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Penny Appeal USA(PAUSA)

Financial Statements  
And  
Independent Auditor's Report

Year Ended December 31, 2019

(With summarized comparative financial information for the year ended  
December 31, 2018)

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## **Independent Auditor's Report**

To the Board of Directors  
Penny Appeal USA(PAUSA)

We have audited the accompanying financial statements of the Penny Appeal USA(PAUSA), which comprise the statement of financial position as of December 31, 2019, 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PAUSA as of December 31, 2019, 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.

*Helping Businesses Develop, Grow and Succeed*

## Report on Summarized Comparative Information

We have previously audited Penny Appeal USA's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Abercrombie & Associates, LLC*

Abercrombie & Associates, LLC  
September 10, 2020  
Silver Spring, MD

Penny Appeal USA  
Statement of Financial Position  
December 31, 2019  
(With summarized comparative financial information December 31, 2018)

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,178,260	\$ 602,467
Grants and accounts receivable	139,158	55,425
Prepaid expenses	35,271	43,437
Deposits	10,973	3,390
Fixed Assets (Net)	98,971	54,198
Other Merchandise		9,774
<b>TOTAL ASSETS</b>	<b>2,462,633</b>	<b>768,691</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	167,395	95,683
Subgrants payable	405,666	138,680
<b>Total Liabilities</b>	<b>573,061</b>	<b>234,363</b>
 <b>NET ASSETS</b>		
Without Donor Restriction	(450,564)	92,206
Board Restriction	453,616	19,995
Total Without Donor Restrictions	3,052	112,201
With Donor Restriction	1,886,520	422,127
<b>Total Net Assets</b>	<b>1,889,572</b>	<b>534,328</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,462,633</b>	<b>\$ 768,691</b>

The accompanying notes are an integral part of the financial statements

Penny Appeal USA  
Statement of Activities  
Year Ended December 31, 2019

(With summarized comparative financial information for the year ended December 31, 2018)

Revenue	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
Contributions and grants	\$ 1,743,011	\$ 3,825,199	\$ 5,568,210	\$3,052,516
In -Kind Revenue	23,588	808,392	831,980	4,770
Interest income	668	-	668	10
Net assets released from restrictions	3,169,198	(3,169,198)	-	-
Special Events	122,923		122,923	43,738
Gain on Sale of Assets	645		645	
Other	225		225	43,738
<b>Total Revenue and Support</b>	<u>5,060,258</u>	<u>1,464,393</u>	<u>6,524,651</u>	<u>3,101,034</u>
 <b>Expenses</b>				
Program Service	3,546,825	-	3,546,825	1,873,980
Management and General	278,414	-	278,414	149,555
Fundraising	1,344,168	-	1,344,168	885,086
			-	
<b>Total Expenses</b>	<u>5,169,407</u>	<u>-</u>	<u>5,169,407</u>	<u>2,908,621</u>
<b>Change in Net Assets</b>	(109,149)	1,464,393	1,355,244	192,413
<b>Net Assets, Beginning of Year</b>	<u>112,201</u>	<u>422,127</u>	<u>534,328</u>	<u>341,915</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,052</u>	<u>\$ 1,886,520</u>	<u>\$ 1,889,572</u>	<u>\$ 534,328</u>

The accompanying notes are an integral part of the financial statements

**Penny Appeal USA**  
**Statement of Functional Expenses**  
**December 31, 2019**  
(With summarized comparative financial information for December 31, 2018)

Category	Penny Appeal at										Total Programs	Fundraising	Management and General	Total 2019	Total 2018
	Home	Education First	Emergency Response	Feed our World	Heal Humanity	Income Generation	Orphan Kind	Religious Giving	Thirst Relief	Advocacy					
Salaries	\$68,364	\$30,588	\$30,588	\$30,588	\$30,588	\$30,588	\$30,588	\$30,588	\$30,588	\$ -	\$313,068	\$188,670	\$109,370	\$611,108	\$423,542
Payroll Taxes	5,389	2,366	2,366	2,366	2,387	2,366	2,366	2,400	2,366	-	24,372	15,406	8,468	48,246	33,161
Fringe Benefits	9,928	5,766	5,055	4,546	6,138	4,546	4,546	4,916	4,546	-	49,987	43,618	9,111	102,716	76,824
Subgrants	25,119	29,000	175,100	146,723	43,268	97,365	559,224	264,178	314,737	-	1,654,714	(1,900)	(38)	1,652,776	1,135,383
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	108,640	10,600	243,208	144,964
Events	1,500	-	-	-	17,435	21,015	164,272	20,301	873	-	225,396	134,176	1,418	360,990	202,496
Marketing	161	-	-	-	-	750	825	-	-	-	1,736	459,595	970	462,301	399,724
Travel	247	845	11,129	1,807	11,605	12,465	19,961	57	1,080	4,154	63,350	103,496	16,082	182,928	106,020
Amortization	1,363	515	515	515	515	5,726	515	515	515	-	10,694	(446)	1,061	11,309	10,914
Bank & Processing Fees	646	5,262	7,503	6,555	7,822	6,562	36,701	8,229	15,459	-	94,739	35,703	5,376	135,818	70,118
Depreciation	1,446	547	547	547	547	547	547	547	547	-	5,822	5,057	1,125	12,004	4,768
Information Technology	147	56	56	56	56	56	56	56	56	-	595	14,571	7,987	23,153	21,801
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	3,951	3,951	2,457
Licenses and Registrations	-	-	-	-	-	-	-	-	-	-	-	-	11,431	11,431	13,260
Office Expense	18,493	2,372	2,372	2,372	2,372	2,372	2,220	2,372	2,372	-	37,317	38,393	9,845	85,555	49,126
Postage and Mailing	12	7	581	191	396	55	5,671	153	191	-	7,257	44,763	4,934	56,954	16,739
Printing	-	-	990	990	5,423	1,700	7,921	6,855	990	-	24,869	42,112	18,779	85,760	83,637
Professional Fees	476	3,213	214	204	642	1,204	209	204	204	-	6,570	101,932	48,161	156,663	47,890
Subscriptions	450	-	-	-	53	-	-	-	-	10,875	11,378	7,711	3,360	22,449	1,135
Supplies	18,308	3,463	14,585	302	34	509	34	2,263	247	53	39,798	3,432	852	44,082	49,403
Uncollectable	(179)	(134)	(134)	(134)	10,200	33,586	(134)	(134)	(134)	-	42,803	(914)	(313)	41,576	15,259
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	153	3,742	3,895	-
Loss/Gain on Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	2,142	2,142	-
<b>Grand Total</b>	<b>\$157,830</b>	<b>\$88,958</b>	<b>\$1,065,948</b>	<b>\$202,617</b>	<b>\$144,177</b>	<b>\$275,051</b>	<b>\$868,831</b>	<b>\$348,489</b>	<b>\$379,842</b>	<b>\$15,082</b>	<b>\$3,546,825</b>	<b>\$1,344,168</b>	<b>\$278,414</b>	<b>\$5,169,407</b>	<b>\$2,908,621</b>

\* Donated Program Supplies consist of Meal/ Medical Kits along with other "In-Kind" items donated related to program(s)

The accompanying notes are an integral part of the financial statements

Penny Appeal USA  
Statement of Cash Flow  
Year Ended December 31, 2019

(With summarized comparative financial information for the year ended December 31, 2018)

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,355,244	\$ 192,413
<b>Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	12,001	4,768
Amortization	11,308	10,914
Bad Debt	41,578	15,260
Decrease / (Increase) in Receivables	(125,311)	(33,025)
Decrease / (Increase) in Prepaid Expenses	8,166	(38,956)
Decrease / (Increase) in Deposits	(7,583)	1,040
Decrease / (Increase) in Other Merchandise	9,774	(9,774)
Increase / (Decrease) in Accounts Payable & Accrued Expenses	70,106	11,688
Increase / (Decrease) in Sub-Grant Payable	266,986	67,440
<b>Net cash provided by operating activities</b>	<b>1,642,269</b>	<b>221,768</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of new equipment	(66,476)	(32,934)
<b>Net cash provided (used) by investing activities</b>	<b>(66,476)</b>	<b>(32,934)</b>
<b>Increase (decrease) in Cash and Cash Equivalents</b>	1,575,793	188,834
<b>Cash and Cash Equivalents, Beginning of Year</b>	602,467	413,633
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,178,260</b>	<b>\$ 602,467</b>
Cash paid for interest	-	-

The accompanying notes are an integral part of the financial statements



Penny Appeal USA  
Notes to Financial Statements  
December 31, 2019

**Note 1 – Organization and Summary of Accounting Policies**

Organization

Penny Appeal 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, PA USA works to turn people's small change into a big difference.

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 Bridging the Digital Divide. 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.

Social services and referrals are provided to survivors of Domestic Violence. Bridging the Digital Divide seeks to help children in low income communities succeed at school by providing them with the tools they need to succeed in the 21st century. We also provide parents with computer literacy classes to help them understand their children's homework and to empower them to find employment and access social services online.

Education First: Education is a vital part of helping children get the start in life they need to ensure a successful future. Once basic necessities are met, 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 over 4,000 individuals with life-saving food, shelter, water, and have also paid out cash grants.

**Feed Our World:** Each year, our international Feed Our World program provides life-saving, nutritious meals to the poor and needy. These meals help combat hunger poverty in crisis-hit countries across Asia, Africa and the Middle East.

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2019

**Heal Humanity:** Our program is dedicated to providing much needed healthcare facilities and medical aid to those most in need. A little can truly go a long way towards healing humanity of its many ailments. This program is building clinics and assisting hospitals in Burundi, Somalia and Palestine, in addition to providing the medical necessities 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. You can help 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 in over eight countries.

**Religious Giving:** As a Muslim-led organization, we are dedicated to bringing giving during all religious seasons dedicated to it. 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:** Part of the work in service to the communities we're active in, is amplifying their voices and advocating for their needs. Through these efforts, we are raising awareness and changing political wills to end poverty, hunger and suffering.

**Basis of Accounting**

The financial statements of PAUSA have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 Presentation of Financial Statements for Not-for-Profit Entities. The ASU was adopted for the year ended December 31, 2018.

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2019

Tax Status

PAUSA 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 the PAUSA is not a private foundation. PAUSA is required to report unrelated business income to the Internal Revenue Service and the State of Virginia.

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, 2019, PAUSA 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. Tax year ending December 31, 2018, 2017 and 2016 remain open with both Federal and state taxing authorities.

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include operating cash accounts, petty cash and highly liquid, short-term instruments with original maturities of three months or less.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor restrictions are recorded as net assets without donor restrictions.

Net Assets With Donor Restriction Net assets subject to donor or grantor imposed restrictions that will be met by the actions of PAUSA and/or the passage of time. When a restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

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

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2019

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.

Fair Value Measurement

PAUSA 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. PAUSA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Advertising Costs

Advertising 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.

New Accounting Pronouncements (Not Yet Adopted)

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. PAUSA plans to adopt the new ASUs at the respective required implementation dates.

**Note 2 – Grants and Accounts Receivable, Net**

At December 31, 2019 included in Grants and Accounts Receivable were the following:

Grants/accounts receivable due in less than one year	183,000
Less: allowance for doubtful accounts	<u>(43,920)</u>
Grants/accounts receivable, net of allowance	<u>\$ 139,080</u>

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

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2019

**Note 3 – Tangible and Intangible 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.

Tangible property and equipment consists of the following at December 31, 2019:

Furniture and fixtures	9,945
Office equipment	41,022
Auto	42,000
Accumulated depreciation	(19,704)
Book value	<u>\$ 73,263</u>

Intangible property and equipment consists of the following at December 31, 2019:

Website development	6,176
Software development	43,333
Amortization	(23,801)
Book value	<u>\$ 25,708</u>

Depreciation and amortization expense were \$12,001 and \$11,308 respectively for the period ended December 31, 2019

**Note 4 - 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, 2019.

Penny Appeal at Home	157,831
Education First	88,956
Emergency Response	1,065,947
Feed our World	203,617
Heal Humanity	103,864
Income Generation	187,310
Orphan Kind	646,827
Religious Giving	348,487
Thirst Relief	366,359
Advocacy	-
Total	<u>\$ 3,169,198</u>

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2019

**Note 5 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Penny Appeal at Home	86,630
Education First	22,046
Emergency Response	309,719
Feed our World	48,084
Heal Humanity	51,287
Income Generation	160,737
Orphan Kind	700,720
Religious Giving	38,574
Thirst Relief	302,440
Advocacy	166,283
Total	\$ 1,886,520

**Note 6 – Liquidity**

Liquidity and availability

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

Cash and Cash Equivalents	2,178,260
Grants/ Accounts receivable, net of allowance	139,158
Less: Amount restricted for Donor designations	(1,886,520)
Net Financial Assets Available within one year	\$ 430,898

PAUSA's policy is to structure its financial assets to become available as general expenditures, liabilities and other obligations become due. As of December 31, 2019, PAUSA has financial assets equal to three months of operating expenses.

**Note 7 - Commitments**

PAUSA leases office in Florida and North Carolina under non-cancellable operating leases expiring in April 2021 and August 2020 respectively. The organization also leases office space in Virginia month to month. Rent expense for the year ended December 31, 2019 was \$74,265.

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

December 31:	
2020	31,360
2021	4,600
Total	\$ 35,960

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2019

**Note 8 – In-kind Contributions**

PAUSA received \$23,558 in donated professional services and \$808,392 of Program Supplies in 2019. Donated Professional Services and Program Supplies are shown as both support and expense in the Statement of Activities.

**Note 9 - Concentration of Credit Risk**

Financial instruments that potentially expose PAUSA to concentrations of credit risk consist primarily of cash and cash equivalents. Bank deposit accounts at one institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. PAUSA maintained checking account balances which were in excess of federally insured limits (FDIC) at December 31, 2019. Management believes the risk is managed by maintaining all deposits with high quality financial institutions. PAUSA has not experienced, nor does it anticipate any loss of funds from its current concentration of risk.

**Note 10 - Functional Allocation of Expenses**

The cost of providing the various programs 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 benefitted. General and administrative costs have been allocated, when appropriate, to the programs and supporting services proportionately based on direct personnel costs.

**Note 11 - Subsequent Events**

In preparing these financial statements, PAUSA has evaluated events and transactions for potential recognition or disclosure through September 10, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact Penny Appeal USA operations. The overall potential impact is unknown at this time.

On May 4, 2020, PA USA received a Paycheck Protection Program loan in the amount of \$205,085 at 1% per year from Wells Fargo Bank due in 24 months. Monthly payments of \$8,634.34 shall commence on 11/2/20 and shall continue each month thereafter until maturity (5/4/2022). All unpaid principal, accrued interest, and any other unpaid amounts shall be due in full at maturity. PA USA plans to apply for forgiveness of the loan.