

Penny Appeal USA

Audited Financial Statements

*Years ended December 31, 2023 and 2022
with Report of Independent Auditors*

Penny Appeal USA

Audited Financial Statements

Years ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 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 (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 8, 2024

Penny Appeal USA

Statements of Financial Position

As of December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 4,949,343	\$ 4,273,078
Grants and accounts receivable, net	1,442,622	176,985
Prepaid expenses and other assets	59,605	71,413
Total current assets	6,451,570	4,521,476
Non-current assets		
Fixed assets:		
Property and equipment	169,092	245,853
Less: accumulated depreciation	(83,881)	(115,734)
	85,211	130,119
Deposits	4,110	5,512
Total assets	\$ 6,540,891	\$ 4,657,107
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 90,379	\$ 118,468
Deferred revenue	126,018	64,197
Subgrants payable	1,767,956	1,327,189
Total current liabilities	1,984,353	1,509,854
Net assets		
Without donor restrictions		
Without donor restriction (deficit)	(3,562,710)	(2,088,163)
Board designated	2,940,503	1,440,195
Total without donor restriction (deficit)	(622,207)	(647,968)
With donor restriction	5,178,745	3,795,221
Total net assets	4,556,538	3,147,253
Total liabilities and net assets	\$ 6,540,891	\$ 4,657,107

See accompanying notes to financial statements.

Penny Appeal USA

Statement of Activities and Changes in Net Assets

Year ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 2,368,692	\$ 7,286,960	\$ 9,655,652
In-kind contributions	1,318,679	-	1,318,679
Merchandise	30,683	-	30,683
Recoverable grants	22,033	-	22,033
Interest income	2,134	-	2,134
Special events	23,302	-	23,302
Other income	87,834	-	87,834
Net assets released from restrictions	5,903,436	(5,903,436)	-
Total revenue	9,756,793	1,383,524	11,140,317
Expenses			
Program services	7,223,386	-	7,223,386
Management and general	486,687	-	486,687
Fundraising	2,020,959	-	2,020,959
Total expenses	9,731,032	-	9,731,032
Change in net assets	25,761	1,383,524	1,409,285
Net assets, beginning of the year	(647,968)	3,795,221	3,147,253
Net (deficit) assets, end of the year	\$ (622,207)	\$ 5,178,745	\$ 4,556,538

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
Revenue			
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
Expenses			
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 year	119,072	3,348,795	3,467,867
Net (deficit) assets, end of year	\$ (647,968)	\$ 3,795,221	\$ 3,147,253

See accompanying notes to financial statements.

Penny Appeal USA

Statement of Functional Expenses

Year ended December 31, 2023

	Emergency Response		Income Generation			Other programs			Total Program Services	Management and General	Fundraising	Total Expenses
	Feed our World	Heal Humanity	Orphan Kind	Religious Giving	Thirst Relief	Other programs						
Salaries	\$ 112,538	\$ 78,668	\$ 129,941	\$ 78,667	\$ 87,825	\$ 89,965	\$ 82,515	\$ -	\$ 660,119	\$ 247,047	\$ 432,085	\$ 1,339,251
Payroll taxes	8,814	6,128	10,729	6,129	6,786	7,020	6,378	-	51,984	18,659	34,870	105,513
Fringe benefits	19,931	12,652	28,406	12,652	13,538	14,304	13,554	-	115,037	44,959	93,673	253,669
Grants awarded	1,023,258	324,516	-	227,397	879,421	591,494	1,168,635	-	4,214,721	-	-	4,214,721
Donated program supplies	1,318,679	-	-	-	-	-	-	-	1,318,679	-	-	1,318,679
Contractors	11,137	5,678	88,033	7,178	5,703	7,238	5,784	-	130,751	11,910	33,321	175,982
Events	-	-	-	-	-	-	-	-	-	-	112,422	112,422
Marketing	50,547	37,139	873	6,275	35,194	51,061	36,361	-	217,450	-	717,998	935,448
Travel	1,904	2,231	5,619	937	1,846	589	2,324	-	15,450	36,903	52,643	104,996
Amortization	2,723	1,815	-	1,815	2,723	2,722	2,723	-	14,521	6,063	2,722	23,306
Bank & processing fees	70,621	25,400	2,459	9,411	47,846	19,295	36,706	1,168	212,906	761	112,525	326,192
Depreciation	1,672	1,464	457	1,114	1,671	1,671	1,672	-	9,721	557	1,672	11,950
Information technology	6,619	4,459	588	4,457	6,567	6,514	6,566	-	35,770	34,735	86,063	156,568
Insurance	2,286	1,814	2,421	1,525	2,287	2,287	2,286	-	14,906	762	2,274	17,942
Licenses and registrations	-	-	-	-	-	-	-	-	-	10,582	-	10,582
Rent and occupancy	4,797	3,400	43,978	3,400	4,796	4,796	4,797	-	69,964	4,350	28,330	102,644
Postage and mailing	1,100	2,653	561	258	1,721	1,345	1,087	-	8,725	789	63,199	72,713
Printing	2,432	1,345	-	968	2,092	2,741	2,092	-	11,670	-	39,339	51,009
Professional fees	16,821	8,577	1,529	8,577	15,832	12,742	12,741	-	76,819	62,591	196,694	336,104
Repairs and maintenance	-	-	5,411	-	-	-	-	-	5,411	-	276	5,687
Subscriptions	432	1,538	300	288	432	438	447	-	3,875	4,697	1,363	9,935
Supplies	8	4	8,759	4	74	-	-	-	8,849	1,027	13,894	23,770
Bad debt	6,045	-	-	(3,943)	-	-	(1,975)	-	127	-	(4,404)	(4,277)
Miscellaneous	-	-	-	-	-	-	-	-	-	295	-	295
Loss on fixed asset	-	13,900	-	-	-	-	-	-	13,900	-	-	13,900
Grants reimbursable	-	-	12,031	-	-	-	-	-	12,031	-	-	12,031
Total functional expenses	\$ 2,662,364	\$ 533,381	\$ 342,095	\$ 367,109	\$ 1,116,354	\$ 816,222	\$ 1,384,693	\$ 1,168	\$ 7,223,386	\$ 486,687	\$ 2,020,959	\$ 9,731,032

See accompanying notes to financial statements.

Penny Appeal USA

Statement of Functional Expenses

Year ended December 31, 2022

	Emergency			Income					Total Program		Management and		Total Expenses
	Response	Feed our World	Heal Humanity	Generation	Orphan Kind	Religious Giving	Thirst Relief	Advocacy	Other programs	Services	General	Fundraising	
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	16,862	10,908	51,792	10,458	12,926	11,391	12,049	-	2,548	128,934	40,245	72,831	242,010
Grants awarded	552,459	549,994	1,728	421,214	439,029	651,101	765,975	5,600	3,064	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	21,344	19,391	2,339	15,789	24,508	15,720	43,010	-	1,446	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	-	1,743	745	-	-	-	-	-	65	2,553	14,456	1,129	18,138
Rent and occupancy	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	-	9,870	6,193	-	234	-	-	-	4,392	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
Total functional expenses	\$ 1,462,938	\$ 749,333	\$ 339,599	\$ 553,145	\$ 624,855	\$ 813,379	\$ 971,822	\$ 8,350	\$ 11,766	\$ 5,535,187	\$ 482,553	\$ 1,992,083	\$ 8,009,823

See accompanying notes to financial statements.

Penny Appeal USA

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities		
Net change in net assets	\$ 1,409,285	\$ (320,614)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,951	26,171
Amortization	23,304	27,076
Donated securities	-	(36,555)
Proceeds from sale of donated securities	-	52,239
Realized gain on sale of donated securities	-	(15,684)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(1,265,637)	88,640
Deposits	1,402	3,473
Prepaid expenses and other assets	11,808	(5,902)
Accounts payable and accrued expenses	(28,089)	26,515
Deferred revenue	61,821	24,168
Grants payable	<u>440,767</u>	<u>(168,019)</u>
Net cash flows provided by (used in) operating activities	666,612	(298,492)
Cash flow from investing activities		
Disposal of equipment	9,653	-
Purchase of equipment	<u>-</u>	<u>(14,367)</u>
Net cash flows provided by (used in) investing activities	<u>9,653</u>	<u>(14,367)</u>
Net change in cash and cash equivalents	676,265	(312,859)
Cash and cash equivalents, beginning of year	<u>4,273,078</u>	<u>4,585,937</u>
Net cash flows provided by (used in) operating activities	<u>\$ 4,949,343</u>	<u>\$ 4,273,078</u>

See accompanying notes to financial statements.

Penny Appeal USA

Notes to Financial Statements

Years ended December 31, 2023 and 2022

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.

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.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

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, 2023 and 2022, respectively, PAUSA had donor restricted balances of \$5,178,745 and \$3,795,221.

Sub-grants Payable

PAUSA records grants as liabilities upon approval. As of December 31, 2023 and 2022, management believes amounts will be paid out within one operating period, and therefore, management has determined that any discounting would not be material.

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.

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 special fundraising events, the Big Laughs Big Difference Comedy Tour and the Punchline Comedy Tour, in 2023 and 2022. Expenses related to these events were \$115,766 and \$137,256, respectively, and are recorded as fundraising expenses in the statement of functional expenses for the years ended December 31, 2023 and 2022.

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, 2023 and 2022 are expected to be collected in the next fiscal year.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

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 \$7,883 and \$19,912 as of December 31, 2023 and 2022, 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, 2023 and 2022, respectively, \$0 and \$24,137, has been recorded as bad debt expense. PAUSA recorded a \$4,276 recovery in December 31, 2023.

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, 2023 and 2022.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

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.

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.

Subsequent Events

PAUSA has evaluated subsequent events for disclosure and recognition through August 8, 2024, the date on which these financial statements were available to be issued.

Penny Appeal USA

Notes to Financial Statements (Continued)

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,949,343	\$ 4,273,078
Grants and accounts receivable	<u>1,442,622</u>	<u>176,985</u>
Total financial assets available within one year	6,391,965	4,450,063
Less amounts restricted by donor	<u>(5,178,745)</u>	<u>(3,795,221)</u>
Total financial assets available for general expenditures within one year	<u>\$ 1,213,220</u>	<u>\$ 654,842</u>

PAUSA has previously suffered recurring losses from operations which resulted in a net assets without donor restriction deficit as of December 31, 2023 and 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

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

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 4 - In-Kind Contributions

PAUSA recognized in-kind contributions of \$1,318,679 and \$694,257 for fiscal years 2023 and 2022, respectively. These non-cash contributions were as follows for the years ended December 31:

<u>Nonfinancial asset</u>	<u>2023</u>	<u>2022</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Food and supplies	\$ 1,318,679	\$ 694,257	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

Note 5 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 13,029	\$ 8,461
Office equipment	30,104	38,151
Auto	-	42,000
Website and software	<u>125,959</u>	<u>157,241</u>
	169,092	245,853
Less accumulated depreciation and amortization	<u>(83,881)</u>	<u>(115,734)</u>
	<u>\$ 85,211</u>	<u>\$ 130,119</u>

Note 6 - Commitments

PAUSA leases office space under non-cancelable lease agreements that expire at various dates through December 2024. Rent expense, including operating charges and real estate expense, amount to approximately \$92,685 and \$119,779, for the years ended December 31, 2023 and 2022, respectively. Future minimum lease payments for 2024 total \$35,672. 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 7 - 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, 2023 and 2022, no employer contributions were made to the Plan.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 8 - Net Assets With Donor Restrictions

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

	2023	2022
Purpose restricted:		
Penny Appeal at Home	\$ -	\$ 1,261
Education First	66,054	35,510
Emergency Response	2,095,736	466,839
Feed our World	157,202	61,081
Heal Humanity	639,718	616,516
Income Generation	746,585	620,674
Orphan Kind	1,106,123	1,150,110
Religious Giving	54,209	46,357
Thirst Relief	313,118	796,873
	\$ 5,178,745	\$ 3,795,221

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

	2023	2022
Purpose restricted:		
Penny Appeal at Home	\$ 114	\$ 3,120
Education First	1,054	5,844
Emergency Response	1,343,685	768,681
Feed our World	533,381	749,333
Heal Humanity	342,095	339,599
Income Generation	367,110	553,144
Orphan Kind	1,116,355	624,854
Religious Giving	814,949	813,378
Thirst Relief	1,384,693	971,820
	\$ 5,903,436	\$ 4,829,773