

CONCERN AMERICA
FINANCIAL STATEMENTS

JUNE 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Concern America

Opinion

We have audited the accompanying financial statements of Concern America (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 Concern America as of June 30, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Concern America 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 the 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 Concern America's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 Concern America'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 Concern America'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.



Guzman & Gray, CPAs
Long Beach, CA
September 22, 2023

**CONCERN AMERICA
STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2023 AND 2022

ASSETS

	June 30,	
	2023	2022
CURRENT ASSETS		
Cash	\$ 373,354	\$ 561,435
Pledge receivable	500,000	-
Other receivable	869	-
Prepaid expenses	14,811	12,042
Inventory	16,110	24,507
Total Current Assets	<u>905,144</u>	<u>597,984</u>
INVESTMENTS	109,261	1,655
PROPERTY AND EQUIPMENT, net	27,075	-
INTANGIBLE ASSET, net	6,598	7,576
OTHER ASSETS		
Deposits	<u>450</u>	<u>450</u>
TOTAL ASSETS	<u>\$ 1,048,528</u>	<u>\$ 607,665</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 2,548	\$ 4,688
Accrued expenses	<u>18,382</u>	<u>25,678</u>
Total Current Liabilities	20,930	30,366
OTHER LIABILITIES		
Repatriation payable	8,000	8,000
Volunteer retirement fund payable	<u>23,400</u>	<u>17,100</u>
Total Other Liabilities	31,400	25,100
TOTAL LIABILITIES	<u>52,330</u>	<u>55,466</u>
NET ASSETS		
Without donor restrictions	938,757	542,957
With donor restrictions	<u>57,441</u>	<u>9,242</u>
TOTAL NET ASSETS	<u>996,198</u>	<u>552,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,048,528</u>	<u>\$ 607,665</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,180,217	\$ 91,698	\$ 1,271,915
Donated materials and services	759,688		759,688
Program service revenue	30,000		30,000
Craft sales, net cost of goods sold of \$30,395	34,507		34,507
Investment return, net	7,056		7,056
Employee retention credit	92,429		92,429
Other revenue	132		132
 Gross special events revenue	 \$ 192,662		
Less cost of direct benefits to donors	(16,981)		
Net special events revenue	175,681		175,681
	2,279,710	91,698	2,371,408
NET ASSETS RELEASED FROM RESTRICTIONS	43,499	(43,499)	
TOTAL SUPPORT AND REVENUE	2,323,209	48,199	2,371,408
EXPENSES			
Program services	1,623,331		1,623,331
Management and general	186,850		186,850
Fundraising and development	117,228		117,228
TOTAL EXPENSES	1,927,409		1,927,409
CHANGE IN NET ASSETS	395,800	48,199	443,999
NET ASSETS, BEGINNING OF YEAR	542,957	9,242	552,199
NET ASSETS, END OF YEAR	\$ 938,757	\$ 57,441	\$ 996,198

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 758,346	\$ 24,242	\$ 782,588
Donated materials and services	519,214		519,214
Craft sales, net cost of goods sold of \$31,069	38,891		38,891
Investment return, net	(2,286)		(2,286)
Other revenue	163		163
 Gross special events revenue	 \$ 374,338		
Less cost of direct benefits to donors	(26,310)		
Net special events revenue	348,028		348,028
	1,662,356	24,242	1,686,598
NET ASSETS RELEASED FROM RESTRICTIONS	72,304	(72,304)	
TOTAL SUPPORT AND REVENUE	1,734,660	(48,062)	1,686,598
EXPENSES			
Program services	1,245,951		1,245,951
Management and general	211,183		211,183
Fundraising and development	108,898		108,898
TOTAL EXPENSES	1,566,032		1,566,032
CHANGE IN NET ASSETS	168,628	(48,062)	120,566
NET ASSETS, BEGINNING OF YEAR	374,329	57,304	431,633
NET ASSETS, END OF YEAR	\$ 542,957	\$ 9,242	\$ 552,199

See Independent Auditors' Report and Notes to Financial Statements.

CONCERN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Management and General	Fundraising and Development	Cost of Direct Benefits to Donors	Total
	Field Program	Crafts	Education	Total Program				
Volunteers wages	\$ 110,630			\$ 110,630				\$ 110,630
Field program expenses	425,773	\$ 1,551		427,324				427,324
Donated services	729,220			729,220				729,220
Staff and field volunteer wages	104,655	73,603	\$ 51,965	230,223	\$ 75,930	\$ 80,490		386,643
Employee benefits	32,086	6,178	4,361	42,625	15,156	6,756		64,537
Staff acknowledgement	511	359	254	1,124	371	393		1,888
Insurance				-	13,473			13,473
Travel	832	585	413	1,830	603	640		3,073
Meetings	199	140	99	438	145	153		736
Occupancy	13,596	9,562	6,751	29,909	9,865	10,457		50,231
Bank charges and merchant fees				-	15,299			15,299
Office	3,077	2,164	1,527	6,768	2,233	2,367		11,368
Printing	6,394	4,497	3,175	14,066	4,639	4,918		23,623
Postage and shipping	1,470	1,243	730	3,443	1,067	1,131		5,641
Telecommunications	1,519	1,069	754	3,342	1,102	1,169		5,613
Technology and information	68	48	34	150	50	52		252
Accounting					9,150			9,150
Other professional services					29,302			29,302
Other	42	30	21	93	31	33		157
Outreach					92	92		184
Speaker expense						1,332		1,332
Special events							\$ 16,981	16,981
Taxes & Licenses	107	75	53	235	77	82		394
Filing fees and taxes					1,509			1,509
Payroll tax	9,048	6,363	4,493	19,904	6,564	6,959		33,427
Depreciation and amortization	1,690	186	131	2,007	192	204		2,403
Subtotal	1,440,917	107,653	74,761	1,623,331	186,850	117,228	16,981	1,944,390
Less expenses included with revenues on the statement of activities:								
Cost of direct benefits to donors							(16,981)	(16,981)
Total	\$ 1,440,917	\$ 107,653	\$ 74,761	\$ 1,623,331	\$ 186,850	\$ 117,228	\$ -	\$ 1,927,409

See Independent Auditors' Report and Notes to Financial Statements.

CONCEAL AMERICA
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Management and General	Fundraising and Development	Cost of Direct Benefits to Donors	Total
	Field Program	Crafts	Education	Total Program				
Volunteers wages	\$ 103,411			\$ 103,411				\$ 103,411
Field program expenses	369,206			369,206				369,206
Donated services	435,395			435,395				435,395
Staff and field volunteer wages	102,864	\$ 68,670	\$ 52,932	224,466	\$ 72,276	\$ 72,676		369,418
Employee benefits	28,345	6,210	4,785	39,340	9,516	11,967		60,823
Staff acknowledgement	782	522	403	1,707	550	553		2,810
Insurance					11,986			11,986
Travel	327	218	168	713	231	231		1,175
Meetings	103	102	103	308	410	102		820
Occupancy	13,656	9,117	7,017	29,790	9,605	9,648		49,043
Bank charges and merchant fees					18,023			18,023
Interest charges					10			10
Office	2,709	1,447	1,262	5,418	1,806	1,806		9,030
Printing	3,528	2,355	1,817	7,700	2,479	2,491		12,670
Postage and shipping	1,766	2,152	908	4,826	1,241	1,247		7,314
Telecommunications	1,406	939	723	3,068	988	993		5,049
Technology and information	87	58	45	190	61	61		312
Accounting					8,900			8,900
Other professional services					65,600			65,600
Outreach					675	675		1,350
Speaker expense			500	500				500
Special events							\$ 26,310	26,310
Filing fees and taxes					414			414
Payroll tax	8,755	5,845	4,505	19,105	6,152	6,186		31,443
Depreciation and amortization	370	247	191	808	260	262		1,330
Subtotal	1,072,710	97,882	75,359	1,245,951	211,183	108,898	26,310	1,592,342
Less expenses included with revenues on the statement of activities:								
Cost of direct benefits to donors							(26,310)	(26,310)
Total	\$ 1,072,710	\$ 97,882	\$ 75,359	\$ 1,245,951	\$ 211,183	\$ 108,898	\$ -	\$ 1,566,032

See Independent Auditors' Report and Notes to Financial Statements.

**CONCERN AMERICA
STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 443,999	\$ 120,566
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,403	1,330
Unrealized (gain) loss on investments	(2,600)	2,834
(Increase) decrease:		
Pledge receivable	(500,000)	-
Other receivable	(869)	-
Prepaid expenses	(2,769)	(3,133)
Inventory	8,397	13,670
Increase (decrease):		
Accounts payable	(2,140)	(18,648)
Accrued expenses	(7,296)	5,455
Retirement fund payable	6,300	6,750
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	<u>(54,575)</u>	<u>128,824</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(28,500)	-
Purchase of investments	(105,006)	-
Reinvestments	-	(3)
NET CASH USED BY INVESTING ACTIVITIES	<u>(133,506)</u>	<u>(3)</u>
NET INCREASE IN CASH	(188,081)	128,821
CASH, BEGINNING OF THE YEAR	<u>561,435</u>	<u>432,614</u>
CASH, END OF YEAR	<u><u>\$ 373,354</u></u>	<u><u>\$ 561,435</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest expense	<u>NONE</u>	<u>NONE</u>
Income tax expense	<u>NONE</u>	<u>NONE</u>

See Independent Auditors' Report and Notes to Financial Statements.

**CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023 AND 2022

NOTE 1 – THE ORGANIZATION

Nature of Activities

Concern America (the "Organization") 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 the Organization 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, the Organization'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, the Organization 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, the Organization 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.

The Organization currently operates community-centered programs in materially impoverished areas in Colombia, Guatemala, and Mexico. 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, 2023.

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, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenues from Contracts with Customers (Topic 606). The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services using a five-step approach. The Organization's adoption of this new guidance does not have a material impact on the Organization's financial statements.

In September 2020, the FASB issued ASU 2020-07 (the "Update"), Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU aims to increase transparency of contributed nonfinancial assets, commonly known as gifts-in-kind, through enhancement to presentation and disclosures. Not-for-Profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and to disclose the disaggregation of the amount contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. Each category is subject to certain additional disclosures. The Update should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization's adoption of the Update does not have a material impact on the Organization's financial statements.

Net Asset Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets released from donor restrictions

Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pledge receivables

Pledge receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for the probability of uncollectible amounts through a charge to earnings and a current expected credit losses to an allowance for doubtful accounts based on its assessment, which includes credit history and external events such as current and future political and economic conditions.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Inventories

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

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Intangible Assets

Intangible assets consist of patents which are amortized using the straight-line method over their useful life of 10 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 included under "Accrued expenses" in the accompanying statements of financial position.

Revenue Recognition

Contributions

The Organization recognizes contributions when cash, securities, other assets, or unconditional promise to give are received. Contributions that are not restricted by donor are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization uses the allowance method to determine uncollectable unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

**CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated materials to a specific purpose.

The Organization recognizes the contribution of services if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized. See Note 10 with regards to volunteer medical, educational, and engineering professionals recorded as donated services.

Craft Sales

Craft sales are recognized as revenue at the point of sale.

Special Events

Special events are organized to raise contributions to support the Organization's activities. The participants of these events are offered something of value for a sum that exceeds the costs of the benefits provided to the participants. The difference between the amount paid by the donor and the fair value of the benefit received by the donor is considered a contribution. The items of value given to the donor are referred to as "cost of direct benefits to donors." These are the actual costs of the items and services furnished to the donor to attend the special event. The cost of direct benefit to donors is presented as a line item deducted from gross special events revenue in the accompanying statements of activities.

Functional Allocation of Expenses

The costs of providing the various program and other activities have been summarized on a functional basis in the statements of activities and detailed in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates, which is based on the prorated share of direct program expenses incurred by the programs for operating expenses. Expenses that can be identified with specific programs and support services are allocated directly according to their natural expenditure classification.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to 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.

Reclassification

Accrued expenses on the balance sheet for the Organization, for the year ended June 30, 2022, in the amount of \$8,000 has been reclassified to repatriation payable to conform to the presentation in the financial statement of the Organization.

Certain prior year amounts have been reclassified to conform to the current year.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022.

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 the Organization has 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.

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

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 nonrecurring basis at June 30, 2023 and 2022 are as follows:

	<u>Fair Value</u>	<u>Unobservable Inputs (Level 3)</u>
Patents at June 30, 2023	<u>\$ 6,598</u>	<u>\$ 6,598</u>
Patents at June 30, 2022	<u>\$ 7,576</u>	<u>\$ 7,576</u>

The assumptions used to determine the fair value of patents are considered level 3 inputs.

NOTE 4 – PLEDGE RECEIVABLES

The Organization was notified in January 2023 of a bequest of \$500,000. Collection is anticipated within the coming year.

NOTE 5 – INVESTMENTS

Investments consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash	\$ 100,366	\$ -
Common stock	9,255	1,655
	<u>\$ 109,621</u>	<u>\$ 1,655</u>

**CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023 AND 2022

NOTE 5 – INVESTMENTS (Continued)

Net investment return consists of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 4,446	\$ 548
Dividend income	10	-
Unrealized gain (loss) on investments	2,600	(2,834)
	<u>\$ 7,056</u>	<u>\$ (2,286)</u>

NOTE 6 – INVENTORY

Inventory consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Crafts and books	\$ 16,110	\$ 24,507

NOTE 7 – PROPERTY AND EQUIPMENT, net

Property and equipment consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Auto	\$ 43,490	\$ 14,990
Equipment and furniture	22,111	22,111
	65,601	37,101
Less: Accumulated depreciation	(38,526)	(37,101)
	<u>\$ 27,075</u>	<u>\$ -</u>

Depreciation expense was \$1,425 and \$352 for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 – INTANGIBLE ASSET, net

In March 2020, the Organization was granted patent and trademark registrations for a heart design mark composed of circular and heart-shaped lines and for a caption "Grow A Global Heart."

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 8 – INTANGIBLE ASSET, net (Continued)

Intangible asset is summarized as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Patents	\$ 9,775	\$ 9,775
Less: Accumulated amortization	<u>(3,177)</u>	<u>(2,199)</u>
	<u>\$ 6,598</u>	<u>\$ 7,576</u>

Amortization expense was \$978 for the years ended June 30, 2023 and 2022.

Estimates of amortization expense for the five succeeding years are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 978
2025	978
2026	978
2027	978
2028	978
Thereafter	<u>1,708</u>
	<u>\$ 6,598</u>

NOTE 9 – VOLUNTEER RETIREMENT FUND PAYABLE

The Organization has a non-qualified retirement fund consisting of funds set aside for certain volunteers when they are no longer providing volunteer services for the Organization. The volunteer retirement fund payable was \$23,400 and \$17,100 at June 30, 2022 and 2021, respectively.

NOTE 10 – DONATED MATERIALS AND SERVICES

Donated materials and services consist of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Services	\$ 729,220	\$ 478,601
Advertising	5,977	1,070
Materials	<u>24,491</u>	<u>39,543</u>
	<u>\$ 759,688</u>	<u>\$ 519,214</u>

CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 10 – DONATED MATERIALS AND SERVICES (Continued)

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, the Organization received advertising and various in-kind materials during the years ended June 30, 2023 and 2022. Services and materials donated were used to facilitate various programs.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Food conservation and health programs	<u>\$ 51,698</u>	<u>\$ 9,242</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors totaling \$106,594 for the year ended June 30, 2023 and \$72,304 for the year ended June 30, 2022.

NOTE 12 – 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 13 – LEASE COMMITMENTS

The Organization's one-year lease relating to its office facilities in Santa Ana covering the period from July 1, 2022 to June 30, 2023. The lease was renewed for an additional year. The base lease payment is \$3,000 per month. Total office rent expense was \$36,000 for both years ending June 30, 2023 and 2022 which is included under "Occupancy" in the accompanying statements of functional expenses.

This is a short term lease and is not subject to capitalization.

Future minimum operating lease payments for facilities and equipment at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Rent</u>
2024	<u>\$ 36,000</u>

**CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023 AND 2022

NOTE 14 – CONCENTRATION, RISKS, AND UNCERTAINTIES

The Organization maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per account holder. Management believes that it has invested in high credit, quality institutions for which the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

Contributions and donated materials and services accounted for 59% and 67% of total support and revenue for the years ended June 30, 2023 and 2022, respectively.

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

NOTE 15 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022, comprise of the following:

Cash	\$ 373,354
Pledge receivable	500,000
Other receivable	869
Investments	<u>109,261</u>
Financial assets, at year end	983,484
Less: Repatriation payable	(8,000)
Less: Volunteer retirement fund payable	(23,400)
Less: Donor-imposed restrictions	<u>(57,441)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 894,643</u></u>

The board of directors and management prepare a budget each year based on their knowledge of prior year transactions and potential transactions. Once a month the board of directors and management review the Organization's financial statements to determine the Organization's liquid position and future prospects.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events and transactions that would require recognition or disclosure through September 22, 2023, which was the date the financial statements were available to be issued.

**CONCERN AMERICA
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023 AND 2022

NOTE 17 – FUNDRAISING EVENTS

The Organization conducted fundraising events to assist in funding program and support services. All revenues received in excess of expenses from the events are used for the program and support services. The costs that are direct benefits to the donors are included in Donor Benefit Expenses and presented on the statement of activities and changes in net assets.

The fundraising revenues and expenses are as follows for the year ended June 30, 2023:

	Gross Revenue	Donor Benefit Expenses	Revenue Net of Donor Benefit Expenses
Auction	\$ 77,225	\$ 9,016	\$ 68,209
Walk	104,346	4,276	100,070
Miscellaneous events	11,091	3,689	7,402
	<u>\$ 192,662</u>	<u>\$ 16,981</u>	<u>\$ 175,681</u>

The fundraising revenues and expenses are as follows for the year ended June 30, 2022:

Fundraising events	\$ 374,338
less direct donor benefits	<u>(26,310)</u>
	<u>\$ 348,028</u>