



TEARFUND USA, INC.

Financial Statements
With Independent Auditors' Report

March 31, 2024 and 2023

TEARFUND USA, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2024 and 2023, 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, 2024 and 2023, 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.

Emphasis-of-Matter

As discussed in Note 11 to the financial statements, the Organization has suffered negative changes in net assets and has a net assets without donor restrictions deficit. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 11. Our opinion is not modified with respect to this matter.

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
September 16, 2024

TEARFUND USA, INC.

Statements of Financial Position

	March 31,	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 60,320	\$ 270,486
Grants receivable	115,694	1,300,012
Prepaid expenses and other assets	1,926	21,172
Operating lease—right-of-use asset	-	97,912
Equipment and technology, net	6,006	26,249
	<u>183,946</u>	<u>1,715,831</u>
Total Assets	\$ 183,946	\$ 1,715,831
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 35,521	\$ 114,080
Grant payable	-	42,214
Operating lease obligation	-	100,180
Total liabilities	<u>35,521</u>	<u>256,474</u>
Net assets:		
Without donor restrictions	(157,142)	93,175
With donor restrictions	305,567	1,366,182
Total net assets	<u>148,425</u>	<u>1,459,357</u>
Total Liabilities and Net Assets	\$ 183,946	\$ 1,715,831

See notes to financial statements

TEARFUND USA, INC.

Statements of Activities

	Year Ended March 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE:						
Contributions and grant income	\$ 333,955	\$ 344,561	\$ 678,516	\$ 1,295,555	\$ 2,507,865	\$ 3,803,420
Other income	1,656	-	1,656	51,769	-	51,769
Bad debt losses	(637,512)	-	(637,512)	-	-	-
Net assets released from restrictions:						
Loss on grant receivable	637,512	(637,512)	-	-	-	-
Satisfaction of ministry project restrictions	767,664	(767,664)	-	1,383,473	(1,383,473)	-
Total Support and Revenue	1,103,275	(1,060,615)	42,660	2,730,797	1,124,392	3,855,189
EXPENSES:						
Program services	973,176	-	973,176	2,103,450	-	2,103,450
Supporting activities:						
General and administrative	238,006	-	238,006	289,023	-	289,023
Fundraising	142,410	-	142,410	287,044	-	287,044
Total Expenses	1,353,592	-	1,353,592	2,679,517	-	2,679,517
Change in Net Assets	(250,317)	(1,060,615)	(1,310,932)	51,280	1,124,392	1,175,672
Net Assets, Beginning of Year	93,175	1,366,182	1,459,357	41,895	241,790	283,685
Net Assets, End of Year	\$ (157,142)	\$ 305,567	\$ 148,425	\$ 93,175	\$ 1,366,182	\$ 1,459,357

See notes to financial statements

TEARFUND USA, INC.

Statements of Functional Expenses

Year Ended March 31,								
2024					2023			
Supporting Activities:					Supporting Activities			
Program	General and			Total	Program	General and		
Services	Administrative	Fundraising	Total		Services	Administrative	Fundraising	Total
Salaries and benefits	\$ 544,751	\$ 152,107	\$ 124,352	\$ 821,210	\$ 1,036,922	\$ 173,746	\$ 220,369	\$ 1,431,037
Grants to others	308,928	-	-	308,928	595,552	-	-	595,552
Office and occupancy	62,014	15,197	6,136	83,347	78,469	15,337	9,341	103,147
Professional services	7,433	60,794	1,673	69,900	111,915	62,834	20,640	195,389
Supplies and travel	21,054	722	590	22,366	143,366	13,900	17,634	174,900
Depreciation and amortization	10,811	7,060	-	17,871	12,279	7,280	-	19,559
Events	11,800	-	-	11,800	59,928	-	-	59,928
Other expenses	95	1,146	9,332	10,573	453	12,932	15,577	28,962
Promotional items and advertising	6,290	980	327	7,597	64,566	2,994	3,483	71,043
	\$ 973,176	\$ 238,006	\$ 142,410	\$ 1,353,592	\$ 2,103,450	\$ 289,023	\$ 287,044	\$ 2,679,517

See notes to financial statements

TEARFUND USA, INC.

Statements of Cash Flows

	March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,310,932)	\$ 1,175,672
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	17,871	19,559
Bad debt losses	637,512	-
Loss on disposal of equipment and technology	2,372	-
Loss on operating lease termination	(2,268)	
Non-cash effect of change in accounting principle	-	2,268
Net change in:		
Grants receivable	546,806	(1,120,112)
Prepaid expenses and other assets	19,246	(16,331)
Accounts payable and accrued expenses	(78,559)	31,640
Grant payable	(42,214)	42,214
Net Cash Provided (Used) in Operating Activities	(210,166)	134,910
Change in Cash and Cash Equivalents	(210,166)	134,910
Cash and Cash Equivalents, Beginning of Year	270,486	135,576
Cash and Cash Equivalents, End of Year	\$ 60,320	\$ 270,486
SUPPLEMENTAL DISCLOSURES:		
Right-of-use asset obtained in exchange for operating lease obligations	\$ -	\$ 132,190

See notes to financial statements

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2024 and 2023

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 established for the purpose of providing Christian international relief services around the globe and is passionate about ending poverty and seeing communities flourish.

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, 2024 and 2023, 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-adjusted 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, 2024 and 2023, management has determined that no allowance for doubtful accounts is considered necessary.

OPERATING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS

Operating lease consists of the Organization's right-to-use leased assets and the associated obligation. The Organization recognizes assets and liabilities for any leases with terms greater than twelve months. The Organization also elected the practical expedient to not separate lease and non-lease components. Additional lease disclosures can be found in Note 5.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2024 and 2023

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, 2024.

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.

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.

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

During the year-ended March 31, 2024, the Organization determined that a portion of the grant receivable balance would not be collectible resulting in bad debt losses of \$637,512.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2024 and 2023

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, 2024 and 2023, 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,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 60,320	\$ 270,486
Grants receivable	115,694	1,300,012
Accounts receivable (included in other assets)	1,926	2,070
Financial assets, at year end	<u>177,940</u>	<u>1,572,568</u>
Less those unavailable for general expenditure within one year:		
Grants receivable collectible beyond one year	<u>-</u>	<u>(553,629)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 177,940</u>	<u>\$ 1,018,939</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, 2024 and 2023

4. GRANTS RECEIVABLE

Grants receivable consist of unconditional promises to give totaling \$115,694 and \$1,300,012 as of March 31, 2024 and 2023, respectively. As of March 31, 2024, the balance is expected to be fully collected within one year.

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

The Organization leased office space under a noncancelable operating lease. The lease was scheduled to expire during the year ending March 31, 2026. The discount rate represented 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 required monthly payments of \$2,772 with an annual 2% increase in payment amounts. During the year ended March 31, 2024, the Organization terminated the lease.

	March 31,	
	2024	2023
Operating lease—right-of-use asset	\$ -	\$ 97,912
Operating lease obligation	\$ -	\$ 100,180
Operating lease costs	\$ 21,735	\$ 34,776
Weighted-average discount rate	N/A	0.42%
Weighted-average remaining lease term	N/A	2.82 years

6. EQUIPMENT AND TECHNOLOGY:

Equipment and technology consist of:

	March 31,	
	2024	2023
Website	\$ 25,000	\$ 25,000
Technology	68,210	68,210
Furniture and fixtures	-	4,591
	93,210	97,801
Accumulated depreciation and amortization	(87,204)	(71,552)
	<u>\$ 6,006</u>	<u>\$ 26,249</u>

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2024 and 2023

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions for projects consist of:

	March 31,	
	2024	2023
Church and community transformation	\$ 132,338	\$ -
Time restricted grants receivable	115,694	1,300,012
Women and gender equality	23,167	515
Racial justice	19,700	20,655
Conflict and crisis	9,067	4,990
Creation care	5,601	40,010
	<u>\$ 305,567</u>	<u>\$ 1,366,182</u>

8. 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, 2024 and 2023 totaled approximately \$23,000 and \$41,000, respectively.

9. DONOR CONCENTRATION:

During the year ended March 31, 2024 and 2023, the Organization received contributions from three donors that totaled approximately \$477,000 and \$3,003,000, respectively. These gifts accounted for approximately 70% and 79%, respectively, of contributions and grant income for the years ended March 31, 2024 and 2023.

10. RELATED PARTY TRANSACTIONS:

Approximately \$254,000 and \$870,000, which is approximately 38% and 23%, of contributions and grant income, was donated to the Organization by Tearfund UK during the years ended March 31, 2024 and 2023, respectively. Tearfund UK has provided seed money for the incorporation of the Organization. Additionally, during the years ending March 31, 2024 and 2023, the Organization granted approximately \$119,000 and \$563,000, respectively, to Tearfund UK in order to fund projects in foreign countries. As of March 31, 2024 and 2023, amounts granted but not paid to Tearfund UK totaled approximately \$0 and \$42,000, respectively.

TEARFUND USA, INC.

Notes to Financial Statements

March 31, 2024 and 2023

11. FINANCIAL CONDITION:

For the year ended March 31, 2024, the Organization had a negative change in net assets with donor restrictions and without donor restrictions of \$1,060,015 and \$250,317, respectively. The primary reason for this financial situation is due to organizational restructuring resulting in a decrease in contributions and bad debt losses related to grants receivable.

Management has recognized the significance of the financial conditions of the Organization and is working to increase contributions and maintain financial support. Management has developed a financial recovery plan to address the Organization's financial condition and is pursuing the financial plan to address these concerns and support and the financial viability of the Organization. Management has created a plan to hire a Development Director who will focus on increasing contributions and support for the Organization. Additionally, management intends to continue to work with Tearfund UK, who has committed to continue to support the Organization with operational costs.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 16, 2024, which is the date the financial statements were available to be issued.