



PARTNERS ASIA

Financial Statements **With Independent Auditors' Report Thereon**

*For the Years Ended
December 31, 2017 and 2016*

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, 2017 and 2016 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, 2017 and 2016 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

We have previously audited Partners Asia's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Danville, California
May 18, 2018***

Regalia & Associates

PARTNERS ASIA

Statements of Financial Position December 31, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$2,102,179	\$ 2,063,576
Grants and pledges receivable	836,009	-
Other receivables	40,432	58,000
Prepaid expenses and other assets	10,920	39,610
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Total assets	<u>\$2,989,540</u>	<u>\$ 2,161,186</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 251,439	\$ 70,234
Grants payable	43,500	212,627
Total liabilities	<u>294,939</u>	<u>282,861</u>
Net Assets:		
Unrestricted	1,137,098	1,114,671
Temporarily restricted	1,557,503	763,654
Total net assets	<u>2,694,601</u>	<u>1,878,325</u>
Total liabilities and net assets	<u>\$2,989,540</u>	<u>\$ 2,161,186</u>

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Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2017

(with summarized Financial Information for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individual contributions	\$ 714,419	\$ 536,570	\$1,250,989	\$ 751,353
Foundations and other contributions	67,390	3,542,812	3,610,202	1,967,177
Interest and investment income	5,147	-	5,147	2,639
Other income	954	-	954	11,706
Net assets released from restrictions	3,285,533	(3,285,533)	-	-
Total revenue and support	4,073,443	793,849	4,867,292	2,732,875
Expenses:				
Program	3,512,127	-	3,512,127	2,734,410
Fundraising	143,262	-	143,262	184,271
General and administrative	396,492	-	396,492	123,921
Total expenses	4,051,881	-	4,051,881	3,042,602
Increase (decrease) in net assets from operating				
activities before currency gains	21,562	793,849	815,411	(309,727)
Currency gains	865	-	865	8,887
Increase (decrease) in net assets	22,427	793,849	816,276	(300,840)
Net assets at beginning of year	1,114,671	763,654	1,878,325	2,179,165
Net assets at end of year	\$ 1,137,098	\$ 1,557,503	\$2,694,601	\$ 1,878,325

PARTNERS ASIA

Statements of Cash Flows For the Years Ended December 31, 2017 and 2016

	2017	2016
<i>Cash flows from operating activities:</i>		
Increase (decrease) in net assets	\$ 816,276	\$ (300,840)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Change in discount on long-term receivables	(11,706)	(11,706)
Changes in:		
Grants and pledges receivable	(824,303)	760,485
Other receivables	17,568	(15,744)
Prepaid expenses and other assets	28,690	(13,908)
Accounts payable and accrued liabilities	181,205	39,832
Grants payable	(169,127)	(141,735)
Net cash provided by operating activities	38,603	316,384
Increase in cash and cash equivalents	38,603	316,384
Cash and cash equivalents at beginning of year	2,063,576	1,747,192
Cash and cash equivalents at end of year	\$ 2,102,179	\$ 2,063,576

Supplemental Disclosures:

Interest expense	\$ -	\$ -
Taxes paid	\$ 150	\$ 150

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Statement of Functional Expenses For the Year Ended December 31, 2017

(with Summarized Financial Information for the Year Ended December 31, 2016)

	Program	Fund- raising	General and Admin- istrative	2017 Total	2016 Total
Bank charges/processing fees	\$ -	\$ -	\$ 8,490	\$ 8,490	\$ 7,421
Yangon Office operations	202,640	-	250,860	453,500	-
Grants	2,995,968	360	72	2,996,400	2,333,169
Information technology	8,126	3,292	304	11,722	15,766
Insurance	983	157	1,167	2,307	2,296
Miscellaneous	479	1,057	446	1,982	2,141
Occupancy	24,857	1,523	1,269	27,649	26,451
Postage & Printing	1,780	8,513	1,909	12,202	10,387
Professional services	56,696	3,799	89,690	150,185	172,608
Salaries, payroll taxes and benefits	196,607	118,038	38,456	353,101	420,723
Supplies and office	11,168	3,211	1,576	15,955	14,371
Trainings and meetings	4,458	758	1,872	7,088	12,772
Travel	8,365	2,554	381	11,300	24,497
Totals	\$ 3,512,127	\$ 143,262	\$ 396,492	\$4,051,881	\$ 3,042,602

Notes to Financial Statements
December 31, 2017 and 2016

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 works 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 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, 2017 and 2016.

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, 2017 and 2016. 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 reported separately on the statement of activities and changes in net assets.

(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, 2017 and 2016, 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.

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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.

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, 2017 and 2016, there were no Board-designated funds.

3. Cash and Cash Equivalents

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

	2017	2016
Funds on deposit in domestic banks	\$ 822,060	\$ 2,042,179
Funds on deposit in sweep account	1,232,127	-
Funds on deposit in foreign banks	47,992	21,397
Total	<u>\$ 2,102,179</u>	<u>\$ 2,063,576</u>

At December 31, 2017 and 2016, 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 \$836,009 at December 31, 2017 consist of amounts principally due within one year from foundations and high net worth individuals. There were no grants and pledges receivable at December 31, 2016.

Notes to Financial Statements

5. Other Receivables

Other receivables of \$40,432 and \$58,000 at December 31, 2017 and 2016, 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 \$43,500 and \$212,627 at December 31, 2017 and 2016, respectively, represent amounts approved by the Board of Directors to fund future program activities. Such amounts are disbursed during the subsequent fiscal year.

7. Net Assets

Net assets consist of the following:

	2017	2016
Unrestricted	<u>\$ 1,137,098</u>	<u>\$ 1,114,671</u>
Temporarily Restricted:		
Advocacy/Peace	223,848	2,720
Community Development	252,228	161,348
Education	251,289	468,817
Future periods	50,000	-
Gender	756,000	-
Leadership	24,138	34,044
Research	-	96,725
Total temporarily restricted	<u>1,557,503</u>	<u>763,654</u>
Total net assets	<u>\$ 2,694,601</u>	<u>\$ 1,878,325</u>

Unrestricted net assets of \$1,137,098 and \$1,114,671 as of December 31, 2017 and 2016, respectively, represent the cumulative net surpluses since the inception of Partners Asia.

During the years ended December 31, 2017 and 2016, contributions to temporarily restricted net assets amounted to \$4,079,382 and \$2,030,565 respectively. During the years ended December 31, 2017 and 2016, net assets released from restrictions amounted to \$3,285,533 and \$2,263,150, respectively, and such amounts were transferred to unrestricted net assets.

Notes to Financial Statements

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 \$33,961 and \$29,325 as of December 31, 2017 and 2016, respectively, and are included with accounts payable and accrued liabilities.

9. Lease Commitments

Partners Asia leases its corporate office premises in Oakland under two separate operating lease agreements which expire June 30, 2018 and November 30, 2021. As of December 31, 2017, the leases require combined monthly rental payments of \$2,110. At December 31, 2017, future minimum lease payments are as follows:

Year ending December 31, 2018	\$ 18,809
Year ending December 31, 2019	12,635
Year ending December 31, 2020	13,014
Year ending December 31, 2021	12,257

During the year ended December 31, 2016, Partners Asia also leased space located in Myanmar and Thailand under separate operating lease agreements which had terms generally lasting one year. Total rent expense for all locations amounted to \$26,698 and \$26,075 for the years ended December 31, 2017 and 2016, respectively.

10. 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.

Notes to Financial Statements

11. In-Kind Contributions

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. Grant Expenses

Total grant expenses of \$2,996,400 and \$2,333,169 for the years ended December 31, 2017 and 2016, 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.

13. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Partners Asia has evaluated subsequent events through May 18, 2018, 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.