

**伙  
伴**  
**CHINA**  
*Partner*

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

## CONTENTS

|                                   |      |
|-----------------------------------|------|
| Accountant's Compilation Report   | 2    |
| Statements of Financial Position  | 3    |
| Statements of Activities          | 4    |
| Statements of Functional Expenses | 5    |
| Statements of Cash Flows          | 6    |
| Notes to Financial Statements     | 7-11 |

# POYSTI

## & ASSOCIATES, LLC

Board of Directors  
China Partner, Inc  
Littleton, Colorado

Management is responsible for the accompanying financial statements of China Partner, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*Poysti & Associates, LLC*

March 7, 2019  
Denver, Colorado

CHINA PARTNER, INC  
STATEMENTS OF FINANCIAL POSITION  
See Accountant's Compilation Report

| December 31,                          | 2018              | 2017              |
|---------------------------------------|-------------------|-------------------|
| <u>Assets</u>                         |                   |                   |
| Cash and cash equivalents             | \$ 18,562         | \$ 40,307         |
| Operating investments                 | 108,701           | 109,428           |
| Prepaid expenses                      | 5,519             | 6,641             |
| Property and equipment, net           | <u>141,049</u>    | <u>145,728</u>    |
| Total Assets                          | <u>\$ 273,831</u> | <u>\$ 302,104</u> |
| <u>Liabilities and Net Assets</u>     |                   |                   |
| <u>Liabilities</u>                    |                   |                   |
| Accounts payable and accrued expenses | <u>\$ 18,426</u>  | <u>\$ 8,008</u>   |
| <u>Net assets</u>                     |                   |                   |
| Without donor restrictions            |                   |                   |
| Undesignated                          | 107,059           | 160,034           |
| Board designated                      | <u>144,561</u>    | <u>130,277</u>    |
|                                       | 251,620           | 290,311           |
| With donor restrictions               | <u>3,785</u>      | <u>3,785</u>      |
| Total net assets                      | <u>255,405</u>    | <u>294,096</u>    |
| Total Liabilities and Net Assets      | <u>\$ 273,831</u> | <u>\$ 302,104</u> |

No assurance is provided on these financial statements

CHINA PARTNER, INC  
STATEMENTS OF ACTIVITIES  
See Accountant's Compilation Report

| <u>For the Years Ended December 31,</u>           | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Changes in Net Assets Without Donor Restrictions: |                   |                   |
| Support and Revenue                               |                   |                   |
| Contributions                                     | \$ 312,153        | \$ 331,633        |
| Investment income                                 | 554               | 13,805            |
| Other income                                      | 286               | 0                 |
| Net assets released from restrictions             | <u>0</u>          | <u>3,535</u>      |
| Total Support and Revenue                         | <u>312,993</u>    | <u>348,973</u>    |
| Expenses  |                   |                   |
| Program services                                  |                   |                   |
| Ministries  | 285,755           | 282,767           |
| Support services                                  |                   |                   |
| General and administrative                        | 49,624            | 48,548            |
| Fundraising                                       | <u>16,305</u>     | <u>15,518</u>     |
| Total Expenses                                    | <u>351,684</u>    | <u>346,833</u>    |
| Change in net assets without donor restrictions   | <u>(38,691)</u>   | <u>2,140</u>      |
| Changes in Net Assets With Donor Restrictions:    |                   |                   |
| Contributions                                     | 0                 | 14                |
| Net assets released from restrictions             | <u>0</u>          | <u>(3,535)</u>    |
| Change in net assets with donor restrictions      | <u>0</u>          | <u>(3,521)</u>    |
| Change in net assets                              | (38,691)          | (1,381)           |
| Net assets at beginning of year                   | <u>294,096</u>    | <u>295,477</u>    |
| Net assets at end of year                         | <u>\$ 255,405</u> | <u>\$ 294,096</u> |

No assurance is provided on these financial statements

CHINA PARTNER, INC  
STATEMENTS OF FUNCTIONAL EXPENSES  
See Accountant's Compilation Report

|                             | For the Year Ended December 31, |                               |             | 2018       |
|-----------------------------|---------------------------------|-------------------------------|-------------|------------|
|                             | Program<br>Services             | General and<br>Administrative | Fundraising | Total      |
| Salaries and benefits       | \$ 210,103                      | \$ 32,572                     | \$ 11,976   | \$ 254,651 |
| China projects and programs | 43,836                          | 0                             | 0           | 43,836     |
| Contract services           | 5,400                           | 3,100                         | 300         | 8,800      |
| Depreciation                | 3,743                           | 702                           | 234         | 4,679      |
| Information technology      | 5,405                           | 2,656                         | 273         | 8,334      |
| Insurance                   | 4,018                           | 1,999                         | 157         | 6,174      |
| Occupancy                   | 4,330                           | 2,147                         | 329         | 6,806      |
| Office supplies             | 1,375                           | 5,721                         | 509         | 7,605      |
| Publications and postage    | 7,545                           | 727                           | 2,527       | 10,799     |
|                             | \$ 285,755                      | \$ 49,624                     | \$ 16,305   | \$ 351,684 |

|                             | For the Year Ended December 31, |                               |             | 2017       |
|-----------------------------|---------------------------------|-------------------------------|-------------|------------|
|                             | Program<br>Services             | General and<br>Administrative | Fundraising | Total      |
| Salaries and benefits       | \$ 202,624                      | \$ 33,537                     | \$ 11,541   | \$ 247,702 |
| China projects and programs | 51,200                          | 0                             | 0           | 51,200     |
| Contract services           | 5,400                           | 3,190                         | 300         | 8,890      |
| Depreciation                | 3,743                           | 702                           | 236         | 4,681      |
| Information technology      | 5,430                           | 2,051                         | 287         | 7,768      |
| Insurance                   | 3,639                           | 1,936                         | 139         | 5,714      |
| Occupancy                   | 3,535                           | 1,574                         | 135         | 5,244      |
| Office supplies             | 485                             | 4,890                         | 115         | 5,490      |
| Publications and postage    | 6,711                           | 668                           | 2,765       | 10,144     |
|                             | \$ 282,767                      | \$ 48,548                     | \$ 15,518   | \$ 346,833 |

No assurance is provided on these financial statements

CHINA PARTNER, INC  
STATEMENTS OF CASH FLOWS  
See Accountant's Compilation Report

| <u>For the Years Ended December 31,</u>  | <u>2018</u>        | <u>2017</u>        |
|--|--------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>  |                    |                    |
| Cash received from donors  | \$ 312,153         | \$ 331,647         |
| Interest received  | 4,458              | 4,522              |
| Other  | 286                | 0                  |
| Cash paid to suppliers and employees   | <u>(335,465)</u>   | <u>(351,686)</u>   |
| Net cash used in operating activities  | <u>(18,568)</u>    | <u>(15,517)</u>    |
| <b>Cash Flows from Investing Activities</b>  |                    |                    |
| Sale of investments  | 0                  | 20,580             |
| Purchase of investments  | <u>(3,177)</u>     | <u>(4,673)</u>     |
| Net cash provided by (used in) investing activities                                  | <u>(3,177)</u>     | <u>15,907</u>      |
| Net increase (decrease) in cash  | (21,745)           | 390                |
| Cash and cash equivalents at beginning of year                                       | <u>40,307</u>      | <u>39,917</u>      |
| Cash and cash equivalents at end of year   | <u>\$ 18,562</u>   | <u>\$ 40,307</u>   |
| <b>Reconciliation of changes in net assets to cash used in operating activities:</b> |                    |                    |
| Changes in net assets  | \$ (38,691)        | \$ (1,381)         |
| <b>Reconciling adjustments</b>   |                    |                    |
| Depreciation   | 4,679              | 4,681              |
| (Gain)/Loss on investments   | 3,904              | (9,283)            |
| <b>Change in operating assets and liabilities:</b>                                   |                    |                    |
| Prepaid expenses   | 1,122              | 2,783              |
| Accounts payable and accrued expenses  | <u>10,418</u>      | <u>(12,317)</u>    |
| Net cash used in operating activities  | <u>\$ (18,568)</u> | <u>\$ (15,517)</u> |

No assurance is provided on these financial statements

CHINA PARTNER, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

China Partner, Inc. (China Partner, us, we, our) is a not-for-profit corporation whose mission is to help the Church in China fulfill the Great Commission through training emerging Christian leaders. Our strategy is to train leaders in evangelism, evangelistic preaching, pastoral care, and leadership in the existing seminaries and Bible schools in China. We send teams to teach in Chinese seminaries and Bible Schools and give free workbooks and notes to all students. We also provide pastors and churches with mini-libraries at no charge. Most materials are printed in China in the Chinese language.

We have affiliate organizations in Canada, Germany, Hong Kong, and New Zealand. These organizations are separate entities in the countries they are located and are not under our control. Accordingly, the financial resources of these organizations are not included in these financial statements. During the years ended December 31, 2018 and 2017, affiliates provided 45% and 41% of total contributions, respectively.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Property and Equipment

We record property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board designated endowment.

CHINA PARTNER, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

*Net Assets With Donor Restrictions* – We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2018 and 2017.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

We are incorporated under the laws of the State of Florida and are exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. We have been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code. Income generated from activities unrelated to our exempt purpose is subject to tax under IRC Section 511. We did not have any material unrelated business income tax liability for the years 2018 and 2017. Our tax filings are subject to audit by various taxing authorities. Our ending open audit periods are December 31, 2015 through 2018. We believe we have no significant uncertain tax positions for the periods ended December 31, 2018 and 2017.

CHINA PARTNER, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Concentrations

In 2017 we received 14% of our contributions from two donors.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Our financial statements were available to be issued on March 7, 2019, and this is the date through which subsequent events were evaluated. We did not identify any subsequent events requiring disclosure.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

|                           | <u>2018</u>       | <u>2017</u>       |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 18,562         | \$ 40,307         |
| Operating investments     | <u>108,701</u>    | <u>109,428</u>    |
|                           | <u>\$ 127,263</u> | <u>\$ 149,735</u> |

CHINA PARTNER, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - OPERATING INVESTMENTS

Investments held as of December 31, 2018 and 2017, are as follows:

|                                   | 2018       | 2017       |
|-----------------------------------|------------|------------|
| Equities                          | \$ 71,709  | \$ 66,623  |
| Mutual funds                      | 36,992     | 42,805     |
|                                   | \$ 108,701 | \$ 109,428 |
| Composition of investment return: |            |            |
| Interest and dividends            | \$ 4,458   | \$ 4,522   |
| Realized and unrealized gains     | (3,904)    | 9,283      |
|                                   | \$ 554     | \$ 13,805  |

We report investments at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, 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 asset or liability 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 or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

All of our investment assets are classified within Level 1 with readily determinable fair values based on daily redemption values.

CHINA PARTNER, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment consists of the following as of December 31:

|                                | <u>2018</u>       | <u>2017</u>       |
|--------------------------------|-------------------|-------------------|
| Land and Building              | \$ 179,381        | \$ 179,381        |
| Furniture and equipment        | <u>9,235</u>      | <u>20,762</u>     |
|                                | 188,616           | 200,143           |
| Less: accumulated depreciation | <u>(47,567)</u>   | <u>(54,415)</u>   |
|                                | <u>\$ 141,049</u> | <u>\$ 145,728</u> |

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for pastoral training and student assistance.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, which was for pastoral training and student assistance.

NOTE 6 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 7 - ENDOWMENTS

We have interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as allowing our Board to appropriate for expenditure or accumulate as much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted until appropriated for expenditure by our Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in term-endowment net assets for the years ended December 31, 2018 and 2017 are reflected in the statements of activities.

NOTE 8 - DEFINED CONTRIBUTION PLAN

We sponsor a retirement plan under section 403(b) of the Internal Revenue Code for our employees. We match 100% of an employee's contribution up to 5% of their compensation, depending on length of service. Our employer contributions to the plan for the years ended December 31, 2018 and 2017, were \$3,861 and \$3,861, respectively.

No assurance is provided on these financial statements