

CONCERN AMERICA
FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4 – 5
Statement of Functional Expenses	6 – 7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 16

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Mark Gray, CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Concern America

Report on the Financial Statements

We have audited the accompanying financial statements of Concern America (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's 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.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concern America as of June 30, 2017 and 2016, 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.

A handwritten signature in black ink, appearing to read "Guzman & Gray". The signature is written in a cursive, flowing style.

Guzman & Gray CPAs
Long Beach, CA
November 1, 2017

CONCERN AMERICA
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 and 2016

ASSETS

	June 30,	
	2017	2016
CURRENT ASSETS		
Cash	\$ 45,490	\$ 28,924
Prepaid expenses	17,440	20,326
Inventory	15,055	19,112
	77,985	68,362
INVESTMENTS	1,454	1,218
PROPERTY AND EQUIPMENT, net	1,480	2,576
OTHER ASSETS		
Deposits	450	450
TOTAL ASSETS	\$ 81,369	\$ 72,606

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 32,543	\$ 31,417
Accrued expenses	52,864	95,140
Line of credit	51,541	40,378
TOTAL LIABILITIES	136,948	166,935
NET ASSETS		
Unrestricted	(67,981)	(122,145)
Temporarily restricted	12,402	27,816
TOTAL NET ASSETS (Deficit)	(55,579)	(94,329)
TOTAL LIABILITIES AND NET ASSETS	\$ 81,369	\$ 72,606

See Independent Auditors' Report and Notes to Financial Statements

CONCERN AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 810,481	\$ 12,402	\$ 822,883
Donated materials and services	1,008,853		1,008,853
Craft sales, net cost of goods sold of \$35,482	46,154		46,154
Special events, net direct expenses of 17,258	197,981		197,981
Program service revenue	15,279		15,279
Investment income	3		3
Unrealized gains (losses)	503		503
Other revenue	741		741
	<u>2,079,995</u>	<u>12,402</u>	<u>2,092,397</u>
NET ASSETS RELEASED FROM RESTRICTIONS	27,816	(27,816)	
TOTAL SUPPORT AND REVENUE	<u>2,107,811</u>	<u>(15,414)</u>	<u>2,092,397</u>
EXPENSES			
Program services	1,691,045		1,691,045
Management and general	219,271		219,271
Fundraising	143,331		143,331
	<u>2,053,647</u>		<u>2,053,647</u>
INCREASE(DECREASE) IN NET ASSETS	54,164	(15,414)	38,750
BEGINNING NET ASSETS	<u>(122,145)</u>	<u>27,816</u>	<u>(94,329)</u>
ENDING NET ASSETS	<u>\$ (67,981)</u>	<u>\$ 12,402</u>	<u>\$ (55,579)</u>

See Independent Auditors' Report and Notes to Financial Statements

CONCERN AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions: Individuals	\$ 633,950	\$ 27,816	\$ 661,766
Contributions: Agency	265,141		265,141
Donated materials and services	919,352		919,352
Craft sales, net cost of goods sold of \$43,558	49,725		49,725
Special events, net direct expenses of \$8,485	134,027		134,027
Program service revenue	7,425		7,425
Investment income	274		274
Realized gains (losses)	5,750		5,750
Other revenue	1,042		1,042
	<u>2,016,686</u>	<u>27,816</u>	<u>2,044,502</u>
NET ASSETS RELEASED FROM RESTRICTIONS	5,083	(5,083)	
TOTAL SUPPORT AND REVENUE	<u>2,021,769</u>	<u>22,733</u>	<u>2,044,502</u>
EXPENSES			
Program services	1,622,361		1,622,361
Management and general	289,772		289,772
Fundraising	165,499		165,499
	<u>2,077,632</u>		<u>2,077,632</u>
INCREASE(DECREASE) IN NET ASSETS	(55,863)	22,733	(33,130)
BEGINNING NET ASSETS	<u>(66,282)</u>	<u>5,083</u>	<u>(61,199)</u>
ENDING NET ASSETS	<u>\$ (122,145)</u>	<u>\$ 27,816</u>	<u>\$ (94,329)</u>

See Independent Auditors' Report and Notes to Financial Statements

CONCERN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program			Support			Total
	Field Program	Crafts	Education	Total Program	Management and General	Fundraising	
Volunteers wages	\$ 126,869			\$ 126,869			\$ 126,869
Field program expenses	298,887			298,887			298,887
Workshops			\$ 150	150			150
Books & Publications			5,164	5,164			5,164
Donated services	884,218			884,218			884,218
Staff and field volunteer wages	109,403	\$ 57,607	46,906	213,916	\$ 61,217	\$ 53,110	328,243
Employee benefits	25,969	13,674	11,134	50,777	14,531	12,607	77,915
Staff acknowledgement				-	2,322		2,322
Insurance	4,954	2,608	2,124	9,686	2,772	2,405	14,863
Travel	15,047	259	211	15,517	275	239	16,031
Meetings				-	1,203		1,203
Occupancy	14,595	7,685	6,258	28,538	8,167	7,085	43,790
Bank charges and merchant fees				-	19,160		19,160
Interest charges				-	2,018		2,018
Office	2,926	1,541	1,255	5,722	1,433	1,421	8,576
Printing	4,541	2,391	1,947	8,879	2,541	2,204	13,624
Postage and shipping	3,595	1,893	1,541	7,029	2,012	1,745	10,786
Telecommunications	2,171	1,143	931	4,245	1,215	1,054	6,514
Technology and information	145	76	62	283	81	70	434
Accounting				-	36,750		36,750
Other professional services				-			-
Other	87	46	37	170	49	42	261
Outreach				-	54,045	54,045	108,090
Speaker				-		9	9
Development assessment				-			-
Crafts exhibit		1,615		1,615			1,615
Filing fees and taxes				-	1,011		1,011
Payroll tax	14,631	7,704	6,273	28,608	8,187	7,103	43,898
Agency collaboration				-	61		61
Depreciation	395	208	169	772	221	192	1,185
Total	\$ 1,508,433	\$ 98,450	\$ 84,162	\$ 1,691,045	\$ 219,271	\$ 143,331	\$ 2,053,647

See Independent Auditors' Report and Notes to Financial Statements

CONCERN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program			Support			
	Field Program	Crafts	Education	Total Program	Management and General	Fundraising	Total
Volunteers wages	\$ 148,295			\$ 148,295			\$ 148,295
Field program expenses	226,888		\$ 901	227,789			227,789
Workshops			3,117	3,117			3,117
Donated services	789,872			789,872			789,872
Staff and field volunteer wages	94,212	\$ 82,095	53,322	229,629	\$ 102,856	\$ 62,203	394,688
Employee benefits	8,094	7,053	4,581	19,728	8,837	5,344	33,909
Staff acknowledgement				-	1,724		1,724
Insurance	13,946	12,152	7,893	33,991	15,225	9,207	58,423
Travel	57,065	4,004	2,601	63,670	5,017	3,034	71,721
Meetings				-	800		800
Occupancy	10,900	9,498	6,169	26,567	11,900	7,196	45,663
Bank charges and merchant fees				-	17,733		17,733
Interest charges				-	2,506		2,506
Office	1,259	1,097	713	3,069	1,374	831	5,274
Printing	2,290	1,995	1,296	5,581	2,500	1,512	9,593
Postage and shipping	2,359	2,056	1,336	5,751	2,576	1,558	9,885
Telecommunications	2,976	2,593	1,684	7,253	3,248	1,965	12,466
Technology and information	145	127	82	354	159	96	609
Accounting				-	14,290		14,290
Other professional services				-	12,102		12,102
Other	554	483	313	1,350	604	366	2,320
Outreach				-	53,708	53,707	107,415
Speaker				-		3,777	3,777
Development assessment				-	6,725		6,725
Crafts exhibit		2,068		2,068			2,068
Filing fees and taxes				-	1,492		1,492
Payroll tax	20,553	17,909	11,633	50,095	22,438	13,570	86,103
Agency collaboration				-	85		85
Depreciation	1,716	1,495	971	4,182	1,873	1,133	7,188
Total	\$ 1,381,124	\$ 144,625	\$ 96,612	\$ 1,622,361	\$ 289,772	\$ 165,499	\$ 2,077,632

See Independent Auditors' Report and Notes to Financial Statements

CONCERN AMERICA
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 38,750	\$ (33,130)
Adjustments to reconcile net cash to excess of support and revenue over expenses:		
Depreciation expense	1,186	7,189
Unrealized/Realized (gains) losses	(236)	(5,750)
(Increase) decrease in accounts receivable	-	1,032
(Increase) decrease in prepaid expenses	2,887	8,735
(Increase) decrease in inventory	4,057	591
Increase (decrease) in accounts payable	1,127	2,570
Increase (decrease) in deposits	-	17,773
Increase (decrease) in accrued expenses	(42,368)	(34,252)
Increase (decrease) in deferred revenue	-	(2,300)
NET CASH FROM OPERATING ACTIVITIES	5,403	\$ (37,542)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		19,142
NET CASH FROM INVESTING ACTIVITIES	-	19,142
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	11,163	90,378
Payments on line of credit		(50,000)
NET CASH FROM FINANCING ACTIVITIES	11,163	40,378
NET INCREASE IN CASH	16,566	21,978
CASH AT BEGINNING OF THE YEAR	28,924	6,946
CASH AT END OF YEAR	\$ 45,490	28,924
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest expense	\$ 2,018	\$ 2,506
Income tax expense	NONE	NONE

See Independent Auditors' Report and Notes to Financial Statements

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 1 – THE ORGANIZATION

Nature of Activities

Concern America is an international development and refugee aid organization that provides long-term, community-based development and support to economically impoverished communities throughout the world. What distinguishes the work of Concern America is its belief that the transformation of impoverished communities comes from engaging local members in the solutions to their problems. Recognizing that lasting transformation begins by engaging communities in the solutions to their problems, Concern America's training of community members in health, sanitation, income-generation, and etc. builds upon their knowledge and experiences so that the villagers themselves become their own health care providers, engineers, and cooperative business members.

Since its establishment in 1972, Concern America has worked in fifteen countries on four continents, making a measurable difference in the lives of more than two million people in thousands of communities. Nationally, Concern America engages groups and individuals in Social Justice Education and Fair Trade Craft programs that take place in southern California and other parts of the United States.

Currently, Concern America supports community development programs in Colombia, Guatemala, Mexico, and Mozambique. All field programs are managed by teams of professionals who serve as non-salaried personnel, receiving only basic living expenses. The average length of volunteer service of these professionals is five years. All field programs, currently led by 19 Concern America volunteers, together with a number of local team members and hundreds of local volunteers trained by Concern America, are supported through the work of a staff of eight full-time and two part-time employees, based in the Organization's home office in Santa Ana, California, as of June 30, 2017.

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, a description of which is as follows:

Unrestricted net assets

Unrestricted net assets are utilized to record contributions, special events, fees and other forms of unrestricted revenue and expenditures related to the general operations and special events efforts of the Organization that are not restricted by the donor through use or time restrictions.

Temporarily restricted net assets

Temporarily restricted net assets are utilized to record resources received that are restricted as to use or timing of receipt by the donor or grantor. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.

Permanently restricted net assets

Permanently restricted net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor. The Organization does not currently have permanently restricted net assets.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Fair Value of Financial Instruments

Generally accepted accounting principles (GAAP) define fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restricted is accomplished) in the reporting period in which the income and gains are recognized.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Allowance for Doubtful Accounts

The Organization has not established an allowance for doubtful accounts because management considers its receivables to be fully collectible.

Inventories

Crafts and books are valued using the lower of cost or market by the conventional retail inventory method.

Property and Equipment

Property and equipment are carried at cost or if donated, at the fair market value at date of donation. Depreciation is computed using primarily the straight-line method over estimated useful lives of 5 years.

Accrued Vacation

Accrued vacation is earned by full-time employees at a rate of 10 days per annum, increasing depending on length of service. Accrued vacation for part-time personnel employed 20 hours or more per week is prorated based on the number of hours worked each month. Accumulated and unused vacation is reflected as a liability on the accompanying Statements of Financial Position.

Public Support and Revenue Recognition

The Organization recognizes revenue in various categories by how the contributions were solicited.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Support

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restricted ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the Organization's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board, if the services meet certain criteria. See Note 7 in regards to volunteer medical, educational and engineering professionals recorded as donated services.

Income Tax Status

The Organization has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d). The Organization has also been classified by the Internal Revenue Service as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(c)(2). Income for certain activities not directly related the Organization's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been made in the accompanying financial statements, however, since there is no unrelated business activity.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through November 1, 2017, which represents the date the financial statements were available to be issued.

NOTE 3 – FAIR VALUE MEASUREMENTS

GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a basis for considering market participant assumptions in fair market value measurements, GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Level 1 inputs utilize quoted prices in active market for identical assets or liabilities that we have the ability to access. Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair values of assets measured on a recurring basis at June 30, 2017 and 2016 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments - 2017	\$ <u>1,454</u>	\$ <u>1,454</u>
Investments - 2016	\$ <u>1,218</u>	\$ <u>1,218</u>

Fair values for cash, receivables, other assets and liabilities are determined by reference to quoted market prices and other relevant information generated by market transactions.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 4 – INVESTMENTS

Investment fair market value and cost information for fiscal year ending June 30, 2017 are as follows:

	Market	Cost	Unrealized Gain (Loss)
Common Stocks - 2017	\$ <u>1,454</u>	\$ <u>190</u>	\$ <u>1,264</u>
Common Stocks - 2016	\$ <u>1,218</u>	\$ <u>190</u>	\$ <u>1,028</u>

NOTE 5 – PROPERTY AND EQUIPMENT, net

Property and equipment consist of the following at June 30, 2017 and 2016:

	2017	2016
Auto	\$ 14,990	\$ 14,990
Equipment and furniture	<u>34,232</u>	<u>34,142</u>
	49,222	49,132
Less: Accumulated depreciation	(<u>47,742</u>)	(<u>46,556</u>)
	<u>\$ 1,480</u>	<u>\$ 2,576</u>

Depreciation expense was \$1,186 and 1,189 for the year ended June 30, 2017 and 2016.

NOTE 6 – LINE OF CREDIT

The Organization opened a line of credit of \$50,000 on February 3, 2017, at an interest rate of 2.3%. At June 30, 2017, and 2016 there was a balance owing of \$51,541 and \$40,378 respectively.

NOTE 7 – DONATED MATERIALS AND SERVICES

Contributed professional services consist of doctors, nurses, teachers, engineers and other specialists donating their services to the Organization. The costs for these services are based upon the average wages per the United States Department of Labor. In addition, it includes donated materials and Google ad words for advertising. The following are the donated costs:

	2017	2016
Donated services	\$ 884,218	\$ 789,872
Google ad words	108,090	107,415
Donated materials	<u>16,565</u>	<u>22,065</u>
	<u>\$1,008,853</u>	<u>\$ 919,352</u>

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following purposes and programs:

	<u>2017</u>	<u>2016</u>
Water systems and health programs	\$ 12,402	\$ 27,816

Temporarily restricted net assets released were \$15,414 and \$5,083 for the fiscal year ended June 30, 2017 and 2016 respectively.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Organization maintains a group tax deferred annuity contract under section 403(b) of the internal revenue code. Under the plan, eligible employees may defer up to 20% of their salary subject to certain annual limits. The Organization does not contribute to the 403(b).

NOTE 10 – LEASE COMMITMENTS

The Organization's one-year lease on its office facilities in Santa Ana ended August 31, 2016 and an extension has been signed through December 31, 2017. The monthly base lease payments are \$3,000 for the full term and any renewal of the lease. Total rent expense was \$36,000.

The Organization also entered into an office equipment lease, effective April 2016, for 60 months at monthly payments of \$99.

Future minimum operating lease payments for facilities and equipment at June 30, 2017 are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 7,188
2019	1,188
2020	1,188
2021	<u>891</u>
	<u>\$ 10,455</u>

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

NOTE 11 – CONCENTRATION OF RISK IN OPERATIONS

The Organization's programs operate in various foreign countries. Changes in the political environment in those countries could disrupt those program activities.

At June 30, 2017 and 2016, contributions and in-kind donations accounted for 89% and of total 87% support and revenue respectively.

NOTE 12 – CONTINUING OPERATIONS

Even though the Organization had a net asset deficit, there was a positive cash flow and revenues exceeded expenses for the most current fiscal year ending June 30, 2017. Management has re-evaluated the Organization's financial position and had implemented the following to ensure the future financial viability of the Organization to improve cash flow:

- Adjust budget to account for cutbacks
- Cut programs that are outside the Organization's scope of work
- Reduce staff positions that are not adding value
- Enter into other sources of funding.

Management acknowledges that with the above actions in place, the Organization will increase cash flow to ensure reasonable expectations that the Organization has adequate resources to continue in operational existence for the foreseeable future.

Guzman & Gray

Certified Public Accountants

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Mark Gray, C.P.A.
Patrick S. Guzman, C.P.A.

COMMUNICATION OF NO MATERIAL WEAKNESS

To Board of Directors and Management
of Concern America

In planning and performing our audit of the financial statements of Concern America as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Concern America's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, board of directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



Guzman & Gray CPAs
Long Beach, CA
November 1, 2017