

Community Partners International
LOCAL LEADERS GLOBAL SUPPORT

Community Partners International

Financial Statements

*For the Years Ended
December 31, 2011 and 2010*

COMMUNITY PARTNERS INTERNATIONAL

(A California Not-For-Profit Corporation)
December 31, 2011

Community Partners International is dedicated to serving the most vulnerable people in Burma/Myanmar's remote villages, underserved townships and conflict-affected 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 2011 CPI provided access to community based health and education services to more than a million 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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Gail Seneca	Treasurer
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Therese Caouette
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COMMUNITY PARTNERS INTERNATIONAL OFFICE

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REGALIA and ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITY PARTNERS INTERNATIONAL

(A California Not-For-Profit Corporation)
December 31, 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Community Partners International

We have audited the accompanying statements of financial position of Community Partners International as of December 31, 2011 and 2010 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. All information included in these financial statements is the representation of the management of Community Partners International. The prior year summarized information on the statement of functional expenses has been derived from Community Partners International's December 31, 2010 financial statements and, in our report dated June 8, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Regalia & Associates

***Danville, California
August 7, 2012***

COMMUNITY PARTNERS INTERNATIONAL

Statements of Financial Position December 31, 2011 and 2010

Assets

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$1,609,794	\$ 1,605,858
Grants, pledges and accounts receivable	1,012,940	421,868
Other receivables	230,444	213,256
Prepaid expenses	5,701	-
Total current assets	<u>2,858,879</u>	<u>2,240,982</u>
Noncurrent Assets:		
Property and equipment, net	<u>3,830</u>	<u>3,879</u>
Total assets	<u>\$2,862,709</u>	<u>\$ 2,244,861</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 55,413	\$ 32,771
Grants payable	7,231	121,548
Total current liabilities	<u>62,644</u>	<u>154,319</u>
Net Assets:		
Unrestricted	939,972	1,229,058
Temporarily restricted	<u>1,860,093</u>	<u>861,484</u>
Total net assets	<u>2,800,065</u>	<u>2,090,542</u>
Total liabilities and net assets	<u>\$2,862,709</u>	<u>\$ 2,244,861</u>

COMMUNITY PARTNERS INTERNATIONAL

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2011

(with Summarized Financial Information for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individual contributions	\$ 182,740	\$ 247,636	\$ 430,376	\$ 465,642
Foundation contributions	206,820	3,616,636	3,823,456	1,540,012
Special Events	16,850	-	16,850	-
In-kind contributions	4,788	-	4,788	2,849
Interest and investment income	635	-	635	1,517
Other income	1,467	-	1,467	126
Net assets released from restrictions	<u>2,871,830</u>	<u>(2,871,830)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,285,130</u>	<u>992,442</u>	<u>4,277,572</u>	<u>2,010,146</u>
Expenses:				
Health	1,422,511	-	1,422,511	246,866
Education	1,118,796	-	1,118,796	1,020,772
Community development	<u>665,138</u>	<u>-</u>	<u>665,138</u>	<u>329,336</u>
Total programs	<u>3,206,445</u>	<u>-</u>	<u>3,206,445</u>	<u>1,596,974</u>
Fundraising	149,090	-	149,090	88,067
General and administrative	<u>214,014</u>	<u>-</u>	<u>214,014</u>	<u>140,845</u>
Total expenses	<u>3,569,549</u>	<u>-</u>	<u>3,569,549</u>	<u>1,825,886</u>
Increase (decrease) in net assets	(284,419)	992,442	708,023	184,260
Adjustment to net assets from combination	<u>(4,667)</u>	<u>6,167</u>	<u>1,500</u>	<u>440,081</u>
Increase (decrease) in net assets	(289,086)	998,609	709,523	624,341
Net assets at beginning of year	<u>1,229,058</u>	<u>861,484</u>	<u>2,090,542</u>	<u>1,466,201</u>
Net assets at end of year	<u>\$ 939,972</u>	<u>\$1,860,093</u>	<u>\$2,800,065</u>	<u>\$ 2,090,542</u>

COMMUNITY PARTNERS INTERNATIONAL

Statements of Cash Flows For the Years Ended December 31, 2011 and 2010

	2011	2010
<i>Cash flows from operating activities:</i>		
Increase in net assets	\$ 709,523	\$ 624,341
Adjustments to reconcile change in net assets to net cash provided by (sed for) operating activities:		
Depreciation	2,349	3,624
Adjustment to equity from merger	(1,500)	(440,081)
Changes in:		
Grants and pledges receivable	(591,072)	(389,138)
Other receivables	(17,188)	(67,897)
Prepaid expenses	(5,701)	337
Accounts payable and accrued liabilities	22,642	(8,187)
Grants payable	(114,317)	86,348
Net cash provided by (used for) operating activities	4,736	(190,653)
<i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	(2,300)	(910)
Net cash used for investment activities	(2,300)	(910)
<i>Cash flows from financing activities:</i>		
Adjustment to equity from merger	1,500	440,081
Net cash provided by financing activities	1,500	440,081
Increase in cash and cash equivalents	3,936	248,518
Cash and cash equivalents at beginning of year	1,605,858	1,357,340
Cash and cash equivalents at end of year	\$1,609,794	\$ 1,605,858
<i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
Taxes paid	\$ 150	\$ 150

COMMUNITY PARTNERS INTERNATIONAL

Statement of Functional Expenses For the Year Ended December 31, 2011

(with Summarized Financial Information for the Year Ended December 31, 2010)

	Health	Education	Community Development	Total Programs	Fund- raising	General and Adminis- trative	Total Expenses 2011	Total Expenses 2010
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	2,349	\$ 2,349	\$ 3,624
Events	-	-	-	-	6,847	-	6,847	16,075
Occupancy/utilities/insurance	22,449	1,215	154	23,818	775	5,289	29,882	21,805
Other	1,015	233	-	1,248	2,529	23,483	27,260	30,903
Professional services	2,139	-	-	2,139	1,900	69,563	73,602	5,959
Program expenses	997,855	1,000,986	588,748	2,587,589	347	-	2,587,936	1,382,850
Salaries, payroll taxes and related expenses	276,460	91,975	52,847	421,282	90,225	87,156	598,663	319,580
Shared costs	114,651	24,387	23,137	162,175	33,919	21,973	218,067	-
Travel and conferences	7,942	-	252	8,194	12,548	4,201	24,943	45,090
Total expenses	\$ 1,422,511	\$ 1,118,796	\$ 665,138	\$ 3,206,445	\$ 149,090	\$ 214,014	\$ 3,569,549	\$ 1,825,886

Notes to Financial Statements
December 31, 2011 and 2010

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 is the largest, independently-supported, U.S.-based humanitarian organization focusing exclusively on Burma. CPI's projects and community-based programs provide direct assistance to communities that have been severely affected by injustice. CPI engages in compassionate, creative and strategic interventions which facilitate positive, long-lasting change for those who face scarcity and lack personal freedom.

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, primary education, improved teaching materials, HIV treatment, leadership training, emergency food relief, clean water and income-generating activities. 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, 2011 and 2010.

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, 2011. 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, 2011, 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 \$4,788 and \$2,849 of in-kind donations during the years ended December 31, 2011 and 2010, 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, 2011 and 2010.

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, 2011 and 2010, 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.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements in order to conform to the presentation used in 2011.

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents of \$1,609,794 and \$1,605,858 at December 31, 2011 and 2010, respectively, consists of funds on deposit in an interest-bearing checking account with Northern Trust Bank. Interest is earned at the rate of 0.1% per annum on the average outstanding balance. At December 31, 2011, 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 \$1,012,940 and \$421,868 at December 31, 2011 and 2010, 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 \$230,444 and \$213,256 at December 31, 2011 and 2010, 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, 2011 and 2010:

	2011	2010
Computers and equipment	\$ 7,535	\$ 5,235
Office furniture	2,002	2,002
Web site	5,151	5,151
Subtotal	14,688	12,388
Accumulated depreciation	(10,858)	(8,509)
Property and equipment, net	\$ 3,830	\$ 3,879

Depreciation expense amounted to \$2,349 and \$3,624 for the years ended December 31, 2011 and 2010, respectively.

7. Grants Payable

Grants payable of \$7,231 and \$121,548 at December 31, 2011 and 2010, 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, 2011 and 2010:

	2011	2010
Unrestricted	\$ 939,972	\$ 1,229,058
Temporarily Restricted:		
Basic Health Care	108,199	-
Burma Border Health Programs	21,927	80,000
Burma Lifeline Health/Education/Trainings	463,856	-
Burmese Migrant Education Project	242,478	83,380
Capacity Building -Civil Society Education	4,500	-
Central and Kachin Education/Community Development	75,000	-
Child Health (Tuberculosis, Malaria, Lymphatic Filariasis, etc.)	109,490	123,895
Community Development: Art, Health Education	9,206	-
Cyclone [Nargis] Emergency Relief and Early Recovery Phases	129,437	307,955
Education and Development Programs	74,311	-
Education Support	90,000	-
Education, Water and Sanitation Programs	47,794	61,292
Health Trainings	35,648	-
Hill Village Project- Keng Tong	10,000	7,500
Informal Education Kaw Dai Project	-	1,087
Mae Tao Clinic Support	-	6,746
Medical Action Myanmar	110,000	-
Other	3,800	184
Reproductive Health and Child Immunization Programs	278,328	100,482
Trauma, Clinic Support and Feeding Programs	39,993	14,244
Tsunami Relief Fund- Moken Projects	6,126	24,708
Women's Commission/Women's Empowerment	-	50,011
Total temporarily restricted	1,860,093	861,484
Total net assets	\$ 2,800,065	\$ 2,090,542

During the years ended December 31, 2011 and 2010, net assets released from restrictions amounted to \$2,871,830 and \$1,175,887, 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 \$14,000 and \$5,817 as of December 31, 2011 and 2010, respectively.

Notes to Financial Statements

10. Combination

On December 31, 2010, PlanetCare/Global Health Access Program ("GHAP") transferred substantially all of its assets to Foundation for the People of Burma. In connection with the combination of the two organizations, Foundation for the People of Burma changed its legal name to Community Partners International ("CPI"), effective March 29, 2011. In recognition of the combination, CPI amended its articles of incorporation and filed them with the State of California in order to change its name to CPI. The assets, liabilities and net assets of GHAP were recorded by CPI on December 31, 2010. With the exception of \$386,904 in temporarily restricted net assets transferred from GHAP to CPI (which were reflected as restricted foundation contributed income by CPI), none of GHAP's revenues or expenses have been reflected in these audited financial statements for the year ended December 31, 2010. In connection with the combination, GHAP contributed unrestricted net assets of \$440,081 and \$1,500 for the years ended December 31, 2010 and 2011, respectively, and these amounts have been reflected as an "adjustment to net assets from combination" on the Statement of Activities and Changes in Net Assets.

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, 2011, the lease requires a monthly rental payment of \$2,256.

Up until March 31, 2011, CPI leased its corporate office premises in San Francisco under an operating lease agreement expiring March 31, 2013. After CPI relocated to Berkeley, management subleased the office space in San Francisco under an agreement providing for monthly rental payments of \$1,674 from April 1, 2011 through March 31, 2012 with an increase in monthly rental payments to \$1,741 from April 1, 2012 through March 31, 2013.

Future minimum lease payments are as follows for the years ending December 31, 2012 and 2013: \$47,160 and \$16,503, respectively. Rent expense amounted to \$27,405 and \$19,216 for the years ended December 31, 2011 and 2010, 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.

Notes to 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 August 7, 2012, the date the financial statements were available to be issued.

Effective April 30, 2012, the education and programs have split off from CPI and certain individuals involved with these programs have set up a new 501(c)(3) nonprofit organization legally incorporated in the State of California as "Partners Asia." Partners Asia is incorporated in the State of Washington.

CPI will continue under the tax ID 94-3375666, but will represent (and continue operating) the health program.

In connection with the formation of Partners Asia, CPI has agreed to transfer certain funds representing unrestricted and temporarily restricted net assets to the Partners Asian bank account as well as transferring certain funds to an escrow/holding account to be held in trust by attorneys.

In the opinion of management, except for the information reported above, there are no other subsequent events which need to be disclosed.