



TEARFUND USA, INC.

Financial Statements
With Independent Auditors' Report

March 31, 2022 and 2021

TEARFUND USA, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tearfund USA, Inc.
Centennial, Colorado

Opinion

We have audited the accompanying financial statements of Tearfund USA, Inc., which comprise the statements of financial position as of March 31, 2022 and 2021, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tearfund USA, Inc. as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Tearfund USA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tearfund USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Tearfund USA, Inc.
Centennial, Colorado

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tearfund USA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tearfund USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 10 to the financial statements, an error resulting in an understatement of the amounts reported as grant receivable and net assets with donor restrictions as of March 31, 2021, and grant income with donor restrictions for the year ended March 31, 2021, was discovered during the current year audit. Additionally, an error resulting in the overstatement of the amounts reported as grant income with donor restrictions and net assets released from restrictions and an understatement of gain on extinguishment of debt for the year ended March 31, 2021, was discovered during the current year audit. Our opinion has not been modified with respect to these matters.

Capin Crouse LLP

Colorado Springs, Colorado
July 12, 2022

TEARFUND USA, INC.

Statements of Financial Position

	March 31,	
	2022	2021 (Restated)
ASSETS:		
Cash and cash equivalents	\$ 135,576	\$ 327,674
Grants receivable	179,900	355,415
Prepaid expenses and other assets	4,841	10,513
Equipment and technology, net	45,808	53,563
Total Assets	\$ 366,125	\$ 747,165
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 82,440	\$ 60,604
Grant payable	-	105,798
Paycheck Protection Program loan	-	205,900
Total liabilities	82,440	372,302
Net assets:		
Without donor restrictions		
Operating	41,895	(30,552)
Board designated reserve	-	50,000
	41,895	19,448
With donor restrictions	241,790	355,415
Total net assets	283,685	374,863
Total Liabilities and Net Assets	\$ 366,125	\$ 747,165

See notes to financial statements

TEARFUND USA, INC.

Statements of Activities

	Year Ended March 31,					
	2022			2021 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE:						
Contributions	\$ 412,046	\$ 1,005,412	\$ 1,417,458	\$ 98,687	\$ 786,509	\$ 885,196
Grant income	70,500	721,526	792,026	662,939	355,415	1,018,354
Gain on extinguishment of debt	205,900	-	205,900	134,161	-	134,161
Other income	10,495	-	10,495	877	-	877
Net assets released from restrictions:						
Satisfaction of ministry project restrictions	1,840,563	(1,840,563)	-	786,509	(786,509)	-
Total Support and Revenue	2,539,504	(113,625)	2,425,879	1,683,173	355,415	2,038,588
EXPENSES:						
Program services	2,098,586	-	2,098,586	1,609,856	-	1,609,856
Supporting activities:						
General and administrative	229,005	-	229,005	185,070	-	185,070
Fundraising	189,466	-	189,466	131,354	-	131,354
Total Expenses	2,517,057	-	2,517,057	1,926,280	-	1,926,280
 Change in Net Assets	 22,447	 (113,625)	 (91,178)	 (243,107)	 355,415	 112,308
Net Assets, Beginning of Year	19,448	355,415	374,863	262,555	-	262,555
Net Assets, End of Year	\$ 41,895	\$ 241,790	\$ 283,685	\$ 19,448	\$ 355,415	\$ 374,863

See notes to financial statements

TEARFUND USA, INC.

Statements of Functional Expenses

Year Ended March 31,

	2022				2021 (Restated)			
	Program Services	Supporting Activities:			Program Services	Supporting Activities		
		General and Administrative	Fundraising	Total		General and Administrative	Fundraising	Total
Salaries and benefits	\$ 921,775	\$ 77,740	\$ 111,057	\$ 1,110,572	\$ 661,483	\$ 125,047	\$ 102,829	\$ 889,359
Grants to others	1,057,355	-	-	1,057,355	736,295	-	-	736,295
Professional services	37,781	74,032	23,931	135,744	97,942	9,432	-	107,374
Office and occupancy	15,486	51,381	14,275	81,142	24,375	40,166	18,105	82,646
Supplies and travel	17,625	16,593	32,563	66,781	2,790	2,426	-	5,216
Promotional items and advertising	36,187	-	2,771	38,958	73,954	-	10,071	84,025
Depreciation and amortization	12,377	7,377	-	19,754	10,752	5,753	-	16,505
Other expenses	-	1,882	4,869	6,751	2,265	2,246	349	4,860
	<u>\$ 2,098,586</u>	<u>\$ 229,005</u>	<u>\$ 189,466</u>	<u>\$ 2,517,057</u>	<u>\$ 1,609,856</u>	<u>\$ 185,070</u>	<u>\$ 131,354</u>	<u>\$ 1,926,280</u>

See notes to financial statements

TEARFUND USA, INC.

Statements of Cash Flows

	March 31,	
	2022	2021 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (91,178)	\$ 112,308
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	19,754	16,505
Gain on extinguishment of debt	(205,900)	(134,161)
Net change in:		
Grants receivable	175,515	(355,415)
Prepaid expenses and other assets	5,672	14,590
Accounts payable and accrued expenses	21,836	9,601
Grant payable	(105,798)	105,798
Net Cash Used in Operating Activities	(180,099)	(230,774)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and technology	(11,999)	(4,591)
Net Cash Used in Investing Activities	(11,999)	(4,591)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	340,061
Net Cash Provided by Financing Activities	-	340,061
Change in Cash and Cash Equivalents	(192,098)	104,696
Cash and Cash Equivalents, Beginning of Year	327,674	222,978
Cash and Cash Equivalents, End of Year	\$ 135,576	\$ 327,674
SUPPLEMENTAL DISCLOSURES:		
Forgiveness of Paycheck Protection Program loan	\$ 205,900	\$ 134,161

See notes to financial statements

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2022 and 2021 (Restated)

1. NATURE OF ORGANIZATION:

Tearfund USA, Inc. (the Organization) was organized in 2018, in Delaware as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Organization is subject to federal income tax on any unrelated business taxable income. In addition, the Organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

The Organization is a nonprofit organization established for the purpose of providing Christian international relief services and is passionate about ending poverty and seeing communities flourish. The Organization is currently led by a CEO based in Denver, Colorado and serves communities around the globe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies is described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash on deposit, and a money market account. As of March 31, 2022 and 2021, the Organization's cash balances exceeded federally insured limits by approximately \$0 and \$77,000, respectively. The Organization has not experienced any losses on such accounts.

GRANTS RECEIVABLE

During the year ending March 31, 2021, the Organization was awarded a \$450,000 unconditional grant from a charitable trust to be paid over a period of three years in \$150,000 installments. The Organization received the first two \$150,000 installments during each of the years ending March 31, 2022 and 2021. The Organization expects to collect the remaining \$150,000 installment during the fiscal year ending March 31, 2023. Additionally, during the year ending March 31, 2021, the organization was awarded a \$85,353 unconditional grant from a charitable foundation to be paid over a period of five years in varying installments. The organization received installments of \$25,515 and \$29,938, during the years ending March 31, 2022 and 2021, respectively. The Organization expects to collect the remaining three installments totaling \$29,900 during the fiscal years ending March 31, 2023 through March 31, 2025. Management expects the entire amounts to be collected; therefore, no allowance has been recorded. Additionally, no discount is recorded due to its immateriality.

EQUIPMENT AND TECHNOLOGY, NET

Expenditures for equipment and websites are capitalized if over \$2,000. Donated items are recorded at the fair value on the date of the gift. Depreciation and amortization is computed on the straight line method over the estimated useful lives of the assets. Useful lives range from 3-5 years.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2022 and 2021 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GRANT PAYABLE

Grant payable consists of the amount owed to Tearfund UK for program disbursements occurring during the year ending March 31, 2021 but not yet paid. These funds cleared Tearfund USA's bank on April 1, 2021. No such grant payable was accrued for the year ending March 31, 2022.

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restriction are those currently available at the discretion of the board of directors for use in the Organization's operations.

Net assets with donor restriction are those that are stipulated by donors for specific purposes or are subject to the passage of time. They are not currently available for use in the Organization's activities until restrictions regarding their use have been fulfilled. When a restriction expires, that is when a stipulated purpose restriction is satisfied, 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.

SUPPORT, REVENUE, AND EXPENSES

Contributions and grant income are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the Organization. Conditional promises-to-give are recognized when the barriers on which they depend are overcome. Contributions are recorded as net assets with donor restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from net assets with donor restriction to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions, unless specifically restricted by the donor.

Gain on extinguishment of debt for the years ended March 31, 2022 and 2021, consists of the forgiveness of the Paycheck Protection Program (PPP) loans. Both PPP loans were received during the year ended March 31, 2021 in the amounts of \$205,900 and \$134,161. The loans were eligible for forgiveness based on the Organization incurring various qualifying expenses such as normal payroll costs and utilities. During the year ended March 31, 2021, the first loan was forgiven by the Small Business Administration (SBA). During the year ended March 31, 2022 the second loan was forgiven by the SBA. For the years ended March 31, 2022 and 2021, the loan proceeds totaling \$205,900 and \$134,161, respectively, were recorded as gain on extinguishment of debt on the statements of activities.

Other income is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2022 and 2021 (Restated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities to which they relate on the basis of readily measurable direct costs or management estimate of time and expenses spent for each category. Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions.

USE OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of March 31, 2022 and 2021, reduced by amounts not available for general use because of contractual, board imposed designations, or donor-imposed restrictions within one year of the statement of financial position date.

	March 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 135,576	\$ 327,674
Grants receivable	179,900	355,415
Accounts receivable (included in other assets)	1,368	5,077
Financial assets, at year end	<u>316,844</u>	<u>688,166</u>
Less those unavailable for general expenditure within one year:		
Grants receivable collectible beyond one year	(12,512)	(179,900)
Board designated reserve	-	(50,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 304,332</u>	<u>\$ 458,266</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management monitors cash flows closely through periodic reviews and board meetings.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2022 and 2021 (Restated)

4. EQUIPMENT AND TECHNOLOGY:

Equipment and technology consist of:

	March 31,	
	2022	2021
Website	\$ 25,000	\$ 25,000
Technology	68,210	56,210
Furniture and fixtures	4,591	4,591
	<u>97,801</u>	<u>85,801</u>
Accumulated depreciation and amortization	<u>(51,993)</u>	<u>(32,238)</u>
	<u>\$ 45,808</u>	<u>\$ 53,563</u>

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions for projects consist of:

	March 31,	
	2022	2021
Time restricted grants receivable	\$ 179,900	\$ 355,415
Conflict and crisis	27,492	-
Church and community transformation	24,450	-
Creation care	9,948	-
	<u>\$ 241,790</u>	<u>\$ 355,415</u>

6. COMMITMENTS:

The Organization leases office space under operating lease agreements with expiration dates through January 2026. Rent expense was approximately \$33,000 for the years ended March 31, 2022 and 2021.

Future minimum lease payments are as follows:

<u>Year Ending March 31,</u>	
2023	\$ 34,146
2024	34,902
2025	35,658
2026	<u>30,240</u>
	<u>\$ 134,946</u>

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2022 and 2021 (Restated)

7. RETIREMENT PLAN:

The Organization maintains a 403(b) retirement plan for all eligible employees. An employee is 100% vested at the time of employment. The Organization contributes to the plan a maximum amount equal to 4% of all eligible employee's compensation. In addition, employees may elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum permitted by law. Employer contributions for the years ended March 31, 2022 and 2021 totaled approximately \$23,000 and \$20,000, respectively.

8. DONOR CONCENTRATION:

Two donors' giving accounted for approximately 48% and 51%, of all revenue for the years ended March 31, 2022 and 2021, respectively.

9. RELATED PARTY TRANSACTIONS:

Approximately \$703,000 and \$728,000, which is approximately 32% and 38% ,of total support revenue, was donated to the Organization by Tearfund UK during the years ended March 31, 2022 and 2021, respectively. Tearfund UK has provided seed money for the incorporation of the Organization. Additionally, during the years ending March 31, 2022 and 2021, the Organization granted approximately \$1,056,000 and \$736,000, respectively, to Tearfund UK in order to fund projects in foreign countries. As of March 31, 2022 and 2021, amounts granted but not paid to Tearfund UK totaled approximately \$0 and \$106,000, respectively.

During the years ended March 31, 2022 and 2021, members of the board of directors and senior management contributed approximately \$220,000 and \$3,000, respectively.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2022 and 2021 (Restated)

10. CORRECTION OF AN ERROR - PRIOR YEAR RESTATEMENT:

During the year ended March 31, 2022, an error was identified in net assets with donor restrictions and grant income with donor restrictions recorded during the year ended March 31, 2021. The specific error arose from the lack of recognition of a unconditional multi-year grant, which was awarded to the Organization during the year ending March 31, 2021. Additionally, during the year ended March 31, 2021, the proceeds from the first PPP loan were improperly included in grant income with donor restrictions and net assets released from restrictions and excluded from gain on extinguishment of debt. The impact of this restatement on the financial statements is as follows:

	As Previously Stated	Prior Period Adjustment	As Restated
Statements of financial position as of March 31, 2021:			
Grant receivable	\$ 300,000	\$ 55,415	\$ 355,415
Total assets	691,750	55,415	747,165
Net assets with donor restrictions	300,000	55,415	355,415
Total net assets	319,448	55,415	374,863
Statements of activities for the year ending March 31, 2021:			
Grant income with donor restrictions	434,161	(78,746)	355,415
Gain on extinguishment of debt	-	134,161	134,161
Total support and revenue	1,983,173	55,415	2,038,588
Change in net assets without donor restrictions	300,000	55,415	355,415
Total change in net assets	56,893	55,415	112,308
Net assets with donor restrictions as of March 31, 2021	300,000	55,415	355,415
Total net assets as of March 31, 2021	319,448	55,415	374,863

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2022 and 2021 (Restated)

11. RISKS AND UNCERTAINTIES

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations, and cash flows. Other possible effects may include, but are not limited to, disruption in the Organization's workforce and a decline in value of assets held by the Organization including property and equipment. The total financial impact cannot be estimated at this time because the duration of the pandemic cannot be estimated. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 12, 2022, which is the date the financial statements were available to be issued.