

CONCERN WORLDWIDE (U.S.), INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019

CONCERN WORLDWIDE (U.S.), INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> December 31, 2019 and 2018	2
<i>Statement of Activities and Changes in Net Assets,</i> Year ended December 31, 2019 with Summarized Information for 2018	3
<i>Statements of Cash Flows,</i> Years ended December 31, 2019 and 2018	4
<i>Statement of Functional Expenses,</i> Year ended December 31, 2019 with Summarized Information for 2018	5
<i>Notes to Financial Statements</i>	6

INDEPENDENT AUDITOR'S REPORT

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, 2019 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.

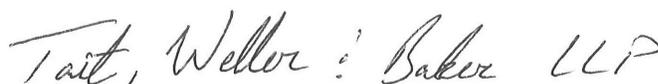
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
September 29, 2020

CONCERN WORLDWIDE (U.S.), INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,333,919	\$ 8,246,442
Receivables:		
U.S. Government	11,576,890	8,195,384
Other	1,642,135	1,077,862
U.S. Government grant advance to Concern Worldwide IRL	-	342,642
Prepaid expenses and other assets	<u>69,627</u>	<u>34,960</u>
Total Current Assets	<u>21,622,571</u>	<u>17,897,290</u>
OTHER ASSETS		
Cash – restricted	134,982	134,780
Deposits	5,875	5,875
Equipment – net of accumulated depreciation of \$551,826 in 2019 and \$449,297 in 2018	<u>529,830</u>	<u>632,359</u>
Total Other Assets	<u>670,687</u>	<u>773,014</u>
Total Assets	<u>\$ 22,293,258</u>	<u>\$ 18,670,304</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 294,219	\$ 533,365
Deferred lease benefits	75,728	75,728
Deferred revenue – U.S. Government grants	-	342,641
Deferred revenue – other	-	267,313
Grants due to Concern Worldwide IRL and other Partners	<u>10,739,650</u>	<u>7,967,888</u>
Total Current Liabilities	<u>11,109,597</u>	<u>9,186,935</u>
LONG TERM LIABILITIES		
Deferred lease benefits	<u>521,406</u>	<u>597,137</u>
Total Liabilities	<u>11,631,003</u>	<u>9,784,072</u>
NET ASSETS		
Without donor restrictions – undesignated	7,964,147	7,160,192
Without donor restrictions – board designated	1,671,416	1,666,454
With donor restrictions	<u>1,026,692</u>	<u>59,586</u>
Total Net Assets	<u>10,662,255</u>	<u>8,886,232</u>
Total Liabilities And Net Assets	<u>\$ 22,293,258</u>	<u>\$ 18,670,304</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019 With Summarized Information For 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Support and Revenue				
Contributions and non-government grants	\$ 2,133,339	\$ 2,888,320	\$ 5,021,659	\$ 3,134,987
Support from Concern Worldwide IRL	1,608,327	-	1,608,327	1,390,757
Government grants	41,177,262	-	41,177,262	32,649,443
Special events – net	1,870,934	100,000	1,970,934	2,753,906
Other income	102,068	-	102,068	56,725
Net assets released from restrictions	<u>2,021,214</u>	<u>(2,021,214)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>48,913,144</u>	<u>967,106</u>	<u>49,880,250</u>	<u>39,985,818</u>
Expenses				
Program activities	44,530,904	-	44,530,904	34,880,021
Management and general	1,606,869	-	1,606,869	1,694,877
Fundraising	<u>1,966,454</u>	<u>-</u>	<u>1,966,454</u>	<u>2,412,220</u>
Total expenses	<u>48,104,227</u>	<u>-</u>	<u>48,104,227</u>	<u>38,987,118</u>
Change in net assets	808,917	967,106	1,776,023	998,700
Net Assets				
Beginning of year	<u>8,826,646</u>	<u>59,586</u>	<u>8,886,232</u>	<u>7,887,532</u>
End of year	<u>\$ 9,635,563</u>	<u>\$ 1,026,692</u>	<u>\$ 10,662,255</u>	<u>\$ 8,886,232</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 1,776,023	\$ 998,700
<i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	102,529	109,163
Loss on disposal of fixed assets	-	6,060
(Increase) decrease in		
Receivables – U.S. Government	(3,785,633)	(2,639,172)
Receivables – other	(564,273)	(199,381)
Prepaid expenses and other assets	(96,152)	(4,827)
Increase (decrease) in		
Accounts payable and accrued liabilities	(314,877)	223,670
Deferred revenue – other	(205,827)	267,313
Grants due to Concern Worldwide IRL	<u>3,175,889</u>	<u>2,477,679</u>
Net cash provided by operating activities	<u>87,679</u>	<u>1,239,205</u>
Net increase in cash and cash equivalents	87,679	1,239,205
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning	<u>8,381,222</u>	<u>7,142,017</u>
Ending	<u>\$ 8,468,901</u>	<u>\$ 8,381,222</u>

CONCERN WORLDWIDE (U.S.), INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 With Summarized Information For 2018

	<u>Program</u>			<u>Supporting Services</u>			<u>Total Expenses</u>	
	<u>Overseas Relief</u>	<u>Development Education</u>	<u>Total</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries and Benefits	\$ 1,826,663	\$ 702,726	\$ 2,529,389	\$ 1,021,154	\$ 1,279,414	\$ 2,300,568	\$ 4,829,957	\$ 4,697,518
Travel, Lodging and meetings	233,288	22,022	255,310	114,957	705,728	820,685	1,075,995	1,017,361
Printing and Publications	2,566	1,896	4,462	3,792	149,869	153,661	158,123	451,036
Professional Fees	89,046	52,981	142,027	152,242	373,328	525,570	667,597	1,000,244
Website Management	7,051	5,192	12,243	10,020	8,274	18,294	30,537	32,318
Dues and Subscriptions	13,328	8,806	22,134	19,705	15,388	35,093	57,227	58,086
Office Supplies and Expenses	22,909	16,712	39,621	39,114	25,932	65,046	104,667	110,397
Occupancy	133,712	96,990	230,702	197,069	223,601	420,670	651,372	652,704
Video and Exhibitions	807	596	1,403	1,193	18,744	19,937	21,340	23,074
Miscellaneous Expenses	5,669	741	6,410	3,381	34,182	37,563	43,973	45,088
Packing, Postage and Shipping	795	636	1,431	1,175	10,341	11,516	12,947	15,925
Telephone	4,487	3,287	7,774	8,207	5,102	13,309	21,083	16,848
Grants								
Concern Worldwide IRL	40,918,951	-	40,918,951	-	-	-	40,918,951	31,359,877
Other Partners	318,036	-	318,036	-	-	-	318,036	306,044
Depreciation	<u>23,581</u>	<u>17,430</u>	<u>41,011</u>	<u>34,860</u>	<u>26,658</u>	<u>61,518</u>	<u>102,529</u>	<u>109,163</u>
Total	43,600,889	930,015	44,530,904	1,606,869	2,876,561	4,483,430	49,014,334	39,895,683
Less Special Events Expenses	-	-	-	-	(910,107)	(910,107)	(910,107)	(908,565)
Total Expenses	<u>\$43,600,889</u>	<u>\$930,015</u>	<u>\$44,530,904</u>	<u>\$1,606,869</u>	<u>\$1,966,454</u>	<u>\$3,573,323</u>	<u>\$48,104,227</u>	<u>\$38,987,118</u>

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

(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.

BASIS OF PRESENTATION

The accompanying financial statements of Concern Worldwide have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP).

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Concern Worldwide's net assets and changes therein are classified as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of income from conditional contributions whose gifts without restrictions, including those designated by the Board of Directors; and expenses associated with the core activities of Concern Worldwide.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of Concern Worldwide or the passage of time. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

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.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

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 (2017 – 2018) or expected to be taken in Concern Worldwide’s 2019 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. Restricted cash is comprised of escrowed funds deposited with a bank relating to a letter of credit required under Concern Worldwide’s lease agreement. The following table provides a reconciliation of cash, cash equivalents and restricted cash in the statements of financial position to the total amount shown on Concern Worldwide’s statements of cash flows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 8,333,919	\$ 8,246,442
Cash – restricted	<u>134,982</u>	<u>134,780</u>
Total cash, cash equivalents and restricted cash	<u>\$ 8,468,901</u>	<u>\$ 8,381,222</u>

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 \$5,000. Donated property and equipment are similarly capitalized but at fair market value at the time of donation.

CONTRIBUTIONS

Concern recognizes contributions when cash, securities, or other assets, and unconditional promises to give are received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before Concern is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. Concern recognizes conditional contributions when the conditions are substantially met or waived. Unconditional contributions are classified as without donor restrictions unless there are 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 of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as “*net assets released from restrictions.*”

GOVERNMENT GRANTS

Concern Worldwide receives funding from the United States Agency for International Development (“USAID”), including the Office of Foreign Disaster Assistance (“OFDA”) and the Office of Food for Peace (“FFP”) and from the United States Department of State Bureau of Population, Refugees, and Migration (“PRM”) for direct and indirect program costs and to provide certain whole or partial sub-grants to other agencies. Revenue from such grants are considered to be conditional contributions and are recognized as qualifying expenses are incurred. Concern adopted the simultaneous release option for donor-restricted conditional grants that are recognized as used within the same reporting period, therefore, these amounts are reported as without donor restriction.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

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 financial statements report certain categories of expenses that benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and utilities, which are allocated on a square-footage basis, and salaries and benefits, which are allocated on the basis of estimates of time and effort.

RECLASSIFICATIONS

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

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, 2018, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENT

During 2019, Concern Worldwide adopted ASU No. 2016-18 - Statement of Cash Flows (Topic 230): Restricted Cash, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The new guidance also requires entities to reconcile such total to amounts on the statement of financial position and disclose the nature of the restrictions. As a result of adopting the new guidance, \$197 of restricted cash, which was previously included as operating cash outflows within the statements of cash flows for the year ended December 31, 2018 has been removed and is now included in the cash, cash equivalents and restricted cash line items at the beginning and end of the period.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. Concern Worldwide adopted the new ASU during 2019 and it did not have a material effect on the financial statements.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. Concern Worldwide plans to adopt the new ASU at the required implementation date.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(2) NET ASSETS

The board designated \$1,671,416 and \$1,666,454 of net assets without donor restrictions as an operating reserve in 2019 and 2018, respectively. The operating reserve is used as an internal line of credit to manage cash flow and maintain financial flexibility.

Net assets with donor restrictions at December 31, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Use in future periods	<u>\$1,026,692</u>	<u>\$59,586</u>

For the year ended December 31, 2019 and 2018, net assets of \$2,021,214 and \$829,091, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(3) SPECIAL EVENTS

During 2019 and 2018, Concern Worldwide held several fund-raising events. The gross receipts from these events were \$2,881,041 and \$3,662,471 for 2019 and 2018, respectively. Direct expenses consisting of \$910,107 in 2019 and \$908,565 in 2018 were charged against these receipts resulting in net proceeds of \$1,970,934 and \$2,753,906 respectively.

(4) LEASE COMMITMENTS

As of December 31, 2018, 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, 2019 and 2018, was approximately \$529,700 and \$518,500, respectively.

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

	<u>Office Facilities</u>
2020	\$ 523,000
2021	553,000
2022	553,000
2023	553,000
2024	553,000
2025 and thereafter	<u>392,000</u>
	<u>\$3,127,000</u>

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(5) 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, 2018. Management believes that any adjustment to the 2019 administrative overhead rates, if any, will not have a material effect on the financial position or operating results of Concern Worldwide.

(6) PENSION PLANS

Full time employees are eligible to contribute to Concern Worldwide's defined contribution retirement plan immediately. Concern Worldwide matches up to 3% of eligible employees' contributions to the plan after three months of service. Total pension expense was approximately \$62,900 and \$69,400 for the periods ended December 31, 2019 and 2018.

(7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Concern Worldwide strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects Concern Worldwide's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date, and does not include expected drawdowns on federal awards that will support its operating budget.

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 8,333,919	\$ 8,246,442
Accounts receivable	<u>13,219,025</u>	<u>9,273,246</u>
Total financial assets	21,552,944	17,519,688
Less:		
Net assets with donor restrictions	(1,026,692)	(59,586)
Board designated net assets	<u>(1,671,416)</u>	<u>(1,666,454)</u>
Financial assets available to meet current obligations	<u>\$18,854,836</u>	<u>\$15,793,648</u>

Concern has board designated net assets in the amount noted above, which could be made available, if necessary, with Board approval.

CONCERN WORLDWIDE (U.S.), INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(8) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, September 29, 2020, have been evaluated in the preparation of the financial statements.

In March 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. A prolonged outbreak could impact Concern Worldwide's programmatic efforts and possibly adversely affect its financial results in 2020. Concern Worldwide's management is carefully monitoring the situation and evaluating the possible ramifications of the COVID-19 virus and its impact on the economy as well as the organization's operations. While some of the Organization's fundraising events have been cancelled and there is a possible negative impact on individual donor contributions, the need for Concern Worldwide's services are greatly increasing, and the specific impact on Concern Worldwide's financial position, results of operations and cash flows in 2020 are not reasonably estimable at this time. Therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.