

PARTNERS RELIEF & DEVELOPMENT

Denver, Colorado

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011



Vredeveld Haefner LLC

PARTNERS RELIEF & DEVELOPMENT

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Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

Independent Auditors' Report

May 21, 2013

Board of Trustees
Partners Relief & Development
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying statements of financial position of Partners Relief & Development (a not-for-profit corporation), as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows 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

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 of 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 Partners Relief & Development as of December 31, 2012, and the changes in its members equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Partners Relief & Development as of December 31, 2011, were audited by other auditors who expressed an unqualified opinion on those financial statements in their report dated May 10, 2012.

Vredeveld Haefner LLC

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PARTNERS RELIEF & DEVELOPMENT

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 117,412	\$ 139,255
Investments	107,294	7,500
Accounts receivable	-	3,285
Inventory and other current assets	<u>5,524</u>	<u>9,788</u>
Total current assets	<u>230,230</u>	<u>159,828</u>
Equipment	7,136	3,173
Less accumulated depreciation	<u>(1,905)</u>	<u>(1,270)</u>
Net equipment	<u>5,231</u>	<u>1,903</u>
Total assets	<u>\$ 235,461</u>	<u>\$ 161,731</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 61,331</u>	<u>\$ 37,888</u>
Total liabilities	<u>61,331</u>	<u>37,888</u>
Net assets		
Unrestricted	135,210	31,102
Temporarily restricted	38,920	92,741
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>174,130</u>	<u>123,843</u>
Total liabilities and net assets	<u>\$ 235,461</u>	<u>\$ 161,731</u>

The accompanying notes are an integral part of these financial statements.

PARTNERS RELIEF & DEVELOPMENT

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 951,678	\$ 300,109	\$ 1,251,787
Donated services	30,000	-	30,000
Product sales	8,496	-	8,496
In-kind contributions	3,963	-	3,963
Unrealized loss from investment	(1,450)	-	(1,450)
Net assets released due to satisfaction of time or program restriction	<u>353,930</u>	<u>(353,930)</u>	<u>-</u>
Total revenue and support	<u>1,346,617</u>	<u>(53,821)</u>	<u>1,292,796</u>
Expenses			
Program services			
Funding of Partners Relief and Development - Thailand	991,929	-	991,929
Supporting services			
Management and general	100,191	-	100,191
Resource development	<u>150,389</u>	<u>-</u>	<u>150,389</u>
Total expenses	<u>1,242,509</u>	<u>-</u>	<u>1,242,509</u>
Change in net assets	104,108	(53,821)	50,287
Net assets, beginning of year	<u>31,102</u>	<u>92,741</u>	<u>123,843</u>
Net assets, end of year	<u>\$ 135,210</u>	<u>\$ 38,920</u>	<u>\$ 174,130</u>

The accompanying notes are an integral part of these financial statements.

2011		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,087,640	\$ 483,793	\$ 1,571,433
30,000	-	30,000
2,996	-	2,996
6,019	-	6,019
(16,000)	-	(16,000)
<u>417,386</u>	<u>(417,386)</u>	<u>-</u>
<u>1,528,041</u>	<u>66,407</u>	<u>1,594,448</u>
1,371,283	-	1,371,283
76,936	-	76,936
<u>165,459</u>	<u>-</u>	<u>165,459</u>
<u>1,613,678</u>	<u>-</u>	<u>1,613,678</u>
(85,637)	66,407	(19,230)
<u>116,739</u>	<u>26,334</u>	<u>143,073</u>
<u>\$ 31,102</u>	<u>\$ 92,741</u>	<u>\$ 123,843</u>

PARTNERS RELIEF & DEVELOPMENT

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012			
	<u>Supporting Services</u>			<u>Total</u>
<u>Program Services</u>	<u>Management and General</u>	<u>Resource Development</u>		
Funding of Partners Relief and Development - Thailand	\$ 748,666	\$ -	\$ -	\$ 748,666
Salaries and related expenses	209,300	59,580	47,094	315,974
Donated services	30,000	-	-	30,000
In-kind donations	3,963	-	-	3,963
Bank charges	-	6,296	-	6,296
Depreciaton	-	635	-	635
Gifts and hospitality	-	2,392	-	2,392
Insurance	-	1,483	-	1,483
Marketing	-	6,279	20,413	26,692
Office expenses	-	7,387	-	7,387
Online fees	-	6,015	-	6,015
Postage and delivery	-	1	10,016	10,017
Professional services	-	5,555	2,000	7,555
Software	-	-	3,276	3,276
Telephone	-	2,529	-	2,529
Travel	-	2,039	29,175	31,214
Website	-	-	28,547	28,547
Other expenses	-	-	9,868	9,868
Total expenses	<u>\$ 991,929</u>	<u>\$ 100,191</u>	<u>\$ 150,389</u>	<u>\$ 1,242,509</u>

The accompanying notes are an integral part of these financial statements.

2011

Supporting Services

<u>Program Services</u>	<u>Management and General</u>	<u>Resource Development</u>	<u>Total</u>
\$ 1,124,609	\$ -	\$ -	\$ 1,124,609
195,324	53,611	43,487	292,422
30,000	-	-	30,000
6,019	-	-	6,019
-	2,128	-	2,128
-	635	-	635
-	408	-	408
-	1,470	-	1,470
-	1,419	24,051	25,470
-	893	-	893
-	5,882	-	5,882
-	389	6,273	6,662
15,331	6,305	8,029	29,665
-	-	3,532	3,532
-	1,768	-	1,768
-	2,028	20,832	22,860
-	-	39,890	39,890
-	-	19,365	19,365
<u>\$ 1,371,283</u>	<u>\$ 76,936</u>	<u>\$ 165,459</u>	<u>\$ 1,613,678</u>

PARTNERS RELIEF & DEVELOPMENT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 50,287	\$ (19,230)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	635	635
Donated equipment	(3,963)	-
Donated investments	(101,244)	-
Changes in operating assets and liabilities which provided (used) cash		
Accounts receivable	3,285	(541)
Inventory and other current assets	4,264	220
Accounts payable and accrued expenses	<u>23,443</u>	<u>(3,411)</u>
Net cash provided by (used in) operating activities	(23,293)	(22,327)
Cash flows from investing activities		
Unrealized loss from investments held	<u>1,450</u>	<u>16,000</u>
Net cash provided by (used in) investing activities	<u>1,450</u>	<u>16,000</u>
Net increase (decrease) in cash and cash equivalents	(21,843)	(6,327)
Cash and cash equivalents, beginning of year	<u>139,255</u>	<u>145,582</u>
Cash and cash equivalents, end of year	<u>\$ 117,412</u>	<u>\$ 139,255</u>

The accompanying notes are an integral part of these financial statements.

PARTNERS RELIEF & DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Partners Relief & Development, (the Organization) is a 501(c)(3) not-for-profit corporation formed in 2001 to provide direct care to Burmese orphans and refugees living in refugee camps located along the Thai-Burma border. This includes nutrition, education, health, shelter and emergency relief programs. The Organization's work is carried out through Partners Relief & Development – Thailand, a related entity. Money is raised for its work through direct mail appeals, website donations, and speaking engagements throughout the United States. The Organization strives to accurately portray the everyday struggles of the people of Burma when communicating through various media channels.

Basis of Presentation

The Organization 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. The Organization has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all demand and time deposits with an original maturity of 90 days or less and cash on hand to be cash and cash equivalents. The Organization's deposits, with the exception of money market accounts, are secured through FDIC insurance. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Investments

Investments consist of 50,000 shares of publicly traded stock that was donated to the Organization and is carried at its fair value of \$6,000 and \$7,500 at December 31, 2012 and 2011, respectively. Investment income and gains and losses are included as changes in unrestricted net assets in the accompanying statement of activities. The donor has stipulated that the stock should not be sold unless the per share value is \$1 or greater. Share prices at December 31, 2012 and 2011 were \$.12 and \$.15, respectively.

Investments at December 31, 2012, also consist of shares of other publicly traded stocks totaling \$101,294 which were donated near year end which were sold subsequent to year end.

Inventory

Inventory consists of clothing and other goods sold at conferences. Inventory is stated at cost using the first in, first-out method of inventory accounting.

PARTNERS RELIEF & DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

Property and Equipment and Depreciation

Property and equipment are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Acquisitions of property or equipment in excess of \$2,500 are capitalized while ordinary repairs are expensed. Depreciation is computed using the straight-line method over an estimated 5 year useful life of the related assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs to provide the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donations

Donated materials consist of donated merchandise that is subsequently released to Partners Relief & Development – Thailand as a pass-through donation. All gifts are recorded at their estimated fair market value at the date of receipt.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to December 31, 2012 and through the auditors' report date, the date the financial statements were available to be issued. See Note 4 below for disclosure related to the sale of stock, no other such events or transactions requiring recognition or disclosure were identified.

PARTNERS RELIEF & DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

2. DONATED MATERIALS AND SERVICES

Donated materials and services consist of the following for the years ended:

	<u>2012</u>	<u>2011</u>
Professional and skilled services:		
Psychologists, EMT specialists	\$30,000	\$30,000
In-kind items:		
Equipment and materials	3,963	6,019
	<hr/>	<hr/>
Total received	\$33,963	\$36,019

3. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In addition to defining fair value, GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - inputs are unadjusted quoted market prices in active markets for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - inputs to the valuation methodology include:

- a. quoted prices for similar assets and liabilities in active markets
- b. quoted prices for identical or similar assets and liabilities in markets that are not active
- c. other inputs that are observable or can be corroborated by observable market data
- d. inputs that are derived from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs are generally unobservable and significant to the fair value measurement. Such inputs typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

All of the Organization's investments consist of shares of stock which are valued based on quoted market prices of the shares held by the Organization (Level 1 inputs) at December 31, 2012 and 2011.

4. SUBSEQUENT EVENT

Subsequent to year end, investments of \$101,294 held at year end were sold for cash of \$105,909.



Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA

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Peter S. Haefner, CPA

(616) 460-9388

May 21, 2013

Board of Directors
Partners Relief & Development
Denver, Colorado

We have audited the financial statements of Partners Relief & Development (the Organization) for the year ended December 31, 2012, and have issued our report thereon dated May 21, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 19, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the useful lives of capital assets.

Management's estimate of the useful lives of capital assets is based on historical actual usefulness and expected future usefulness of these assets.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). Significant adjustments included recording of securities donated in December 2012 and sold in January 2013.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 21, 2013.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We noted the following items:

The Organization bylaws currently identify the principal office of the Organization in Redlands, California. This should be corrected through a bylaws amendment.

This information is intended solely for the use of the Board and management of Partners Relief & Development and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Uredaxld Haefner LLC