
Penny Appeal USA
Financial Statements
And
Independent Auditor's Report
Year Ended December 31, 2016

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Independent Auditor's Report

Penny Appeal USA
717 King Street, Suite 200
Alexandria, VA 22314

We have audited the accompanying financial statements of Penny Appeal USA (Penny Appeal), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the 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 of 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. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Penny Appeal as of December 31, 2016, and the change 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.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
May 5, 2017
Silver Spring, MD

Penny Appeal USA
Statement of Financial Position
December 31, 2016

	<u>2016</u>
ASSETS	
Cash and cash equivalents	\$ 277,147
Grants and accounts receivable	375,282
Prepaid expenses	3,000
Deposits	2,350
Fixed Assets (Net)	14,528
TOTAL ASSETS	<u>\$ 672,307</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 116,618
Total Liabilities	<u>116,618</u>
 NET ASSETS	
Unrestricted	3,667
Restricted	<u>552,022</u>
Total Net Assets	<u>555,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 672,307</u>

The accompanying notes are an integral part of the financial statements

Penny Appeal USA
Statement of Activities
For the Year Ended December 31, 2016

Revenue	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
Contributions and grants	\$ 735,519	622,489	\$ 1,358,008
Interest income	8	-	8
Net assets released from restrictions	70,467	(70,467)	-
Total Revenue and Support	<u>805,994</u>	<u>552,022</u>	<u>1,358,016</u>
 Expenses			
Program Service	356,322	-	356,322
Management and General	62,140	-	62,140
Fundraising	383,865	-	383,865
Total Expenses	<u>802,327</u>	<u>-</u>	<u>802,327</u>
Change in Net Assets	3,667	552,022	555,689
Net Assets, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 3,667</u>	<u>\$ 552,022</u>	<u>\$ 555,689</u>

The accompanying notes are an integral part of the financial statements

Penny Appeal USA
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Expenses	Management & General Expenses	Fundraising Expenses	2016 Total Expenses
Salaries	146,894	33,274	97,683	277,851
Fringe benefits	17,575	3,981	11,687	33,243
Payroll taxes	13,417	3,039	8,922	25,379
Contractors	11,650	13,128	3,047	27,825
Marketing	-	-	129,990	129,990
Subgrant	112,840	-	-	112,840
Event	-	-	68,060	68,060
Travel	18,279	1,026	27,446	46,751
Rent	10,753	2,436	7,150	20,339
Information technology	5,063	1,410	8,575	15,048
Program supplies	2,871	-	10,014	12,885
Office Supplies	5,407	1,225	3,596	10,228
License and registrations	3,733	846	2,482	7,061
Insurance	880	199	585	1,664
Depreciation	560	127	373	1,060
Postage and mailing	918	208	611	1,737
Meeting	728	165	484	1,377
Maintenance	1,050	238	698	1,986
Miscellaneous	915	207	609	1,731
Bank fees	2,787	631	1,853	5,272
Total	356,322	62,140	383,865	802,327

The accompanying notes are an integral part of the financial statements

Penny Appeal USA
Statement of Cash Flows
For the Year Ended December 31, 2016

	2016
Cash Flows from Operating Activities	
Change in net assets	\$ 555,689
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,060
(Increase) in receivables	(375,282)
(Increase) in prepaid expenses	(3,000)
(Increase) in deposits	(2,350)
Increase in accounts payable & accrued expenses	116,618
Net cash provided by operating activities	292,735
Cash Flows from Investing Activities	
Purchase of new equipment	(15,588)
Net cash provided (used) by investing activities	(15,588)
Cash Flows from Financing Activities	
Net cash provided by financing activities	-
Increase (decrease) in Cash and Cash Equivalents	277,147
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ 277,147
Cash paid for interest	-

The accompanying notes are an integral part of the financial statements

Penny Appeal USA
Notes to Financial Statements
December 31, 2016

Note 1 – Organization and Summary of Accounting Policies

Organization

Penny Appeal USA (Penny Appeal) is a 501(c)(3) development organization dedicated to working to alleviate poverty through sustainable programs. Their mission is to bring about an equitable world by tackling the root causes of poverty, while bridging the gap between funders and poor communities in order to work together on long-term solutions that can help end intergenerational poverty.

Basis of accounting

The financial statements of Penny Appeal have been prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Tax status

Penny Appeal has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that Penny Appeal is not a private foundation. Penny Appeal is required to report unrelated business income to the Internal Revenue Service and the state of Virginia.

Review of uncertain tax positions

The Financial Accounting Standards Board (FASB) has released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2016, Penny Appeal has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service generally for three years after it is filed.

Cash and cash equivalents

For financial statement purposes, cash and cash equivalents include, operating cash accounts, petty cash and highly liquid money market fund accounts with original maturities of three months or less.

Net assets

Penny Appeal has established the following net asset categories:

- Unrestricted net assets are available for use in general operations.
- Temporarily restricted net assets consist of amounts that are subject to donor restrictions and income earned on permanently restricted net assets. Penny Appeal is permitted to use or expend the donated assets in accordance with the donor restrictions.

Penny Appeal USA
Notes to Financial Statements
December 31, 2016

- Permanently restricted net assets are subject to donor-imposed stipulations that they be permanently maintained by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on these assets.

Revenue recognition

Penny Appeal recognizes revenue when it is earned. Revenues are recorded at the time pledges are made, corporate support is pledged, products are shipped, services are performed, or obligations are fulfilled. Contributions are reported in accordance with the provisions of FASB ASC 958-605, *Revenue Recognition*.

Property and equipment

Property and equipment consist of furniture, office, computer equipment and intangible assets recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Penny Appeal' capitalization policy currently records property and equipment acquisitions over \$750 with an expected life of more than a year.

Donated services, goods and facilities

Donated professional services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Marketing and fundraising costs

Marketing and fundraising costs are expensed as incurred.

Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Fair value measurement

Penny Appeal adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. Penny Appeal accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Penny Appeal USA
Notes to Financial Statements
December 31, 2016

Note 2 - Grants and Accounts Receivable

At December 31, 2016 included in Grants and Accounts Receivable were the following:

Grants/accounts receivable due in less than one year	\$ 375,282
Less: allowance for doubtful accounts	-
Grants/accounts receivable, net of allowance	<u>\$ 375,282</u>

Penny Appeal uses the allowance method to account for uncollectible receivables. Receivables are determined uncollectible based on management's review.

Note 3 - Property and Equipment

Furniture, equipment and intangible assets are recorded at cost. Depreciation and amortization are provided over the estimated useful lives of the respective assets, which range from three to ten years on a straight line basis. Penny Appeal capitalizes property and equipment in excess of \$750.

Property and equipment consists of the following at December 31, 2016:

Furniture and fixtures	\$ 3,747
Office equipment	11,841
Accumulated depreciation	<u>(1,060)</u>
Book value	<u>\$ 14,528</u>

Depreciation and amortization expense were \$1,060 for the period ended December 31, 2016.

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2016:

Gaza emergency	\$ 1,354
Livestock	13,165
Syrian refugee crisis	375,282
Thirst relief	<u>162,221</u>
Total	<u>\$ 552,022</u>

Penny Appeal USA
Notes to Financial Statements
December 31, 2016

Note 5 - Net Assets Released From Restrictions

Net assets were released from donor imposed restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for the year ended December 31, 2016.

Digital divide	\$ 7,676
Haiti emergency	4,598
OrphanKind	35,841
Qurbani	17,308
Syria emergency	5,044
Total	<u>\$ 70,467</u>

Note 6 - Commitments

Penny Appeal leases its office space in Alexandria, VA under a non-cancellable operating lease that expires in June 2017. Rent expense for the year ended December 31, 2016 was \$ 22,339.

Future minimum lease commitments under all operating leases are as follows:

June 30, 2017	\$ 14,100
Thereafter	---
Total	<u>\$ 14,100</u>

Note 7 - Functional Allocation of Expenses

The cost of providing various program and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative costs have been allocated, when appropriate, to the programs and supporting services proportionately based on direct personnel costs.

Note 8 – Economic Dependency

During 2016 Penny Appeal received 48 percent of its contributions, revenue and support directly from one funder. As of December 31, 2016, Penny Appeal has no reason to believe that the relationship with the funder will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e. reduction in funding or delayed payments) could affect Penny Appeal's ability to finance ongoing operations.

Note 9 - Subsequent events

In preparing these financial statements, Penny Appeal has evaluated events and transactions for potential recognition or disclosure through May 5, 2017, the date the financial statements were issued.