



Partners Asia

Financial Statements

**For the Years Ended
December 31, 2021 and 2020**
With Independent Auditors' Report Thereon

PARTNERS ASIA

(A Washington State Not-for-Profit Corporation)

Contents

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors Partners Asia

Opinion

We have audited the accompanying financial statements of Partners Asia (a California nonprofit organization), which comprise the statements of financial position as December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners Asia as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

Page 2

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Regalia & Associates

July 7, 2022
Danville, California

PARTNERS ASIA

**Statements of Financial Position
December 31, 2021 and 2020**

Assets

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 5,064,655	\$ 4,365,367
Grants and contributions receivable	1,188,614	569,064
Other receivables	41,031	53,131
Prepaid expenses and other assets	21,850	12,670
Total current assets	<u>6,316,150</u>	<u>5,000,232</u>
Noncurrent Assets:		
Grants and contributions receivable - long term, net of discount	203,884	364,078
Right of use asset-premises	28,290	27,037
Deposits	4,504	4,504
Total assets	<u>\$ 6,552,828</u>	<u>\$ 5,395,851</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 117,696	\$ 80,444
Grants payable	49,042	71,331
Lease payable - current portion	11,391	27,749
Refundable advance	-	60,117
Total current liabilities	<u>178,129</u>	<u>239,641</u>
Lease payable - noncurrent portion	16,899	-
Total liabilities	<u>195,028</u>	<u>239,641</u>
Net Assets:		
Without donor restrictions	1,671,749	1,423,734
With donor restrictions	4,686,051	3,732,476
Total net assets	<u>6,357,800</u>	<u>5,156,210</u>
Total liabilities and net assets	<u>\$ 6,552,828</u>	<u>\$ 5,395,851</u>

PARTNERS ASIA

**Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2021 and 2020**

<i>Changes in net assets without donor restrictions:</i>	2021	2020
Revenue and support:		
Government contributions	\$ 60,117	\$ -
Individual contributions	204,970	72,549
Foundations and other contributions	419,491	963,757
Interest and investment income	699	6,028
Net assets released from restrictions	4,154,809	2,880,027
Total revenue and support	4,840,086	3,922,361
Expenses:		
Program	4,222,355	3,108,609
Fundraising	149,123	143,926
General and administrative	223,750	199,269
Total expenses	4,595,228	3,451,804
Increase in net assets without donor restrictions before currency loss, net	244,858	470,557
Currency loss, net	(868)	(445)
Increase in net assets without donor restrictions	243,990	470,112
<i>Changes in net assets with donor restrictions:</i>		
Grants and contributions	5,107,603	4,335,847
Net assets released from restrictions	(4,154,809)	(2,880,027)
Change in unamortized discount	4,806	(10,922)
Increase in net assets with donor restrictions	957,600	1,444,898
Increase in net assets	1,201,590	1,915,010
Net assets at beginning of period	5,156,210	3,241,200
Net assets at end of period	\$ 6,357,800	\$ 5,156,210

PARTNERS ASIA

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
<i>Cash flows from operating activities:</i>		
Increase in net assets	\$ 1,201,590	\$ 1,915,010
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Change in discount on long-term receivables	(4,806)	10,922
Changes in:		
Grants and contributions receivable	(454,550)	(54,064)
Other receivables	12,100	(31,349)
Prepaid expenses and other assets	(9,180)	5,711
Right of use asset-premises	(1,253)	42,058
Accounts payable and accrued liabilities	37,252	(81,435)
Grants payable	(22,289)	17,367
Net cash provided by operating activities	758,864	1,824,220
<i>Cash flows from investing activities:</i>		
Proceeds from disposition of investments	-	750,000
Net cash provided by investing activities	-	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	541	(42,348)
Reclassification of forgiven PPP loan to government grant revenue	(60,117)	-
Net cash provided by (used for) financing activities	(59,576)	17,769
Increase in cash and cash equivalents	699,288	2,591,989
Cash and cash equivalents at beginning of year	4,365,367	1,773,378
Cash and cash equivalents at end of year	\$ 5,064,655	\$ 4,365,367
<i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
Taxes paid	\$ 630	\$ 150

PARTNERS ASIA

Statements of Functional Expenses
For the Year Ended December 31, 2021

	Advocacy and Peace	Gender Programs	All Other Programs	Total Program	Fund- raising	General and Admin- istrative	2021 Total
Bank charges/processing fees	\$ 38	\$ -	\$ 5	\$ 43	\$ -	\$ 21,745	\$ 21,788
Grants	1,696,325	321,875	1,017,630	3,035,830	-	-	3,035,830
Grant expenses	216,511	668,979	49,064	934,554	14,144	-	948,698
Information technology	1,079	1,443	2,801	5,323	2,203	1,010	8,536
Insurance	719	1,105	1,982	3,806	615	1,574	5,995
Miscellaneous	93	122	274	489	194	92	775
Occupancy	4,719	6,681	13,705	25,105	7,581	2,927	35,613
Postage and printing	99	177	291	567	381	273	1,221
Professional services	9,462	12,379	27,833	49,674	46,412	124,047	220,133
Salaries, payroll taxes and benefits	45,755	36,155	80,559	162,469	72,896	69,857	305,222
Supplies and office	703	888	1,706	3,297	2,607	869	6,773
Trainings and meetings	207	340	583	1,130	787	1,281	3,198
Travel	13	17	38	68	1,303	75	1,446
Totals	\$ 1,975,723	\$ 1,050,161	\$ 1,196,471	\$ 4,222,355	\$ 149,123	\$ 223,750	\$ 4,595,228

PARTNERS ASIA

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

**Notes to Financial Statements
December 31, 2021 and 2020**

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.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021. 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.

**Notes to Financial Statements
December 31, 2021 and 2020**

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

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

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

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

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

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

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

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

Net Assets without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for any purpose, such as a reserve and board-designated endowment, but it has not opted to do so as of December 31, 2021.

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.

Notes to Financial Statements
December 31, 2021 and 2020

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.

Notes to Financial Statements
December 31, 2021 and 2020

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 7, 2022 (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.

Notes to Financial Statements
December 31, 2021 and 2020

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

	2021	2020
Funds on deposit in domestic banks (noninterest-bearing)	\$ 355,780	\$ 191,575
Funds on deposit in sweep account (interest-bearing)	4,708,630	4,164,023
Funds on deposit in foreign banks (noninterest-bearing)	245	9,769
Total	\$ 5,064,655	\$ 4,365,367

At December 31, 2021 and 2020, 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, 2021.

4. Other Receivables

Other receivables of \$41,031 and \$53,131 at December 31, 2021 and 2020, 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.

PARTNERS ASIA

Notes to Financial Statements December 31, 2021 and 2020

5. Grants and Contributions Receivable

Grants and contributions receivable of \$1,392,498 and \$933,142 at December 31, 2021 and 2020, respectively, represent funds due from various foundations and are expected to be collected as follows:

	2021	2020
Year ending December 31, 2021	\$ -	\$ 569,064
Year ending December 31, 2022	1,188,614	375,000
Year ending December 31, 2023	210,000	-
Subtotal	1,398,614	944,064
Less: Unamortized discount	(6,116)	(10,922)
Subtotal	1,392,498	933,142
Total amounts due within one year	(1,188,614)	(569,064)
Grants and contributions receivable long-term (net)	\$ 203,884	\$ 364,078

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, 2021 and 2020, 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. Fair Value Measurements

Composition of investments utilizing fair value measurements at December 31, 2021 is as follows:

	Totals	Level 1	Level 2	Level 3
Grants and pledges receivable	\$ 1,392,498	\$ -	\$ 1,188,614	\$ 203,884
Other receivables	41,031	-	41,031	-
Totals	\$ 1,433,529	\$ -	\$ 1,229,645	\$ 203,884

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

7. Grants Payable

Grants payable of \$49,042 and \$71,331 at December 31, 2021 and 2020, 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.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 5,064,655	\$ 4,365,367
Grants and contributions receivable	1,188,614	569,064
Other receivables	41,031	53,131
Total financial assets	6,294,300	4,987,562
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(4,476,051)	(3,732,476)
Financial assets available to meet general expenditures over the next year	\$ 1,818,249	\$ 1,255,086

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. Grant and Related Expenses

Total grants and related expenses of \$3,984,528 and \$2,804,770 for the years ended December 31, 2021 and 2020, 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.

PARTNERS ASIA

Notes to Financial Statements December 31, 2021 and 2020

10. Right of Use Asset and Leases

Partners Asia leased its corporate office premises in Oakland under two separate operating lease agreements which expired June 30, 2021 and November 30, 2021. From December 2021 through February 2022, Partners Asia continued to lease a portion of these offices on a month-to-month basis. In February 2022, Partners Asia signed a lease amendment for the period of March 1, 2022 through February 29, 2024.

In accordance with *ASU 2016-02, Leases*, Partners Asia reflects the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, Partners Asia has recorded a total lease liability in the amount of \$28,290 at December 31, 2021 (split between current portion of \$11,391 and long-term portion of \$16,899) and \$27,749 at December 31, 2020 (classified as a current liability) 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 \$28,290 and \$27,037 at December 31, 2021 and 2020, 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, 2021, future minimum lease payments are as follows:

Year ending December 31, 2022	\$ 13,276
Year ending December 31, 2023	14,840
Year ending December 31, 2024	2,485

Total rent expense amounted to \$33,821 and \$44,419 for the years ended December 31, 2021 and 2020, respectively. Rent expense for both the years ending December 31, 2021 and 2020 includes \$712 in amortization of the right of use asset.

11. Net Assets

Net assets consist of the following at December 31:

	2021	2020
Without donor restrictions	<u>\$ 1,671,749</u>	<u>\$ 1,423,734</u>
With donor restrictions:		
Advocacy/Peace	\$ 509,972	\$ 27,350
Community Development	160,662	109,942
Education	81,912	106,443
Gender	3,921,428	3,499,160
Other	18,193	503
Unamortized discount	(6,116)	(10,922)
Total net assets with donor restrictions	<u>4,686,051</u>	<u>3,732,476</u>
Total net assets	<u>\$ 6,357,800</u>	<u>\$ 5,156,210</u>

(continued)

**Notes to Financial Statements
December 31, 2021 and 2020**

11. Net Assets *(continued)*

Net assets without donor restrictions of \$1,671,749 and \$1,423,734 as of December 31, 2021 and 2020, respectively, represent the cumulative net surpluses retained since the inception of Partners Asia.

During the years ended December 31, 2021 and 2020, contributions to net assets with donor restrictions amounted to \$5,107,603 and \$4,335,847, respectively. During the years ended December 31, 2021 and 2020, net assets released from restrictions amounted to \$4,154,809 and \$2,880,027, respectively, and such amounts were transferred to net assets without donor restrictions.

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 \$13,152 and \$12,605 as of December 31, 2021 and 2020, 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, 2021 and 2020**

14. 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. 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 was therefore recognized as government contributed income during the year ended December 31, 2021 and is reflected in the statement of activities and changes in net assets.

15. COVID-19

As a result of COVID-19 and its variants, the pandemic continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Partners Asia conducts operations. 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 reflect certain economic results which have impacted operating results for the years ended December 31, 2021 and 2020.

16. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Partners Asia has evaluated subsequent events through July 7, 2022, the date the financial statements were available to be issued. In April 2022, Partners Asia was named as a co-defendant in a liability claim involving one of its outside contractors and management has forwarded the matter to its insurance carrier. As of July 7, 2022, Partners Asia is unable to determine its loss exposure, if any, and has not made any accrual for exposure, which is consistent with *ASC Topic 450 “Loss Contingencies.”* In the opinion of management, there are no other subsequent events which are required to be disclosed.