

Partners Asia



PARTNERS ASIA

Financial Statements

With Independent Auditors' Report Thereon

*For the Year Ended
December 31, 2015*

PARTNERS ASIA

(A Washington State Not-For-Profit Corporation)
December 31, 2015

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 11

Management Discussion and Analysis of Certain Financial Information

Individual contributions increased 103% from last year, rising from \$491,717 in 2014 to \$998,254 in 2015.

Foundations and other contributions decreased 51% from the prior year, falling from \$1,372,546 in 2014 to \$666,835 in 2015. Part of the decrease is due to the timing of multi-year grants.

Program expenses increased 25% from last year, rising from \$1,951,447 in 2014 to \$2,430,300 in 2015 primarily as a result of targeted increases in grants disbursed for local programs in Myanmar-Burma and Thailand.



Regalia &
Associates

C E R T I F I E D P U B L I C A C C O U N T A N T S
1 0 3 T O W N & C O U N T R Y D R I V E , S U I T E K , D A N V I L L E , C A L I F O R N I A 9 4 5 2 6
D O U G L A S R E G A L I A , C P A D A N A C H A V A R R I A , C P A
M A R I A N N E R Y A N T R I C I A W I L S O N
J A N I C E T A Y L O R , C P A W E N D Y T H O M A S , C P A
L I S A C L O V E N , C P A L I S A P A R K E R , C P A [i n a c t i v e]
J E N N Y S O , C P A J A N E T W O N G , C P A
J E N N I F E R J E N S E N W W W . M R C P A . C O M O F F I C E : 9 2 5 . 3 1 4 . 0 3 9 0 F A X : 9 2 5 . 3 1 4 . 0 4 6 9

INDEPENDENT AUDITORS' REPORT

The Board of Directors Partners Asia

We have audited the accompanying financial statements of Partners Asia (a nonprofit organization headquartered in the state of Washington) which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners Asia as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from Partners Asia's December 31, 2014 financial statements. In our report dated November 2, 2015, we expressed an unmodified opinion on those financial statements.

Danville, California
June 30, 2016

Regalia & Associates

PARTNERS ASIA

Statements of Financial Position December 31, 2015 and 2014

Assets

	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 1,747,192	\$ 1,566,023
Grants and pledges receivable	737,073	1,671,496
Other receivables	42,256	184,023
Prepaid expenses and other assets	25,702	22,400
Total current assets	<u>2,552,223</u>	<u>3,443,942</u>
Total assets	<u>\$ 2,552,223</u>	<u>\$ 3,443,942</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 30,402	\$ 18,151
Grants payable	445,378	331,028
Total current liabilities	<u>475,780</u>	<u>349,179</u>
Net Assets:		
Unrestricted	1,080,204	915,397
Temporarily restricted	996,239	2,179,366
Total net assets	<u>2,076,443</u>	<u>3,094,763</u>
Total liabilities and net assets	<u>\$ 2,552,223</u>	<u>\$ 3,443,942</u>

PARTNERS ASIA

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2015

(with summarized Financial Information for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individual contributions	\$ 492,645	\$ 505,609	\$ 998,254	\$ 491,717
Foundations and other contributions	120,338	546,497	666,835	1,372,546
Fundraising events, net of \$17,476 in expenses for the year ended December 31, 2014	-	-	-	32,524
In-kind contribution	51,000	-	51,000	43,800
Interest and investment income	2,698	-	2,698	3,168
Net assets released from restrictions	2,235,233	(2,235,233)	-	-
Total revenue and support	<u>2,901,914</u>	<u>(1,183,127)</u>	<u>1,718,787</u>	<u>1,943,755</u>
Expenses:				
Program	2,430,300	-	2,430,300	1,951,447
Fundraising	151,737	-	151,737	87,268
General and administrative	155,070	-	155,070	142,997
Total expenses	<u>2,737,107</u>	<u>-</u>	<u>2,737,107</u>	<u>2,181,712</u>
Increase (decrease) in net assets from operating activities before unrealized losses	164,807	(1,183,127)	(1,018,320)	(237,957)
Loss from theft	-	-	-	(18,965)
Increase (decrease) in net assets	164,807	(1,183,127)	(1,018,320)	(256,922)
Net assets at beginning of year	915,397	2,179,366	3,094,763	3,351,685
Net assets at end of year	<u>\$ 1,080,204</u>	<u>\$ 996,239</u>	<u>\$ 2,076,443</u>	<u>\$ 3,094,763</u>

PARTNERS ASIA

Statements of Cash Flows For the Years Ended December 31, 2015 and 2014

	2015	2014
<i>Cash flows from operating activities:</i>		
Decrease in net assets	\$ (1,018,320)	\$ (256,922)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Loss from theft	-	18,965
Changes in:		
Grants and pledges receivable	934,423	137,679
Other receivables	141,767	(184,023)
Prepaid expenses and other assets	(3,302)	51,652
Accounts payable and accrued liabilities	12,251	(1,764)
Grants payable	114,350	144,912
Net cash provided by (used for) operating activities	181,169	(89,501)
 <i>Cash flows from financing activities:</i>		
Loss from theft	-	(18,965)
Net cash used by financing activities	-	(18,965)
 Increase (decrease) in cash and cash equivalents	 181,169	 (108,466)
Cash and cash equivalents at beginning of year	1,566,023	1,674,489
 Cash and cash equivalents at end of year	\$ 1,747,192	\$ 1,566,023
 <i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
State registration taxes paid	\$ 150	\$ 150

PARTNERS ASIA

Statement of Functional Expenses For the Year Ended December 31, 2015

(with Summarized Financial Information for the Year Ended June 30, 2014)

	Program	Fund- raising	General and Admin- istrative	2015 Total	2014 Total
Bank charges/processing fees	\$ -	\$ -	\$ 7,576	\$ 7,576	\$ 5,741
Grants	2,156,545	1,596	793	2,158,934	1,548,238
Information technology	8,868	534	332	9,734	4,434
Insurance	1,099	168	1,043	2,310	1,961
Miscellaneous	2,369	147	2,119	4,635	3,325
Occupancy	19,861	1,307	492	21,660	18,182
Postage & Printing	4,825	8,069	380	13,274	6,904
Professional services	39,306	6,084	78,203	123,593	214,430
Salaries, payroll taxes and benefits	176,133	128,031	60,079	364,243	295,958
Supplies and office	12,370	1,769	1,163	15,302	23,763
Trainings and meetings	7,023	906	1,513	9,442	11,854
Travel	1,901	3,126	1,377	6,404	46,922
Totals	\$ 2,430,300	\$ 151,737	\$ 155,070	\$ 2,737,107	\$ 2,181,712

Notes to Financial Statements
December 31, 2015

1. Organization

Partners Asia was organized in 2012 as a public charity and is a not-for-profit organization supporting community initiatives to improve the lives of the most vulnerable among the people of Myanmar. Many of these people live in unstable areas within Myanmar and along its borders, where they are at risk of displacement and exploitation. Partners Asia builds relationships with the innovative organizers in these communities and with international donors, bridging the gap between local leaders and global resources.

Partners Asia works with groups implementing projects all around Myanmar (Burma), as well as informal networks of dozens of community organizations, with the shared goal to strengthen civil society among the most vulnerable. Opportunities, risks and needs vary greatly in different communities, so Partners Asia backs trusted local partners to identify and build appropriate solutions, with projects addressing legal rights for the disadvantaged; formal children's education; women and child health; village infrastructure; and women's empowerment. Partners Asia also funds networks and offers training and one-on-one assistance to help local groups take their organizations to the next level.

In addition, Partners Asia directly engages local leaders and community organizations all along the Thailand-Myanmar border and migrants in urban centers. As in Myanmar, opportunities, risks, and needs differ depending on community. In Thailand, Partners Asia partners work with communities who fled poverty and/or fighting in Myanmar, tailoring projects given their unique local knowledge that include: accessing Thai public schooling for Myanmar and stateless children; humanitarian emergency support to communities severely affected by recent fighting; free medical care for poor migrants unrecognized as refugees. Partners Asia offers individual support to local group leaders to improve programs and operations, and is building networks across the border into Myanmar.

Partners Asia's Participatory Action and Learning (PAL) program encompasses activities promoting research, training, monitoring and evaluation of successes in community resilience. By utilizing PAL skills, community groups can weave research practices into their daily project work, collecting and analyzing data to help them improve their own programs as well as inform larger policy changes.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Partners Asia have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables and other liabilities.

(continued)

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Partners Asia is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Partners Asia had no permanently restricted net assets at December 31, 2015.

Revenue Recognition

Partners Asia records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

Partners Asia considers all highly liquid investments with a deposit commitment of 90 days or less (when initially acquired) to be cash equivalents. Partners Asia maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. Partners Asia has not experienced any losses in such accounts.

Fair Value Measurements

Partners Asia follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that Partners Asia could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2015. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Foreign Currency

Many of Partners Asia's disbursements are converted to local currency because Partners Asia funds its programs by transferring cash from the United States to certain foreign countries so that program expenses can be paid in local denominations (usually in the monetary currency of the countries of Myanmar and Thailand). All operating results reflected in the financial statements are reported in United States currency. This process requires management to convert amounts expended in other denominations into United States dollars utilizing an estimated exchange rate. This process is performed by the accounting department on a regular basis throughout the year and results in certain gains and losses on currency conversion which are included in program expenses.

(continued)

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)**Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, Partners Asia is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that Partners Asia has adequately evaluated its current tax positions and has concluded that as of December 31, 2015, Partners Asia does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Partners Asia has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Partners Asia may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, Partners Asia calculates and accrues the applicable taxes payable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing Partners Asia's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements in order to conform to the presentation used in 2015.

(continued)

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)**Net Assets*

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

Partners Asia reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions. There were no permanently restricted net assets at December 31, 2015 or 2014.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board. At December 31, 2015 and 2014, there were no Board-designated funds.

3. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2015 and 2014 consists of funds on deposit in various financial institutions. The composition of cash and cash equivalents is as follows:

	2015	2014
Funds on deposit in domestic banks	\$ 1,659,551	\$ 1,565,922
Funds on deposit in foreign banks	87,641	101
Total	<u>\$ 1,747,192</u>	<u>\$ 1,566,023</u>

At December 31, 2015 and 2014, domestic deposits exceeded the federally insured limit of \$250,000. Partners Asia attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.

4. Grants and Pledges Receivable

Grants and pledges receivable of \$737,073 and \$1,671,496 at December 31, 2015 and 2014, respectively, represent amounts principally due within one year from foundations and high net worth individuals. Management believes all amounts are fully collectible. Accordingly, no reserve for uncollectible amounts has been established.

PARTNERS ASIA

Notes to Financial Statements

5. Other Receivables

Other receivables of \$42,256 and \$184,023 at December 31, 2015 and 2014, respectively, represent amounts advanced to foreign locations. Such funds represent advances for future program expenditures which will be transferred to expenses and then reflected on the statement of activities and changes in net assets during the subsequent fiscal year.

6. Grants Payable

Grants payable of \$445,378 and \$331,028 December 31, 2015 and 2014, respectively, represent amounts approved by the Board of Directors to fund future program activities. Such amounts will be disbursed during the subsequent fiscal year.

7. Net Assets

Net assets consist of the following:

	2015	2014
Unrestricted	<u>\$1,080,204</u>	<u>\$ 915,397</u>
Temporarily Restricted:		
Advocacy/Peace	24,671	112,140
Community Development	-	15,000
Education	179,812	389,761
Flood Relief	30,597	-
Gender/Education	140	7,985
Leadership	15,044	41,555
Rule of Law	606,936	1,226,225
Various programs-future years	139,039	386,700
Total temporarily restricted	<u>996,239</u>	<u>2,179,366</u>
Total net assets	<u>\$2,076,443</u>	<u>\$ 3,094,763</u>

During the years ended December 31, 2015 and 2014, contributions to temporarily restricted net assets amounted to \$1,052,106 and \$1,416,353, respectively. During the years ended December 31, 2015 and 2014, net assets released from restrictions amounted to \$2,235,233 and \$1,743,925, respectively, and such amounts were transferred to unrestricted net assets.

8. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, Partners Asia is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the year. Accrued payroll liabilities amounted to \$20,259 and \$11,530 as of December 31, 2015 and 2014, respectively.

Notes to Financial Statements

9. Lease Commitments

Partners Asia leases its corporate office premises in Oakland under an operating lease agreement which expires June 30, 2018. As of December 31, 2015, the lease requires a monthly rental payment of \$1,028. Future minimum lease payments are as follows:

Year ending December 31, 2016	\$ 12,519
Year ending December 31, 2017	12,894
Year ending December 31, 2018	6,542

Partners Asia also leases space located in Myanmar and Thailand under separate operating lease agreements which have terms generally lasting one year. As of December 31, 2015, the lease agreements require monthly rental payments made with local currency of Baht (Thailand) and MMK (Myanmar Kyat). Total rent expense for all locations amounted to \$20,898 and \$18,182 for the years ended December 31, 2015 and 2014, respectively.

10. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments for contracts related to ongoing operations, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate Partners Asia to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond Partners Asia's control, such as general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit in accounts at local and foreign financial institutions. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

11. In-Kind Contributions

During the years ended December 31, 2015 and 2014, one of the organization's executives voluntarily contributed \$51,000 and \$43,800, respectively, in compensation (as a salary reduction) and these amounts have been reflected as an in-kind contribution on the statement of activities and changes in net assets.

A substantial number of unpaid volunteers have made significant contributions of time to various departments or programs of Partners Asia. The value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under ASC 958.30 *Gifts in Kind*.

12. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Partners Asia has evaluated subsequent events through June 30, 2016, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.