

Penny Appeal USA

Audited Financial Statements

*Years ended December 31, 2021 and 2020
with Report of Independent Auditors*

Penny Appeal USA

Audited Financial Statements

Years ended December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 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
March 25, 2022

Penny Appeal USA

Statements of Financial Position

As of December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 4,585,937	\$ 3,145,378
Grants and accounts receivable, net	265,625	118,684
Prepaid expenses and other assets	65,511	182,815
Total current assets	4,917,073	3,446,877
Non-current assets		
Fixed assets:		
Property and equipment	258,372	163,327
Less: accumulated depreciation	(89,373)	(70,452)
	168,999	92,875
Deposits	8,985	18,007
Total assets	\$ 5,095,057	\$ 3,557,759
Liabilities and net assets		
Current liabilities		
PPP loan payable, current portion	\$ -	\$ 86,340
Accounts payable and accrued expenses	91,953	249,402
Deferred revenue	40,029	30,348
Subgrants payable	1,495,208	710,158
Total current liabilities	1,627,190	1,076,248
Non-current liabilities		
PPP loan payable	-	120,127
Total liabilities	1,627,190	1,196,375
Net assets		
Without donor restrictions		
Without donor restriction	(1,889,322)	(1,307,286)
Board designated	2,008,394	995,830
Total without donor restriction	119,072	(311,456)
With donor restriction	3,348,795	2,672,840
Total net assets	3,467,867	2,361,384
Total liabilities and net assets	\$ 5,095,057	\$ 3,557,759

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
Revenue			
Contributions and grants	\$ 1,494,412	\$ 6,097,314	\$ 7,591,726
In-kind contributions	1,041,640	-	1,041,640
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	188,121	-	188,121
Net assets released from restrictions	5,421,359	(5,421,359)	-
Total revenue	8,780,951	675,955	9,456,906
Expenses			
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 the year	(311,456)	2,672,840	2,361,384
Net assets, end of the year	\$ 119,072	\$ 3,348,795	\$ 3,467,867

See accompanying notes to financial statements.

Penny Appeal USA

Statement of Activities and Changes in Net Assets

Year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 1,525,166	\$ 7,022,253	\$ 8,547,419
In-kind contributions	512,124	-	512,124
Interest income	331	-	331
Special events	16,486	-	16,486
Other income	54	-	54
Net assets released from restrictions	6,235,933	(6,235,933)	-
Total revenue	8,290,094	786,320	9,076,414
Expenses			
Program services	6,681,800	-	6,681,800
Management and general	354,051	-	354,051
Fundraising	1,568,751	-	1,568,751
Total expenses	8,604,602	-	8,604,602
Change in net assets	(314,508)	786,320	471,812
Net assets, beginning of year	3,052	1,886,520	1,889,572
Net assets, end of year	\$ (311,456)	\$ 2,672,840	\$ 2,361,384

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
Total functional expenses	\$ 38,879	\$ 91,466	\$ 2,317,747	\$ 330,573	\$ 315,624	\$ 424,414	\$ 824,732	\$ 883,921	\$ 710,823	\$ 11,118	\$ 13,640	\$ 5,962,937	\$ 366,141	\$ 2,021,345	\$ 8,350,423

See accompanying notes to financial statements.

Penny Appeal USA

Statement of Functional Expenses

Year ended December 31, 2020

	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	\$ 145,366	\$ 46,347	\$ 54,182	\$ 45,016	\$ 45,016	\$ 45,016	\$ 53,954	\$ 50,150	\$ 51,829	\$ -	\$ -	\$ 536,876	\$ 152,707	\$ 247,902	\$ 937,485
Payroll taxes	11,698	3,639	4,244	3,530	3,530	3,530	4,214	3,934	4,052	-	-	42,371	11,838	19,452	73,661
Fringe benefits	47,053	7,663	9,567	7,015	7,700	7,700	8,624	7,917	8,442	-	-	111,681	23,335	35,346	170,362
Subgrants	150,343	108,125	2,667,475	385,346	10,000	96,515	418,989	657,518	363,921	5,600	(750)	4,863,082	-	-	4,863,082
Donated program supplies	-	-	423,224	-	-	-	-	-	-	-	-	423,224	-	88,900	512,124
Contractors	3,542	1,931	2,157	2,157	2,157	2,157	2,157	2,157	2,607	-	2,808	23,830	6,306	33,491	63,627
Events	-	-	-	-	-	-	-	-	-	-	-	-	699	43,369	44,068
Marketing	1,914	208	58,456	8,976	1,842	888	14,675	155,695	13,250	480	-	256,384	729	677,014	934,127
Travel	-	-	189	-	-	-	-	-	-	-	-	189	7,949	52,946	61,084
Amortization	1,363	515	515	515	515	515	515	515	515	-	-	5,483	1,060	4,765	11,308
Bank & processing fees	5,849	844	79,938	11,802	12,461	21,844	37,950	24,782	28,385	-	-	223,855	175	76,312	300,342
Depreciation	1,867	720	720	720	720	720	720	720	720	-	-	7,627	1,460	6,554	15,641
Information technology	620	410	554	185	185	185	554	369	369	-	-	3,431	29,414	11,265	44,110
Insurance	1,452	476	1,429	476	476	476	1,429	952	952	-	-	8,118	476	1,429	10,023
Licenses and registrations	847	-	-	-	-	-	-	-	-	120	-	967	16,366	-	17,333
Rent and utilities	44,832	4,410	10,361	4,463	4,408	4,410	10,360	7,386	7,385	-	-	98,015	10,734	34,304	143,053
Postage and mailing	99	-	319	-	-	-	285	-	-	-	1,446	2,149	4,929	90,728	97,806
Printing	186	-	4,987	-	-	-	738	-	-	-	2,032	7,943	5,845	27,249	41,037
Professional fees	12,167	192	3,645	192	192	192	225	209	209	87	120	17,430	68,901	86,691	173,022
Subscriptions	-	-	598	18	15	-	-	-	-	19,750	-	20,381	7,250	28,783	56,414
Supplies	3,397	-	4,784	47	-	-	-	68	-	4,000	2,798	15,094	2,496	2,251	19,841
Bad debt	(17,920)	-	-	-	-	-	-	-	-	-	-	(17,920)	-	-	(17,920)
Repairs and maintenance	31,590	-	-	-	-	-	-	-	-	-	-	31,590	-	-	31,590
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	1,382	-	1,382
Total functional expenses	\$ 446,265	\$ 175,480	\$ 3,327,344	\$ 470,458	\$ 89,217	\$ 184,148	\$ 555,389	\$ 912,372	\$ 482,636	\$ 30,037	\$ 8,454	\$ 6,681,800	\$ 354,051	\$ 1,568,751	\$ 8,604,602

See accompanying notes to financial statements.

Penny Appeal USA

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities		
Net change in net assets	\$ 1,106,483	\$ 471,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,990	15,641
Amortization	22,063	11,308
PPP loan forgiveness	(206,467)	-
Changes in operating assets and liabilities:		
Grants and accounts receivable	(146,941)	20,474
Deposits	9,022	(7,033)
Prepaid expenses and other assets	117,304	(147,545)
Accounts payable and accrued expenses	(157,449)	82,007
Deferred revenue	9,681	30,348
Subgrants payable	<u>785,050</u>	<u>304,492</u>
Net cash flows provided by operating activities	1,556,736	781,504
Cash flow from investing activities		
Purchase of equipment	<u>(116,177)</u>	<u>(20,853)</u>
Net cash flows used in investing activities	(116,177)	(20,853)
Cash flows from financing activities		
Proceeds from PPP loan	<u>-</u>	<u>206,467</u>
Net cash flows provided by financing activities	-	206,467
Net change in cash and cash equivalents	1,440,559	967,118
Cash and cash equivalents, beginning of year	<u>3,145,378</u>	<u>2,178,260</u>
Cash and cash equivalents, end of year	<u>\$ 4,585,937</u>	<u>\$ 3,145,378</u>
Non-cash financing activities:		
PPP loan forgiveness during the year	<u>\$ 427,658</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Penny Appeal USA

Notes to Financial Statements

Years ended December 31, 2021 and 2020

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 to 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 access to 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 that 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.

COVID-19 Risks and Uncertainties

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. PAUSA's operational and financial performance will depend on certain developments, including the duration and spread of COVID-19 and its impact on PAUSA and its donors, employees and vendors. As such, COVID-19 could have a material adverse effect on PAUSA's financial position in the future. The ultimate duration and impact of the COVID-19 outbreak on PAUSA's financial position cannot be reasonably estimated at this time.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

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, 2021 and 2020, respectively, PAUSA had donor restricted balances of \$3,348,795 and \$2,672,840.

Loans Payable

PAUSA records loans payable at the outstanding principal balance plus accrued interest.

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.

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.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

In 2021, PAUSA had a special fundraising event, Punchline Comedy Tour. Expenses related to this event were \$255,917 and are recorded as fundraising expenses in the statement of functional expenses for the year ended December 31, 2021.

Subsequent Events

PAUSA has evaluated subsequent events for disclosure and recognition through March 25, 2022, 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.

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 in 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.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

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, estimates fair value using methods, models and assumptions that management 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 risk inherent 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 of 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, 2021 and 2020 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 \$57,691 and \$0 as of December 31, 2021 and 2020, respectively. Management records adjustments as necessary to 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, 2021 and 2020, respectively \$58,690 and \$0, has been recorded as bad debt expense.

Contributions

Contributions received 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 purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction 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 obligation 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.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

Donated Goods and Services

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

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,585,937	\$ 3,145,378
Grants and accounts receivable	<u>265,625</u>	<u>118,684</u>
Total financial assets available within one year	4,851,562	3,264,062
Less amounts restricted by donor	<u>(3,348,795)</u>	<u>(2,672,840)</u>
Total financial assets available for general expenditures within one year	<u>\$ 1,502,767</u>	<u>\$ 591,222</u>

As 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 - 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 loan extinguishment 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 SBA on December 9, 2021 and concurrently recorded a gain on loan extinguishment 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 \$1,041,640 and \$512,124 for fiscal years 2021 and 2020, respectively. These non-cash contributions were as follows for the years ended December 31:

<u>Nonfinancial asset</u>	<u>2021</u>	<u>2020</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Professional services	\$ -	\$ 88,900	Supporting	None	Estimated using current rate of professional providing the service
Food and supplies	\$ 1,041,640	\$ 423,224	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>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 9,945	\$ 9,945
Office equipment	49,186	48,701
Auto	42,000	42,000
Website and software	<u>157,241</u>	<u>62,681</u>
	258,372	163,327
Less accumulated depreciation and amortization	<u>(89,373)</u>	<u>(70,452)</u>
	<u>\$ 168,999</u>	<u>\$ 92,875</u>

Note 7 - Commitments

PAUSA leases office space under non-cancelable lease agreements that expire at various dates through August 2022. Rent expense, including operating charges and real estate expense, amount to approximately \$136,171 and \$134,659, for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2022	<u>\$ 18,900</u>
Total	<u>\$ 18,900</u>

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, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Penny Appeal at Home	\$ -	\$ 261
Education First	547	-
Emergency Response	196,554	29,395
Feed our World	155,763	104,857
Heal Humanity	826,924	260,879
Income Generation	499,832	455,900
Orphan Kind	1,035,092	1,138,458
Religious Giving	63,150	48,255
Thirst Relief	570,933	634,835
	<u>\$ 3,348,795</u>	<u>\$ 2,672,840</u>

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

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Penny Appeal at Home	\$ 38,880	\$ 464,185
Education First	91,467	175,480
Emergency Response	1,278,710	2,904,118
Feed our World	330,572	470,457
Heal Humanity	313,020	89,216
Income Generation	424,413	184,147
Orphan Kind	824,732	555,456
Religious Giving	883,918	910,238
Thirst Relief	1,235,647	482,636
	<u>\$ 5,421,359</u>	<u>\$ 6,235,933</u>

Note 10 - Subsequent Events

In March 2022, PAUSA loaned Penny Appeal Canada \$394,825. The loan does not bear interest and is required to be repaid in full no later than May 31, 2022.