



**FINANCIAL STATEMENTS
DECEMBER 31, 2019**

COMMUNITY PARTNERS INTERNATIONAL

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December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Community Partners International:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Partners International (a California corporation, not-for-profit) (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Community Partners International as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, in 2019, the Organization adopted Financial Accounting Standards Board's Accounting Standards Updates (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

AAFCPA, Inc.

Westborough, Massachusetts
November 13, 2020

COMMUNITY PARTNERS INTERNATIONALStatement of Financial Position
December 31, 2019

Assets	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:			
Cash and cash equivalents	\$ 6,735,354	\$ 353,559	\$ 7,088,913
Grants and contributions receivable	1,218,036	-	1,218,036
Contracts receivable	14,331	-	14,331
Prepaid expenses and other	128,036	-	128,036
Total assets	<u>\$ 8,095,757</u>	<u>\$ 353,559</u>	<u>\$ 8,449,316</u>
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 879,204	\$ -	\$ 879,204
Partner grants payable, net of advances	817,613	-	817,613
Deferred revenue	125,309	-	125,309
Conditional grant advances	3,025,282	-	3,025,282
Total current liabilities	<u>4,847,408</u>	<u>-</u>	<u>4,847,408</u>
Net Assets:			
Without donor restrictions	3,248,349	-	3,248,349
With donor restrictions	-	353,559	353,559
Total net assets	<u>3,248,349</u>	<u>353,559</u>	<u>3,601,908</u>
Total liabilities and net assets	<u>\$ 8,095,757</u>	<u>\$ 353,559</u>	<u>\$ 8,449,316</u>

COMMUNITY PARTNERS INTERNATIONALStatement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue:			
Foreign agency grants	\$ 8,596,084	\$ -	\$ 8,596,084
Grants and contributions	1,934,533	478,989	2,413,522
Contract income	544,629	-	544,629
Other income	97,088	-	97,088
Donated supplies	60,077	-	60,077
Net assets released from purpose restrictions	481,187	(481,187)	-
	<u>11,713,598</u>	<u>(2,198)</u>	<u>11,711,400</u>
Operating Expenses:			
Program services	10,555,333	-	10,555,333
General and administrative	1,232,959	-	1,232,959
Fundraising	177,755	-	177,755
	<u>11,966,047</u>	<u>-</u>	<u>11,966,047</u>
Changes in net assets	(252,449)	(2,198)	(254,647)
Net Assets:			
Beginning of year, as restated	<u>3,500,798</u>	<u>355,757</u>	<u>3,856,555</u>
End of year	<u>\$ 3,248,349</u>	<u>\$ 353,559</u>	<u>\$ 3,601,908</u>

COMMUNITY PARTNERS INTERNATIONAL

Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities:

Changes in net assets	\$ (254,647)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Grants and contributions receivable	508,886
Contracts receivable	(14,331)
Prepaid expenses and other	19,718
Accounts payable and accrued expenses	(108,855)
Partner grants payable, net of advances	62,290
Deferred revenue	125,309
Conditional grant advances	<u>2,755,244</u>

Net cash provided by operating activities 3,093,614

Net Change in Cash and Cash Equivalents 3,093,614

Cash and Cash Equivalents:

Beginning of year	<u>3,995,299</u>
End of year	<u><u>\$ 7,088,913</u></u>

COMMUNITY PARTNERS INTERNATIONAL

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

	Program Services					Total Program Services	General and Adminis- trative	Fundraising	Total
	Maternal and Child Health	Emergency Response	Health System Strengthening	Research	Community- Based Health and Development				
Personnel and Related	\$ 320,150	\$ 204,586	\$ 1,364,709	\$ 141,566	\$ 13,006	\$ 2,044,017	\$ 738,724	\$ 148,358	\$ 2,931,099
Other Expenses:									
Grants	938,966	397,376	4,468,603	29,704	551,391	6,386,040	-	-	6,386,040
Miscellaneous	128,592	47,337	419,332	83,084	194,410	872,755	29,829	13,235	915,819
Professional services	21,400	115,766	120,417	369,277	5,850	632,710	187,847	5,767	826,324
Travel and conferences	60,764	40,261	205,206	18,811	5,702	330,744	183,915	6,231	520,890
Occupancy and utilities	44,887	9,829	154,285	10,386	17	219,404	83,521	2,895	305,820
Other	1,350	3,507	64,676	130	-	69,663	9,123	1,269	80,055
Total other expenses	1,195,959	614,076	5,432,519	511,392	757,370	8,511,316	494,235	29,397	9,034,948
Total expenses	\$ 1,516,109	\$ 818,662	\$ 6,797,228	\$ 652,958	\$ 770,376	\$ 10,555,333	\$ 1,232,959	\$ 177,755	\$ 11,966,047

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

1. OPERATIONS AND NONPROFIT STATUS

Operations

Community Partners International (the Organization) is a California not-for-profit organization incorporated in 2000 (originally known as the Foundation for the People of Burma). The Organization works to empower communities in Asia to meet their essential health, humanitarian and development needs by focusing on communities affected by conflict, violence and displacement in remote, low resource and hard to reach areas that are marginalized through poverty and exclusion. The Organization's projects and community-based programs provide direct assistance to these severely affected communities.

The Organization works with local partners to improve health and education, led by and for the people of Myanmar. Partnership with local organizations is the core of the Organization's work to empower the potential and deep commitment within the communities to develop, own and lead the solutions to their challenges - solutions that are driven by local needs and priorities, designed for the context, and sustainable for the long term.

Nonprofit Status

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares their financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

On January 1, 2019, the Organization adopted FASB's Accounting Standards Updates (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the full retrospective method. Accordingly, the 2018 ending net asset balances have been adjusted using the newly adopted accounting standards. The adoption resulted in a decrease in total net assets of \$270,038 as of January 1, 2019, due to changes in accounting treatment of certain grants.

The core principle of Topic 606 is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Organization's contracts with customers. This standard requires the Organization to assess its revenue from contracts with customers, using a broadly defined five-step process. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets as a result of adopting Topic 606.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

Topic 958 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain non-exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

Prior to adoption of Topic 958, various conditional grant funding was accounted for as contributions restricted by the donor for a future period. Management has since determined that income from these conditional grants should not have been recorded until conditions were met. Cash received in advance of conditions met on grants were previously recorded as net assets with donor restrictions and now are not recorded until conditions are met. For the remaining grants and contributions assessed, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under Topic 958.

The following table summarizes the retrospective effects of adoption at December 31, 2018:

<u>Statement of Financial Position and Statement of Activities and Changes in Net Assets</u>	<u>2018 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2018 As Adjusted</u>
Conditional grant advances	\$ -	\$ 270,038	\$ 270,038
Grants and contributions with donor restrictions	\$ 982,544	\$ 270,038	\$ 712,506

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

Many of the Organization's disbursements are converted to local currency because the Organization funds its programs by transferring cash from the United States (U.S.) to certain foreign countries so that program expenses can be paid in local denominations (usually in the currency of the countries of Myanmar, Bangladesh and Thailand). All operating results reflected in the financial statements are reported in U.S. currency. This process requires management to convert amounts expended in other denominations into U.S. dollars utilizing an average exchange rate. This process is performed by the Organization on a regular basis throughout the year and results in certain gains and losses on currency conversion which are included in miscellaneous in the accompanying statement of functional expenses.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2019.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable and Allowance

Grants and contributions receivable are stated at unpaid balances, less an allowance for uncollectable accounts. The allowance for uncollectable accounts is recorded based on the Organization's analysis of specific grants and contributions to be received and their estimate of amounts that may be uncollectable, if any. There was no allowance for uncollectable accounts as of December 31, 2019.

Contracts Receivable

Contracts receivable are stated as unpaid balances. It is the Organization's policy to charge-off uncollectible accounts receivable when management determines the receivable will not be collected.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment with a value of \$5,000 or more and a useful life greater than three years are recorded at cost, if purchased, or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, fixtures and equipment	3 - 5 years
Intellectual property	3 years

Costs of maintenance and repairs are expensed in the current period. The Organization reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

Deferred Revenue

Deferred revenue represents cash received on contracts where services have not yet been completed.

Conditional Grant Advances

Conditional grant advances represent cash received on conditional grants where conditions have not yet been met.

Revenue Recognition

Grants and Contributions

Grants and contributions may either be conditional or unconditional in accordance with ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. A grant or contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional grants and contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the grant or contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers.

Grants and contributions are recorded as revenue when received or unconditionally committed. Grants and contributions with donor restrictions are transferred to net assets without donor restrictions as costs related to purpose restrictions are incurred or time restrictions have lapsed.

The Organization receives grants and contributions from government and foreign agencies and other parties in support of specific projects. The grants and contributions committed in support of projects are transferred to net assets without donor restrictions as the Organization expends effort and incurs costs or as specified milestones are achieved for the related projects, as specified in the grant agreements.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contract Income

The Organization performs contracted services including facilitation and measurement of outcomes and analysis and reporting of data of certain populations or projects. The Organization generally measures contract revenue based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Contract income is recorded over the period covered by the service contract or as services are provided based upon transaction prices, as defined in contracts, adjusted for any explicit and implicit price considerations including rebates, refunds, settlements, and historical payor analysis. Contract income generally represents a single performance obligation (period of service) and revenue is recognized over time as the services are rendered (output method), provided that no significant obligations remain, and collection of the receivable is considered probable.

Conditional Grants

The Organization is the recipient of multiple contracts with various government and foreign agencies. These commitments are considered conditional under ASC Topic 958, as Organization must incur qualified costs or meet performance requirements prior to recognizing revenue. Total grants committed but not recognized as of December 31, 2019, summarized by the Organization are as follows:

Foreign agency grants	\$ 16,733,811
Other	\$ 712,175

All other income is recorded when earned.

Donated Supplies

Contributed supplies are reflected at the fair value of the contribution received. Contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated supplies are recorded at their estimated fair value determined on the date of contribution and are included in donated supplies in the accompanying statement of activities and changes in net assets and as other in the accompanying statement of functional expenses.

Grants Payable

Grants payable of \$817,613 represent amounts incurred by subrecipients under program grants which have not yet been paid out (see Note 8). Such amounts are to be disbursed during the subsequent fiscal year.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions. The expenses which are allocated include personnel and occupancy and utilities and have been allocated based on estimates of time and effort and square footage utilized.

Net Assets

The Organization has grouped its net assets into the following categories:

Without Donor Restrictions - Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization.

With Donor Restrictions - The Organization receives grants and contributions that are designated by donors for specific purposes. These grants and contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes. Net assets with donor restrictions consist of purpose restricted funds of \$353,559 as of December 31, 2019.

Subsequent Events

Subsequent events have been evaluated through November 13, 2020, which is the date the financial statements were available to be issued. An event that met the criteria for disclosure in the financial statements is included in Note 9.

3. RELATED PARTY TRANSACTIONS

A member of the Organization's Board of Directors provides consulting services to the Organization. The Board member was paid \$5,000 for services performed during 2019.

A different member of the Organization's Board of Directors is a Board member of two agencies that provided grants to the Organization. Total grant awards received amounted to \$409,000 during 2019.

Three members of management are Board members of various agencies that provided grants to the Organization. Total grant awards received amounted to \$306,410 during 2019.

4. LEASE COMMITMENTS

The Organization leases certain rooms and apartments located in Myanmar and Thailand under separate operating lease agreements which have terms generally lasting one year or less. As of December 31, 2019, the lease agreements require monthly or annual (in advance) rental payments made with local currency of Baht (Thailand) and MMK (Myanmar Kyat). Total rent expense for all locations amounted to \$152,095 for the year ended December 31, 2019, and is included in occupancy and utilities in the accompanying statement of functional expenses. Remaining future minimum lease payments are \$139,495 and \$95,530 for 2021 and 2022, respectively.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

5. FOREIGN OPERATIONS

The Organization has operations in Myanmar, Bangladesh and Thailand. Foreign operations are subject to the risks inherent in operating under different legal systems and various political and economic environments. Among these risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price of foreign exchange controls, political unrest, and restrictions on currency exchange.

6. FUNDING AND CONCENTRATIONS

Concentrations of grants and contributions receivable and total operating support and revenue as of December 31, 2019, are as follows:

	<u>Grants and Contributions Receivable</u>	<u>Total Operating Support and Revenue</u>
Private Funder A	- %	39%
Private Funder B	- %	11%
Private Funder C	21%	2%
Private Funder D	62%	6%

The Organization maintained 6% of its cash balance in Myanmar at December 31, 2019.

The Organization also maintains cash balances in an U.S. bank. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its operating cash balances.

7. LIQUIDITY

The Organization's financial assets available within one year from the statement of financial position date for general operating expenses as of December 31, 2019, are as follows:

Cash and cash equivalents	\$ 7,088,913
Grants and contributions receivable	1,218,036
Contracts receivable	<u>14,331</u>
	8,321,280
Less - net assets with donor restrictions (see Note 2)	<u>(353,559)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,967,721</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, the Organization has financial assets equal to approximately three months of operating expenses. The majority of operating expenses is funded by donor restricted grants which are made available for operations as expenses are incurred.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2019

8. PARTNERSHIP GRANTS IN SUBGRANTEES

The Organization has entered into agreements with certain other organizations in order to fulfill its obligations under various foreign agency and other grants. Amounts are awarded and paid to subgrantees upon the Organization's approval, review of project-related expenditures by subrecipients, and upon meeting terms and conditions outlined in the subgrantee award document.

9. SUBSEQUENT EVENT

During March 2020, the COVID-19 outbreak was recognized as a global pandemic. The impact of COVID-19 on the Organization's future operations and the demand for its services will depend upon, among other things, the duration, spread and intensity of the pandemic, related government responses such as required physical distancing, restrictions on business operations and travel, the pace of recovery of economic activity, and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to the Organization, if any, cannot be reasonably estimated at this time.