

CONCERN WORLDWIDE (U.S.), INC.

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2016

CONCERN WORLDWIDE (U.S.), INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
Concern Worldwide (U.S.), Inc.
New York, New York**

We have audited the accompanying financial statements of Concern Worldwide (U.S.), Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management 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 audit. 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 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 Concern Worldwide (U.S.), Inc. as of December 31, 2016, and the changes in its net assets and its cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Concern Worldwide (U.S.), Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.


TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
June 19, 2017**

CONCERN WORLDWIDE (U.S.), INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,182,993	\$ 6,148,107
Receivables:		
U.S. Government	7,288,656	6,536,387
Other	923,983	1,627,872
U.S. Government grant advance to Concern Worldwide IRL	377,578	79,456
Prepaid expenses and other assets	<u>86,562</u>	<u>135,261</u>
Total Current Assets	<u>14,859,772</u>	<u>14,527,083</u>
OTHER ASSETS		
Cash – restricted	134,452	134,345
Deposits	2,572	2,572
Equipment – net of accumulated depreciation of \$338,054 in 2016 and \$223,711 in 2015	<u>812,777</u>	<u>886,671</u>
Total Other Assets	<u>949,801</u>	<u>1,023,588</u>
Total Assets	<u>\$ 15,809,573</u>	<u>\$ 15,550,671</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,055,478	\$ 711,388
Deferred rent and deferred rent credit	75,728	75,728
Deferred revenue – U.S. Government grants	377,578	79,456
Grants due to Concern Worldwide IRL and other Partners	<u>6,570,759</u>	<u>5,814,156</u>
Total Current Liabilities	<u>8,079,543</u>	<u>6,680,728</u>
LONG TERM LIABILITIES		
Deferred rent and deferred rent credit	<u>748,598</u>	<u>824,329</u>
NET ASSETS		
Unrestricted – undesignated	5,284,763	3,513,439
Unrestricted – board designated	1,452,068	1,451,490
Temporarily restricted	<u>244,601</u>	<u>3,080,685</u>
Total Net Assets	<u>6,981,432</u>	<u>8,045,614</u>
Total Liabilities And Net Assets	<u>\$ 15,809,573</u>	<u>\$ 15,550,671</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016 With Summarized Information For 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support and Revenue				
Contributions and non-government grants	\$ 1,201,551	\$ 6,354,028	\$ 7,555,579	\$ 9,510,482
Support from Concern Worldwide IRL	3,534	-	3,534	547,082
Government grants	30,892,636	-	30,892,636	27,921,981
Special events – net	3,046,210	-	3,046,210	2,938,180
Interest income	7,826	-	7,826	8,103
Net assets released from restrictions	<u>9,190,112</u>	<u>(9,190,112)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>44,341,869</u>	<u>(2,836,084)</u>	<u>41,505,785</u>	<u>40,925,828</u>
Expenses				
Program activities	39,246,599	-	39,246,599	36,695,531
Management and general	1,685,773	-	1,685,773	1,787,157
Fundraising	<u>1,637,595</u>	<u>-</u>	<u>1,637,595</u>	<u>1,479,770</u>
Total expenses	<u>42,569,967</u>	<u>-</u>	<u>42,569,967</u>	<u>39,962,458</u>
Change in net assets	1,771,902	(2,836,084)	(1,064,182)	963,370
Net Assets				
Beginning of year	<u>4,964,929</u>	<u>3,080,685</u>	<u>8,045,614</u>	<u>7,082,244</u>
End of year	<u>\$ 6,736,831</u>	<u>\$ 244,601</u>	<u>\$ 6,981,432</u>	<u>\$ 8,045,614</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ (1,064,182)	\$ 963,370
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	114,343	74,632
(Increase) decrease in		
Cash – restricted	(107)	(130)
Receivables – U.S. Government	(752,269)	(2,357,153)
Receivables – other	703,889	(887,276)
Prepaid expenses and other assets	(249,423)	1,488,140
Increase (decrease) in		
Accounts payable and accrued liabilities	268,359	634,892
Grants due to Concern Worldwide IRL	<u>1,054,725</u>	<u>293,121</u>
Net cash provided by operating activities	<u>75,335</u>	<u>209,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(40,449)</u>	<u>(904,131)</u>
Net cash used for investing activities	<u>(40,449)</u>	<u>(904,131)</u>
Net increase (decrease) in cash and cash equivalents	34,886	(694,535)
CASH AND CASH EQUIVALENTS		
Beginning	<u>6,148,107</u>	<u>6,842,642</u>
Ending	<u>\$ 6,182,993</u>	<u>\$ 6,148,107</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016 With Summarized Information For 2015

	Program				Supporting Services			Total Expenses	
	Overseas Relief	Innovations	Development Education	Total	Management And General	Fundraising	Total	2016 Total	2015 Total
Salaries and Benefits	\$ 1,059,082	\$ 1,514,385	\$ 704,009	\$ 3,277,476	\$ 1,319,725	\$ 1,285,003	\$ 2,604,728	\$ 5,882,204	\$ 5,437,052
Travel, Lodging and meetings	117,567	330,278	52,929	500,774	86,700	58,770	145,470	646,244	528,183
Printing and Publications	1,627	8,532	15,400	25,559	3,859	32,689	36,548	62,107	81,302
Professional Fees	47,789	613,469	31,677	692,935	86,385	124,536	210,921	903,856	491,469
Website Management	145	597	61,355	62,097	350	517	867	62,964	109,591
Dues and Subscriptions	7,379	32,706	11,083	51,168	17,809	12,435	30,244	81,412	104,154
Office Supplies and Expenses	8,410	79,814	11,407	99,631	18,328	11,142	29,470	129,101	188,035
Video and Exhibitions	-	-	57,136	57,136	-	207	207	57,343	8,546
Occupancy	49,632	204,343	74,550	328,525	119,785	85,693	205,478	534,003	795,081
Miscellaneous Expenses	1,336	4,754	1,140	7,230	(1,022)	863	(159)	7,071	10,573
Packing, Postage and Shipping	579	2,320	1,197	4,096	1,256	6,086	7,342	11,438	22,914
Telephone	2,388	9,773	3,423	15,584	5,499	6,733	12,232	27,816	29,525
Grants									
Concern Worldwide IRL	31,381,030	250,313	-	31,631,343	-	-	-	31,631,343	29,940,798
Other Partners	198,033	2,220,689	-	2,418,722	-	-	-	2,418,722	2,140,603
Depreciation	11,228	46,229	16,866	74,323	27,099	12,921	40,020	114,343	74,632
Total Expenses	\$ 32,886,225	\$ 5,318,202	\$ 1,042,172	\$ 39,246,599	\$ 1,685,773	\$ 1,637,595	\$ 3,323,368	\$ 42,569,967	\$ 39,962,458

See notes to financial statements.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 And 2015

(1) SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Concern Worldwide (U.S.), Inc. ("**Concern Worldwide**") is a not-for-profit corporation organized for the purposes of helping people living in extreme poverty to achieve major improvements in their lives which last and spread without ongoing support from Concern. To achieve this mission, Concern engages in long term development work, responds to emergency situations, seeks to address the root causes of poverty through advocacy work, educates the public of the need to provide relief assistance, and cooperates with other charitable organizations whether local, national or international for any of the foregoing purposes. Concern Worldwide is supported primarily by grants, public support and special events.

Concern Worldwide is affiliated with Concern Worldwide IRL, headquartered in Dublin, Ireland. Concern Worldwide IRL has provided and will continue to support Concern Worldwide (U.S.), Inc. in the form of reimbursements, and in-kind support. Concern Worldwide (U.S.), Inc. supports Concern Worldwide IRL by recruiting personnel, providing training and capacity building, technical program support, financial and programmatic monitoring and financial grants for international programs.

ACCOUNTING 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 as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

Concern Worldwide occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification ("**ASC**") 825, "**Financial Instruments**" identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

INCOME TAXES

Concern Worldwide is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "**Code**") and has been classified as a public charity under Section 509(a)(1) of the Code.

Management has reviewed the tax positions for each of the open tax years (2013 – 2015) or expected to be taken in Concern Worldwide's 2016 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

CASH AND CASH EQUIVALENTS

Concern Worldwide considers cash and cash equivalents to include short-term investments with maturities of less than three months when purchased.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

PROPERTY AND EQUIPMENT

Property and equipment are capitalized at cost and depreciated over their estimated useful lives on the straight-line basis (leasehold improvements – 10 years, furniture and fixtures – 5 years, computers and equipment – 3 years). Concern Worldwide follows the practice of capitalizing all expenditures related to property and equipment having a cost in excess of \$500. Donated property and equipment are similarly capitalized but at fair market value at the time of donation.

NET ASSETS

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Concern Worldwide and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions.

CONTRIBUTIONS

Concern Worldwide reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as “*net assets released from restrictions.*”

U.S. GOVERNMENT GRANTS

Concern Worldwide has various grants with the United States Government, from the United States Agency for International Development (“*USAID*”), including the Office of Foreign Disaster Assistance (“*OFDA*”) and the United States Department of State Bureau of Population, Refugees, and Migration (“*PRM*”). Concern Worldwide applies for such funds at the time the expenditure is made, which is the basis for recognizing revenue.

CONTRIBUTED SERVICES AND EQUIPMENT

Concern Worldwide received donated services from a variety of volunteers. These services are not subject to reasonable objective measurements and as such, are not reflected in the accompanying financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of the various programs and support activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Concern Worldwide’s audited financial statements for the year ended December 31, 2015, from which the summarized information was derived.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

(2) NET ASSETS

The board designated \$1,452,068 and \$1,451,490 of unrestricted net assets as an operating reserve in 2016 and 2015, respectively. The operating reserve will be used as an internal line of credit to manage cash flow and maintain financial flexibility.

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Use in future periods	\$ 244,601	\$ 746,408
Innovation Grant	<u>-</u>	<u>2,334,277</u>
	<u>\$ 244,601</u>	<u>\$ 3,080,685</u>

For the year ended December 31, 2016 and 2015, net assets of \$9,190,112 and \$9,049,617, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(3) SPECIAL EVENTS

During 2016 and 2015, Concern Worldwide held several fund-raising events. The gross receipts from these events were \$3,925,662 and \$3,800,945 for 2016 and 2015, respectively. Direct expenses consisting of \$879,452 in 2016 and \$862,765 in 2015 were charged against these receipts resulting in net proceeds of \$3,046,210 and \$2,938,180 respectively.

(4) INNOVATION GRANT

Concern Worldwide (U.S.), Inc. secured a grant in the amount of \$35,739,465 (as amended) over the period November 3, 2008 to December 3, 2016 from the Bill & Melinda Gates Foundation (***“Gates Foundation”***). The grant was to test innovative solutions to critical implementation bottlenecks in five selected countries focusing on increasing coverage of effective intervention for maternal, newborn, and child health. Concern Worldwide IRL was the organization that commenced carrying out the services of this grant. Effective January 1, 2011, management of the grant transferred to Concern Worldwide (U.S.), Inc. As of December 31, 2016, the grant was fully expended. As of December 31, 2015, Concern Worldwide (U.S.), Inc. had \$2,334,277 of unspent grant funding, which is included in the temporarily restricted net assets. Total revenue and expenses recorded from the Gates Foundation in 2016 was \$2,837,609 and \$5,171,886, respectively. In 2015, total revenue and expenses recorded was \$4,001,271 and \$4,780,147, respectively.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

(5) LEASE COMMITMENTS

As of December 31, 2016, Concern Worldwide leases its office facilities in New York City and Chicago, Illinois under operating leases expiring through November 30, 2025. The New York City lease was amended in 2015 to include the building out of new office space. In connection with this build-out, Concern Worldwide was granted a seven-month rent holiday and reimbursement for renovation costs of up to \$638,400. As of December 31, 2016, and 2015, Concern had a receivable in the amount of \$100,260 and \$149,282, respectively, in connection with the buildout which is included in other receivables in the statement of financial position. The rent holiday and reimbursement for installation costs, are being amortized over the life of the lease. The leases are subject to adjustments for escalations and certain operating expenses. Rent expense for the years ended December 31, 2016 and 2015, was approximately \$502,000 and \$738,000, respectively.

Concern Worldwide also leases office equipment under various operating leases. Lease expense for the years ended December 31, 2016 and 2015, was approximately \$17,400 and \$18,500, respectively.

Approximate future minimum rentals under all non-cancelable operating leases are as follows:

	<u>Office Facilities</u>
2017	\$ 520,000
2018	511,000
2019	511,000
2020	523,000
2021	553,000
2022 and thereafter	<u>2,052,000</u>
	<u>\$ 4,670,000</u>

(6) PENSION PLANS

Full time employees are eligible to contribute to Concern Worldwide's defined contribution retirement plan after three months of service. Concern Worldwide matches up to 3% of eligible employees' contributions to the plan. Total pension expense was approximately \$87,000 and \$81,000 for the periods ended December 31, 2016 and 2015.

(7) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, June 19, 2017, have been evaluated in the preparation of the financial statements.