

Penny Appeal Canada

Financial statements

December 31, 2021

Penny Appeal Canada Contents

For the year ended December 31, 2021

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To the Board of Directors of Penny Appeal Canada:

Qualified Opinion

We have audited the financial statements of Penny Appeal Canada (the "Organization"), which comprise the balance sheet as at December 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to recorded donations, the deficiency (excess) of revenues over expenses, and cash flows from operations for the year ended December 31, 2021 and the nine month period ended December 31, 2020, current assets as at December 31, 2021 and 2020 and net assets as at December 31, 2021 and December 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Financial relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other matter

The financial statements of Penny Appeal Canada for the nine month period ended December 31, 2020 were audited by another firm of chartered professional accountants who expressed a qualified opinion on March 3, 2021 for the reasons described in the Basis for Qualified opinion paragraph.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Burlington, Ontario
August 2, 2022

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

Penny Appeal Canada

Statement of Operations

For the year ended December 31, 2021

	December 31, 2021			9 months ended December 31, 2020
	Unrestricted	Restricted	Total	Total
Revenue				
Donations	2,809,810	4,088,704	6,898,514	2,434,925
Gifts in kind	7,213,394	—	7,213,394	13,000
Operational grant <i>(note 7)</i>	1,068,716	—	1,068,716	1,494,790
Sponsorships	12,950	—	12,950	—
	11,104,870	4,088,704	15,193,574	3,942,715
Expenses				
Operating				
Overseas projects	67,296	10,552,421	10,619,717	1,438,888
Domestic projects	27,545	1,636,272	1,663,817	1,466,715
Program support				
Administration	823,714	—	823,714	233,556
Fundraising	3,161,105	—	3,161,105	807,606
	4,079,659	12,188,694	16,268,353	3,946,765
Net excess (deficiency) of revenue over expenses	7,025,211	(8,099,990)	(1,074,779)	(4,050)

The accompanying notes are an integral part of these financial statements.

Penny Appeal Canada

Balance sheet

As at December 31, 2021

	December 31	December 31
	2021	2020
Assets		
Current assets		
Cash	961,744	1,408,008
Accounts receivable	120,151	83,322
Government remittances receivable	156,271	48,670
Prepaid expenses	3,382	1,691
	1,241,548	1,541,691
Capital assets <i>(note 3)</i>	92,948	27,916
	1,334,496	1,569,607
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	356,520	189,006
Charitable program commitments <i>(note 4)</i>	2,014,405	1,342,251
	2,370,925	1,531,257
Net Assets		
Unrestricted	(1,895,636)	(241,876)
Restricted	859,207	280,226
	(1,036,429)	38,350
	1,334,496	1,569,607

Approved by the Board

_____, Director

_____, Director

The accompanying notes are an integral part of these financial statements.

Penny Appeal Canada
Statement of Changes in Net Assets

For the year ended December 31, 2021

	Unrestricted	Restricted	December 31, 2021 Total	December 31, 2020 Total
Net assets, beginning of year	(241,876)	280,226	38,350	42,400
Net excess (deficiency) of revenue over expenses	7,025,211	(8,099,990)	(1,074,779)	(4,050)
Interfund transfer (note 5)	(8,678,971)	8,678,971	—	—
Net assets, end of year	(1,895,636)	859,207	(1,036,429)	38,350

The accompanying notes are an integral part of these financial statements.

Penny Appeal Canada

Statement of Cash Flows

For the year ended December 31, 2021

	Year ended	9 months ended
	December 31, 2021	December 31, 2020
Operating activities		
Net deficiency of revenue over expenses	(1,074,779)	(4,050)
Non-cash items		
Amortization of capital assets	21,329	4,926
Receipt of gift in kind	(7,213,394)	(13,000)
Expenditure of gift in kind	7,213,394	13,000
Change in non-cash operating working capital items		
Accounts receivable	(36,829)	(72,952)
Operational grant receivable	—	460,000
Government remittances receivable	(107,601)	(42,805)
Prepaid expenses	(1,691)	(1,691)
Accounts payable and accrued liabilities	167,514	10,552,421
Charitable program commitments	672,154	1,661,272
	(359,903)	12,557,122
Investing activities		
Purchase of capital assets	(86,361)	(6,842)
Disposal of investment	—	10,000
Net excess (deficiency) of revenue over expenses	(86,361)	3,158
Net change in cash during the year	(446,264)	1,165,373
Cash, beginning of year	1,408,008	242,635
Cash, end of year	961,744	1,408,008

The accompanying notes are an integral part of these financial statements.

1. Description of business

Penny Appeal Canada (the "Organization") is a relief and development organization that began operations on April 1, 2019, with projects in over 30 countries around the world as well as domestic initiatives.

Penny Appeal Canada is a registered charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes under Registration Number 827502741 RR0001

Impact of COVID-19 on operations

As of the date of the financial statements, governments in the jurisdictions in which the Organization operates have declared states of emergency in response to the COVID-19 pandemic. All of the Organization's services continue to function with the implementation of enhanced health related safeguards. Management continues to assess the impact of the COVID-19 pandemic and governments' responses to it on the Organization. Portions of the financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements. However, there is inherent uncertainty about these assumptions and estimates which could result in outcomes that require adjustments to the carrying amounts of the affected assets or liabilities in the future.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of presentation

These financial statements include the assets and liabilities of the Organization's Canadian operations for which it has responsibility and the revenue and expenses for which the Organization enters into contracts with donors for the funding of projects in various countries.

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue of the unrestricted fund when the contributions are received or become receivable, if collection of the amount to be received is reasonably assured. Externally restricted contributions are recognized as revenue of the restricted fund when the contributions are received or become receivable, if collection of the amount to be received is reasonably assured. Other revenue is recognized at point of sale or when the service has been provided. Transfers between these funds are made to ensure the appropriate allocation of assets and liabilities to the respective funds. These inter-fund transfers are recorded as a component of changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

Unrestricted Fund

The unrestricted fund consists of undesignated donations and fundraising revenue less expenses in the operating fund. This fund primarily reflects the activities associated with the operations of the Organization's administrative activities.

Restricted Fund

The externally restricted fund accumulates contributions which must be used for the purpose specified by the donors. The restricted fund is segregated into programs as determined by the Organization's Board of Directors. Donations, fundraising and administrative expenses relating to specific programs are allocated accordingly.

2. Significant accounting policies *(continued from previous page)*

Gift in kind donations are valued at their estimated fair value. The recognition of revenue is based on when the Organization takes possession or title of the gift in kind where the Organization was the original recipient of the gift. Gift in kind revenue during the year was \$7,213,394 (\$13,000 in 9 months ending December 30, 2020).

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Interest earned on short-term investments and realized gains and losses on sale of short-term investments are included in operating revenues and expenses.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in excess of income over expenses as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to excess of revenue over expenses in the period the reversal occurs.

International operations

The Organization treats all funds remitted as part of charitable programs as expenditures once the contract is signed. Subsequent to receiving the final report, under spent programs are treated as an expense reduction, and recorded in other receivable. The amounts are either reimbursed to the Organization or applied to another program.

Expense allocation

The Organization classifies expenses in the statement of revenue and expenses by function. Expenses are recognized in the period they are incurred and are recorded to operating or program support to which they are directly related. The Organization does not allocate expenses between operating and program support after initial recognition.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the date of transaction. Foreign currency monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Foreign currency non-monetary assets are translated into Canadian dollars at exchange rates in effect at the time of acquisition. Any resulting foreign exchange gains or losses are included in the statement of operations.

Capital assets

Capital assets purchased in the year are recorded at cost. Amortization is calculated based on the estimated useful life of the asset, calculated on a declining balance basis at the following rates:

Vehicles	30%
Computer equipment	30%
Website costs	30%

Penny Appeal Canada
Notes to the financial statements
December 31, 2021

2. Significant accounting policies *(continued from previous page)*

Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Capital assets

	December 31, 2021	December 31, 2020
	Cost	Accumulated amortization
	Net book value	Net book value
Vehicles	13,299	5,310
Computer equipment	16,730	5,510
Website costs	89,174	15,435
	119,203	26,255
		7,989
		11,220
		73,739
		11,050
		10,002
		6,864
		27,916

4. Charitable program commitments

The Organization has committed to providing funding for local and overseas programs and will remit the funds to the required organizations within the next fiscal period.

5. Interfund transfers

During the period, \$8,678,971 (\$553,981 in nine months ending December 31, 2020) was transferred to the restricted fund from the unrestricted fund to cover additional charitable program expenditures in excess of restricted donations received. The Board of Directors reallocates unrestricted funds on restricted activities based on their investment decision.

6. Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Organization conducts a thorough assessment of credit issues prior to committing to the customers to mitigate this risk.

Liquidity risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2021, the most significant financial liability is charitable program commitments.

7. Economic dependence

Of the current year revenues recorded by the Organization, 7% (37% in nine months ending December 31, 2020) is derived from a grant from Penny Appeal (UK), a third-party used for all the Organization's overseas projects. In addition, 40% of the current revenue derived from two main sponsors which provided gifts in kind.

8. Comparative figures

Comparative figures have been reclassified to conform with current year presentation.