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Penny Appeal USA

Financial Statements  
And  
Independent Auditor's Report

Year Ended December 31, 2017  
(with summarized comparative financial information for the 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, 2017, 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, 2017, 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.

## **Report on Summarized Comparative Information**

We have previously audited Penny Appeal's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2017. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Abercrombie & Associates, LLC*

Abercrombie & Associates, LLC  
June 13, 2018  
Silver Spring, MD

Penny Appeal USA  
Statement of Financial Position  
December 31, 2017  
(with summarized comparative financial information December 31, 2016)

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 413,633	\$ 277,147
Grants and accounts receivable	39,739	375,282
Prepaid expenses	4,481	3,000
Deposits	2,350	2,350
Fixed Assets (Net)	36,946	14,528
<b>TOTAL ASSETS</b>	<b>\$ 497,148</b>	<b>\$ 672,307</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 155,233	\$ 116,618
<b>Total Liabilities</b>	<b>155,233</b>	<b>116,618</b>
 <b>NET ASSETS</b>		
Unrestricted	(76,176)	3,667
Restricted	418,091	552,022
<b>Total Net Assets</b>	<b>341,915</b>	<b>555,689</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 497,148</b>	<b>\$ 672,307</b>

The accompanying notes are an integral part of the financial statements

Penny Appeal USA  
Statement of Activities  
For the Year Ended December 31, 2017  
(with summarized comparative financial information December 31, 2016)

<b>Revenue</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2017 Total</b>	<b>2016 Total</b>
Contributions and grants	\$ 854,791	710,776	1,565,567	\$ 1,358,008
Interest income	-	-	-	8
Net assets released from restrictions	844,707	(844,707)	-	-
<b>Total Revenue and Support</b>	<u>1,699,498</u>	<u>(133,931)</u>	<u>1,565,567</u>	<u>1,358,016</u>
 <b>Expenses</b>				
Program Service	1,146,052	-	1,146,052	356,322
Management and General	236,438	-	236,438	62,140
Fundraising	396,851	-	396,851	383,865
<b>Total Expenses</b>	<u>1,779,341</u>	<u>-</u>	<u>1,779,341</u>	<u>802,327</u>
<b>Change in Net Assets</b>	(79,843)	(133,931)	(213,774)	555,689
<b>Net Assets, Beginning of Year</b>	<u>3,667</u>	<u>552,022</u>	<u>555,689</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ (76,176)</u>	<u>\$ 418,091</u>	<u>\$ 341,915</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, 2017  
(with summarized comparative financial information December 31, 2016)

	Domestic Programs	Emergency Response	Feed Our World	Income Generation	OrphanKind	Qurbani/ Udhiya	Thirst Relief	Total Program Expenses	Management & General Expenses	Fundraising Expenses	2017 Total Expenses	2016 Total Expenses
Salaries	64,426	13,166	32,213	32,213	32,213	-	32,213	206,444	129,262	35,006	370,712	277,851
Fringe benefits	8,445	8,445	287	4,222	4,222	-	4,222	29,843	3,715	11,234	44,792	33,243
Payroll taxes	5,186	1,012	2,593	2,593	2,593	-	2,593	16,570	11,383	3,362	31,315	25,379
Contractors	10,084	9,772	5,192	5,192	5,192	2,360	5,192	42,984	24,306	71,302	138,592	27,825
Marketing	21,758	29,426	9,211	9,211	9,226	-	9,211	88,043	23,870	91,453	203,366	129,990
Subgrant	38,512	186,741	35,496	37,000	40,000	50,000	282,775	670,524	-	-	670,524	112,840
Event	9,251	5,390	388	388	478	51	1,436	17,382	2,686	105,639	125,707	68,060
Travel	2,360	4,953	-	-	1,886	-	276	9,475	5,443	38,916	53,834	46,751
Rent	5,037	5,037	2,518	2,518	2,518	-	2,518	20,146	8,367	5,108	33,621	20,339
Information technology	2,946	2,784	1,473	1,473	1,473	163	1,473	11,785	9,525	8,283	29,593	15,048
Supplies	1,355	6,620	12	46	126	210	13	8,382	2,842	6,636	17,860	23,113
License and registrations	300	300	150	150	150	-	150	1,200	6,752	304	8,256	7,061
Insurance	-	-	-	-	-	-	-	-	407	37	444	1,664
Depreciation	521	261	261	261	261	261	261	2,087	865	529	3,481	1,060
Amortization	197	99	99	99	99	99	98	790	458	330	1,578	-
Postage and mailing	24	3,581	-	-	95	-	-	3,700	789	11,516	16,005	1,737
Meeting	81	-	-	-	-	-	-	81	2,486	3,877	6,444	1,377
Maintenance	-	-	-	-	-	-	-	-	-	-	-	1,986
Miscellaneous	-	-	-	-	-	-	-	-	2	-	2	1,731
Bank fees	3,247	3,697	1,605	2,021	1,685	2,601	1,760	16,616	3,280	3,319	23,215	5,272
<b>Total</b>	<b>173,730</b>	<b>281,284</b>	<b>91,498</b>	<b>97,387</b>	<b>102,217</b>	<b>55,745</b>	<b>344,191</b>	<b>1,146,052</b>	<b>236,438</b>	<b>396,851</b>	<b>1,779,341</b>	<b>802,327</b>

The accompanying notes are an integral part of the financial statements

Penny Appeal USA  
Statement of Cash Flows  
For the Year Ended December 31, 2017  
(with summarized comparative financial information December 31, 2016)

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$(213,774)	\$555,689
<b>Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	3,481	1,060
Amortization	1,578	-
Decrease(Increase) in receivables	335,543	(375,282)
(Increase) in prepaid expenses	(1,481)	(3,000)
(Increase) in deposits	-	(2,350)
Increase in accounts payable & accrued expenses	38,615	116,618
<b>Net cash provided by operating activities</b>	163,961	292,735
<b>Cash Flows from Investing Activities</b>		
Purchase of new equipment	(27,475)	(15,588)
<b>Net cash provided (used) by investing activities</b>	(27,475)	(15,588)
<b>Cash Flows from Financing Activities</b>		
<b>Net cash provided by financing activities</b>	-	-
<b>Increase (decrease) in Cash and Cash Equivalents</b>	136,486	277,147
<b>Cash and Cash Equivalents, Beginning of Year</b>	277,147	-
<b>Cash and Cash Equivalents, End of Year</b>	\$ 413,633	\$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, 2017

**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.

Penny Appeal's programs are as follows:

*Thirst Relief:* We provide communities with access to clean, safe drinking water by building wells in 11 countries around the world. By providing access to safe drinking water—as well as sanitation and hygiene education—we empower children to receive an education and women to work on income generation activities.

*Emergency Response:* In the United States and abroad, we conduct needs assessments in areas suffering from natural or man-made disasters such as wars, floods and earthquakes and to provide immediate relief in the form of food packets, access to water, access to medical care and access to shelter.

*Domestic Programs:* The two main programs in the United States are Beyond Bagged Lunches and Bridging the Digital Divide. Beyond Bagged Lunches 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. 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.

*OrphanKind:* This program is designed to help transform the lives of disadvantaged orphan children, offering them a better future in a secure family setting. With multiple donors providing each child with all the essentials for their emotional, psychological, and physical growth, we help every orphan pave a sustainable way to a brighter future in the face of tremendous loss.

*Income Generation:* This program seeks to give families economic independence. We're promoting sustainability and resilience among rural farmers by distributing goats to them. Goat farming plays a prominent role in supplementing the income of rural households particularly among landless, marginal, small farmers.

*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.

*Qurbani/Udhiya:* This is a seasonal food distribution program that focuses on providing meat to families who may not otherwise have reliable access to meat throughout the year. Each family, often women-led, receives up to 5 lbs. of fresh meat (beef or lamb).

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2017

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, 2017, 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.
- 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.

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2017

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's 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, 2017

**Note 2 - Grants and Accounts Receivable**

At December 31, 2017 included in Grants and Accounts Receivable were the following:

Grants/accounts receivable due in less than one year	\$ 39,379
Less: allowance for doubtful accounts	-
Grants/accounts receivable, net of allowance	<u>\$ 39,379</u>

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

**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, 2017:

Furniture and fixtures	\$ 3,748
Office equipment	19,258
Accumulated depreciation	(4,541)
Book value	<u>\$ 18,465</u>

Intangible property and equipment consists of the following at December 31, 2017:

Website development	\$ 6,176
Software development	13,883
Amortization	(1,578)
Book value	<u>\$ 18,481</u>

Depreciation and amortization expense were \$3,481 and \$1,578 respectively for the period ended December 31, 2017.

**Note 4 - Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at December 31, 2017:

Gaza emergency	\$ 1,354
Program Undesignated	416,737
Total	<u>\$ 418,091</u>

Penny Appeal USA  
Notes to Financial Statements  
December 31, 2017

**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, 2017.

Domestic programs	\$	54,701
Emergency response		213,427
Feed Our World		41,366
Income generation		46,038
OrphanKind		90,645
Qurbani		62,186
Thirst relief		336,344
Total	<u>\$</u>	<u>844,707</u>

**Note 6 - Commitments**

Penny Appeal leases its office space in Alexandria, VA under a non-cancellable operating lease which expired in June 2017. At the end of the 1 year rental agreement Penny Appeal has opted to extend the contract thereafter on a two-month to two-month basis. Rent expense for the year ended December 31, 2017 was \$33,621.

**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 2017 Penny Appeal received 48 percent of its contributions, revenue and support directly from one funder. As of December 31, 2017, 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 June 13, 2018, the date the financial statements were issued.