



TEARFUND USA, INC.

Financial Statements
With Independent Auditors' Report

March 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

Capin Crouse LLP

Colorado Springs, Colorado
July 24, 2023

TEARFUND USA, INC.

Statements of Financial Position

	March 31,	
	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and cash equivalents	\$ 270,486	\$ 135,576
Grants receivable	1,300,012	179,900
Prepaid expenses and other assets	21,172	4,841
Operating lease—right-of-use asset	97,912	-
Equipment and technology, net	<u>26,249</u>	<u>45,808</u>
Total Assets	<u>\$ 1,715,831</u>	<u>\$ 366,125</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 114,080	\$ 82,440
Grant payable	42,214	-
Operating lease obligation	<u>100,180</u>	<u>-</u>
Total liabilities	<u>256,474</u>	<u>82,440</u>
Net assets:		
Without donor restrictions	93,175	41,895
With donor restrictions	<u>1,366,182</u>	<u>241,790</u>
Total net assets	<u>1,459,357</u>	<u>283,685</u>
Total Liabilities and Net Assets	<u>\$ 1,715,831</u>	<u>\$ 366,125</u>

See notes to financial statements

TEARFUND USA, INC.

Statements of Activities

	Year Ended March 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE:						
Contributions and grant income	\$ 1,295,555	\$ 2,507,865	\$ 3,803,420	\$ 482,546	\$ 1,726,938	\$ 2,209,484
Other income	51,769	-	51,769	10,495	-	10,495
Gain on extinguishment of debt	-	-	-	205,900	-	205,900
Net assets released from restrictions:						
Satisfaction of ministry project restrictions	1,383,473	(1,383,473)	-	1,840,563	(1,840,563)	-
Total Support and Revenue	2,730,797	1,124,392	3,855,189	2,539,504	(113,625)	2,425,879
EXPENSES:						
Program services	2,103,450	-	2,103,450	2,098,586	-	2,098,586
Supporting activities:						
General and administrative	289,023	-	289,023	229,005	-	229,005
Fundraising	287,044	-	287,044	189,466	-	189,466
Total Expenses	2,679,517	-	2,679,517	2,517,057	-	2,517,057
 Change in Net Assets	 51,280	 1,124,392	 1,175,672	 22,447	 (113,625)	 (91,178)
Net Assets, Beginning of Year	41,895	241,790	283,685	19,448	355,415	374,863
Net Assets, End of Year	\$ 93,175	\$ 1,366,182	\$ 1,459,357	\$ 41,895	\$ 241,790	\$ 283,685

See notes to financial statements

TEARFUND USA, INC.

Statements of Functional Expenses

Year Ended March 31,

	2023				2022			
	Supporting Activities:				Supporting Activities			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,036,922	\$ 173,746	\$ 220,369	\$ 1,431,037	\$ 921,775	\$ 77,740	\$ 111,057	\$ 1,110,572
Grants to others	595,552	-	-	595,552	1,057,355	-	-	1,057,355
Professional services	111,915	62,834	20,640	195,389	37,781	74,032	23,931	135,744
Supplies and travel	143,366	13,900	17,634	174,900	17,625	16,593	32,563	66,781
Office and occupancy	78,469	15,337	9,341	103,147	15,486	51,381	14,275	81,142
Promotional items and advertising	64,566	2,994	3,483	71,043	36,187	-	2,771	38,958
Events	59,928	-	-	59,928	-	-	-	-
Other expenses	453	12,932	15,577	28,962	-	1,882	4,869	6,751
Depreciation and amortization	12,279	7,280	-	19,559	12,377	7,377	-	19,754
	\$ 2,103,450	\$ 289,023	\$ 287,044	\$ 2,679,517	\$ 2,098,586	\$ 229,005	\$ 189,466	\$ 2,517,057

See notes to financial statements

TEARFUND USA, INC.

Statements of Cash Flows

	March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,175,672	\$ (91,178)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	19,559	19,754
Gain on extinguishment of debt	-	(205,900)
Non-cash effect of change in accounting principle	2,268	-
Net change in:		
Grants receivable	(1,120,112)	175,515
Prepaid expenses and other assets	(16,331)	5,672
Accounts payable and accrued expenses	31,640	21,836
Grant payable	42,214	(105,798)
Net Cash Provided (Used) in Operating Activities	134,910	(180,099)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and technology	-	(11,999)
Net Cash Used in Investing Activities	-	(11,999)
Change in Cash and Cash Equivalents	134,910	(192,098)
Cash and Cash Equivalents, Beginning of Year	135,576	327,674
Cash and Cash Equivalents, End of Year	\$ 270,486	\$ 135,576
SUPPLEMENTAL DISCLOSURES:		
Rights of use assets obtained in exchange for operating lease obligations	\$ 132,190	\$ -
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 205,900

See notes to financial statements

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2023 and 2022

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, 2023 and 2022, the Organization's cash balances did not exceed federally insured limits.

GRANTS RECEIVABLE

Grants receivable are recognized as assets and contributions at the time the grant is unconditionally promised or is no longer considered conditional. Grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give, when significant, that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. An allowance for uncollectible contributions is recorded when evidence indicates amounts promised by grantors may not be collectible. For the years ending March 31, 2023 and 2022, management has determined that no allowance for doubtful accounts is considered necessary.

OPERATING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS

The Organization adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of April 1, 2022, which resulted in the recognition of operating lease-right-of-use assets totaling \$97,912 as of March 31, 2023, as well as operating lease obligations totaling \$100,180. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of April 1, 2022 without restating any prior-year amounts. The additional lease disclosures can be found in Note 5.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

GRANT PAYABLE

Grant payable consists of the amount owed to Tearfund UK for program disbursements occurring during the year ending March 31, 2023 but not yet paid. No such grant payable existed 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.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued:

Gain on extinguishment of debt for the year ended March 31, 2022, consists of the forgiveness of the Paycheck Protection Program (PPP) loan. The PPP loan was received during the year ended March 31, 2021 in the amount of \$205,900. The loan was eligible for forgiveness based on the Organization incurring various qualifying expenses such as normal payroll costs and utilities. During the year ended March 31, 2022 the loan was forgiven by the SBA. For the year ended March 31, 2022, the loan proceeds totaling \$205,900 were recorded as gain on extinguishment of debt on the statements of activities. During the year ended March 31, 2023, no such gain on extinguishment of debt was recognized.

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

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the Accounting Standards Codification). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. The Organization adopted this update for the year ended March 31, 2023. One of the Organization's contracts contains the right to control the use of property or assets and is therefore considered a lease. The Organization elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): Targeted Improvements and recorded the impact of adoption as of April 1, 2022, without restating any prior-year amounts. The Organization also elected to exclude leases with terms of less than 12 months. The additional lease disclosures can be found in Note 5. The non-cash effect of the change in accounting principle to the opening balance of net assets totaled \$2,268 and was adjusted through office and occupancy on the statements of activities and statements of functional expenses.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS, continued:

In fiscal year 2023, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of March 31, 2023 and 2022, 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 270,486	\$ 135,576
Grants receivable	1,300,012	179,900
Accounts receivable (included in other assets)	2,070	1,368
Financial assets, at year end	<u>1,572,568</u>	<u>316,844</u>
Less those unavailable for general expenditure within one year:		
Grants receivable collectible beyond one year	<u>(553,629)</u>	<u>(12,512)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,018,939</u>	<u>\$ 304,332</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, 2023 and 2022

4. GRANTS RECEIVABLE

Grants receivable consist of unconditional promises to give totaling \$1,300,012 and \$179,000 as of March 31, 2023 and 2022, respectively. Grants receivable are not discounted to their present value because the effect on the financial statements is insignificant.

Future minimum collection of the grants receivable are as follows:

<u>Year Ending March 31,</u>	
2024	\$ 746,383
2025	<u>553,629</u>
	<u>\$ 1,300,012</u>

5. OPERATING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Organization leases office space under a noncancelable operating lease. The lease expires during the fiscal year ending March 31, 2026. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The lease requires monthly payments of \$2,772 with an annual 2% increase in payment amounts.

	<u>March 31, 2023</u>
Operating lease—right-of-use asset	\$ 97,912
Operating lease obligation	\$ 100,180
Operating lease costs	\$ 34,776
Weighted-average discount rate	0.42%
Weighted-average remaining lease term	2.82 years

Future minimum lease payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending March 31,</u>	
2024	\$ 34,902
2025	35,658
2026	<u>30,240</u>
	100,800
Less imputed interest	<u>(620)</u>
	<u>\$ 100,180</u>

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2023 and 2022

6. EQUIPMENT AND TECHNOLOGY:

Equipment and technology consist of:

	March 31,	
	2023	2022
Website	\$ 25,000	\$ 25,000
Technology	68,210	68,210
Furniture and fixtures	4,591	4,591
	<u>97,801</u>	<u>97,801</u>
Accumulated depreciation and amortization	<u>(71,552)</u>	<u>(51,993)</u>
	<u>\$ 26,249</u>	<u>\$ 45,808</u>

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions for projects consist of:

	March 31,	
	2023	2022
Time restricted grants receivable	\$ 1,300,012	\$ 179,900
Creation care	40,010	9,948
Racial justice	20,655	-
Conflict and crisis	4,990	27,492
Women and gender equality	515	-
Church and community transformation	-	24,450
	<u>\$ 1,366,182</u>	<u>\$ 241,790</u>

8. COMMITMENTS:

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, the Organization was applying Topic 840 in relation to operating leases. For the comparable period the Organization had operating lease expenses of approximately \$33,000 during the year ended March 31, 2022.

9. 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, 2023 and 2022 totaled approximately \$41,000 and \$23,000, respectively.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2023 and 2022

10. DONOR CONCENTRATION:

Three donors' giving account for approximately 78% of all revenue for the year ended March 31, 2023. Two donors' giving accounted for approximately 48% of all revenue for the year ended March 31, 2022.

11. RELATED PARTY TRANSACTIONS:

Approximately \$870,000 and \$703,000, which is approximately 23% and 32%, of total support and revenue, was donated to the Organization by Tearfund UK during the years ended March 31, 2023 and 2022, respectively. Tearfund UK has provided seed money for the incorporation of the Organization. Additionally, during the years ending March 31, 2023 and 2022, the Organization granted approximately \$563,000 and \$1,056,000, respectively, to Tearfund UK in order to fund projects in foreign countries. As of March 31, 2023 and 2022, amounts granted but not paid to Tearfund UK totaled approximately \$42,000 and \$0, respectively.

During the years ended March 31, 2023 and 2022, members of the board of directors and senior management contributed approximately \$16,000 and \$220,000, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 24, 2023, which is the date the financial statements were available to be issued.