



**FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

COMMUNITY PARTNERS INTERNATIONAL

Contents
December 31, 2022 and 2021

	<u>Pages</u>
Independent Auditor's Report	1 - 1A
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 - 15

Independent Auditor's Report

To the Board of Directors of
Community Partners International:

Opinion

We have audited the financial statements of Community Partners International (a California corporation, not for profit) (the Organization) which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Partners International as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter - Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, effective January 1, 2022, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update 2016-02, *Leases (Topic 842)*, using the alternative transition method which does not require prior periods to be recast. Our opinion is not modified with respect to that matter.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

AAFCPA, Inc.

Westborough, Massachusetts
September 25, 2023

COMMUNITY PARTNERS INTERNATIONAL

Statements of Financial Position
December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ 7,929,179	\$ 2,304,471	\$ 10,233,650	\$ 5,921,678	\$ 2,937,410	\$ 8,859,088
Grants and contributions receivable	4,931,236	-	4,931,236	2,026,401	-	2,026,401
Partner grant advances	1,597,007	-	1,597,007	1,422,437	-	1,422,437
Prepaid expenses and other	132,783	-	132,783	91,540	-	91,540
Total current assets	14,590,205	2,304,471	16,894,676	9,462,056	2,937,410	12,399,466
Right-of-Use Asset - Operating	442,106	-	442,106	-	-	-
Total assets	<u>\$ 15,032,311</u>	<u>\$ 2,304,471</u>	<u>\$ 17,336,782</u>	<u>\$ 9,462,056</u>	<u>\$ 2,937,410</u>	<u>\$ 12,399,466</u>
Liabilities and Net Assets						
Current Liabilities:						
Current portion of operating lease liability	\$ 241,485	\$ -	\$ 241,485	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	1,771,525	-	1,771,525	1,048,898	-	1,048,898
Partner grants payable	2,415,001	-	2,415,001	185,209	-	185,209
Conditional grant advances	3,171,311	-	3,171,311	2,447,453	-	2,447,453
Total current liabilities	7,599,322	-	7,599,322	3,681,560	-	3,681,560
Operating Lease Liability, net of current portion	202,166	-	202,166	-	-	-
Total liabilities	<u>7,801,488</u>	<u>-</u>	<u>7,801,488</u>	<u>3,681,560</u>	<u>-</u>	<u>3,681,560</u>
Net Assets:						
Without donor restrictions	6,389,371	-	6,389,371	5,932,826	-	5,932,826
With donor restrictions	-	2,304,471	2,304,471	-	2,937,410	2,937,410
Cumulative adjustment for foreign currency translation	841,452	-	841,452	(152,330)	-	(152,330)
Total net assets	<u>7,230,823</u>	<u>2,304,471</u>	<u>9,535,294</u>	<u>5,780,496</u>	<u>2,937,410</u>	<u>8,717,906</u>
Total liabilities and net assets	<u>\$ 15,032,311</u>	<u>\$ 2,304,471</u>	<u>\$ 17,336,782</u>	<u>\$ 9,462,056</u>	<u>\$ 2,937,410</u>	<u>\$ 12,399,466</u>

The accompanying notes are an integral part of these statements.

Page 2

COMMUNITY PARTNERS INTERNATIONAL

 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Foreign agency grants	\$ 21,783,102	\$ -	\$ 21,783,102	\$ 11,790,722	\$ -	\$ 11,790,722
Grants and contributions	4,354,233	1,356,401	5,710,634	4,032,500	8,336,589	12,369,089
Other income	27,170	-	27,170	33,598	-	33,598
Donated supplies	-	-	-	104,658	-	104,658
Net assets released from purpose restrictions	1,989,340	(1,989,340)	-	6,901,711	(6,901,711)	-
Total operating support and revenue	28,153,845	(632,939)	27,520,906	22,863,189	1,434,878	24,298,067
Operating Expenses:						
Program services	26,093,702	-	26,093,702	20,366,256	-	20,366,256
General and administrative	1,378,774	-	1,378,774	927,949	-	927,949
Fundraising	224,824	-	224,824	184,194	-	184,194
Total operating expenses	27,697,300	-	27,697,300	21,478,399	-	21,478,399
Changes in net assets from operations	456,545	(632,939)	(176,394)	1,384,790	1,434,878	2,819,668
Other Revenue (Expense)						
Gain (loss) on foreign currency exchange	993,782	-	993,782	(152,330)	-	(152,330)
Changes in net assets	1,450,327	(632,939)	817,388	1,232,460	1,434,878	2,667,338
Net Assets:						
Beginning of year	5,780,496	2,937,410	8,717,906	4,548,036	1,502,532	6,050,568
End of year	\$ 7,230,823	\$ 2,304,471	\$ 9,535,294	\$ 5,780,496	\$ 2,937,410	\$ 8,717,906

COMMUNITY PARTNERS INTERNATIONAL

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 817,388	\$ 2,667,338
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Non-cash lease expenses	1,545	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(2,904,835)	(1,669,194)
Partner grant advances	(174,570)	(610,453)
Prepaid expenses and other	(41,243)	37,938
Accounts payable and accrued expenses	722,627	326,777
Deferred revenue	-	(4,214)
Partner grants payable	2,229,792	73,206
Conditional grant advances	723,858	(1,438,301)
Net cash provided by (used in) operating activities	<u>1,374,562</u>	<u>(616,903)</u>
Net Change in Cash and Cash Equivalents	<u>1,374,562</u>	<u>(616,903)</u>
Cash and Cash Equivalents:		
Beginning of year	<u>8,859,088</u>	<u>9,475,991</u>
End of year	<u><u>\$ 10,233,650</u></u>	<u><u>\$ 8,859,088</u></u>

COMMUNITY PARTNERS INTERNATIONAL

Statement of Functional Expenses

For the Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022								2021	
	Program Services									
	Maternal and Child Health	Emergency Response	Health System Strengthening	Research	Community- Based Health and Development	Total Program Services	General and Adminis- trative	Fundraising	Total	Total
Personnel and Related	\$ 604,467	\$ 493,719	\$ 2,448,631	\$ 210,110	\$ 190,652	\$ 3,947,579	\$ 780,929	\$ 189,669	\$ 4,918,177	\$ 3,523,136
Other Expenses:										
Grants	1,835,992	3,139,823	9,605,434	595,123	1,638,183	16,814,555	-	-	16,814,555	11,019,567
Medicines and medical supplies	1,802,782	217,761	721,048	2,598	16,302	2,760,491	-	-	2,760,491	4,369,778
Miscellaneous supplies	154,545	127,943	671,459	100,790	145,664	1,200,401	-	243	1,200,644	1,258,362
Professional services	17,032	88,116	279,089	205,187	47,388	636,812	337,319	-	974,131	712,266
Occupancy and utilities	49,870	67,295	278,599	45,119	34,090	474,973	210,352	20,531	705,856	448,368
Travel and conferences	37,937	48,723	109,650	24,499	34,827	255,636	27,816	5,712	289,164	33,472
Other	-	1,318	847	926	164	3,255	22,358	8,669	34,282	113,450
Total other expenses	3,898,158	3,690,979	11,666,126	974,242	1,916,618	22,146,123	597,845	35,155	22,779,123	17,955,263
Total expenses	\$ 4,502,625	\$ 4,184,698	\$ 14,114,757	\$ 1,184,352	\$ 2,107,270	\$ 26,093,702	\$ 1,378,774	\$ 224,824	\$ 27,697,300	\$ 21,478,399

COMMUNITY PARTNERS INTERNATIONAL

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

	Program Services					General and Administrative	Fundraising	Total	
	Maternal and Child Health	Emergency Response	Health System Strengthening	Research	Community-Based Health and Development				Total Program Services
Personnel and Related	\$ 347,292	\$ 279,271	\$ 1,884,557	\$ 68,924	\$ 257,892	\$ 2,837,936	\$ 509,458	\$ 175,742	\$ 3,523,136
Other Expenses:									
Grants	823,460	2,932,035	5,053,134	-	2,210,938	11,019,567	-	-	11,019,567
Medicines and medical supplies	72,835	3,323,072	780,239	13,978	179,654	4,369,778	-	-	4,369,778
Miscellaneous supplies	20,904	953,721	223,929	4,012	51,560	1,254,126	4,236	-	1,258,362
Professional services	10,012	185,786	165,606	115,607	-	477,011	234,755	500	712,266
Occupancy and utilities	43,314	55,272	163,907	6,941	3,815	273,249	167,972	7,147	448,368
Travel and conferences	-	18,368	3,065	5,152	-	26,585	6,513	374	33,472
Other	792	36,277	70,693	11	231	108,004	5,015	431	113,450
Total other expenses	971,317	7,504,531	6,460,573	145,701	2,446,198	17,528,320	418,491	8,452	17,955,263
Total expenses	\$ 1,318,609	\$ 7,783,802	\$ 8,345,130	\$ 214,625	\$ 2,704,090	\$ 20,366,256	\$ 927,949	\$ 184,194	\$ 21,478,399

The accompanying notes are an integral part of these statements.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

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).

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued guidance ASC 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities in the statement of financial position.

The Organization elected to adopt Topic 842 on January 1, 2022, using the alternative transition method provided in Accounting Standards Update (ASU) 2018-11. Under this transition method, financial information related to years prior to adoption was as originally reported under Topic 840. The adoption of Topic 842 did not impact net assets as of January 1, 2022. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the Organization to carry forward the historical lease classification as operating leases. The Organization also elected to combine lease and non-lease components and to exclude short-term leases from the statement of financial position. The Organization did not elect the hindsight practical expedient in determining the lease term for the existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease asset and liability of \$532,283 and \$526,056, respectively, while the standard did not have any impact on the Organization's statements of activities without donor restrictions, changes in net assets, or cash flows. As part of adoption, the Organization also modified its control procedures and processes, none of which materially affected the internal controls over financial reporting.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU do not change the recognition and measurement requirements of in-kind goods and services.

During 2022, the Organization adopted ASU 2020-07. The adoption of this ASU did not impact the Organization's net asset class, changes in net assets, or cash flows for the years ended December 31, 2022 and 2021. This ASU has been applied retrospectively to all periods presented.

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 accompanying 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 other revenue (expenses) in the accompanying statements of activities and changes in net assets.

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, 2022 and 2021.

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.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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 statements 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 as of December 31, 2022 and 2021, consist of contributions, government and private grants committed to the Organization. Grants and contributions receivable are recorded at their net present value, less allowances for doubtful accounts, when unconditionally committed. There was no allowance for doubtful accounts recorded as of December 31, 2022 and 2021.

Leases

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the statement of financial position. Lease expense is recognized by the Organization on a straight-line basis over the lease term.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset represents the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. Since the Organization's operating leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at the earlier of lease commencement or January 1, 2022, the adoption date. The Organization's lease terms may include options to extend or terminate the leases when it is reasonably certain that the option will be exercised.

For leases where it is the lessee, the Organization accounts for lease payments (lease component) and common area expense reimbursements (non-lease component) as one lease component under Topic 842. The Organization also includes the non-components of its leases, such as the reimbursement of utilities, insurance, and real estate taxes, within this leases component. These amounts are included in occupancy and utilities in the accompanying statements of functional expenses.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition (Topic 958)*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 10 for disclosure of the Organization's conditional awards at December 31, 2022 and 2021.

Grants and contributions are recorded as services are provided and costs are incurred. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed.

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 the Organization must incur qualified costs or meet performance requirements prior to recognizing revenue (see Note 10).

All other income is recorded when earned.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated supplies. During 2022, the Organization did not receive any donated supplies. During 2021, the value of donated goods was \$104,658, which was used for maternal and child health and emergency response programs for the year ended December 31, 2021.

Partner Grant Advances and Payable

Partner grant advances represent amounts advanced to subrecipients under program grants where expenses have not yet been incurred. Partner grants payable represent amounts incurred by subrecipients under program grants which have not yet been paid out (see Note 8). Such amounts are to be relieved and disbursed during the subsequent fiscal year.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs or support functions 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 related and occupancy and utilities and have been allocated based on estimates of time and effort and square footage utilized, respectively.

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 \$2,304,471 and \$2,937,410 as of December 31, 2022 and 2021, respectively.

Cumulative adjustment for foreign currency translation net assets - These net assets represent the cumulative effect of translating the Myanmar financial activities and net position into the Organization's reporting currency (U.S. dollars).

Subsequent Events

Subsequent events have been evaluated through September 25, 2023, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

3. RELATED PARTY TRANSACTIONS

A member of the Organization's Board of Directors provides consulting services to the Organization. The Board member was paid \$6,000 for services performed during 2021. There were no consulting services performed by a member of the Organization's Board of Directors during 2022.

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 \$470,000 and \$905,000 for the years ended December 31, 2022 and 2021, respectively.

Three members of management are Board members of various agencies that the Organization provided grants to. Total grant awards amounted to \$888,908 and \$209,907 for the years ended December 31, 2022 and 2021, respectively.

4. OPERATING LEASES

The Organization entered into lease agreements for office space located in Myanmar, Thailand and the United States in August 2021, expiring at various dates through November 2025. The Organization is required to make annual and/or monthly payments on these leases. Lease payments require monthly or annual (in advance) rental payments made with U.S. dollars, local currency of Baht (Thailand), and MMK (Myanmar Kyat). Annual payments range from \$186,000 to \$192,000. Monthly payments are due on the first day of the month and range from \$833 to \$3,736. The Organization is also responsible for its share of utilities under certain operating lease agreements (CAM charges).

In accordance with Topic 842, *Leases*, the Organization records rent expense for the operating leases on a straight-line basis over the term of the leases. CAM charges are variable and were \$7,571 for the year ended December 31, 2022. Base rent of \$239,584 was recognized for the year ended December 31, 2022, and is included with CAM charges as occupancy and utilities expense in the accompanying statements of functional expenses. Occupancy and utilities expense includes short-term lease costs of approximately \$79,000 for the year ended December 31, 2022.

As a result of the adoption of the new lease accounting guidance under ASC Topic 842, *Leases*, as of January 1, 2022, the Organization recognized an operating lease obligation of \$526,056, which represents the net present value of the remaining operating lease payments discounted utilizing the risk-free discount rate based on length of lease agreement, according to the Organization's elected policy.

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term	
Operating leases	3 years
Weighted Average Discount Rate	
Operating leases	3.02%

The Organization's weighted-average discount rate is 3.02% and the weighted-average remaining lease term is 2.53 years as of December 31, 2022. The Organization also recognized a ROU asset - operating of \$532,283 as a result of the adoption of Topic 842. As of December 31, 2022, the ROU asset - operating had a balance of \$442,106, as shown as ROU asset - operating in the accompanying statement of financial position; the operating lease liability is shown as current portion of operating lease liability (\$241,485), and operating lease liability, net of current portion (\$202,166). As of December 31, 2022, there were no material leases that have been executed by the Organization, but have not yet commenced.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

4. OPERATING LEASES (Continued)

The following summarizes cash flow information related to leases included in the measurement of lease liabilities for the year ended December 31, 2022, in accordance with Topic 842:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 238,039
ROU assets obtained in exchange for lease obligations:	
Operating leases	\$ 532,283

Future minimum cash lease payments for the non-cancellable portion of the lease, excluding CAM charges, are as follows as of December 31, 2022:

2023	\$ 241,485
2024	207,833
2025	<u>10,000</u>
Total payments	459,318
Less - discount to present value	<u>(15,667)</u>
Net present value of remaining lease payments	443,651
Less - current portion	<u>(241,485)</u>
Operating lease obligation, net	<u>\$ 202,166</u>

The Organization leased certain spaces, rooms and apartments located in the United States, Myanmar and Thailand under separate operating lease agreements which have terms generally lasting one year or less during 2021. As of December 31, 2021, the lease agreements required monthly or annual (in advance) rental payments made with U.S. dollars, local currency of Baht (Thailand), and MMK (Myanmar Kyat). Total rent expense for all locations amounted to \$237,050 for the year ended December 31, 2021, and is included in occupancy and utilities in the accompanying 2021 statement of functional expenses. Remaining future minimum lease payments were \$261,138 for 2022.

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. Following the Myanmar coup on February 1, 2021, the operations of non-profits in the country have been facing various risks and challenges which immensely impacted the continuation of the support to the community. Among these risks are changes in existing tax laws, frequent changes on banking regulations, restrictions and strict scrutiny on non-profits' fund flow and activities, possible limitations on foreign investment and income repatriation, government price of foreign exchange controls, political unrest, restrictions on currency exchange, and possible failure of the Myanmar economy.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

6. FUNDING AND CONCENTRATIONS

Concentrations of grants and contributions receivable and total operating support and revenue as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Grants and Contributions Receivable</u>	<u>Total Operating Support and Revenue</u>	<u>Grants and Contributions Receivable</u>	<u>Total Operating Support and Revenue</u>
Private Funder A	-	3%	-	19%
Private Funder B	-	9%	99%	8%
Private Funder C	42%	36%	-	-

The Organization also maintains cash balances in a 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 AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the statements of financial position date for general operating expenses as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,233,650	\$ 8,859,088
Grants and contributions receivable	<u>4,931,236</u>	<u>2,026,401</u>
	15,164,886	10,885,489
Less - net assets with donor restrictions (see Note 2)	<u>(2,304,471)</u>	<u>(2,937,410)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,860,415</u>	<u>\$ 7,948,079</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, 2022 and 2021, the Organization has financial assets equal to approximately six and four months, respectively, of operating expenses. The majority of operating expenses is funded by donor-restricted grants which are made available for operations as expenses are incurred.

8. PARTNERSHIP GRANTS IN SUBGRANTEES

The Organization has entered into agreements with certain other organizations in order to fulfill its obligations under various foreign organizations 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. Amounts are included in grants in the accompanying statements of functional expenses.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements
December 31, 2022 and 2021

9. CONTINGENCIES

The Organization is also operating in a period of political, financial and social disruption (see Note 5). The financial impact to the Organization, if any, cannot be reasonably estimated at this time.

10. CONDITIONAL GRANTS

During 2022 and 2021, the Organization was awarded \$81,598,431 and \$25,633,492, respectively, of various contributions from third-party organizations and government sources. The full amount of these grants is conditional upon the Organization overcoming certain barriers such as stipulations that limit discretion by the Organization on the activities conducted with the grant funds, as defined in the grant agreements. The Organization recognizes these grants and contracts when conditions are met. For the years ended December 31, 2022 and 2021, the Organization recognized \$21,809,839 and \$11,775,221, respectively, of these third-party and government grants and contracts. Conditional promises to give at December 31, 2022 and 2021, consist of milestones that must be met totaling \$59,788,592 and \$13,858,271, respectively.

Conditional grant advances is comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Total conditional grants awarded	\$ 81,598,431	\$ 25,633,492
Cash received	\$ 24,981,150	\$ 14,222,674
Less - amount recognized	<u>(21,809,839)</u>	<u>(11,775,221)</u>
Conditional grant advances	<u>\$ 3,171,311</u>	<u>\$ 2,447,453</u>

11. RECLASSIFICATIONS

Certain amounts in the 2021 financial statements have been reclassified to conform with the 2022 presentation.