



# **Partners Asia**

## **Financial Statements**

**For the years ended  
December 31, 2019 and 2018**  
With Independent Auditors' Report Thereon

# PARTNERS ASIA

(A Washington State Not-for-Profit Corporation)

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## 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, 2019 and 2018 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**June 15, 2020  
Danville, California**

*Regalia & Associates*

**PARTNERS ASIA**

**Statements of Financial Position  
December 31, 2019 and 2018**

**Assets**

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 1,773,378	\$ 1,847,570
Investments	750,000	-
Grants and contributions receivable	701,588	470,000
Other receivables	21,782	71,944
Prepaid expenses and other assets	18,381	21,004
Total current assets	<u>3,265,129</u>	<u>2,410,518</u>
Noncurrent Assets:		
Grants and contributions receivable - long term, net of discount	188,412	-
Right of use asset-premises	69,095	109,887
Deposits	4,504	4,504
Total assets	<u>\$ 3,527,140</u>	<u>\$ 2,524,909</u>

**Liabilities and Net Assets**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 161,879	\$ 173,582
Grants payable	53,964	72,305
Lease payable - current portion	42,348	39,790
Total current liabilities	<u>258,191</u>	<u>285,677</u>
Lease payable - noncurrent portion	<u>27,749</u>	<u>70,097</u>
Total liabilities	<u>285,940</u>	<u>355,774</u>
Net Assets:		
Without donor restrictions	953,622	1,173,131
With donor restrictions	2,287,578	996,004
Total net assets	<u>3,241,200</u>	<u>2,169,135</u>
Total liabilities and net assets	<u>\$ 3,527,140</u>	<u>\$ 2,524,909</u>

**PARTNERS ASIA**

**Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2019 and 2018**

<i>Changes in net assets without donor restrictions:</i>	<b>2019</b>	<b>2018</b>
Individual contributions	\$ 60,724	\$ 64,235
Foundations and other contributions	512,023	660,089
Interest and investment income	7,825	3,900
Total revenue	<u>580,572</u>	<u>728,224</u>
 Net assets released from restrictions	 <u>2,428,854</u>	 <u>2,332,420</u>
 Total revenue and support	 <u>3,009,426</u>	 <u>3,060,644</u>
 Expenses:		
Program	2,769,372	2,697,637
Fundraising	226,246	185,652
General and administrative	232,023	164,653
Total expenses	<u>3,227,641</u>	<u>3,047,942</u>
 Increase (decrease) in net assets without donor restrictions before currency gain (loss), net	 (218,215)	 12,702
Currency gain (loss), net	(1,294)	(1,669)
Increase (decrease) in net assets without donor restrictions	<u>(219,509)</u>	<u>11,033</u>
 <i>Changes in net assets with donor restrictions:</i>		
Grants and contributions	3,726,080	1,795,921
Net assets released from restrictions	(2,428,854)	(2,332,420)
Change in unamortized discount	(5,652)	-
Increase (decrease) in net assets with donor restrictions	<u>1,291,574</u>	<u>(536,499)</u>
 Increase (decrease) in net assets	 1,072,065	 (525,466)
Net assets at beginning of period	2,169,135	2,694,601
Net assets at end of period	<u>\$ 3,241,200</u>	<u>\$ 2,169,135</u>

**PARTNERS ASIA**

**Statements of Cash Flows  
For the Years Ended December 31, 2019 and 2018**

	2019	2018
<i>Cash flows from operating activities:</i>		
Increase (decrease) in net assets	\$ 1,072,065	\$ (525,466)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Change in discount on long-term receivables	(5,652)	-
Changes in:		
Grants and contributions receivable	(414,348)	366,009
Other receivables	50,162	(31,512)
Prepaid expenses and other assets	2,623	(13,195)
Right of use asset-premises	40,792	-
Deposits	-	(1,393)
Accounts payable and accrued liabilities	(11,703)	(77,857)
Grants payable	(18,341)	28,805
Net cash provided by (used for) operating activities	715,598	(254,609)
<i>Cash flows from investing activities:</i>		
Proceeds from disposition of investments	900,000	-
Acquisition of investments	(1,650,000)	-
Capitalization of right of use asset	-	(109,887)
Net cash used for investing activities	(750,000)	(109,887)
<i>Cash flows from financing activities:</i>		
Establishment of lease payable	-	109,887
Principal payments applied to lease payable	(39,790)	-
Net cash used by financing activities	(39,790)	109,887
Decrease in cash and cash equivalents	(74,192)	(254,609)
Cash and cash equivalents at beginning of year	1,847,570	2,102,179
Cash and cash equivalents at end of year	\$ 1,773,378	\$ 1,847,570
<i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
Taxes paid	\$ 150	\$ 150

**PARTNERS ASIA**

**Statements of Functional Expenses  
For the Years Ended December 31, 2019 and 2018**

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	Program	Fund-raising	General and Administrative	2019 Total	Program	Fund-raising	General and Administrative	2018 Total
Bank charges/processing fees	\$ -	\$ -	\$ 9,800	\$ 9,800	\$ 65	\$ 9	\$ 6,777	\$ 6,851
Grants	1,559,203	-	-	1,559,203	1,764,218	-	-	1,764,218
Grant expenses	837,800	503	15,255	853,558	610,934	531	500	611,965
Information technology	8,258	20,149	516	28,923	5,643	5,950	737	12,330
Insurance	3,960	713	393	5,066	1,283	740	1,037	3,060
Miscellaneous	2,127	87	8,978	11,192	4,155	565	759	5,479
Occupancy	44,692	1,853	2,964	49,509	30,190	3,838	3,838	37,866
Postage and printing	4,035	12,373	124	16,532	3,503	9,312	412	13,227
Professional services	64,241	47,432	116,700	228,373	52,717	13,717	89,804	156,238
Salaries, payroll taxes and benefits	225,529	137,735	74,301	437,565	192,291	143,805	55,045	391,141
Supplies and office	9,208	1,305	1,150	11,663	12,850	3,603	2,365	18,818
Trainings and meetings	4,279	2,414	630	7,323	11,560	758	1,872	14,190
Travel	6,040	1,682	1,212	8,934	8,228	2,824	1,507	12,559
<b>Totals</b>	<b>\$ 2,769,372</b>	<b>\$ 226,246</b>	<b>\$ 232,023</b>	<b>\$ 3,227,641</b>	<b>\$ 2,697,637</b>	<b>\$ 185,652</b>	<b>\$ 164,653</b>	<b>\$ 3,047,942</b>

**Notes to Financial Statements  
December 31, 2019 and 2018**

**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 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 statement of activities reports 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.

*(continued)*

Notes to Financial Statements  
December 31, 2019 and 2018

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

**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 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.

**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 included in contribution revenue. 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, 2019. 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, especially in light of the impact of COVID-19 on financial markets.

**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.

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**Notes to Financial Statements  
December 31, 2019 and 2018**

**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 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 an operating reserve and board-designated endowment, but has opted not to do so as of December 31, 2019.

Net Assets with Donor Restrictions

Net assets 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 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.

*(continued)*

**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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.

**Donated Services and In-Kind Contributions** – 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** - 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. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

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. 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 (such as salaries, payroll taxes, and benefits, occupancy, insurance, and other similar overhead) have been allocated based on time and effort using Partners Asia’s payroll allocations. Other expenses (such as grant expenses, professional services and other direct costs) have been allocated in accordance with the specific services received.

**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.

*(continued)*

Notes to Financial Statements  
December 31, 2019 and 2018

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

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

**Recent and Relevant Accounting Pronouncements** – The following recent accounting pronouncements are relevant to Partners Asia:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update 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. Partners Asia has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) *Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This new pronouncement is effective for fiscal years beginning after December 15, 2020, but Partners Asia has elected early implementation.

The new 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.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update 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, the Organization has incorporated these clarifying standards within the audited financial statements.

**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:

	2019	2018
Funds on deposit in domestic banks (non-interest bearing)	\$ 358,762	\$ 905,667
Funds on deposit in sweep account (interest bearing)	1,407,856	912,596
Funds on deposit in foreign banks	6,760	29,307
Total	\$ 1,773,378	\$ 1,847,570

*(continued)*

## PARTNERS ASIA

### Notes to Financial Statements December 31, 2019 and 2018

#### 3. Cash and Cash Equivalents *(continued)*

At December 31, 2019 and 2018, 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. Funds in interest bearing accounts earn interest at 0.01% per annum as of December 31, 2019.

#### 4. Grants and Contributions Receivable

Grants and contributions receivable of \$890,000 and \$470,000 at December 31, 2019 and 2018, respectively, represent funds due from various foundations and are expected to be collected as follows:

	2019	2018
Year ending December 31, 2019	\$ -	\$ 470,000
Year ending December 31, 2020	701,588	-
Year ending December 31, 2021	194,064	-
Subtotal	895,652	470,000
Less: Unamortized discount	(5,652)	-
Subtotal	890,000	470,000
Total amounts due within one year	(701,588)	(470,000)
Grants and contributions receivable long-term (net)	\$ 188,412	\$ -

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3%. Management periodically evaluates all grants and contributions receivable for collectability and records an allowance for any amounts estimated to be uncollectable. At December 31, 2019 and 2018, there were no allowances for uncollectable grants and contributions receivable as management believes the balances to be fully collectable.

#### 5. Investments

Investments of \$750,000 at December 31, 2019 consist of certificates of deposit with maturity dates ranging from April 2020 to July 2020. There were no investments at December 31, 2018. Certificates of deposit are classified as Level 1 assets. There were no assets classified as Level 2 or Level 3 at December 31, 2019 or 2018.

#### 6. Other Receivables

Other receivables of \$21,782 and \$71,944 at December 31, 2019 and 2018, 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 statements of activities and changes in net assets during the subsequent fiscal year.

**Notes to Financial Statements  
December 31, 2019 and 2018**

**7. 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 equivalents, investments, other receivables, and other sources (including the future collection of grants and contributions receivable.)

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.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 1,773,378
Investments	750,000
Grants and contributions receivable	701,588
Other receivables	<u>21,782</u>
Total financial assets	3,246,748
Less: amounts not available to be used within one year:	
Net assets with donor restrictions for programs	<u>(2,287,578)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 959,170</u>

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.

**8. Grants Payable**

Grants payable of \$53,964 and \$72,305 at December 31, 2019 and 2018, respectively, represent amounts approved by the Board of Directors to fund future program activities. Such amounts are to be disbursed during the subsequent fiscal year.

# PARTNERS ASIA

## Notes to Financial Statements December 31, 2019 and 2018

### 9. Right of Use Asset and Leases

Partners Asia leases its corporate office premises in Oakland under two separate operating lease agreements which expire June 30, 2021 and November 30, 2021. As of December 31, 2019, the leases require combined monthly rental payments of \$3,658.

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 a "Right of Use" asset and a corresponding lease liability. Accordingly, Partners Asia has recorded a total lease liability in the amount of \$70,097 and \$109,887 at December 31, 2019 and 2018, respectively, for its Oakland offices (split between current amount of \$42,348 and noncurrent amount of \$27,749 at December 31, 2019) and a right of use asset for the premises in the amount of \$69,095 and \$109,887 at December 31, 2019 and 2018, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%.

At December 31, 2019, future minimum lease payments are as follows:

Year ending December 31, 2020	\$ 44,386
Year ending December 31, 2021	28,175

Total rent expense amounted to \$44,419 and \$35,349 for the years ended December 31, 2019 and 2018, respectively. Rent expense for the year ending December 31, 2019 includes \$1,002 in amortization of the right of use asset.

### 10. Net Assets

Net assets consist of the following at December 31:

	2019	2018
Without donor restrictions	\$ 953,622	\$ 1,173,131
With donor restrictions:		
Advocacy/Peace	30,000	17,363
Community Development	23,120	92,140
Education	15,272	51,870
Future periods	-	25,000
Gender	2,219,338	768,827
Leadership	5,000	30,804
Other	500	10,000
Unamortized discount	(5,652)	-
Total net assets with donor restrictions	2,287,578	996,004
Total net assets	\$ 3,241,200	\$ 2,169,135

(continued)

**Notes to Financial Statements  
December 31, 2019 and 2018**

**10. Net Assets** *(continued)*

Net assets without donor restrictions of \$953,622 and \$1,173,131 as of December 31, 2019 and 2018, respectively, represent the cumulative net surpluses since the inception of Partners Asia.

During the years ended December 31, 2019 and 2018, contributions to net assets with donor restrictions amounted to \$3,726,080 and \$1,795,921 respectively. During the years ended December 31, 2019 and 2018, net assets released from restrictions amounted to \$2,428,854 and 2,332,420, respectively, and such amounts were transferred to net assets without donor restrictions.

**11. Grant and Related Expenses**

Total grants and related expenses of \$2,412,761 and \$2,376,183 for the years ended December 31, 2019 and 2018, 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.

**12. 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 payroll liabilities amounted to \$39,107 and \$45,219 as of December 31, 2019 and 2018, respectively, and are included with accounts payable and accrued liabilities.

**13. 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  
December 31, 2019 and 2018**

**14. Subsequent Events**

In compliance with ASC 855, *Subsequent Events*, Partners Asia has evaluated subsequent events through June 15, 2020, the date the financial statements were available to be issued. Subsequent to December 31, 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-10 as a pandemic. The novel coronavirus threat has (a) significantly impacted financial markets and (b) potentially diminished revenue streams, and (3) impacted private enterprises with which Partners Asia conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluation options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by Partners Asia as a result of these events. In the opinion of management, there are no other subsequent events which need to be disclosed.