

Community Partners International
LOCAL LEADERS GLOBAL SUPPORT

Community Partners International

Financial Statements

*For the Years Ended
December 31, 2012 and 2011*

COMMUNITY PARTNERS INTERNATIONAL

(A California Not-For-Profit Corporation)
December 31, 2012

Community Partners International is dedicated to serving the most vulnerable people in Burma/Myanmar's remote villages, underserved townships and border regions where there is little to no access to health care or education. Led by an international team of health professionals, educators and management experts with more than a decade of on-the-ground experience in Burma, CPI develops local-global partnerships to improve the health and wellbeing of Burma's women, children, families and communities.

Together with our partners, in 2012 CPI provided access to community based health and education services to more than 700,000 people in Burma and along its borders. Our long term relationships develop the trust and experience vital to positive lasting change, and our extensive network encompasses diverse ethnicities, religions and languages.

Board of Directors and Staff

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Tom Lee, M.D., M.H.S.	President
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Scott McDonald	Secretary
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Erin McDevitt
Executive Director, United States
Myint Su
Executive Director, Myanmar

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(A California Not-For-Profit Corporation)
December 31, 2012

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C E R T I F I E D P U B L I C A C C O U N T A N T S

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Community Partners International**

We have audited the accompanying financial statements of Community Partners International (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended.

Regalia & Associates

**Danville, California
July 26, 2013**

COMMUNITY PARTNERS INTERNATIONAL

Statements of Financial Position December 31, 2012 and 2011

Assets

	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 1,021,376	\$ 1,609,794
Grants, pledges and accounts receivable	383,029	1,012,940
Other receivables	59,700	230,444
Prepaid expenses	1,665	5,701
Total current assets	<u>1,465,770</u>	<u>2,858,879</u>
Noncurrent Assets:		
Property and equipment, net	<u>1,243</u>	<u>3,830</u>
Total assets	<u>\$ 1,467,013</u>	<u>\$ 2,862,709</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 16,075	\$ 55,413
Grants payable	3,556	7,231
Total current liabilities	<u>19,631</u>	<u>62,644</u>
Net Assets:		
Unrestricted	841,361	939,972
Temporarily restricted	606,021	1,860,093
Total net assets	<u>1,447,382</u>	<u>2,800,065</u>
Total liabilities and net assets	<u>\$ 1,467,013</u>	<u>\$ 2,862,709</u>

COMMUNITY PARTNERS INTERNATIONAL

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2012

(with Summarized Financial Information for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individual contributions	\$ 132,835	\$ 210,721	\$ 343,556	\$ 447,226
Foundation contributions	581,063	1,652,899	2,233,962	3,823,456
In-kind contributions	7,424	-	7,424	4,788
Interest and investment income	335	-	335	635
Other income	5,141	-	5,141	1,467
Net assets released from restrictions	3,117,692	(3,117,692)	-	-
Total revenue and support	3,844,490	(1,254,072)	2,590,418	4,277,572
Expenses:				
Health	1,290,170	-	1,290,170	1,422,511
Education	877,180	-	877,180	1,118,796
Partner programs	1,421,431	-	1,421,431	665,138
Total programs	3,588,781	-	3,588,781	3,206,445
Fundraising	101,159	-	101,159	149,090
General and administrative	253,161	-	253,161	214,014
Total expenses	3,943,101	-	3,943,101	3,569,549
Increase (decrease) in net assets	(98,611)	(1,254,072)	(1,352,683)	708,023
Adjustment to net assets	-	-	-	1,500
Increase (decrease) in net assets	(98,611)	(1,254,072)	(1,352,683)	709,523
Net assets at beginning of year	939,972	1,860,093	2,800,065	2,090,542
Net assets at end of year	\$ 841,361	\$ 606,021	\$1,447,382	\$ 2,800,065

COMMUNITY PARTNERS INTERNATIONAL

Statements of Cash Flows For the Years Ended December 31, 2012 and 2011

	2012	2011
<i>Cash flows from operating activities:</i>		
Increase (decrease) in net assets	\$ (1,352,683)	\$ 709,523
Adjustments to reconcile change in net assets to net cash provided by (sed for) operating activities:		
Depreciation	2,587	2,349
Adjustment to equity from merger	-	(1,500)
Changes in:		
Grants and pledges receivable	629,911	(591,072)
Other receivables	170,744	(17,188)
Prepaid expenses	4,036	(5,701)
Accounts payable and accrued liabilities	(39,338)	22,642
Grants payable	(3,675)	(114,317)
Net cash provided by (used for) operating activities	(588,418)	4,736
 <i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	-	(2,300)
Net cash used for investment activities	-	(2,300)
 <i>Cash flows from financing activities:</i>		
Adjustment to equity from merger	-	1,500
Net cash provided by financing activities	-	1,500
Increase (decrease) in cash and cash equivalents	(588,418)	3,936
Cash and cash equivalents at beginning of year	1,609,794	1,605,858
Cash and cash equivalents at end of year	\$ 1,021,376	\$ 1,609,794
 <i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
Taxes paid	\$ 150	\$ 150

COMMUNITY PARTNERS INTERNATIONAL

Statement of Functional Expenses For the Year Ended December 31, 2012

(with Summarized Financial Information for the Year Ended December 31, 2011)

	Health	Education	Partner Programs	Total Programs	Fund-raising	General and Administrative	Total Expenses 2012	Total Expenses 2011
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	2,587	\$ 2,587	\$ 2,349
Events	-	-	-	-	1,866	60	1,926	6,847
Occupancy/utilities/insurance	44,069	498	43,807	88,374	4,307	4,912	97,593	29,882
Other	27,679	124	177	27,980	2,662	5,490	36,132	27,260
Professional services	790	-	3,978	4,768	2,336	82,717	89,821	73,602
Program expenses	796,565	819,446	1,407,058	3,023,069	-	-	3,023,069	2,587,936
Salaries, payroll taxes and related expenses	324,073	53,964	79,177	457,214	72,905	135,487	665,606	598,663
Shared costs	74,380	3,148	(112,819)	(35,291)	15,347	19,944	-	218,067
Travel and conferences	22,613	-	54	22,667	1,736	1,964	26,367	24,943
Total expenses	\$ 1,290,170	\$ 877,180	\$ 1,421,431	\$ 3,588,781	\$ 101,159	\$ 253,161	\$3,943,101	\$ 3,569,549

Notes to Financial Statements
December 31, 2012 and 2011

1. Organization

Community Partners International (CPI) was organized in 1999 (originally as the Foundation for the People of Burma) as a nonprofit corporation under the laws of the State of California. CPI's projects and community-based programs provide direct assistance to communities that have been severely affected by injustice and decades of neglect. CPI engages in compassionate, creative and strategic interventions, which facilitate positive, long-lasting change for those who face scarcity and entrenched poverty in remote and low resource settings.

CPI has had the privilege of collaborating with community-based partners to bring a wide range of services to tens of thousands of people inside Burma and refugees in neighboring countries. Services include basic health care and HIV support, primary education, improved teaching materials and leadership training. CPI respects each community's desire for self-determination by listening sensitively in order to facilitate effective, human-scale improvements without ethnic or religious discrimination.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CPI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, CPI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. CPI had no permanently restricted net assets at December 31, 2012 and 2011.

Revenue Recognition

CPI records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

CPI considers all highly liquid investments with a deposit commitment of 90 days or less (when initially acquired) to be cash equivalents. CPI maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. CPI has not experienced any losses in such accounts.

(continued)

Notes to Financial Statements

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

Fair Value Measurements

CPI follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that CPI 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, 2012. 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.

Foreign Currency

Many of CPI's disbursements are converted to local currency because CPI 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 countries of Burma 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 included in program expenses.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, CPI is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that CPI has adequately evaluated its current tax positions and has concluded that as of December 31, 2012, CPI does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

CPI 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. This exemption is 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. CPI may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, CPI calculates and accrues the applicable taxes payable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

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

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The 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. CPI recognized \$7,424 and \$4,788 of in-kind donations during the years ended December 31, 2012 and 2011, respectively.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

CPI reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions. There were no permanently restricted net assets at December 31, 2012 and 2011.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board. At December 31, 2012 and 2011, there were no Board-designated funds.

Functional Allocation of Expenses

The costs of providing CPI's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred and amounted to \$4,523 and \$13,891 for the years ended December 31, 2012 and 2011, respectively.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order to conform to the presentation used in 2012.

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents of \$1,021,376 and \$1,609,794 at December 31, 2012 and 2011, respectively, consists of funds on deposit in various checking and savings accounts with local financial institutions. Deposits in savings Interest is earned at the rate of 0.1% per annum on the average outstanding balance. At December 31, 2012, deposits exceeded the federally insured limit of \$250,000. CPI attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.

4. Grants, Pledges and Accounts Receivable

Grants, pledges and accounts receivable of \$383,029 and \$1,012,940 at December 31, 2012 and 2011, respectively, represent amounts principally due within one year. Management believes all amounts are fully collectible. Accordingly, no reserve for uncollectible amounts has been established.

5. Other Receivables

Other receivables of \$59,700 and \$230,444 at December 31, 2012 and 2011, respectively, represent amounts advanced to foreign locations. Such funds represent advances for future program expenditures which will be reflected on the statement of activities and changes in net assets during the subsequent fiscal year.

6. Property and Equipment

Property and equipment consist of the following at December 31, 2012 and 2011:

	2012	2011
Computers and equipment	\$ 7,535	\$ 7,535
Office furniture	2,002	2,002
Web site	5,151	5,151
Subtotal	14,688	14,688
Accumulated depreciation	(13,445)	(10,858)
Property and equipment, net	\$ 1,243	\$ 3,830

Depreciation expense amounted to \$2,587 and \$2,349 for the years ended December 31, 2012 and 2011, respectively.

7. Grants Payable

Grants payable of \$3,556 and \$7,231 at December 31, 2012 and 2011, respectively, represent amounts approved by the Board of Directors to fund future program activities. Such amounts are scheduled to be disbursed during the subsequent fiscal year.

COMMUNITY PARTNERS INTERNATIONAL

Notes to Financial Statements

8. Net Assets

Net assets consist of the following at December 31, 2012 and 2011:

	2012	2011
Unrestricted	\$ 841,361	\$ 939,972
Temporarily Restricted:		
Basic Health Care	112,759	108,199
Burma Border Health Programs	-	21,927
Burma Lifeline Health/Education/Trainings	-	463,856
Burmese Migrant Education Project	-	242,478
Capacity Building -Civil Society Education	-	4,500
Central and Kachin Education/Community Development	-	75,000
Child Health and Infectious Diseases	30,280	109,490
Community Development: Art, Health Education	-	9,206
Cyclone [Nargis] Emergency Relief and Early Recovery Phases	-	129,437
Education and Development Programs	-	74,311
Education Support	9,000	90,000
Infectious Diseases	15,530	47,794
Health Trainings	-	35,648
Hill Village Project- Keng Tong	-	10,000
Mae Tao Clinic Support	18,040	-
Medical Action Myanmar	52,000	110,000
Other	-	3,800
Reproductive Health and Child Immunization Programs	161,462	278,328
Operating/Staffing	150,000	-
Trauma, Clinic Support and Feeding Programs	56,950	39,993
Tsunami Relief Fund- Moken Projects	-	6,126
Total temporarily restricted	606,021	1,860,093
Total net assets	\$ 1,447,382	\$ 2,800,065

During the years ended December 31, 2012 and 2011, net assets released from restrictions amounted to \$3,117,692 and \$2,871,830, respectively, and such amounts were transferred to unrestricted net assets.

9. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, CPI 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 statement of financial position based on hourly rates in effect at the end of the year. Accrued payroll liabilities amounted to \$9,682 and \$14,000 as of December 31, 2012 and 2011, respectively.

Notes to Financial Statements

10. Division

During the year ended December 31 2012, in order to be better positioned to respond to the political changes and openings in Burma, Community Partners International divided its work into two nonprofit organizations: Community Partners International and Partners Asia. CPI continues to pioneer local-global partnerships to improve the health and wellbeing of families and communities. Partners Asia focuses on community development and education. As a result of the division, CPI transferred \$1.07 million in assets in 2012 to form Partners Asia.

11. Lease Commitments

CPI leases its corporate office premises in Berkeley under an operating lease agreement which expires May 31, 2013. As of December 31, 2012, the lease requires a monthly rental payment of \$2,255. Future minimum lease payments are as follows for the year ending December 31, 2013: \$ 11,275. Rent expense amounted to \$27,674 and \$27,405 for the years ended December 31, 2012 and 2011, respectively.

12. 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 CPI to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond CPI'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.

13. In-Kind Contributions

A substantial number of unpaid volunteers have made significant contributions of time to various departments or programs of CPI. The value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under ASC 958.30 *Gifts in Kind*.

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CPI has evaluated subsequent events through July 26, 2013, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.