Financial statements of
Penny Appeal Canada

March 31, 2020

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Independent Auditor's Report

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 March 31, 2020 and April 1, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended March 31, 2020, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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 March 31, 2020, 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 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 excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2020, current assets and net assets as at April 1, 2019 and March 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 qualified audit 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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 13, 2020

Penny Appeal Canada
Statement of operations
Year ended March 31, 2020

	Notes	Unrestricted $	Restricted $	2020 Total $
Revenue				
Donations		**54,304**	**713,718**	**768,022**
Operational grant	6	**701,661**	—	**701,661**
		755,965	**713,718**	**1,469,683**
Expenses				
Operating				
Overseas projects		—	**701,676**	**701,676**
Domestic projects		**7,067**	**220,038**	**227,105**
Program support				
Administration		**144,712**	—	**144,712**
Fundraising		**384,635**	**227**	**384,862**
		536,414	**921,941**	**1,458,355**
Excess of revenue over expenses		**219,551**	**(208,223)**	**11,328**

The accompanying notes are an integral part of the financial statements

Penny Appeal Canada

Balance sheet

As at April 1, 2019 and March 31, 2020

	Notes	March 31, 2020 $	April 1, 2019 $
Assets			
Current assets			
Cash		**242,635**	31,072
Investments		**10,000**	—
Accounts receivable		**10,370**	—
Operational grant receivable	6	**460,000**	—
Government remittances receivable		**5,865**	—
		728,870	31,072
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**4,986**	—
Charitable program commitments	4	**681,484**	—
		686,470	—
Net assets			
Unrestricted		**21,164**	31,072
Restricted		**21,236**	—
		728,870	31,072

The accompanying notes are an integral part of the financial statements

Approved by the Board

Aleem Hussain, Director Aleem Hussain

_______________________________, Director

	Notes	Unrestricted $	March 31, 2020 Restricted $
Net assets, beginning of year		**31,072**	**—**
Excess of revenue over expenses		**219,551**	**(208,223)**
Interfund transfer	5	**(229,459)**	**229,459**
Net assets, end of year		**21,164**	**21,236**

The accompanying notes are an integral part of the financial statements

Penny Appeal Canada

Statement of cash flows

Year ended March 31, 2020

	2020
	$
Operating activities	
Excess of revenue over expenses	**11,328**
Change in non-cash operating working capital items	
Accounts receivable	**(10,370)**
Operational grant receivable	**(460,000)**
Government remittances receivable	**(5,865)**
Accounts payable and accrued liabilities	**4,986**
Charitable program commitments	**681,484**
	221,563
Investing activities	
Purchase of investments	**(10,000)**
Net change in cash during the year	**211,563**
Cash, beginning of year	**31,072**
Cash, end of year	**242,635**

The accompanying notes are an integral part of the 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.

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.

2. Significant accounting policies (continued)

Financial instruments (continued)

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 year 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.

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 year. 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. Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Of the outstanding receivable balances at year end, 97% was due from Penny Appeal (UK) recorded as an Operational grant receivable. 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 March 31, 2020, the most significant financial liability is charitable program commitments.

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 year.

5. Interfund transfers

During the year, $229,459 was transferred to the restricted fund from the unrestricted fund to cover additional charitable program expenditures in excess of restricted donations received.

6. Economic dependence

Of the current year revenues recorded by the Organization, 47% is derived from a grant from Penny Appeal (UK), a third-party used for all the Organization's overseas projects.