



Partners Asia

Financial Statements

**For the Years Ended
December 31, 2023 and 2022**
With Independent Auditors' Report Thereon

PARTNERS ASIA

(A Washington State Not-for-Profit Corporation)

Contents

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 17



INDEPENDENT AUDITORS' REPORT

The Board of Directors Partners Asia

Opinion

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 December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners Asia as of December 31, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

Page 1b

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

August 7, 2024
Danville, California

Regalia & Associates

PARTNERS ASIA

**Statements of Financial Position
December 31, 2023 and 2022**

Assets

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 2,840,327	\$ 3,087,367
Investments	2,775,099	2,012,378
Grants and contributions receivable	475,000	210,000
Prepaid expenses and other assets	709	27,587
Total current assets	<u>6,091,135</u>	<u>5,337,332</u>
Noncurrent Assets:		
Grants and contributions receivable - noncurrent, net of discount	2,083,081	-
Operating lease right of use asset - premises	30,880	16,720
Deposits	4,504	4,504
Total assets	<u>\$ 8,209,600</u>	<u>\$ 5,358,556</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 102,724	\$ 102,535
Grants payable	67,091	81,333
Operating lease payable - current portion	13,888	14,426
Total current liabilities	<u>183,703</u>	<u>198,294</u>
Operating lease payable - noncurrent portion	17,027	2,473
Total liabilities	<u>200,730</u>	<u>200,767</u>
Net Assets:		
Without donor restrictions	2,293,420	2,197,566
With donor restrictions	5,715,450	2,960,223
Total net assets	<u>8,008,870</u>	<u>5,157,789</u>
Total liabilities and net assets	<u>\$ 8,209,600</u>	<u>\$ 5,358,556</u>

PARTNERS ASIA

**Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2023 and 2022**

Changes in net assets without donor restrictions:

	2023	2022
Revenue and support:		
Individual contributions	\$ 79,588	\$ 497,478
Foundation and other contributions	413,808	405,995
Interest and investment income	112,337	28,096
Net assets released from restrictions	4,665,342	4,008,189
Total revenue and support	5,271,075	4,939,758
Expenses:		
Program	4,587,193	4,009,800
Fundraising	139,715	138,166
General and administrative	448,292	265,941
Total expenses	5,175,200	4,413,907
Increase in net assets without donor restrictions before currency loss, net	95,875	525,851
Currency loss, net	(21)	(34)
Increase in net assets without donor restrictions	95,854	525,817

Changes in net assets with donor restrictions:

Grants and contributions	7,578,767	2,276,245
Net assets released from restrictions	(4,665,342)	(4,008,189)
Change in unamortized discount	(158,198)	6,116
Increase (decrease) in net assets with donor restrictions	2,755,227	(1,725,828)
Increase (decrease) in net assets	2,851,081	(1,200,011)
Net assets at beginning of period	5,157,789	6,357,800
Net assets at end of period	\$ 8,008,870	\$ 5,157,789

PARTNERS ASIA

**Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022**

	2023	2022
<i>Cash flows from operating activities:</i>		
Increase (decrease) in net assets	\$ 2,851,081	\$ (1,200,011)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in discount on long-term receivables	158,198	(6,116)
Changes in:		
Grants and contributions receivable	(2,506,279)	1,188,614
Other receivables	-	41,031
Prepaid expenses and other assets	26,878	(5,737)
Operating lease assets and liabilities	(144)	179
Accounts payable and accrued liabilities	189	(15,161)
Grants payable	(14,242)	32,291
Net cash provided by operating activities	515,681	35,090
<i>Cash flows from investing activities:</i>		
Proceeds from disposition and maturities of investments	3,995,520	6,004,982
Acquisition of investments	(4,758,241)	(8,017,360)
Net cash used for investing activities	(762,721)	(2,012,378)
Decrease in cash and cash equivalents	(247,040)	(1,977,288)
Cash and cash equivalents at beginning of year	3,087,367	5,064,655
Cash and cash equivalents at end of year	\$ 2,840,327	\$ 3,087,367
<i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
Taxes paid	\$ 300	\$ 525

PARTNERS ASIA

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Advocacy and Peace	Community Development	Gender Programs	All Other Programs	Total Program	Fund- raising	General and Admin- istrative	2023 Total
Bank charges/processing fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,661	\$ 10,661
Grants	1,741,652	1,160,692	-	491,317	3,393,661	-	-	3,393,661
Grant expenses	212,787	97,946	669,129	77,100	1,056,962	8,681	11,821	1,077,464
Information technology	1,561	1,562	2,811	2,809	8,743	4,172	9,534	22,449
Insurance	601	546	983	983	3,113	404	1,458	4,975
Memberships and dues	244	244	440	439	1,367	855	1,953	4,175
Miscellaneous	56	57	102	101	316	603	12,583	13,502
Occupancy	864	864	1,554	1,553	4,835	3,022	6,763	14,620
Postage and printing	89	89	160	159	497	516	709	1,722
Professional services	1,846	1,847	3,323	3,323	10,339	41,826	43,883	96,048
Salaries, payroll taxes and benefits	34,475	15,266	27,480	27,453	104,674	72,627	345,064	522,365
Supplies and office	436	436	786	785	2,443	2,651	3,055	8,149
Trainings and meetings	22	22	40	40	124	27	228	379
Travel	21	21	38	39	119	4,331	580	5,030
Totals	\$ 1,994,654	\$ 1,279,592	\$ 706,846	\$ 606,101	\$ 4,587,193	\$ 139,715	\$ 448,292	\$ 5,175,200

PARTNERS ASIA

Statement of Functional Expenses
For the Year Ended December 31, 2022

	Advocacy and Peace	Community Development	Gender Programs	All Other Programs	Total Program	Fund- raising	General and Admin- istrative	2022 Total
Bank charges/processing fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,074	\$ 11,074
Grants	1,187,182	1,336,991	-	201,131	2,725,304	-	-	2,725,304
Grant expenses	249,821	13,369	787,454	20,422	1,071,066	2,948	481	1,074,495
Information technology	1,280	1,280	1,677	2,486	6,723	2,661	1,277	10,661
Insurance	667	613	1,013	1,116	3,409	394	544	4,347
Miscellaneous	131	132	172	455	890	274	132	1,296
Occupancy	1,751	1,751	2,291	3,399	9,192	3,648	1,929	14,769
Postage and printing	60	59	78	115	312	252	71	635
Professional services	4,891	4,891	6,400	9,498	25,680	42,433	70,188	138,301
Salaries, payroll taxes and benefits	46,213	27,610	36,124	53,610	163,557	76,590	178,784	418,931
Supplies and office	547	547	731	1,057	2,882	2,761	574	6,217
Trainings and meetings	127	126	203	33	489	1,310	789	2,588
Travel	56	56	74	110	296	4,895	98	5,289
Totals	\$ 1,492,726	\$ 1,387,425	\$ 836,217	\$ 293,432	\$ 4,009,800	\$ 138,166	\$ 265,941	\$ 4,413,907

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization

Partners Asia is a not-for-profit organization supporting community initiatives to improve the lives of the most marginalized people in Myanmar and regionally. Many of these people live in unstable areas within Myanmar and along its borders, where they risk displacement and exploitation. Partners Asia builds relationships with innovative community leaders and with international donors to help bridge the gap between local leaders and global resources.

Partners Asia works with local groups and informal networks of community organizations all around Myanmar (Burma), supporting projects with the shared goal of strengthening civil society among the most marginalized.

Opportunities, risks, and needs vary greatly in different communities, so Partners Asia backs trusted local partners who identify appropriate solutions, with projects addressing formal and non-formal education, women and child health, gender equality, village infrastructure, and legal rights for the disadvantaged. Partners Asia also funds community-led research, supports network building, and offers training and one-on-one assistance to help partners take their organizations to the next level.

In addition, Partners Asia directly engages local leaders and community-based 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's partners work with people who fled poverty and/or fighting in Myanmar, tailoring projects given their unique local knowledge that include: formal and non-formal schooling for Myanmar and stateless children; humanitarian emergency support to communities severely affected by fighting; assistance for migrants to obtain work permits and legal documentation; 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.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of Partners Asia have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities reflect all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Partners Asia's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – Partners Asia's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Notes to Financial Statements
December 31, 2023 and 2022

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

Foreign Currency – Some 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 reported separately on the statements of activities and changes in net assets.

Concentrations of Credit Risk – Financial instruments that potentially subject Partners Asia to concentrations of credit risk consist principally of cash and cash equivalents. Partners Asia maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Partners Asia manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Partners Asia has not experienced losses in any of these accounts. Credit risk associated with grants and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Partners Asia’s mission.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

Grants and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is reflected as an adjustment to net assets with donor restrictions. Conditional promises to give are not included as support until the conditions are met.

Investments – Partners Asia follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments 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, 2023. 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.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

Notes to Financial Statements
December 31, 2023 and 2022

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

Fair Value Measurements *(continued)* – The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Partners Asia groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for any purpose, such as a reserve and board-designated endowment, but it has not opted to do so as of December 31, 2023 or 2022.

Net Assets with Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Notes to Financial Statements
December 31, 2023 and 2022

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

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Contributed Nonfinancial Assets – Contributed services and costs are reflected at the fair value of the contribution received in accordance with *ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The contributions of services, equipment, and other materials 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.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met.

Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires Partners Asia to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, payroll taxes, benefits, professional services) have been allocated based on time and effort using Partners Asia’s payroll allocations. Other expenses (occupancy, insurance, and supplies and office) have been allocated based on headcount at Partners Asia’s U.S. office and/or foreign locations.

Notes to Financial Statements
December 31, 2023 and 2022

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

Income Taxes – Partners Asia is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Partners Asia has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Partners Asia has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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. The exemptions are 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.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

ASU 2016-02, Leases (Topic 842) Accounting for Leases requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern requires an organization’s management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of August 7, 2024 (the date of the Independent Auditors’ Report), management has made this evaluation and has determined that Partners Asia has the ability to continue as a going concern.

ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The Update also requires certain enhanced disclosures for contributed nonfinancial assets.

Notes to Financial Statements
December 31, 2023 and 2022

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

ASU 2018-08, Not-for-Profit Entities (Topic 605) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, Partners Asia has incorporated these clarifying standards within the audited financial statements.

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

3. Cash and Cash Equivalents

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

	2023	2022
Funds on deposit in domestic banks (noninterest-bearing)	\$ 281,607	\$ 684,837
Funds on deposit in sweep account (interest-bearing)	1,063,093	351,687
Treasury bills	1,495,627	2,050,693
Petty cash	-	150
Total	\$ 2,840,327	\$ 3,087,367

U.S. Treasury bills classified as cash equivalents have maturity dates of three months or less at the time of purchase. At December 31, 2023 and 2022, funds on deposit in domestic banks 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. Funds in interest-bearing accounts earn interest at 0.805% per annum as of December 31, 2023.

4. Liquidity

Partners Asia regularly monitors the liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Partners Asia has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and the future collection of receivables.

PARTNERS ASIA

Notes to Financial Statements December 31, 2023 and 2022

4. Liquidity *(continued)*

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Partners Asia considers all expenditures related to its ongoing activities in support of community initiatives in Myanmar and regionally to be general expenditures. The following table shows the total financial assets held by Partners Asia and the amounts of those financial assets readily available within one year of the date of the statements of financial position to meet general expenditures:

	2023	2022
Cash and cash equivalents	\$ 2,840,327	\$ 3,087,367
Investments	2,775,099	2,012,378
Grants and contributions receivable, current	475,000	210,000
Total financial assets	6,090,426	5,309,745
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(5,715,450)	(2,960,223)
Financial assets available to meet general expenditures over the next year	\$ 374,976	\$ 2,349,522

Partners Asia receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Partners Asia must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Partners Asia's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Partners Asia's goal is generally to maintain financial assets to meet 90 days of operating expenses.

5. Grants and Contributions Receivable

Grants and contributions receivable of \$2,558,081 and \$210,000 (current and noncurrent combined) at December 31, 2023 and 2022, respectively, represent funds due from various foundations and are expected to be collected as follows:

	2023	2022
Year ending December 31, 2023	\$ -	\$ 210,000
Year ending December 31, 2024	475,000	-
Year ending December 31, 2025	1,292,000	-
Year ending December 31, 2026	949,279	-
Subtotal	2,716,279	210,000
Less: Unamortized discount	(158,198)	-
Subtotal	2,558,081	210,000
Total amounts due within one year	(475,000)	(210,000)
Grants and contributions receivable – noncurrent, net of discount	\$ 2,083,081	\$ -

**Notes to Financial Statements
December 31, 2023 and 2022**

5. Grants and Contributions Receivable *(continued)*

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 4.67% to 4.98% (based on U.S. Treasury bill rates at the date of the pledge). The change in unamortized discount during the years ended December 31, 2023 and 2022 amounted to (\$158,198) and \$6,116, respectively, and is reflected as a component of income impacting net assets with donor restrictions on the statements of activities and changes in net assets.

Management periodically evaluates all grants and contributions receivable for collectability and records an allowance for any amounts estimated to be uncollectable. At December 31, 2023 and 2022, there were no allowances for uncollectable grants and contributions receivable as management believes the balances to be fully collectable based on an evaluation of current balances and historical collection experience.

6. Investments and Fair Value Measurements

Investments of \$2,775,099 at December 31, 2023, consist of United States Treasury notes that mature in January 2024 and bear interest at 0.125% per annum. Investments of \$2,012,378 at December 31, 2022, consist of United States Treasury notes that mature in January 2023 and bear interest at 1.50% per annum. These investments are classified as Level 2 assets.

7. Grants Payable

Grants payable of \$67,091 and \$81,333 at December 31, 2023 and 2022, respectively, represent amounts approved by the Board of Directors to fund future program activities. Management anticipates that such amounts will be disbursed during the subsequent fiscal year.

8. Leases

Partners Asia leases office space in Oakland under an operating lease agreement expiring February 29, 2024. The lease requires a monthly rental payment of \$1,243 as of December 31, 2023. In December 2023, Partners Asia entered into a new operating lease agreement expiring February 28, 2026. This new lease will have a monthly rental payment of \$1,222 upon inception in March 2024.

In accordance with *ASU 2016-02, Leases*, Partners Asia reflects the present value of future operating lease payments (discounted at an appropriate borrowing rate) as an "Operating Right of Use" asset and a corresponding operating lease liability. The weighted-average discount rate is based on the discount rate implicit in the lease. Partners Asia has elected the option to use the risk-free rate determined by using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. Partners Asia has applied this risk-free rate option to the office space leases. The weighted average discount rate associated with the calculation of the present value of the future lease payments is 4.65%. Partners Asia had no finance leases in effect during the years ended December 31, 2023 and 2022.

PARTNERS ASIA

Notes to Financial Statements December 31, 2023 and 2022

8. Leases *(continued)*

When applicable, Partners Asia has elected the short-term lease exemption for all leases with a term of 12 months or fewer for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments under these agreements are recognized on a straight-line basis.

Total operating right of use asset and operating lease liabilities on the statements of financial position consist of the following at December 31:

	2023	2022
Gross operating right of use asset – premises	\$ 56,733	\$ 28,290
Accumulated amortization operating right of use asset – premises	(25,853)	(11,570)
Total operating right of use asset, net	\$ 30,880	\$ 16,720
	2023	2022
Operating lease liability – short term	\$ 13,888	\$ 14,426
Operating lease liability – long term	17,027	2,473
Total operating lease liability	\$ 30,915	\$ 16,899

Total operating lease cost recognized within occupancy expense on the statement of functional expenses is \$14,697 and \$12,248, respectively, for the years ended December 31, 2023 and 2022.

The following summarizes supplemental cash flow information related to operating leases as of December 31:

	2023	2022
Operating cash flows from operating leases	\$ 14,840	\$ 12,069
Right of use assets obtained in exchange for operating lease liabilities	\$ 28,443	-

As of December 31, 2023, future minimum payments under operating lease agreements are as follows:

Year ending:	Total
December 31, 2024	\$ 14,703
December 31, 2025	15,019
December 31, 2026	2,515
Total lease payments	32,237
Less: interest	(1,322)
Present value of lease liabilities	\$ 30,915

The following table represents the weighted-average remaining lease term and discount rate for the operating leases as of December 31:

	2023	2022
Weighted average remaining lease terms (months)	22.3	14
Weighted average discount rate	4.65%	4.00%

PARTNERS ASIA

Notes to Financial Statements December 31, 2023 and 2022

9. Grant and Related Expenses

Total grants and related expenses of \$4,471,125 and \$3,799,799 for the years ended December 31, 2023 and 2022, respectively, represent funds disbursed both domestically and internationally for the organization's primary program activities, which include research, education, gender issues, community development, advocacy/peace, rule of law, and other community assistance to needy and at-risk residents of Myanmar and Thailand.

10. Net Assets

Net assets consist of the following at December 31:

	2023	2022
Without donor restrictions	\$ 2,293,420	\$ 2,197,566
With donor restrictions:		
Advocacy/Peace	\$ 898,666	\$ 387,218
Community Development	1,210,755	186,546
Education	92,678	279,264
Gender	3,641,395	2,107,195
Other	30,154	-
Unamortized discount	(158,198)	-
Total net assets with donor restrictions	5,715,450	2,960,223
Total net assets	\$ 8,008,870	\$ 5,157,789

Net assets without donor restrictions of \$2,293,420 and \$2,197,566 as of December 31, 2023 and 2022, respectively, represent the cumulative net surpluses retained since the inception of Partners Asia.

During the years ended December 31, 2023 and 2022, contributions to net assets with donor restrictions amounted to \$7,578,767 and \$2,276,245, respectively. During the years ended December 31, 2023 and 2022, net assets released from restrictions amounted to \$4,665,342 and \$4,008,189, respectively, and such amounts were transferred to net assets without donor restrictions.

11. 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 statements of financial position based on hourly rates in effect at the end of the year. Accrued vacation liability amounted to \$7,978 and \$12,740 as of December 31, 2023 and 2022, respectively, and is included with accounts payable and accrued liabilities on the statements of financial position.

**Notes to Financial Statements
December 31, 2023 and 2022**

12. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into and/or renew 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 financial institutions. Management believes that such commitments, contingencies, and risks will not have a material adverse effect on the financial statements.

13. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Partners Asia has evaluated subsequent events through August 7, 2024, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which necessitate disclosure.