investment loans receivable, current portion, net (Note 4)		5,250,918
Investments (Note 6)	4,037,735	
Interest receivable	636	47,665
Other assets	73,873	3,126
<b>Total Current Assets</b>	<b>13,663,915</b>	<b>7,525,648</b>
Pledges receivable, long-term portion, net (Note 3)	832,050	
Social investment loans receivable, long-term portion, net (Note 4)	282,000	16,253,333
Social investments in equity securities	643,728	
Derivative instruments (Note 5)		(34,128)
Investment in subsidiaries and other	10,279,202	145,000
Property and equipment, net (Note 8)	48,130	
<b>Total Assets</b>	<b>\$ 25,749,025</b>	<b>\$ 23,889,853</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 65,925	\$ 38,834
Long-term debt, current portion (Note 9)		250,000
Accrued liabilities	639,866	91,201
<b>Total Current Liabilities</b>	<b>705,791</b>	<b>380,035</b>
Deferred rent liability	82,160	
Long-term debt, net of current portion (Note 9)	9,088,000	20,650,000
<b>Total Liabilities</b>	<b>9,875,951</b>	<b>21,030,035</b>
<b>Net Assets / Equity:</b>		
Members' equity		3,688,000
Accumulated earnings (deficit)		(828,182)
Unrestricted net assets	13,767,201	
Temporarily restricted net assets (Note 10)	2,105,873	
<b>Total Net Assets and Equity</b>	<b>15,873,074</b>	<b>2,859,818</b>
<b>Total Liabilities, Net Assets and Equity</b>	<b>\$ 25,749,025</b>	<b>\$ 23,889,853</b>

See accompanying notes.

Global Partnerships Social Investment Fund 5.0, LLC	Global Partnerships Social Investment Fund 2010, LLC	GP Fund Management, LLC	Eliminations	2016 Consolidated Total	2015 Consolidated Total
\$ 830,253	\$ 2,378	\$ 849	\$ -	\$ 11,545,590	\$ 7,123,108
18,568,013	482,000			1,063,500	429,210
578,742	3,750			24,300,931	32,008,168
2,184			(21,839)	4,037,735	2,253,567
				630,793	854,720
				57,344	24,029
<b>19,979,192</b>	<b>488,128</b>	<b>849</b>	<b>(21,839)</b>	<b>41,635,893</b>	<b>42,692,802</b>
				832,050	1,227,550
28,271,025				44,806,358	25,920,038
				643,728	
2,131,480				2,097,352	1,157,347
200,000			(10,210,100)	414,102	267,850
				48,130	67,973
<b>\$ 50,581,697</b>	<b>\$ 488,128</b>	<b>\$ 849</b>	<b>\$ (10,231,939)</b>	<b>\$ 90,477,613</b>	<b>\$ 71,333,560</b>
\$ 17,515	\$ -	\$ -	\$ (21,839)	\$ 100,435	\$ 41,313
228,376				250,000	24,100,000
				959,443	644,360
<b>245,891</b>			<b>(21,839)</b>	<b>1,309,878</b>	<b>24,785,673</b>
				82,160	88,064
43,750,000			(272,000)	73,216,000	36,618,500
<b>43,995,891</b>			<b>(293,839)</b>	<b>74,608,038</b>	<b>61,492,237</b>
6,250,000		100	(9,938,100)		
335,806	488,128	749		(3,499)	125,873
				13,767,201	7,474,285
				2,105,873	2,241,165
<b>6,585,806</b>	<b>488,128</b>	<b>849</b>	<b>(9,938,100)</b>	<b>15,869,575</b>	<b>9,841,323</b>
<b>\$ 50,581,697</b>	<b>\$ 488,128</b>	<b>\$ 849</b>	<b>\$ (10,231,939)</b>	<b>\$ 90,477,613</b>	<b>\$ 71,333,560</b>

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Statement of Activities With Consolidating Information  
For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)**

	Global Partnerships	Global Partnerships Social Investment Fund 6.0, LLC
<b>Operating Unrestricted Activity Revenue and Other Support:</b>		
Contributions	\$ 6,877,330	\$ -
In-kind contributions	420,972	
Earned income	2,620,651	500,394
Other income	233,861	27,259
Net assets released from restrictions	1,131,640	
<b>Total Operating Unrestricted Activity Revenue and Other Support</b>	<b>11,284,454</b>	<b>527,653</b>
<b>Operating Expenses:</b>		
Program services	3,517,385	1,295,572
Management and general	324,042	
Fundraising	1,150,111	
<b>Total Operating Expenses</b>	<b>4,991,538</b>	<b>1,295,572</b>
<b>Excess of Revenues and Other Support Over Expenses From Operating Activities</b>	<b>6,292,916</b>	<b>(767,919)</b>
Unrealized foreign currency translation (losses) gains		(19,195)
Change in fair value of derivative instruments		(41,068)
<b>Change in Unrestricted Net Assets</b>	<b>6,292,916</b>	<b>(828,182)</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	996,348	
Net assets released from restrictions	(1,131,640)	
<b>Change in Temporarily Restricted Net Assets</b>	<b>(135,292)</b>	
<b>Changes in Net Assets</b>	<b>6,157,624</b>	<b>(828,182)</b>
<b>Beginning of Year Net Assets / Equity:</b>		
Members' equity		
Accumulated earnings (deficit)		
Unrestricted net assets	7,474,285	
Temporarily restricted net assets	2,241,165	
<b>Total Beginning of Year Net Assets / Equity</b>	<b>9,715,450</b>	
<b>End of Year Net Assets / Equity:</b>		
Members' equity		
Members' equity contribution		3,688,000
Members' equity return of capital		
Total members' equity		3,688,000
Accumulated earnings (deficit)		(828,182)
Return to equity holder		
Unrestricted net assets	13,767,201	
Temporarily restricted net assets	2,105,873	
<b>Total End of Year Net Assets / Equity</b>	<b>\$ 15,873,074</b>	<b>\$ 2,859,818</b>

See accompanying notes.

Global Partnerships Social Investment Fund 5.0, LLC	Global Partnerships Social Investment Fund 2010, LLC	GP Fund Management, LLC	Eliminations	2016 Consolidated Total	2015 Consolidated Total
\$ -	\$ -	\$ -	\$ -	\$ 6,877,330	\$ 928,290
3,302,630	1,252,948	1,521,642	(4,109,359)	420,972	559,442
26,609	2,847		(158,052)	5,088,906	4,642,472
				132,524	86,491
				1,131,640	1,114,397
<b>3,329,239</b>	<b>1,255,795</b>	<b>1,521,642</b>	<b>(4,267,411)</b>	<b>13,651,372</b>	<b>7,331,092</b>
2,805,225	542,768	1,482,886	(3,243,334)	6,400,502	5,256,275
				324,042	214,226
				1,150,111	990,896
<b>2,805,225</b>	<b>542,768</b>	<b>1,482,886</b>	<b>(3,243,334)</b>	<b>7,874,655</b>	<b>6,461,397</b>
524,014	713,027	38,756	(1,024,077)	5,776,717	869,695
(1,002,824)	448,281			(573,738)	(1,263,734)
1,416,639	(415,006)			960,565	1,486,028
<b>937,829</b>	<b>746,302</b>	<b>38,756</b>	<b>(1,024,077)</b>	<b>6,163,544</b>	<b>1,091,989</b>
				996,348	2,093,759
				(1,131,640)	(1,114,397)
				<b>(135,292)</b>	<b>979,362</b>
<b>937,829</b>	<b>746,302</b>	<b>38,756</b>	<b>(1,024,077)</b>	<b>6,028,252</b>	<b>2,071,351</b>
4,768,500	1,500,000	39,905	(6,308,405)	125,873	641,417
(602,023)	765,826	(37,930)		7,474,285	5,866,752
				2,241,165	1,261,803
<b>4,166,477</b>	<b>2,265,826</b>	<b>1,975</b>	<b>(6,308,405)</b>	<b>9,841,323</b>	<b>7,769,972</b>
4,768,500	1,500,000	39,905	(6,308,405)		
1,481,500	(1,500,000)	(39,805)	(5,169,500)		
			1,539,805		
6,250,000		100	(9,938,100)		
335,806	1,512,128	826	(1,024,077)	(3,499)	125,873
	(1,024,000)	(77)	1,024,077		
				13,767,201	7,474,285
				2,105,873	2,241,165
<b>\$ 6,585,806</b>	<b>\$ 488,128</b>	<b>\$ 849</b>	<b>\$ (9,938,100)</b>	<b>\$ 15,869,575</b>	<b>\$ 9,841,323</b>

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows  
For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)**

	2016 Consolidated Total	2015 Consolidated Total
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 6,028,252	\$ 2,071,351
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	24,923	25,996
Change in social investment loan loss allowance	610,117	(198,771)
Unrealized gain on change in fair value of derivative instruments	(960,565)	(1,486,028)
Unrealized foreign currency translation losses (gains)	573,738	1,263,734
Unrealized gain on investments	(25,511)	(5,354)
Donated social investments in equity securities	(630,000)	
Changes in assets and liabilities:		
Pledges receivable	(238,790)	(1,424,585)
Interest receivable	244,487	(264,241)
Other assets	(33,315)	(4,433)
Other investments	(146,252)	(4,091)
Accounts payable	59,122	(17,383)
Accrued liabilities	315,083	174,317
Deferred rent liability	(5,904)	(1,555)
<b>Net Cash Provided by Operating Activities</b>	<b>5,815,385</b>	<b>128,957</b>
<b>Cash Flows From Investing Activities:</b>		
Issuance of social investment loans	(45,599,214)	(28,001,722)
Principal repayments on social investment loans	33,222,548	31,909,800
Purchases of investments	(1,758,657)	(2,248,213)
Purchase of property and equipment	(5,080)	(13,126)
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(14,140,403)</b>	<b>1,646,739</b>
<b>Cash Flows From Financing Activities:</b>		
Issuance of long-term debt instruments	36,947,500	12,285,897
Principal repayments on long-term debt instruments	(24,200,000)	(17,366,533)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>12,747,500</b>	<b>(5,080,636)</b>
<b>Net Change in Cash</b>	<b>4,422,482</b>	<b>(3,304,940)</b>
Cash balance, beginning of year	7,123,108	10,428,048
<b>Cash Balance, End of Year</b>	<b>\$ 11,545,590</b>	<b>\$ 7,123,108</b>
<b>Supplementary Information:</b>		
Noncash contribution of donated social investments in equity securities	\$ 630,000	\$ -
Cash paid for interest	\$ 2,212,025	\$ 1,985,241

See accompanying notes.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### 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, 2016, GP had more than \$72 million invested in 56 microfinance institutions (MFIs), social businesses and cooperatives in 14 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 six Social Investment Funds (collectively, the Funds) to serve as investment vehicles to make low-cost secured and unsecured loans to qualified partner organizations. Investors in the Funds, who purchased notes payable from the Funds or made loans to the Funds, include accredited private investors, development banks, 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) and Global Partnerships Social Investment Fund 5.0, LLC (SIF5.0). SIF5.0 and SIF6.0 were formed in December 2012 and September 2016, respectively. As of June 30, 2016, GP has outstanding contributed capital of \$6,250,000 and \$3,688,000 to SIF5.0 and SIF6.0, 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 Social Investment Fund 6.0, LLC, Global Partnerships Social Investment Fund 5.0, LLC, Global Partnerships Social Investment Fund 2010, LLC, and GP Fund Management, LLC (collectively, the Organization). All inter-company transactions have been eliminated.

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

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

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

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of June 30, 2016 and 2015, the GP had no permanently restricted net assets.

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.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### Note 1 - Continued

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

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

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

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

**Social Investments in Equity Securities** - These social investments consist of equity investments in business enterprises aligned with the GP's mission. These equity investments are carried at cost. The cost of these investments totaled \$643,728 at June 30, 2016. GP did not identify any events or changes in circumstances that may have had a significant adverse effect on the value of these investments and therefore, no impairment has been recorded for the year ended June 30, 2016.

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

**Investment in Other Entity** - GP's investment in another entity is carried at cost. The cost of this investment totaled \$395,000 and \$250,000 at June 30, 2016 and 2015, respectively. GP did not identify any events or changes in circumstances that may have had a significant adverse effect on the value of this investment and therefore, no impairment has been recorded for the years ended June 30, 2016 and 2015.

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

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

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### Note 1 - Continued

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

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

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

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

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

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

**Comparative Amounts for 2015** - For comparative purposes, the financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the GP's consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**Subsequent Events** - GP's management has evaluated subsequent events through September 14, 2016, the date on which the financial statements were available to be issued.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### Note 2 - Concentrations

Financial instruments which potentially subject GP 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.

GP had pledges receivable from three and two donors which represents approximately 58 and 47 percent of total pledges receivable at June 30, 2016 and 2015, respectively. GP had contributions from one and two donors representing 71 and 33 percent of total contributions during the years ended June 30, 2016 and 2015, respectively. GP had in-kind contributions from two law firms representing 86 and 79 percent of total in-kind contributions during the years ended June 30, 2016 and 2015, respectively. GP had investor notes payable to one investor representing 41 and 32 percent of outstanding long-term debt at June 30, 2016 and 2015, respectively.

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

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

	<u>2016</u>	<u>2015</u>
Receivables due in one year	\$ 1,068,500	\$ 434,210
Receivables due in two to five years	<u>842,050</u>	<u>1,259,050</u>
<b>Gross Pledges Receivable</b>	<b>1,910,550</b>	<b>1,693,260</b>
Less allowance for uncollectible pledges	(5,000)	(5,000)
Less unamortized discount to present value	(10,000)	(31,500)
Less current portion, net	<u>(1,063,500)</u>	<u>(429,210)</u>
<b>Total Long-Term Pledges Receivable</b>	<b><u>\$ 832,050</u></b>	<b><u>\$ 1,227,550</u></b>

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

	<u>2015</u>	<u>2014</u>
Unrestricted contributions	\$ 6,877,330	\$ 928,290
Temporarily restricted contributions	<u>996,348</u>	<u>2,093,759</u>
<b>Total Contributions</b>	<b><u>\$ 7,873,678</u></b>	<b><u>\$ 3,022,049</u></b>

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### Note 4 - Social Investment Loans Receivable

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

Loans receivable are due as follows at June 30:

For the Year Ending June 30,	<u>2016</u>	<u>2015</u>
2016	\$ -	\$ 32,630,397
2017	25,074,277	11,768,114
2018	27,840,184	14,255,363
2019	11,869,174	440,561
2020	4,166,667	
2021	<u>1,933,333</u>	
	70,883,635	59,094,435
Less current maturities, net of allowance	(24,300,931)	(32,008,168)
Less allowance for loan losses (current portion)	(773,346)	(622,229)
Less allowance for loan losses (long-term portion)	<u>(1,003,000)</u>	<u>(544,000)</u>
<b>Total Long-Term Social Investment Loans Receivable</b>	<b><u>\$ 44,806,358</u></b>	<b><u>\$ 25,920,038</u></b>

During the years ended June 30, 2016 and 2015, no write-downs were charged against the allowance for loan losses. Changes in the allowance for loan losses represent the estimated, uncollectible receivable based on a credit risk rating assessment of each outstanding loan. All loans are reserved based on management's estimates of its borrower's credit-worthiness, current economic conditions, and historical information.

GP provides some of its social investment loans denominated in the foreign currency of the country where the partner organization is located. Loans receivable denominated in a foreign currency are translated into U.S. dollars at the balance sheet date rate of exchange. Unrealized foreign currency losses of \$573,738 and \$1,263,734 were recognized for the year ending June 30, 2016 and 2015, respectively, and are included in nonoperating section of the consolidated statement of activities.

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### Note 5 - Derivative Financial Instruments

To manage the fluctuations of foreign currency values related to the loans denominated in foreign currencies, GP enters into a currency 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. GP records the net settlement from each transaction. As a result of the currency hedge agreements GP has reduced its currency risk so that the value of the loan repayments would be less or greater than the original loan amounts. GP does not enter into derivative financial instrument agreements for trading or speculative purposes. The net position of the currency hedge is recorded in the consolidated statement of financial position. The derivative instruments were recorded at their fair value resulting in an unrealized gain in fair value of derivative instruments of \$960,565 and \$1,486,028 for the year ended June 30, 2016 and 2015, 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, 2016 and 2015 is shown in Note 7.

#### Note 6 - Investments

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

Investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
FDIC insured certificates of deposit	\$ 3,006,869	\$ 1,248,213
Limited partnership	<u>1,030,866</u>	<u>1,005,354</u>
<b>Total Investments</b>	<b><u>\$ 4,037,735</u></b>	<b><u>\$ 2,253,567</u></b>

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### Note 7 - Fair Value Measurements

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

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

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

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, 2016.

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

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

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

	<u>Derivative Financial Instruments</u>	<u>Limited Partnership</u>
Balance, June 30, 2015	\$ 1,157,347	\$ 1,005,354
Unrealized gains, net	<u>940,005</u>	<u>25,512</u>
<b>Balance, June 30, 2016</b>	<b><u><u>\$ 2,097,352</u></u></b>	<b><u><u>\$ 1,030,866</u></u></b>

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

#### Note 8 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures, equipment and software	\$ 234,757	\$ 229,676
Leasehold improvements	<u>31,313</u>	<u>31,313</u>
	266,070	260,989
Less accumulated depreciation and amortization	<u>(217,940)</u>	<u>(193,016)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 48,130</u></b>	<b><u>\$ 67,973</u></b>

#### Note 9 - Long-Term Debt

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

	<u>2016</u>	<u>2015</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, 2016, the contingent interest liability and contingent principal repayment amounts to be paid likely at maturity cannot be reasonably estimated by management.	\$ 5,750,000	\$ 4,268,500
Limited recourse notes issued between October 2015 and June, 2016 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 5% or 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, 2016, the contingent interest liability and contingent principal repayment amounts to be paid likely at maturity cannot be reasonably estimated by management.	3,188,000	

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2016**

**Note 9 - Continued**

	<u>2016</u>	<u>2015</u>
Recoverable grant agreements issued in December, 2013 and January, 2014 to provide capital for early-stage organizations or program initiatives. These grant agreements are only repayable from the proceeds of the capital invested and have no claim on GP's general resources for repayment. The grantor is not entitled to profit or interest.	150,000	150,000
<u>Global Partnerships Social Investment Fund 2010</u>		
Unsecured notes in SIF2010 issued October 2010, and April and May 2011 with interest payable quarterly at rates ranging between 2.715% and 4.59% per annum, maturity dates of October 2015 and June 2016. Included in unsecured notes is a note where terms of the agreement require the payment of additional interest contingent on surplus cash remaining at the close of SIF2010. The notes were paid in full during 2016.		23,500,000
<u>Global Partnerships Social Investment Fund 5.0</u>		
Unsecured notes in SIF5.0 issued between March, 2013 and June, 2016 with interest payable quarterly at rates ranging from 2.00% to 4.00% per annum, maturity dates between March, 2016 and March 2023.	43,478,000	32,800,000
<u>Global Partnerships Social Investment Fund 6.0</u>		
Unsecured notes in SIF6.0 issued between September 2015 and June, 2016 with interest payable quarterly at rates ranging from 1.00% to 4.00% per annum, maturity dates between September 2016 and September 2025.	<u>20,900,000</u>	
	<u><b>\$ 73,466,000</b></u>	<u><b>\$ 60,718,500</b></u>

Debt maturities consist of the following at June 30:

For the Year Ending June 30,

2017	\$ 250,000
2018	20,350,000
2019	2,550,000
2020	5,278,000
2021	8,250,000
Thereafter	<u>36,788,000</u>
	<u><b>\$ 73,466,000</b></u>

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

## GLOBAL PARTNERSHIPS AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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#### Note 10 - Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Pledges - time restriction	\$ 1,895,550	\$ 1,656,759
Health services - purpose restriction	210,323	531,906
Synergy Capital Fund - time and purpose restrictions		<u>52,500</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 2,105,873</u></b>	<b><u>\$ 2,241,165</u></b>

#### Note 11 - Commitments

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

2017	\$ 150,735
2018	155,083
2019	159,431
2020	163,779
2021	<u>98,147</u>
<b>Total Minimum Rental Payments</b>	<b><u>\$ 727,175</u></b>

Rent expense for operating leases totaled \$172,013 and \$169,405 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, GP's contributions to the Plan were \$152,561 and \$144,861, respectively.

#### Note 13 - Related Parties

Certain unsecured notes invested in GP are held with board members and other related parties with outstanding balances of \$4,250,000 and \$3,050,000 as of June 30, 2016 and 2015, respectively.

**SUPPLEMENTARY INFORMATION**

**GLOBAL PARTNERSHIPS AND SUBSIDIARIES**

**Consolidated Schedule of Functional Operating Expenses  
For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)**

	Total Program Services	Management and General	Fundraising	2016 Consolidated Total	2015 Consolidated Total
Wages and salaries	\$ 1,605,811	\$ 126,801	\$ 556,232	\$ 2,288,844	\$ 1,940,954
Employee benefits	591,508	105,760	212,047	909,315	452,754
Payroll taxes	122,081	6,697	38,307	167,085	151,870
<b>Total Salaries and Related Expenses</b>	<b>2,319,400</b>	<b>239,258</b>	<b>806,586</b>	<b>3,365,244</b>	<b>2,545,578</b>
Interest	2,021,633			2,021,633	2,152,536
Reserve for social investment losses	610,118			610,118	(198,771)
Legal and accounting fees	468,141	25,127	13,806	507,074	619,418
Travel	192,780	26,803	50,688	270,271	170,493
Contract labor	264,751	616	4,513	269,880	252,812
Occupancy	133,636	5,896	41,286	180,818	174,874
Loan fees	136,750			136,750	74,000
Consulting fees	63,735		70,740	134,475	112,357
Marketing	16,526	1,424	106,734	124,684	104,890
Miscellaneous	27,963	2,338	12,463	42,764	46,055
Insurance	24,203	15,510		39,713	39,529
Office equipment and maintenance	17,640	856	15,487	33,983	37,401
Bank charges	16,630	4,514	11,035	32,179	28,872
Depreciation and amortization	17,471	932	6,520	24,923	25,996
Program grants	23,838			23,838	235,811
Business taxes	21,248	215		21,463	7,724
Office supplies and postage	10,521	192	7,693	18,406	15,049
Telephone	13,518	361	2,560	16,439	16,773
<b>Total Expenses</b>	<b><u>\$ 6,400,502</u></b>	<b><u>\$ 324,042</u></b>	<b><u>\$ 1,150,111</u></b>	<b><u>\$ 7,874,655</u></b>	<b><u>\$ 6,461,397</u></b>

See independent auditor's report.