

Penny Appeal USA

Audited Financial Statements

*Years ended December 31, 2020 and 2019
with Report of Independent Auditors*

Penny Appeal USA
Audited Financial Statements
Years ended December 31, 2020 and 2019

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Report of Independent Auditors

Board of Directors
Penny Appeal USA
Alexandria, VA

We have audited the accompanying financial statements of Penny Appeal USA ("the Organization") which comprise the statement of financial position as of December 31, 2020 and the related statement of activities and changes in net assets, functional expenses and cash flows for year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter-2019 Audited Financial Statements

The financial statements of the Organization as of and for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on September 10, 2020.



Penny Appeal USA

Statements of Financial Position

	December 31,	
	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,145,378	\$ 2,178,260
Grants and accounts receivable, net	118,684	139,158
Prepaid expenses and other assets	<u>182,815</u>	<u>35,270</u>
Total current assets	3,446,877	2,352,688
Non-current assets		
Fixed assets		
Property and equipment	163,327	142,476
Less: accumulated depreciation	<u>(70,452)</u>	<u>(43,505)</u>
	92,875	98,971
Deposits	<u>18,007</u>	<u>10,974</u>
Total assets	<u>\$ 3,557,759</u>	<u>\$ 2,462,633</u>
Liabilities and net assets		
Current liabilities		
PPP loan payable, current portion	\$ 86,340	\$ -
Accounts payable and accrued expenses	249,402	167,395
Deferred revenue	30,348	-
Subgrants payable	<u>710,158</u>	<u>405,666</u>
Total current liabilities	1,076,248	573,061
Non-current liabilities		
PPP loan payable	<u>120,127</u>	<u>-</u>
Total liabilities	1,196,375	573,061
Net assets		
Without donor restriction	(1,307,286)	(450,564)
Board designated	<u>995,830</u>	<u>453,616</u>
Total without donor restriction	(311,456)	3,052
With donor restriction	<u>2,672,840</u>	<u>1,886,520</u>
Total net assets	<u>2,361,384</u>	<u>1,889,572</u>
Total liabilities and net assets	<u>\$ 3,557,759</u>	<u>\$ 2,462,633</u>

See accompanying notes to the financial statements.

Penny Appeal USA

Statements of Activities and Changes in Net Assets

Year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 1,948,390	\$ 6,599,029	\$ 8,547,419
In-kind contributions	88,900	423,224	512,124
Interest income	331	-	331
Special events	16,486	-	16,486
Other income	54	-	54
Net assets released from restrictions	<u>6,235,933</u>	<u>(6,235,933)</u>	<u>-</u>
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	<u>1,568,751</u>	<u>-</u>	<u>1,568,751</u>
Total expenses	<u>8,604,602</u>	<u>-</u>	<u>8,604,602</u>
Change in net assets	(314,508)	786,320	471,812
Net assets, beginning of the year	<u>3,052</u>	<u>1,886,520</u>	<u>1,889,572</u>
Net assets, end of the year	<u>\$ (311,456)</u>	<u>\$ 2,672,840</u>	<u>\$ 2,361,384</u>

See accompanying notes to the financial statements.

Penny Appeal USA

Statements of Activities and Changes in Net Assets

Year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 1,743,011	\$ 3,825,199	\$ 5,568,210
In-kind contributions	23,588	808,392	831,980
Interest income	668	-	668
Special events	122,923	-	122,923
Gain on sale of assets	645	-	645
Other income	225	-	225
Net assets released from restrictions	<u>3,169,198</u>	<u>(3,169,198)</u>	<u>-</u>
Total revenue	5,060,258	1,464,393	6,524,651
Expenses			
Program services	3,546,825	-	3,546,825
Management and general	278,414	-	278,414
Fundraising	<u>1,344,168</u>	<u>-</u>	<u>1,344,168</u>
Total expenses	<u>5,169,407</u>	<u>-</u>	<u>5,169,407</u>
Change in net assets	(109,149)	1,464,393	1,355,244
Net assets, beginning of year	<u>112,201</u>	<u>422,127</u>	<u>534,328</u>
Net assets, end of year	<u>\$ 3,052</u>	<u>\$ 1,886,520</u>	<u>\$ 1,889,572</u>

See accompanying notes to the 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	-	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 the financial statements.

Penny Appeal USA

Statement of Functional Expenses
Year ended December 31, 2019

	Penny Appeal at Home	Education First	Emergency Response	Feed our World	Heal Humanity	Income Generation	Orphan Kind	Religious Giving	Thirst Relief	Advocacy	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 68,364	\$ 30,588	\$ 30,588	\$ 30,588	\$ 30,588	\$ 30,588	\$ 30,588	\$ 30,588	\$ 30,588	\$ -	\$ 313,068	\$ 109,370	\$ 188,670	\$ 611,108
Payroll taxes	5,389	2,366	2,366	2,366	2,387	2,366	2,366	2,400	2,366	-	24,372	8,468	15,406	48,246
Fringe benefits	9,928	5,766	5,055	4,546	6,138	4,546	4,546	4,916	4,546	-	49,987	9,111	43,618	102,716
Subgrants	25,119	29,000	175,100	146,723	43,268	97,365	559,224	264,178	314,737	-	1,654,714	(38)	(1,900)	1,652,776
Donated program supplies	-	-	808,392	-	-	-	-	-	-	-	808,392	-	-	808,392
Contractors	5,960	5,092	6,089	4,989	4,696	53,639	33,309	4,989	5,205	-	123,968	10,600	108,640	243,208
Events	1,500	-	-	-	17,435	21,015	164,272	20,301	873	-	225,396	1,418	134,176	360,990
Marketing	161	-	-	-	-	750	825	-	-	-	1,736	970	459,595	462,301
Travel	247	845	11,129	1,807	11,605	12,465	19,961	57	1,080	4,154	63,350	16,082	103,496	182,928
Amortization	1,363	515	515	515	515	5,726	515	515	515	-	10,694	1,061	(446)	11,309
Bank & processing fees	646	5,262	7,503	6,555	7,822	6,562	36,701	8,229	15,459	-	94,739	5,376	35,703	135,818
Depreciation	1,446	547	547	547	547	547	547	547	547	-	5,822	1,125	5,057	12,004
Information technology	147	56	56	56	56	56	56	56	56	-	595	7,987	14,571	23,153
Insurance	-	-	-	-	-	-	-	-	-	-	-	3,951	-	3,951
Licenses and registrations	-	-	-	-	-	-	-	-	-	-	-	11,431	-	11,431
Rent and utilities	18,493	2,372	2,372	2,372	2,372	2,372	2,220	2,372	2,372	-	37,317	9,845	38,393	85,555
Postage and mailing	12	7	581	191	396	55	5,671	153	191	-	7,257	4,934	44,763	56,954
Printing	-	-	990	990	5,423	1,700	7,921	6,855	990	-	24,869	18,779	42,112	85,760
Professional fees	476	3,213	214	204	642	1,204	209	204	204	-	6,570	48,161	101,932	156,663
Subscriptions	450	-	-	-	53	-	-	-	-	10,875	11,378	3,360	7,711	22,449
Supplies	18,308	3,463	14,585	302	34	509	34	2,263	247	53	39,798	852	3,432	44,082
Bad debt	(179)	(134)	(134)	(134)	10,200	33,586	(134)	(134)	(134)	-	42,803	(313)	(914)	41,576
Loss on fixed assets	-	-	-	-	-	-	-	-	-	-	-	2,142	-	2,142
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	3,742	153	3,895
Total functional expenses	\$ 157,830	\$ 88,958	\$ 1,065,948	\$ 202,617	\$ 144,177	\$ 275,051	\$ 868,831	\$ 348,489	\$ 379,842	\$ 15,082	\$ 3,546,825	\$ 278,414	\$ 1,344,168	\$ 5,169,407

See accompanying notes to the financial statements.

Penny Appeal USA

Statements of Cash Flows

	Years ended December 31,	
	<u>2020</u>	<u>2019</u>
Cash flow from operating activities		
Net change in net assets	\$ 471,812	\$ 1,355,244
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,641	12,004
Amortization	11,308	11,309
Bad debt	-	41,578
Changes in operating assets and liabilities:		
Grants and accounts receivable	20,474	(125,311)
Deposits	(7,033)	(7,583)
Prepaid expenses and other assets	(147,545)	8,166
Other merchandise	-	9,774
Accounts payable and accrued expenses	82,007	70,106
Deferred revenue	30,348	-
Subgrants payable	<u>304,492</u>	<u>266,986</u>
Net cash provided by operating activities	781,504	1,642,273
Cash flow from investing activities		
Purchase of equipment	<u>(20,853)</u>	<u>(66,480)</u>
Net cash used in investing activities	(20,853)	(66,480)
Cash flows from financing activities		
Proceeds from loan	<u>206,467</u>	<u>-</u>
Net cash flows provided by financing activities	<u>206,467</u>	<u>-</u>
Net change in cash and cash equivalents	967,118	1,575,793
Cash and cash equivalents, beginning of year	<u>2,178,260</u>	<u>602,467</u>
Cash and cash equivalents, end of year	<u>\$ 3,145,378</u>	<u>\$ 2,178,260</u>

See accompanying notes to the financial statements.

Penny Appeal USA

Notes to Financial Statements

Years ended December 31, 2020 and 2019

Note 1 - Organization and Nature of Activities

Organization

Penny Appeal USA (PA USA) 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.

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.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 1 - Organization and Nature of Activities (Continued)

Nature of Activities (continued)

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).

Adoption of Accounting Principle

PAUSA early adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This accounting standard requires nonfinancial contributed assets, the use of nonfinancial contributed assets, or contributed services meeting the criteria for recording be presented separately from contributions of cash and other financial assets in the statement of activities and changes in net assets. Additionally, disclosure of the programs or activities for which contributed nonfinancial assets or services were used is required. ASU 2020-07 is effective for annual periods beginning after June 15, 2021 with early adoption permitted. PAUSA early adopted this ASU and applied its requirements retrospectively as required by the standard. There was no effect on the amounts reported in the financial statements as a result of adoption.

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

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. PAUSA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak 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.

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 (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. PAUSA does not have amounts that have been restricted by a donor in perpetuity as of December 31, 2020 and 2019.

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.

Subsequent Events

PAUSA has evaluated subsequent events for disclosure and recognition through March 17, 2021, the date on which these financial statements were available to be issued as further discussed in note 10.

Note 2 - Significant Accounting Policies (Continued)

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.

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, 2020 and 2019 are expected to be collected in the next fiscal year.

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 2 - Significant Accounting Policies (Continued)

Grants and Accounts Receivable (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 \$0 and \$43,920, respectively as of December 31, 2020 and 2019. 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, 2020 and 2019, \$0 and \$41,578, respectively 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.

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.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,145,378	\$ 2,178,260
Grants and accounts receivable	118,684	139,158
Total financial assets available within one year	3,264,062	2,317,418
Less amounts restricted by donor	<u>(2,672,840)</u>	<u>(1,886,520)</u>
Total financial assets available for general expenditures within one year	<u>\$ 591,222</u>	<u>\$ 430,898</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

On May 4 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). The PPP Loan matures on May 4, 2022, bears interest at 1% annually, is unsecured, and guaranteed by the Small Business Administration (SBA). To the extent proceeds are used to pay qualified expenses, and other employment criteria required by the Program have been met, the PPP Loan may be eligible for forgiveness upon request by PAUSA. To the extent that all or part of the PPP Loan is not forgiven, outstanding principal and accrued interest are payable and due two years from the date of the note. PAUSA has not begun the forgiveness process. As of December 31, 2020 the unpaid principal plus accrued interest was \$206,467.

Loans payable as of December 31, 2020 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 86,340
2022	<u>120,127</u>
	<u>\$ 206,467</u>

Note 5 - In-Kind Contributions

PAUSA recognized in-kind contributions of \$512,124 and \$831,950 for fiscal years 2020 and 2019, respectively. These non-cash contributions were as follows for the years ended December 31:

<u>Nonfinancial asset</u>	<u>2020</u>	<u>2019</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Professional services	\$ 88,900	\$ 23,558	Supporting	None	Estimated using current rate of professional providing the service
Food and supplies	\$ 423,224	\$ 808,392	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>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 9,945	\$ 9,945
Office equipment	48,701	41,022
Auto	42,000	42,000
Website and software	<u>62,681</u>	<u>49,509</u>
	163,327	142,476
Less accumulated depreciation and amortization	<u>(70,452)</u>	<u>(43,505)</u>
	<u>\$ 92,875</u>	<u>\$ 98,971</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 \$134,659 and \$74,265, respectively for the years ended December 31, 2020 and 2019.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 121,939
2022	<u>18,900</u>
Total	<u>\$ 140,839</u>

Note 8 - Retirement Plan

PAUSA maintains 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, 2020 and 2019, no employer contributions were made to the Plan.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Penny Appeal at Home	\$ 261	\$ 86,630
Education First	-	22,046
Emergency Response	29,395	309,719
Feed our World	104,857	48,084
Heal Humanity	260,879	51,287
Income Generation	455,900	160,737
Orphan Kind	1,138,458	700,720
Religious Giving	48,255	38,574
Thirst Relief	634,835	302,440
Advocacy	<u>-</u>	<u>166,283</u>
	<u>\$ 2,672,840</u>	<u>\$ 1,886,520</u>

Penny Appeal USA

Notes to Financial Statements (Continued)

Note 9 - Net Assets With Donor Restrictions (Continued)

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

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Penny Appeal at Home	\$ 464,185	\$ 157,831
Education First	175,480	88,956
Emergency Response	2,904,118	1,065,947
Feed our World	470,457	203,617
Heal Humanity	89,216	103,864
Income Generation	184,147	187,310
Orphan Kind	555,456	646,827
Religious Giving	910,238	348,487
Thirst Relief	482,636	366,359
	<u>\$ 6,235,933</u>	<u>\$ 3,169,198</u>

Note 10 - Subsequent Event

In February 2021, PAUSA applied for and received a loan in the amount of \$221,185 under the federally authorized Paycheck Protection Program ("the Program"). Portions of the loan amount utilized by PAUSA for Program authorized business purposes may be eligible for forgiveness.