

CONCERN WORLDWIDE (U.S.), INC.

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

DECEMBER 31, 2017

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, 2017 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.

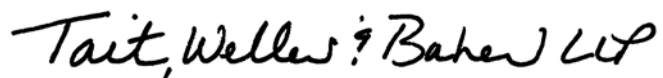
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.


TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
August 20, 2018

CONCERN WORLDWIDE (U.S.), INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,007,433	\$ 6,182,993
Receivables:		
U.S. Government	5,556,212	7,288,656
Other	939,967	923,983
U.S. Government grant advance to Concern Worldwide IRL	404,127	377,578
Prepaid expenses and other assets	<u>30,133</u>	<u>86,562</u>
Total Current Assets	<u>13,937,872</u>	<u>14,859,772</u>
OTHER ASSETS		
Cash – restricted	134,584	134,452
Deposits	5,875	2,572
Equipment – net of accumulated depreciation of \$453,504 in 2017 and \$338,054 in 2016	<u>747,582</u>	<u>812,777</u>
Total Other Assets	<u>888,041</u>	<u>949,801</u>
Total Assets	<u>\$ 14,825,913</u>	<u>\$ 15,809,573</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 233,964	\$ 1,055,478
Deferred lease benefits	75,728	75,728
Deferred revenue – U.S. Government grants	404,127	377,578
Grants due to Concern Worldwide IRL and other Partners	<u>5,551,694</u>	<u>6,570,759</u>
Total Current Liabilities	<u>6,265,513</u>	<u>8,079,543</u>
LONG TERM LIABILITIES		
Deferred lease benefits	<u>672,868</u>	<u>748,598</u>
NET ASSETS		
Unrestricted – undesignated	6,366,129	5,284,763
Unrestricted – board designated	1,452,644	1,452,068
Temporarily restricted	<u>68,759</u>	<u>244,601</u>
Total Net Assets	<u>7,887,532</u>	<u>6,981,432</u>
Total Liabilities And Net Assets	<u>\$ 14,825,913</u>	<u>\$ 15,809,573</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017 With Summarized Information For 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support and Revenue				
Contributions and non-government grants	\$ 1,783,375	\$ 2,758,989	\$ 4,542,364	\$ 7,555,579
Support from Concern Worldwide IRL	-	-	-	3,534
Government grants	29,338,450	-	29,338,450	30,892,636
Special events – net	2,840,287	-	2,840,287	3,046,210
Interest income	6,746	-	6,746	7,826
Net assets released from restrictions	<u>2,934,831</u>	<u>(2,934,831)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>36,903,689</u>	<u>(175,842)</u>	<u>36,727,847</u>	<u>41,505,785</u>
Expenses				
Program activities	32,096,204	-	32,096,204	39,246,599
Management and general	1,651,506	-	1,651,506	1,685,773
Fundraising	<u>2,074,037</u>	<u>-</u>	<u>2,074,037</u>	<u>1,637,595</u>
Total expenses	<u>35,821,747</u>	<u>-</u>	<u>35,821,747</u>	<u>42,569,967</u>
Change in net assets	1,081,942	(175,842)	906,100	(1,064,182)
Net Assets				
Beginning of year	<u>6,736,831</u>	<u>244,601</u>	<u>6,981,432</u>	<u>8,045,614</u>
End of year	<u>\$ 7,818,773</u>	<u>\$ 68,759</u>	<u>\$ 7,887,532</u>	<u>\$ 6,981,432</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 906,100	\$ (1,064,182)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	115,450	114,343
(Increase) decrease in		
Cash – restricted	(132)	(107)
Receivables – U.S. Government	1,732,444	(752,269)
Receivables – other	(15,984)	703,889
Prepaid expenses and other assets	26,577	(249,423)
Increase (decrease) in		
Accounts payable and accrued liabilities	(897,244)	268,359
Grants due to Concern Worldwide IRL	<u>(992,516)</u>	<u>1,054,725</u>
Net cash provided by operating activities	<u>874,695</u>	<u>75,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(50,255)</u>	<u>(40,449)</u>
Net cash used for investing activities	<u>(50,255)</u>	<u>(40,449)</u>
Net increase (decrease) in cash and cash equivalents	824,440	34,886
CASH AND CASH EQUIVALENTS		
Beginning	<u>6,182,993</u>	<u>6,148,107</u>
Ending	<u>\$ 7,007,433</u>	<u>\$ 6,182,993</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017 With Summarized Information For 2016

	Program				Supporting Services			Total Expenses	
	Overseas Relief	Innovations	Development Education	Total	Management And General	Fundraising	Total	2017 Total	2016 Total
Salaries and Benefits	\$ 1,495,531	\$ 344,862	\$ 747,485	\$ 2,587,878	\$1,018,581	\$1,331,533	\$2,350,114	\$ 4,937,992	\$ 5,882,204
Travel, Lodging and meetings	98,321	11,997	44,226	154,544	79,841	40,742	120,583	275,127	646,244
Printing and Publications	52,646	830	2,783	56,259	4,710	404,843	409,553	465,812	62,107
Professional Fees	51,867	28,386	31,146	111,399	144,519	36,678	181,197	292,596	903,856
Website Management	109	158	34,722	34,989	899	374	1,273	36,262	62,964
Dues and Subscriptions	3,764	7,119	8,846	19,729	30,952	17,405	48,357	68,086	81,412
Office Supplies and Expenses	10,023	9,642	15,640	35,305	54,722	28,266	82,988	118,293	129,101
Video and Exhibitions	-	-	9,773	9,773	-	-	-	9,773	57,343
Occupancy	33,403	48,401	78,508	160,312	240,750	149,792	390,542	550,854	534,003
Miscellaneous Expenses	12,017	8,052	6,399	26,468	6,033	7,132	13,165	39,633	7,071
Packing, Postage and Shipping	273	383	753	1,409	2,174	18,125	20,299	21,708	11,438
Telephone	1,693	1,878	3,029	6,600	10,600	7,820	18,420	25,020	27,816
Grants									
Concern Worldwide IRL	28,512,982	-	-	28,512,982	-	7,290	7,290	28,520,272	31,631,343
Other Partners	344,869	-	-	344,869	-	-	-	344,869	2,418,722
Depreciation	<u>7,019</u>	<u>10,171</u>	<u>16,498</u>	<u>33,688</u>	<u>57,725</u>	<u>24,037</u>	<u>81,762</u>	<u>115,450</u>	<u>114,343</u>
Total Expenses	<u>\$ 30,624,517</u>	<u>\$ 471,879</u>	<u>\$ 999,808</u>	<u>\$ 32,096,204</u>	<u>\$1,651,506</u>	<u>\$2,074,037</u>	<u>\$3,725,543</u>	<u>\$ 35,821,747</u>	<u>\$42,569,967</u>

See notes to financial statements.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 And 2016

(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 (2014 – 2016) or expected to be taken in Concern Worldwide's 2017 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, 2017 And 2016

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, 2016, from which the summarized information was derived.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(2) NET ASSETS

The board designated \$1,452,644 and \$1,452,068 of unrestricted net assets as an operating reserve in 2017 and 2016, respectively. The operating reserve is used as an internal line of credit to manage cash flow and maintain financial flexibility.

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Use in future periods	\$ 68,759	\$ 244,601
	<u>\$ 68,759</u>	<u>\$ 244,601</u>

For the year ended December 31, 2017 and 2016, net assets of \$2,934,831 and \$9,190,112, 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 2017 and 2016, Concern Worldwide held several fund-raising events. The gross receipts from these events were \$3,708,974 and \$3,925,662 for 2017 and 2016, respectively. Direct expenses consisting of \$868,687 in 2017 and \$879,452 in 2016 were charged against these receipts resulting in net proceeds of \$2,840,287 and \$3,046,210 respectively.

(4) INNOVATION GRANT

Concern Worldwide (U.S.), Inc. was the recipient of a grant from the Bill & Melinda Gates Foundation (“*Gates Foundation*”) in the amount of \$35,739,465 (as amended) which was performed over the period from November 3, 2008 to December 31, 2016. The objective of 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. As of December 31, 2016, the grant was fully expended. Total revenue and expenses recorded from the Gates Foundation grant in 2016 was approximately \$2,800,000.

Since 1968, Concern has been a pioneer in developing innovative approaches to transform the lives of the world’s extreme poor. Concern has helped revolutionize the treatment of acute child malnutrition, pioneered mobile emergency cash transfers, and, from 2008 – 2016, launched Innovations for Maternal, Newborn & Child Health, funded by the Bill & Melinda Gates Foundation. Now, the organization is taking its decades of innovation experience to new heights by establishing the Concern Centre for Innovation and Health (the “Centre”), an initiative that will leverage their presence in developing countries to design and test promising solutions to improve the lives of the extreme poor. The Centre’s mission is to support and galvanize Concern’s tradition of practical innovation by leading alongside Concern’s field teams as they explore new or improved programs, processes, and products. The goal being to foster a culture of innovation throughout the global organization and beyond, unlocking creative potential, creative thinking, and problem-solving abilities that will enrich vital programs and improve lives.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(5) LEASE COMMITMENTS

As of December 31, 2017, Concern Worldwide leases its office facilities in New York City and Chicago, Illinois. The New York City lease agreement expires in November 2025 and provided for a 7 month rent holiday and reimbursement of approximately \$670,000 of renovation costs (the “lease benefits”) at the time it was signed. The lease benefits are being amortized on a straight-line basis over the life of the lease, as required. The Chicago, Illinois lease is on a month to month basis. The leases are subject to adjustments for escalations and certain operating expenses. Rent expense for the years ended December 31, 2017 and 2016, was approximately \$514,600 and \$502,000, respectively.

Approximate future minimum rentals under its non-cancelable operating lease is as follows:

	Office Facilities
2018	\$ 511,000
2019	511,000
2020	523,000
2021	553,000
2022	553,000
2023 and thereafter	<u>1,498,000</u>
	<u>\$ 4,149,000</u>

(6) CONTINGENCY

Under the terms of the U.S. Government grants, which are made based upon the acceptance by the U.S. Government of the program proposals submitted by Concern Worldwide, amounts are stipulated for both direct program costs and administrative overhead costs. The administrative overhead rate used by Concern Worldwide, while provisionally approved, is subject to review and final approval by the U.S. Government. The administrative overhead rate has been approved through December 31, 2016. Management believes that any adjustment to the 2017 administrative overhead rates, if any, will not have a material effect on the financial position or operating results of Concern Worldwide.

(7) 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 \$78,000 and \$87,000 for the periods ended December 31, 2017 and 2016.

(8) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, August 20, 2018, have been evaluated in the preparation of the financial statements.