

# **Penny Appeal USA**

## **Audited Financial Statements**

*Years ended December 31, 2022 and 2021  
with Report of Independent Auditors*

Penny Appeal USA

Audited Financial Statements

Years ended December 31, 2022 and 2021

Contents

Report of Independent Auditors.....1 - 2

Audited Financial Statements

Statements of Financial Position.....3  
Statements of Activities and Changes in Net Assets..... 4 - 5  
Statements of Functional Expenses.....6 - 7  
Statements of Cash Flows.....8  
Notes to Financial Statements.....9 - 18

## Report of Independent Auditors

Board of Directors  
Penny Appeal USA

### ***Opinion***

We have audited the financial statements of Penny Appeal USA (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization 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 the Organization's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 the Organization'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 the the Organization'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.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Park Ridge, Illinois  
August 17, 2023

# Penny Appeal USA

## Statements of Financial Position

As of December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,273,078	\$ 4,585,937
Grants and accounts receivable, net	176,985	265,625
Prepaid expenses and other assets	71,413	65,511
Total current assets	4,521,476	4,917,073
Non-current assets		
Fixed assets:		
Property and equipment	245,853	258,372
Less: accumulated depreciation	(115,734)	(89,373)
	130,119	168,999
Deposits	5,512	8,985
Total assets	\$ 4,657,107	\$ 5,095,057
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 118,468	\$ 91,953
Deferred revenue	64,197	40,029
Subgrants payable	1,327,189	1,495,208
Total current liabilities	1,509,854	1,627,190
Non-current liabilities		
Total liabilities	1,509,854	1,627,190
Net assets		
Without donor restrictions		
Without donor restriction (deficit)	(2,088,163)	(1,889,322)
Board designated	1,440,195	2,008,394
Total without donor restriction (deficit)	(647,968)	119,072
With donor restriction	3,795,221	3,348,795
Total net assets	3,147,253	3,467,867
Total liabilities and net assets	\$ 4,657,107	\$ 5,095,057

*See accompanying notes to financial statements.*

## Penny Appeal USA

### Statement of Activities and Changes in Net Assets

Year ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Contributions and grants	\$ 1,544,615	\$ 5,276,199	\$ 6,820,814
In-kind contributions	694,257	-	694,257
Merchandise	87,012	-	87,012
Interest income	1,316	-	1,316
Special events	24,221	-	24,221
Other income	61,589	-	61,589
Net assets released from restrictions	4,829,773	(4,829,773)	-
Total revenue	7,242,783	446,426	7,689,209
<b>Expenses</b>			
Program services	5,535,187	-	5,535,187
Management and general	482,553	-	482,553
Fundraising	1,992,083	-	1,992,083
Total expenses	8,009,823	-	8,009,823
Change in net assets	(767,040)	446,426	(320,614)
Net assets, beginning of the year	119,072	3,348,795	3,467,867
Net assets (deficit), end of the year	\$ (647,968)	\$ 3,795,221	\$ 3,147,253

*See accompanying notes to financial statements.*

## Penny Appeal USA

### Statement of Activities and Changes in Net Assets

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
<b>Revenue</b>			
Contributions and grants	\$ 1,494,412	\$ 6,097,314	\$ 7,591,726
In-kind contributions	1,041,640	-	1,041,640
Merchandise	178,736	-	178,736
Recoverable grants	147,260	-	147,260
Interest income	280	-	280
PPP loan gain on debt forgiveness	427,658	-	427,658
Special events	60,221	-	60,221
Other income	9,385	-	9,385
Net assets released from restrictions	5,421,359	(5,421,359)	-
Total revenue	8,780,951	675,955	9,456,906
<b>Expenses</b>			
Program services	5,962,937	-	5,962,937
Management and general	366,141	-	366,141
Fundraising	2,021,345	-	2,021,345
Total expenses	8,350,423	-	8,350,423
Change in net assets	430,528	675,955	1,106,483
Net assets, beginning of year	(311,456)	2,672,840	2,361,384
Net assets, end of year	\$ 119,072	\$ 3,348,795	\$ 3,467,867

*See accompanying notes to financial statements.*

# Penny Appeal USA

## Statement of Functional Expenses

Year ended December 31, 2022

	Penny Appeal at Home	Education First	Emergency Response	Feed our World	Heal Humanity	Income Generation	Orphan Kind	Religious Giving	Thirst Relief	Advocacy	Other programs	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ -	\$ -	\$ 112,661	\$ 71,968	\$ 132,821	\$ 68,354	\$ 83,888	\$ 78,099	\$ 77,624	\$ -	\$ -	\$ 625,415	\$ 214,760	\$ 384,155	\$ 1,224,330
Payroll taxes	-	-	8,976	5,718	10,998	5,406	6,718	6,159	6,211	-	-	50,186	19,187	30,654	100,027
Fringe benefits	(1)	(1)	16,862	10,908	51,792	10,458	12,926	11,391	12,049	-	2,550	128,934	40,245	72,831	242,010
Grants awarded	-	3,064	552,459	549,994	1,728	421,214	439,029	651,101	765,975	5,600	-	3,390,164	-	-	3,390,164
Donated program supplies	-	-	694,257	-	-	-	-	-	-	-	-	694,257	-	-	694,257
Contractors	-	-	5,988	5,688	75,059	5,688	5,973	5,748	5,783	-	-	109,927	24,869	19,578	154,374
Events	-	-	-	-	-	-	-	-	-	-	-	-	25,192	157,461	182,653
Marketing	-	-	24,615	52,293	1,269	2,778	27,204	24,261	33,115	-	67	165,602	80	557,462	723,144
Travel	-	-	-	6	2,105	-	-	-	-	-	94	2,205	27,751	47,516	77,472
Amortization	-	-	3,288	1,751	841	1,551	2,407	2,207	2,407	-	-	14,452	6,692	5,932	27,076
Bank & processing fees	140	1,306	21,344	19,391	2,339	15,789	24,508	15,720	43,010	-	-	143,547	(604)	70,534	213,477
Depreciation	-	-	3,296	5,974	248	1,940	2,449	2,537	2,370	-	-	18,814	1,522	5,835	26,171
Information technology	-	-	6,403	4,269	2,565	3,375	6,730	5,509	6,403	-	-	35,254	35,447	82,263	152,964
Insurance	-	-	2,335	1,974	2,334	1,265	2,335	2,043	2,335	-	-	14,621	779	2,493	17,893
Licenses and registrations	65	-	-	1,743	745	-	-	-	-	-	-	2,553	14,456	1,129	18,138
Office expense	-	-	9,397	6,282	45,066	4,638	9,397	7,672	9,316	-	-	91,768	4,780	39,442	135,990
Postage and mailing	-	-	-	-	-	-	-	-	-	-	-	-	388	72,918	73,306
Printing	-	-	-	-	-	-	-	-	-	-	-	-	-	40,899	40,899
Professional fees	-	-	658	439	1,104	337	658	556	658	-	90	4,500	43,276	153,601	201,377
Subscriptions	-	-	399	266	45	243	399	376	399	2,750	-	4,877	16,557	2,648	24,082
Supplies	2,916	1,476	-	9,870	6,193	-	234	-	-	-	-	20,689	3,608	234,113	258,410
Bad debt	-	-	-	799	-	10,109	-	-	4,167	-	-	15,075	-	9,062	24,137
Repairs and maintenance	-	-	-	-	2,347	-	-	-	-	-	-	2,347	-	500	2,847
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	3,568	1,057	4,625
<b>Total functional expenses</b>	<b>\$ 3,120</b>	<b>\$ 5,845</b>	<b>\$ 1,462,938</b>	<b>\$ 749,333</b>	<b>\$ 339,599</b>	<b>\$ 553,145</b>	<b>\$ 624,855</b>	<b>\$ 813,379</b>	<b>\$ 971,822</b>	<b>\$ 8,350</b>	<b>\$ 2,801</b>	<b>\$ 5,535,187</b>	<b>\$ 482,553</b>	<b>\$ 1,992,083</b>	<b>\$ 8,009,823</b>

See accompanying notes to financial statements.



# Penny Appeal USA

## Statement of Functional Expenses

Year ended December 31, 2021

	Penny Appeal at Home	Education First	Emergency Response	Feed our World	Heal Humanity	Income Generation	Orphan Kind	Religious Giving	Thirst Relief	Advocacy	Other programs	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 25,017	\$ 21,030	\$ 83,580	\$ 57,901	\$ 154,388	\$ 54,125	\$ 76,387	\$ 60,328	\$ 67,813	\$ -	\$ -	\$ 600,569	\$ 176,402	\$ 269,862	\$ 1,046,833
Payroll taxes	1,993	1,767	6,361	4,441	12,225	4,172	5,872	4,652	5,218	-	-	46,701	15,128	20,949	82,778
Fringe benefits	5,329	4,770	11,177	8,315	50,216	7,973	11,673	8,356	10,499	-	5,300	123,608	24,872	42,061	190,541
Subgrants	-	59,079	1,072,254	219,994	(80,824)	311,014	682,008	742,333	545,277	-	175	3,551,310	-	-	3,551,310
Donated program supplies	-	-	1,039,037	-	2,603	-	-	-	-	-	-	1,041,640	-	-	1,041,640
Contractors	1,162	1,162	4,887	4,325	86,511	3,861	4,279	3,861	4,000	-	2,602	116,650	-	187,960	304,610
Events	-	-	200	-	-	-	-	-	-	-	-	200	2,299	90,275	92,774
Marketing	73	-	30,045	7,067	5,781	2,975	6,956	29,873	13,100	28	743	96,641	-	812,549	909,190
Travel	-	-	-	-	1,708	-	-	-	-	-	-	1,708	20,648	36,823	59,179
Amortization	454	288	2,026	1,026	1,026	829	1,364	1,026	1,224	-	-	9,263	6,602	6,198	22,063
Bank & processing fees	511	1,084	37,869	9,298	5,819	10,651	14,894	16,780	28,339	-	-	125,245	1,496	59,471	186,212
Depreciation	636	434	1,975	900	900	900	1,074	900	900	-	-	8,619	1,712	7,661	17,992
Information technology	564	282	4,742	2,879	3,155	1,581	4,742	3,161	4,460	-	-	25,566	43,320	53,688	122,574
Insurance	286	143	1,845	1,087	2,788	615	1,844	1,230	1,702	-	-	11,540	615	1,844	13,999
Licenses and registrations	-	-	-	-	-	-	-	-	-	-	-	-	12,724	2,253	14,977
Rent and utilities	2,707	1,354	12,613	7,055	45,689	4,204	12,613	8,408	11,259	-	-	105,902	4,300	39,673	149,875
Postage and mailing	-	-	7,409	2,286	-	1,301	183	1,301	-	-	290	12,770	1,950	114,276	128,996
Printing	-	-	1,231	3,571	-	1,300	-	1,300	-	-	1,116	8,518	254	46,470	55,242
Professional fees	102	51	530	392	1,827	177	530	354	479	1,090	40	5,572	44,686	103,890	154,148
Subscriptions	41	20	81	34	352	27	81	54	61	10,000	1,250	12,001	6,341	5,605	23,947
Supplies	-	-	(120)	-	767	-	227	-	-	-	1,926	2,800	1,176	88,772	92,748
Bad debt	-	-	-	-	-	18,707	-	-	16,488	-	-	35,195	-	23,495	58,690
Repairs and maintenance	4	2	5	2	20,490	2	5	4	4	-	99	20,617	534	5,854	27,005
Miscellaneous	-	-	-	-	203	-	-	-	-	-	99	302	1,082	1,716	3,100
<b>Total functional expenses</b>	<b>\$ 38,879</b>	<b>\$ 91,466</b>	<b>\$ 2,317,747</b>	<b>\$ 330,573</b>	<b>\$ 315,624</b>	<b>\$ 424,414</b>	<b>\$ 824,732</b>	<b>\$ 883,921</b>	<b>\$ 710,823</b>	<b>\$ 11,118</b>	<b>\$ 13,640</b>	<b>\$ 5,962,937</b>	<b>\$ 366,141</b>	<b>\$ 2,021,345</b>	<b>\$ 8,350,423</b>

See accompanying notes to financial statements.

# Penny Appeal USA

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flow from operating activities</b>		
Net change in net assets	\$ (320,614)	\$ 1,106,483
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	26,171	17,992
Amortization	27,076	22,063
Donated securities	(36,555)	-
Proceeds from sale of donated securities	52,239	-
Realized gain on sale of donated securities	(15,684)	-
PPP loan forgiveness	-	(206,467)
Changes in operating assets and liabilities:		
Grants and accounts receivable	88,640	(146,941)
Deposits	3,473	9,022
Prepaid expenses and other assets	(5,902)	117,304
Accounts payable and accrued expenses	26,515	(157,449)
Deferred revenue	24,168	9,681
Grants payable	<u>(168,019)</u>	<u>785,050</u>
Net cash flows (used in) provided by operating activities	(298,492)	1,556,738
<b>Cash flow from investing activities</b>		
Purchase of equipment	<u>(14,367)</u>	<u>(116,179)</u>
Net cash flows used in investing activities	<u>(14,367)</u>	<u>(116,179)</u>
Net change in cash and cash equivalents	(312,859)	1,440,559
Cash and cash equivalents, beginning of year	<u>4,585,937</u>	<u>3,145,378</u>
Net cash flows (used in) provided by operating activities	<u>\$ 4,273,078</u>	<u>\$ 4,585,937</u>
<b>Non-cash financing activities:</b>		
PPP loan forgiveness during the year	<u>\$ -</u>	<u>\$ 427,658</u>

See accompanying notes to financial statements.

# Penny Appeal USA

## Notes to Financial Statements

Years ended December 31, 2022 and 2021

### **Note 1 - Organization and Nature of Activities**

#### *Organization*

Penny Appeal USA (PAUSA) is a 501(c)(3) relief and development organization with a really big vision for the world. It works to create the best societies possible by breaking the cycles of need and poverty for good. Through both short-term relief efforts and long-term development programs, PAUSA works to turn people's small change into a big difference.

#### *Nature of Activities*

Penny Appeal's programs are as follows:

Penny Appeal USA @Home- Domestic programming is focused on four categories: Support to Homeless communities, Refugee Resettlement, Domestic Violence Support, and Education Support. Support for homeless communities focuses on those transitioning through homelessness by providing a range of social services such as access to food, hygiene packs, winter packs, and medical assistance. Similar assistance is provided to refugees. Victims of domestic violence are able to find refuge in our transitional shelter in North Carolina, where they are able to access a range of services. Education is a vital part of helping children get the start in life they need to ensure a successful future. We focus on giving children access to quality education by providing comfortable facilities and the necessary tools they need to succeed.

Emergency Response- When disasters strike and people find themselves in need of essential goods and services, Penny Appeal USA is there to help. We've assisted tens of thousands of individuals with life-saving food, shelter, water, and have also paid out cash grants to families across the US impacted by COVID-19.

Feed Our World- Each year, our Feed Our World (FOW) program provides life-saving, nutritious meals to the poor and needy. The range of FOW programs help combat food malnutrition in crisis-hit countries across Asia, Africa, and the Middle East as well as here at home.

Heal Humanity- Our program is dedicated to providing much needed healthcare facilities and medical aid to those most in need. Heal Health programs help build and refurbish healthcare facilities as well as provide medical essentials needed for patients who lack access.

Income Generation- As part of our efforts to eradicate poverty in a sustainable way, our income generation programs focus on providing rural communities with the tools and skills they need to escape poverty once and for all. This program works to break the cycle of poverty by providing families with the resources they need to sustain themselves.

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### **Note 1 - Organization and Nature of Activities (Continued)**

Orphan Kind- Orphaned children deserve the best in life. That's why we've opted to do away with the 1:1 model. With multiple donors providing each child with all the essentials for their emotional, psychological, and physical growth, we can help every orphan pave a sustainable way to a brighter future in the face of tremendous loss. Your support provides nutritious meals, clothes, healthcare, and an education to orphaned children.

Religious Giving- As a Muslim-led organization, we are dedicated to giving Muslim donors the opportunity to partake in religious giving as mandated by their faith. Offerings include Zakat, Fidyah/Kiffarah, Sadaqah Jariyah, Aqiqah, and Qurbani.

Thirst Relief- Through our Thirst Relief programs, we're providing safe water to enable communities to drink, wash, clean, and irrigate their crops as well as hydrate their animals. Our Thirst Relief programs lead to healthier lives, better educated communities, and a route out of poverty.

Advocacy- Providing direct services alone will not eradicate poverty. We also work to raise the voices of the poor and marginalized both here in the US and globally to ensure real meaningful change at all levels.

#### **Note 2 - Significant Accounting Policies**

##### *Basis of Accounting*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

##### *Use of Estimates*

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Adoption of Accounting Standard*

PAUSA adopted Accounting Standards Codification Topic 842 Leases on January 1, 2022. Among other requirements, lessees are required to identify leases as either operating or finance and to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use (ROU) asset, which is an asset that represents the lessee's ROU, or control the use of a specified asset from the lease term. On adoption, PAUSA elected the year of adoption approach. PAUSA had no operating or finance leases other than short-term leases. Therefore, there was no impact to the financial statement amounts as a result of adoption.

##### *Net Assets*

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 available for use in general operations and not subject to donor restrictions. The Board has designated a portion of net assets without donor restrictions to support programmatic and administrative activities.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both. As of December 31, 2022 and 2021, respectively, PAUSA had donor restricted balances of \$3,795,221 and \$3,348,795.

##### *Sub-grants Payable*

PAUSA records grants as liabilities upon approval and are generally expected to be paid out within one operating period.

##### *Cash and Cash Equivalents*

PAUSA considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. At various times throughout the year, cash and cash equivalents may exceed the federally insured limit; however, PAUSA has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk.

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function and therefore require allocation on a reasonable basis that is consistently applied. Depreciation and amortization, salaries, fringe benefits, payroll taxes, and information technology are allocated on the basis of estimates of time and effort.

PAUSA held a special fundraising event, the Punchline Comedy Tour, in 2022 and 2021. Expenses related to this event were \$137,256 and \$255,917, respectively, and are recorded as fundraising expenses in the statement of functional expenses for the years ended December 31, 2022 and 2021.

##### *Subsequent Events*

PAUSA has evaluated subsequent events for disclosure and recognition through August 17, 2023, the date on which these financial statements were available to be issued.

##### *Fair Value Measurement and Disclosure*

Financial assets and liabilities are reported at fair value in the financial statements based on the framework established in the fair value measurement and disclosure accounting guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. The framework is based on input in the valuation and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect our significant assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that PAUSA can access at the measurement date.

Level 2 – Inputs other than quoted prices, including within Level 1, that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety at the same level of the fair value hierarchy as the lowest-level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, management estimates fair value using methods, models, and assumptions that it believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income-based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the inherent risk in a particular methodology, model, or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

#### *Grants and Accounts Receivable*

Grants and accounts receivable are recognized as revenue or gains in the period received and as assets, decreases in liabilities or expenses, depending on the form of the benefits received. Grants and accounts receivable due in excess of one year are discounted at the risk-adjusted interest rate designed to reflect the assumptions market participants would use in pricing the asset. Grants and accounts receivable as of December 31, 2022 and 2021 are expected to be collected in the next fiscal year.

PAUSA establishes an allowance for doubtful accounts for receivables based on a review by management of the likelihood of collectibility. The allowance for uncollectible accounts was \$19,912 and \$57,691 as of December 31, 2022 and 2021, respectively. Management records adjustments as necessary to the bad debt expense for uncollectible receivables. These adjustments are reflected in the statement of activities and changes in net assets in the period written off. For the years ended December 31, 2022 and 2021, respectively, \$24,137 and \$58,690, has been recorded as bad debt expense.

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Contributions*

Contributions received of cash, donated securities, or other assets are recorded as revenues without donor restriction or with donor restriction based on the existence or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Grants awarded for which all requirements for payment have not been met are recorded as recoverable grants in the statement of activities and changes in net assets in the year management determines no further obligations exist.

Conditional contributions, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

##### *Donated Goods and Services*

Contributed nonfinancial assets and services are recorded in the accompanying statement of activities and changes in net assets at their estimated fair value in the year received.

##### *Merchandise Revenue*

The performance obligation is the delivery of the good to the customer. The transaction price is established by PAUSA based on retail price suggested by the suppliers. As each item is individually priced, no allocation of transaction price is necessary. PAUSA recognizes revenue as the customer takes possession of the merchandise which is when payment is due. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, PAUSA estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for customer returns was considered necessary as of December 31, 2022 and 2021.

##### *Special Events Revenue*

PAUSA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for direct cost of benefits received by the participant at the event -the exchange portion, and a portion represents a contribution to PAUSA. Unless verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at actual cost to PAUSA. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation is delivery of the event. Special events fees collected by PAUSA in advance of its delivery are initially recognized as deferred revenue and recognized as special event revenue after delivery of the event. PAUSA has determined that the inherent contribution of amounts received in advance are conditioned on the event taking place and are therefore treated as refundable advance along with the exchange portion.



## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### Note 2 - Significant Accounting Policies (Continued)

##### *Income Taxes*

PAUSA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. PAUSA is subject to income tax on any unrelated business income less applicable deductions. PAUSA determined that it was not required to record a liability related to uncertain tax positions.

##### *Property and Equipment*

Property and equipment consist of furniture, office equipment, computer equipment, and intangible assets recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets (3-10 years). PAUSA capitalizes all property and equipment purchases in excess of \$750 with a useful life greater than one year.

##### *Reclassifications*

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

#### Note 3 - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,273,078	\$ 4,585,937
Grants and accounts receivable	<u>176,985</u>	<u>265,625</u>
Total financial assets available within one year	4,450,063	4,851,562
Less amounts restricted by donor	<u>(3,795,221)</u>	<u>(3,348,795)</u>
Total financial assets available for general expenditures within one year	<u>\$ 654,842</u>	<u>\$ 1,502,767</u>

PAUSA has suffered recurring losses from operations which resulted in a net assets without donor restriction deficit as of December 31, 2022. Management along with the Board of Directors have evaluated the financial condition of PAUSA and have a plan which they believe will replenish net assets without donor restrictions over time as follows:

- Increase unrestricted support
- Reduce operating expenses
- Obtain short-term financing

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### **Note 3 - Liquidity and Availability of Resources (Continued)**

However, management cannot predict with certainty future unrestricted support or the reduction of operating expenses as planned, nor the ability to obtaining short-term financing should liquidity needs exceed projections.

As part of its liquidity management plan, management structures its financial assets to be available as its obligations come due.

#### **Note 4 - Payroll Protection Program Loan**

In May 2020, PAUSA received a loan pursuant to the Paycheck Protection Program, a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in the amount of \$205,085 (the PPP Loan). PAUSA received forgiveness of the PPP Loan on May 7, 2021, and concurrently recorded a gain on debt forgiveness on the statement of activities and changes in net assets for the forgiveness of principal and accrued interest of \$206,467.

In February 2021, PAUSA received a second PPP loan in the amount of \$221,185. PAUSA received forgiveness of the second PPP Loan from the U.S. Small Business Administration (SBA) on December 9, 2021, and concurrently recorded a gain on debt forgiveness on the statement of activities and changes in net assets for the forgiveness of principal and accrued interest of \$221,191.

#### **Note 5 - In-Kind Contributions**

PAUSA recognized in-kind contributions of \$694,257 and \$1,041,640 for fiscal years 2022 and 2021, respectively. These non-cash contributions were as follows for the years ended December 31:

<u>Nonfinancial asset</u>	<u>2022</u>	<u>2021</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Food and supplies	\$ 694,257	\$ 1,041,640	Emergency Response	Restricted for use in the Emergency Response program	Based on wholesale value that would be received selling similar products in the United States

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### Note 6 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 8,461	\$ 9,945
Office equipment	38,151	49,186
Auto	42,000	42,000
Website and software	<u>157,241</u>	<u>157,241</u>
	245,853	258,372
Less accumulated depreciation and amortization	<u>(115,734)</u>	<u>(89,373)</u>
	<u>\$ 130,119</u>	<u>\$ 168,999</u>

#### Note 7 - Commitments

PAUSA leases office space under non-cancelable lease agreements that expire at various dates through August 2023. Rent expense, including operating charges and real estate expense, amount to approximately \$119,779 and \$136,171, for the years ended December 31, 2022 and 2021, respectively. Future minimum lease payments for 2023 total \$57,024. PAUSA has elected as an accounting policy not to record a ROU asset and lease liabilities that arise from short-term leases for any class of underlying asset.

#### Note 8 - Retirement Plan

PAUSA sponsors a 401(k) Profit Sharing Plan for all employees who have met the eligibility requirements. PAUSA makes discretionary contributions each year as determined by the Board of Directors. For the years ending December 31, 2022 and 2021, no employer contributions were made to the Plan.

## Penny Appeal USA

### Notes to Financial Statements (Continued)

#### **Note 9 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2022	2021
Purpose restricted:		
Penny Appeal at Home	\$ 1,261	\$ -
Education First	35,510	547
Emergency Response	466,839	196,554
Feed our World	61,081	155,763
Heal Humanity	616,516	826,924
Income Generation	620,674	499,832
Orphan Kind	1,150,110	1,035,092
Religious Giving	46,357	63,150
Thirst Relief	796,873	570,933
	\$ 3,795,221	\$ 3,348,795

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31:

	2022	2021
Purpose restricted:		
Penny Appeal at Home	\$ 3,120	\$ 38,880
Education First	5,844	91,467
Emergency Response	768,681	1,278,710
Feed our World	749,333	330,572
Heal Humanity	339,599	313,020
Income Generation	553,144	424,413
Orphan Kind	624,854	824,732
Religious Giving	813,378	883,918
Thirst Relief	971,820	1,235,647
	\$ 4,829,773	\$ 5,421,359