

Penny Appeal Canada

Financial statements

December 31, 2024

Penny Appeal Canada
Contents

For the year ended December 31, 2024

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To the Board of Directors of Penny Appeal Canada:

Opinion

We have audited the financial statements of Penny Appeal Canada (the "Organization"), which comprise the balance sheet as at December 31, 2024, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are 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 opinion.

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

June 17, 2025

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Penny Appeal Canada

Statement of Operations

For the year ended December 31, 2024

			2024	2023
	Unrestricted	Restricted	Total	Total
Revenue (note 7)				
Donations	4,695,482	9,457,614	14,153,096	19,483,297
Gifts in kind	1,970,098	—	1,970,098	1,058,059
Operational grant	45,172	—	45,172	33,831
Sponsorships	282,142	2,000	284,142	134,338
	6,992,894	9,459,614	16,452,508	20,709,525
Expenses (note 7)				
Operating				
Overseas projects	7,103	7,998,966	8,006,069	8,881,869
Domestic projects	6,185,077	1,006,778	7,191,855	7,314,606
Program support				
Administration	656,579	30,788	687,367	546,026
Fundraising	3,211,157	—	3,211,157	3,721,571
	10,059,916	9,036,532	19,096,448	20,464,072
Net (deficiency) excess of revenue over expenses	(3,067,022)	423,082	(2,643,940)	245,453

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

Penny Appeal Canada

Balance sheet

As at December 31, 2024

	2024	2023
Assets		
Current assets		
Cash	792,121	1,844,826
Accounts receivable (<i>note 7</i>)	739,360	2,455,792
Government remittances receivable	172,571	242,926
Prepaid expenses	159,597	359,374
Due from Penny Appeal UK (<i>note 3</i>)	204,968	191,712
	2,068,617	5,094,630
Capital assets (<i>note 4</i>)	183,722	103,515
	2,252,339	5,198,145
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (<i>note 7</i>)	3,645,598	3,424,533
Charitable program commitments (<i>note 5</i>)	2,762,775	3,285,706
	6,408,373	6,710,239
Net Assets		
Unrestricted	(12,779,200)	(5,721,768)
Restricted	8,623,166	4,209,674
	(4,156,034)	(1,512,094)
	2,252,339	5,198,145

Approved by the Board

Will Galvin

_____, Director

Will Galvin June 17th 2025

Sameena Qureishi

_____, Director

Sameena Qureishi June 17th 2025

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, 2024

	Unrestricted	Restricted	2024 Total	2023 Total
Net assets, beginning of year	(5,721,768)	4,209,674	(1,512,094)	(1,757,547)
Net (deficiency) excess of revenue over expenses	(3,067,022)	423,082	(2,643,940)	245,453
Interfund transfer (note 6)	(3,990,410)	3,990,410	—	—
Net assets, end of year	(12,779,200)	8,623,166	(4,156,034)	(1,512,094)

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

Penny Appeal Canada

Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Operating activities		
Net (deficiency) excess of revenue over expenses	(2,643,940)	245,453
Non-cash items		
Amortization of capital assets	40,316	32,231
Receipt of gifts in kind	(1,970,098)	(1,058,059)
Expenditure of gifts in kind	1,970,098	1,058,059
Loss on disposal of capital assets	3,051	—
Change in non-cash operating working capital items		
Accounts receivable	1,716,432	(2,308,570)
Government remittances receivable	70,355	(28,147)
Prepaid expenses	199,777	(359,374)
Due from Penny Appeal UK	(13,256)	(191,712)
Accounts payable and accrued liabilities	221,065	2,406,669
Charitable program commitments	(522,931)	1,302,055
	(929,131)	1,098,605
Investing activities		
Purchase of capital assets	(123,574)	(18,177)
Net change in cash during the year	(1,052,705)	1,080,428
Cash, beginning of year	1,844,826	764,398
Cash, end of year	792,121	1,844,826

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.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principals, and include the following significant accounting policies:

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.

Gift in kind donations

Gift in kind donations are recorded 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 \$1,970,098 (\$1,058,059 in 2023).

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

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.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transactions ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Organization has not made such an election during the year.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Organization initially measures financial instruments in a related party transaction ("related party financial instruments") at cost and subsequently, are measured at cost or amortized cost in accordance with Canadian accounting standards for private enterprises ("ASPE") Handbook Section 3856, related party financial instruments. Transaction costs directly attributable to related party transactions are immediately recognized in the statement of operations.

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

For related party debt instruments initially measured at cost, the Organization reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in the current year statement of operations.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

International operations

The Organization treats all funds paid 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 operations 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 allocates expenses between operating and program support after initial recognition.

Penny Appeal Canada
Notes to the financial statements
For the year ended December 31, 2024

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

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. Included in the statement of operations are translation gains of \$1,943 (\$20,637 loss in 2023).

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%
Furniture & fixtures	30%

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. Significant financial statement areas which involve the use of estimates include deferred revenue. 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.

Adoption of new accounting standard – Accounting for cloud computing arrangements

Effective January 1, 2024, the Organization adopted the ASPE's new guideline AcG-20 *Customer's Accounting for Cloud Computing Arrangements* (the "guideline"). Applying the new guideline results in the recognition, measurement, and disclosure of cloud computing arrangements, including the allocation of the arrangement consideration to significant separable elements of cloud computing arrangement.

Based on the available policy choices, the Organization has applied the simplification approach to account for expenditures in a cloud computing arrangement. Under the simplification approach, the Organization recognizes expenditures related to the elements in the cloud computing arrangement as expenses in the statement of operations based on the functional allocation of costs totaling \$165,207 (\$109,806 in 2023).

There were no changes to the amounts presented or disclosed in the financial statements as a result of adopting the guideline.

3. Due from Penny Appeal UK

Amount due from Penny Appeal UK is non-interest bearing and with no set terms of repayment.

4. Capital assets

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Vehicles	13,299	10,253	3,046	4,127
Computer equipment	57,022	25,416	31,606	25,780
Website costs	245,215	99,671	145,544	69,660
Furniture & fixtures	4,139	613	3,526	3,948
	319,675	135,953	183,722	103,515

Penny Appeal Canada
Notes to the financial statements
For the year ended December 31, 2024

5. 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 totaling \$2,762,775 (\$3,285,706 in 2023).

6. Interfund transfers

During the period, \$3,990,410 (\$1,852,426 in 2023) 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.

7. Related party transactions

The Organization's transactions with its related parties, by brand-affiliation, are carried out in the normal course of operations. Transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Transactions for the year are summarized below:

Related party	2024	2023
Revenue		
Penny Appeal UK	132,347	-
Penny Appeal USA Inc.	1,207,140	-
Penny Appeal UAE	123,166	-
	1,462,653	-
Expenses		
Penny Appeal Australia Ltd.	530,216	726,866
Penny Appeal PK	959,805	481,371
Penny Appeal South Africa	91,386	20,221
Penny Appeal UK	230,038	1,952,985
Penny Appeal USA Inc.	-	152,045
	1,811,445	3,333,488

Below are the details for the related party amounts included in accounts receivable and accounts payable in respect of these transactions.

Related party	2024	2023
Accounts receivable		
Penny Appeal USA Inc.	252,832	-
Penny Appeal South Africa	-	26
	252,832	26
Accounts payable		
Penny Appeal Australia Ltd.	312,801	151,409
Penny Appeal PK	569,376	364,482
Penny Appeal UK	826,293	709,999
Penny Appeal UAE	-	123,166
	1,708,470	1,349,056

8. 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, 2024, the most significant financial liabilities are accounts payable and accrued liabilities and charitable program commitments.