



Partners Asia

Financial Statements

**For the years ended
December 31, 2020 and 2019**
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, 2020 and 2019 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.

Auditors' 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 auditors' 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, 2020 and 2019, 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.

**July 16, 2021
Danville, California**

Regalia & Associates

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Statements of Financial Position December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 4,365,367	\$ 1,773,378
Investments	-	750,000
Grants and contributions receivable	569,064	701,588
Other receivables	53,131	21,782
Prepaid expenses and other assets	12,670	18,381
Total current assets	<u>5,000,232</u>	<u>3,265,129</u>
Noncurrent Assets:		
Grants and contributions receivable - long term, net of discount	364,078	188,412
Right of use asset-premises	27,037	69,095
Deposits	4,504	4,504
Total assets	<u>\$ 5,395,851</u>	<u>\$ 3,527,140</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 80,444	\$ 161,879
Grants payable	71,331	53,964
Lease payable - current portion	27,749	42,348
Refundable advance	60,117	-
Total current liabilities	<u>239,641</u>	<u>258,191</u>
Lease payable - noncurrent portion	-	27,749
Total liabilities	<u>239,641</u>	<u>285,940</u>
Net Assets:		
Without donor restrictions	1,423,734	953,622
With donor restrictions	3,732,476	2,287,578
Total net assets	<u>5,156,210</u>	<u>3,241,200</u>
Total liabilities and net assets	<u>\$ 5,395,851</u>	<u>\$ 3,527,140</u>

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Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2020 and 2019

Changes in net assets without donor restrictions:

	2020	2019
Revenue and support:		
Individual contributions	\$ 72,549	\$ 60,724
Foundations and other contributions	963,757	512,023
Interest and investment income	6,028	7,825
Subtotal	1,042,334	580,572
Net assets released from restrictions	2,880,027	2,428,854
Total revenue and support	3,922,361	3,009,426
Expenses:		
Program	3,108,609	2,769,372
Fundraising	143,926	226,246
General and administrative	199,269	232,023
Total expenses	3,451,804	3,227,641
Increase (decrease) in net assets without donor restrictions before currency gain (loss), net	470,557	(218,215)
Currency gain (loss), net	(445)	(1,294)
Increase (decrease) in net assets without donor restrictions	470,112	(219,509)
<i>Changes in net assets with donor restrictions:</i>		
Grants and contributions	4,335,847	3,726,080
Net assets released from restrictions	(2,880,027)	(2,428,854)
Change in unamortized discount	(10,922)	(5,652)
Increase in net assets with donor restrictions	1,444,898	1,291,574
Increase (decrease) in net assets	1,915,010	1,072,065
Net assets at beginning of period	3,241,200	2,169,135
Net assets at end of period	\$ 5,156,210	\$ 3,241,200

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Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
<i>Cash flows from operating activities:</i>		
Increase in net assets	\$ 1,915,010	\$ 1,072,065
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Change in discount on long-term receivables	10,922	5,652
Changes in:		
Grants and contributions receivable	(54,064)	(425,652)
Other receivables	(31,349)	50,162
Prepaid expenses and other assets	5,711	2,623
Right of use asset-premises	42,058	40,792
Accounts payable and accrued liabilities	(81,435)	(11,703)
Grants payable	17,367	(18,341)
Net cash provided by operating activities	1,824,220	715,598
<i>Cash flows from investing activities:</i>		
Proceeds from disposition of investments	750,000	900,000
Acquisition of investments	-	(1,650,000)
Net cash provided by (used for) investing activities	750,000	(750,000)
<i>Cash flows from financing activities:</i>		
Borrowings under loan payable to SBA through Paycheck Protection Program	60,117	-
Principal payments applied to lease payable	(42,348)	(39,790)
Net cash provided by (used for) financing activities	17,769	(39,790)
Increase (decrease) in cash and cash equivalents	2,591,989	(74,192)
Cash and cash equivalents at beginning of year	1,773,378	1,847,570
Cash and cash equivalents at end of year	\$ 4,365,367	\$ 1,773,378
<i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
Taxes paid	\$ 150	\$ 150

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Statements of Functional Expenses
For the Year Ended December 31, 2020

	Advocacy and Peace	Gender Programs	All Other Programs	Total Program	Fund- raising	General and Admin- istrative	2020 Total
Bank charges/processing fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,846	\$ 10,846
Grants	895,577	75,094	995,524	1,966,195	-	-	1,966,195
Grant expenses	161,843	470,374	198,640	830,857	7,718	-	838,575
Information technology	651	1,003	2,424	4,078	1,104	470	5,652
Insurance	234	282	2,974	3,490	535	272	4,297
Miscellaneous	145	338	452	935	136	544	1,615
Occupancy	8,054	14,507	25,402	47,963	7,508	6,217	61,688
Postage and printing	115	182	311	608	1,517	104	2,229
Professional services	11,801	19,660	33,941	65,402	42,784	102,331	210,517
Salaries, payroll taxes and benefits	50,949	48,374	81,395	180,718	80,421	76,502	337,641
Supplies and office	799	1,992	2,648	5,439	1,549	789	7,777
Trainings and meetings	235	663	2,122	3,020	395	124	3,539
Travel	(28)	(41)	(27)	(96)	259	1,070	1,233
Totals	\$ 1,130,375	\$ 632,428	\$ 1,345,806	\$ 3,108,609	\$ 143,926	\$ 199,269	\$ 3,451,804

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Statements of Functional Expenses
For the Year Ended December 31, 2019

	Advocacy and Peace	Gender Programs	All Other Programs	Total Program	Fund- raising	General and Admin- istrative	2019 Total
Bank charges/processing fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,800	\$ 9,800
Grants	44,379	101,526	1,413,298	1,559,203	-	-	1,559,203
Grant expenses	2,931	324,047	510,822	837,800	503	15,255	853,558
Information technology	1,302	1,417	5,539	8,258	20,149	516	28,923
Insurance	344	725	2,891	3,960	713	393	5,066
Miscellaneous	350	350	1,427	2,127	87	8,978	11,192
Occupancy	7,407	7,407	29,878	44,692	1,853	2,964	49,509
Postage and printing	196	202	3,637	4,035	12,373	124	16,532
Professional services	6,313	8,070	49,858	64,241	47,432	116,700	228,373
Salaries, payroll taxes and benefits	49,735	36,701	139,093	225,529	137,735	74,301	437,565
Supplies and office	1,416	1,519	6,273	9,208	1,305	1,150	11,663
Trainings and meetings	423	595	3,261	4,279	2,414	630	7,323
Travel	650	710	4,680	6,040	1,682	1,212	8,934
Totals	\$ 115,446	\$ 483,269	\$ 2,170,657	\$ 2,769,372	\$ 226,246	\$ 232,023	\$ 3,227,641

Notes to Financial Statements
December 31, 2020 and 2019

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 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.

(continued)

Notes to Financial Statements
December 31, 2020 and 2019

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, 2020. 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.

(continued)

**Notes to Financial Statements
December 31, 2020 and 2019**

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 an operating reserve and board-designated endowment, and it has opted not to do so as of December 31, 2020.

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 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, 2020 and 2019

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 – 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, wages, and payroll taxes, professional services) have been allocated based on time and effort using Partners Asia’s payroll allocations. Other expenses (depreciation and amortization, insurance, and occupancy) have been allocated based on headcount at Partners Asia’s U.S. office and/or foreign locations.

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

(continued)

**Notes to Financial Statements
December 31, 2020 and 2019**

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:

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 followed the recommendation of the update to ensure presentation conformity of its financial statements.

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. Topic 842 was subsequently amended by *ASU No. 2018-01, ASU No. 2018-10, and ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2021, but Partners Asia has elected early implementation. 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.

In August 2014, the FASB issued *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*, which 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 July 16, 2021 (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.

(continued)

Notes to Financial Statements
December 31, 2020 and 2019

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

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 605) – 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, Partners Asia has incorporated these clarifying standards within the audited financial statements.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance 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 consists of funds on deposit in various financial institutions. The composition of cash and cash equivalents is as follows at December 31:

	2020	2019
Funds on deposit in domestic banks (noninterest-bearing)	\$ 191,575	\$ 358,762
Funds on deposit in sweep account (interest-bearing)	4,164,023	1,407,856
Funds on deposit in foreign banks (noninterest-bearing)	9,769	6,760
Total	\$ 4,365,367	\$ 1,773,378

At December 31, 2020 and 2019, 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, 2020.

4. 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, 2020. Certificates of deposit are classified as Level 1 assets.

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Notes to Financial Statements December 31, 2020 and 2019

5. Grants and Contributions Receivable

Grants and contributions receivable of \$933,142 and \$890,000 at December 31, 2020 and 2019, respectively, represent funds due from various foundations and are expected to be collected as follows:

	2020	2019
Year ending December 31, 2020	\$ -	\$ 701,588
Year ending December 31, 2021	569,064	194,064
Year ending December 31, 2022	375,000	-
Subtotal	944,064	895,652
Less: Unamortized discount	(10,922)	(5,652)
Subtotal	933,142	890,000
Total amounts due within one year	(569,064)	(701,588)
Grants and contributions receivable long-term (net)	\$ 364,078	\$ 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, 2020 and 2019, 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. Other Receivables

Other receivables of \$53,131 and \$21,782 at December 31, 2020 and 2019, 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.

7. Fair Value Measurements

Composition of investments utilizing fair value measurements at December 31, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Grants and pledges receivable	\$ 933,142	\$ -	\$ 569,064	\$ 364,078
Other receivables	53,131	-	53,131	-
Totals	\$ 986,273	\$ -	\$ 622,195	\$ 364,078

Composition of investments utilizing fair value measurements at December 31, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments	\$ 750,000	\$ 750,000	\$ -	\$ -
Grants and pledges receivable	890,000	-	701,588	188,412
Other receivables	21,782	-	21,782	-
Totals	\$ 1,661,782	\$ 750,000	\$ 723,370	\$ 188,412

Notes to Financial Statements
December 31, 2020 and 2019

8. 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, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 4,365,367	\$ 1,773,378
Investments	-	750,000
Grants and contributions receivable	569,064	701,588
Other receivables	53,131	21,782
Total financial assets	4,987,562	3,246,748
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(3,732,476)	(2,287,578)
Financial assets available to meet general expenditures over the next year	\$ 1,255,086	\$ 959,170

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.

9. Grants Payable

Grants payable of \$71,331 and \$53,964 at December 31, 2020 and 2019, 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.

PARTNERS ASIA

Notes to Financial Statements December 31, 2020 and 2019

10. 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, 2020, the leases require combined monthly rental payments of \$3,767.

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 \$27,749 at December 31, 2020 (classified as a current liability) and \$70,097 at December 31, 2019 (split between current portion of \$42,348 and long-term portion of \$27,749) for its Oakland offices. In connection with the initial recording of the lease liability, Partners Asia has recorded right of use asset for the premises in the amount of and \$27,037 and \$69,095 at December 31, 2020 and 2019, respectively, which are net amounts after straight-line amortization. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%.

At December 31, 2020, future minimum lease payments are as follows:

Year ending December 31, 2021	\$ 27,749
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Total rent expense amounted to \$58,104 and \$44,419 for the years ended December 31, 2020 and 2019, respectively. Rent expense for the year ending December 31, 2020 includes \$712 in amortization of the right of use asset.

11. Net Assets

Net assets consist of the following at December 31:

	2020	2019
Without donor restrictions	\$ 1,423,734	\$ 953,622
With donor restrictions:		
Advocacy/Peace	\$ 27,350	\$ 30,000
Community Development	109,942	23,120
Education	106,443	15,272
Gender	3,499,160	2,219,338
Leadership	-	5,000
Other	503	500
Unamortized discount	(10,922)	(5,652)
Total net assets with donor restrictions	3,732,476	2,287,578
Total net assets	\$ 5,156,210	\$ 3,241,200

(continued)

**Notes to Financial Statements
December 31, 2020 and 2019**

11. Net Assets *(continued)*

Net assets without donor restrictions of \$1,423,734 and \$953,622 as of December 31, 2020 and 2019, respectively, represent the cumulative net surpluses retained since the inception of Partners Asia.

During the years ended December 31, 2020 and 2019, contributions to net assets with donor restrictions amounted to \$4,335,847 and \$3,726,080, respectively. During the years ended December 31, 2020 and 2019, net assets released from restrictions amounted to \$2,880,027 and \$2,428,854, respectively, and such amounts were transferred to net assets without donor restrictions.

12. Grant and Related Expenses

Total grants and related expenses of \$2,804,770 and \$2,412,761 for the years ended December 31, 2020 and 2019, 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. 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 \$12,605 and \$39,107 as of December 31, 2020 and 2019, respectively, and are included with accounts payable and accrued liabilities.

14. 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, 2020 and 2019

15. Refundable Advance

PPP Loan Program Under the CARES Act

During May 2020, Partners Asia applied for and received \$60,117 in a forgivable loan under the Small Business Administration Paycheck Protection Program (“PPP”), the total amount of which was funded through Wells Fargo Bank. Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136.

This legislation authorized the United States Treasury Department to use the SBA’s 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities.

Partners Asia expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP’s eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

Based on the guidance in *FASB ASC 405-20-40-1*, the proceeds from the loan remain recorded as a liability titled “refundable advance” until either (1) the loan is, in part or wholly, forgiven and the debtor has been “legally released” or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, Partners Asia will reduce the liability by the amount forgiven and record the forgiven loan as government contributed income. On April 20, 2021, Partners Asia received notification from Wells Fargo Bank that its application for forgiveness had been accepted by the SBA. The refundable advance will be transferred to government contributed income during the year ending December 31, 2021.

16. COVID-19

Although the COVID-19 threat has abated, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Partners Asia conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management monitors and evaluates its options. These financial statements do not contain any adjustments related to economic losses which may or may not be realized.

17. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Partners Asia has evaluated subsequent events through July 16, 2021, the date the financial statements were available to be issued. On April 20, 2021 (subsequent to Partners Asia’s fiscal year-end), Partners Asia received notification from Wells Fargo Bank that its application for forgiveness had been accepted by the SBA (as disclosed in Note 15). In the opinion of management, there are no other subsequent events which are required to be disclosed.