

**Penny Appeal Canada**

**Financial statements**

*December 31, 2023*

# Penny Appeal Canada Contents

*For the year ended December 31, 2023*

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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, 2023, 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, 2023, 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 25, 2024

**MNP LLP**

Chartered Professional Accountants

Licensed Public Accountants

# Penny Appeal Canada

## Statement of Operations

*For the year ended December 31, 2023*

			2023	2022
	Unrestricted	Restricted	Total	Total
<b>Revenue</b>				
Donations	7,969,166	11,514,131	19,483,297	11,532,505
Gifts in kind	1,058,059	—	1,058,059	1,267,901
Operational grant <i>(note 8)</i>	33,831	—	33,831	45,300
Sponsorships	134,338	—	134,338	175,990
	<b>9,195,394</b>	<b>11,514,131</b>	<b>20,709,525</b>	<b>13,021,696</b>
<b>Expenses</b>				
Operating				
Overseas projects	20,637	8,861,232	8,881,869	6,837,350
Domestic projects	4,755,447	2,559,159	7,314,606	4,168,025
Program support				
Administration	540,469	5,557	546,026	420,540
Fundraising	3,721,436	135	3,721,571	2,316,899
	<b>9,037,989</b>	<b>11,426,083</b>	<b>20,464,072</b>	<b>13,742,814</b>
<b>Net excess (deficiency) of</b>				
<b>revenue over expenses</b>	<b>157,405</b>	<b>88,048</b>	<b>245,453</b>	<b>(721,118)</b>

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

# Penny Appeal Canada

## Balance sheet

As at December 31, 2023

	2023	2022
<b>Assets</b>		
Current assets		
Cash	1,844,826	764,398
Accounts receivable	2,455,792	147,222
Government remittances receivable	242,926	214,779
Prepaid expenses	359,374	—
Due from Penny Appeal UK (note 3)	191,712	—
	5,094,630	1,126,399
Capital assets (note 4)	103,515	117,569
	5,198,145	1,243,968
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	3,424,533	1,017,864
Charitable program commitments (note 5)	3,285,706	1,983,651
	6,710,239	3,001,515
<b>Net Assets</b>		
Unrestricted	(5,721,768)	(4,026,747)
Restricted	4,209,674	2,269,200
	(1,512,094)	(1,757,547)
	5,198,145	1,243,968

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, 2023*

	Unrestricted	Restricted	2023 Total	2022 Total
<b>Net assets, beginning of year</b>	<b>(4,026,747)</b>	<b>2,269,200</b>	<b>(1,757,547)</b>	(1,036,429)
Net excess (deficiency) of revenue over expenses	157,405	88,048	245,453	(721,118)
Interfund transfer (note 6)	(1,852,426)	1,852,426	—	—
<b>Net assets, end of year</b>	<b>(5,721,768)</b>	<b>4,209,674</b>	<b>(1,512,094)</b>	(1,757,547)

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

## Penny Appeal Canada Statement of Cash Flows

*For the year ended December 31, 2023*

	2023	2022
<b>Operating activities</b>		
Net deficiency of revenue over expenses	245,453	(721,118)
Non-cash items		
Amortization of capital assets	32,231	37,150
Receipt of gift in kind	(1,058,059)	(1,267,901)
Expenditure of gift in kind	1,058,059	1,267,901
Change in non-cash operating working capital items		
Accounts receivable	(2,308,570)	(27,071)
Government remittances receivable	(28,147)	(58,508)
Prepaid expenses	(359,374)	3,383
Due from Penny Appeal UK	(191,712)	—
Accounts payable and accrued liabilities	2,406,669	661,344
Charitable program commitments	1,302,055	(30,754)
	<b>1,098,605</b>	<b>(135,574)</b>
<b>Investing activities</b>		
Purchase of capital assets	(18,177)	(61,771)
Net change in cash during the year	<b>1,080,428</b>	<b>(197,346)</b>
Cash, beginning of year	764,398	961,744
<b>Cash, end of year</b>	<b>1,844,826</b>	<b>764,398</b>

*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 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.

*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 \$1,058,059 (\$1,267,901 in 2022).

**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.

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.

*Related party financial instruments*

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

*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 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.

*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.

**Penny Appeal Canada**  
**Notes to the financial statements**  
*For the year ended December 31, 2023*

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

*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. 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. 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**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2023 Net book value</b>	2022 Net book value
Vehicles	<b>13,299</b>	<b>9,172</b>	<b>4,127</b>	5,592
Computer equipment	<b>42,309</b>	<b>16,529</b>	<b>25,780</b>	17,587
Website costs	<b>139,495</b>	<b>69,835</b>	<b>69,660</b>	94,390
Furniture & Fixtures	<b>4,049</b>	<b>101</b>	<b>3,948</b>	—
	<b>199,152</b>	<b>95,637</b>	<b>103,515</b>	117,569

**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.

**6. Interfund transfers**

During the period, \$1,852,426 (\$2,167,604 in 2022) 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. 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, 2023, the most significant financial liabilities are accounts payable and accrued liabilities and charitable program commitments.

**8. Economic dependence**

Of the current year revenues recorded by the Organization, 5% (10% in 2022) of the current revenue derived from one main sponsor (one in 2022) which provided gifts in kind.