DROPLETS OF MERCY INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Droplets of Mercy Inc.

Qualified Opinion
We have audited the financial statements of Droplets of Mercy Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2024, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion
In common with many not-for-profit organizations, the Organization derives revenue from donations, and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were unable to determine whether any adjustments might be necessary to donations, and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2024 and 2023, current assets as at December 31, 2024 and net assets as at Janaury 1, December 31, 2024 and December 31, 2023. Our audit opinion on the financial statements for the year ended December 31, 2023 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified 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 ASNPO, 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.

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INDEPENDENT AUDITOR'S REPORT, continued

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.

AGT Partners LLP

Woodbridge, Ontario
June 30, 2025

AGT Partners LLP
Licensed Public Accountants

DROPLETS OF MERCY INC.

Statement of Financial Position
As at December 31, 2024

	2024	2023
ASSETS		
Current		
Cash (Note 3)	$ 1,291,586	$ 3,403,986
Donations receivable	17,167	175
Government remittances	41,663	-
Prepaid expenses	22,462	-
Short term investment (Note 4)	70,000	70,000
Due from related organization (Note 5)	408,193	-
	1,851,071	3,474,161
Office Equipment (Note 6)	9,173	-
	$ 1,860,244	$ 3,474,161
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 914,207	$ 18,665
General Fund	946,037	3,455,496
	$ 1,860,244	$ 3,474,161

ON BEHALF OF THE BOARD

Anisa Boland (Jun 30, 2025 21:16 EDT) Director

Fawaaz Safeek (Jun 30, 2025 21:06 EDT) Director

(The accompanying notes are an integral part of these financial statements)

DROPLETS OF MERCY INC.
Statement of Operations
Year ended December 31, 2024

	General Funds 2024	Restricted Funds 2024	December 31 2024	December 31 2023
Revenues				
Donations	$ 1,182,040	$ 2,613,780	$ 3,795,820	$ 5,865,305
Other income	6,533	115,770	122,303	-
	1,188,573	2,729,550	3,918,123	5,865,305
Expenses				
Program expenses				
Contributions towards international agreements	-	3,490,518	3,490,518	1,983,499
Other direct program related expenses	110,286	1,157,841	1,268,127	32,310
Program support				
Fundraising	1,245,944	6,000	1,251,944	1,672,103
Administration	373,804	43,189	416,993	215,795
	1,730,034	4,697,548	6,427,582	3,903,707
Excess revenues (expenses) for the year	$ (541,461)	$ (1,967,998)	$ (2,509,459)	$ 1,961,598

(The accompanying notes are an integral part of these financial statements)

DROPLETS OF MERCY INC.

Statement of Changes in Net Assets
For the year ended December 31, 2024

	General Funds 2024	Restricted Funds 2024	December 31 2024	December 31 2023
Net assets, beginning of year	$ 3,455,496	$ -	$ 3,455,496	$ 1,493,898
Excess revenues (expenses) for the year	(541,461)	(1,967,998)	(2,509,459)	1,961,598
Interfund transfers	(1,967,998)	1,967,998	-	-
Net assets (deficiency), ending of year	$ 946,037	$ -	$ 946,037	$ 3,455,496

(The accompanying notes are an integral part of these financial statements)

DROPLETS OF MERCY INC.
Statement of Cash Flows
For the year ended December 31, 2024

	2024	2023
Operating activities		
Net Income	$ (2,509,459)	$ 1,961,598
Adjustments for		
Amortization	1,619	-
Change in non-cash working capital items		
Accounts receivable	(16,992)	328,371
Prepaid expenses	(22,462)	-
Due to/from related parties	(408,193)	-
Accounts payable and accrued liabilities	895,541	18,665
Government remittances	(41,663)	-
	(2,101,609)	2,308,634
Investing activities		
Office Equipment	(10,791)	-
Short term investment	-	(70,000)
	(10,791)	(70,000)
Increase (decrease) in cash	(2,112,400)	2,238,634
Cash, beginning of year	3,403,986	1,165,352
Cash, end of year	$ 1,291,586	$ 3,403,986

(The accompanying notes are an integral part of these financial statements)

1. Nature of operations

Droplets of Mercy Inc. is a charitable organization incorporated on November 7, 2018 without share capital under the Canada Not-for-profit Corporation Act. The Organization's purpose is to provide necessities of life such as food and shelter to victims of disasters, to relieve poverty by providing food and other basics necessities of life to poor families, and to preach and advance teachings of the Muslim faith.

The Organization is exempt from income tax under the Canadian Income Tax Act. The Organization obtained its charity status on January 1, 2024.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue 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. 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.

Fundraising revenue is recognized when the events are complete and when cash is received.

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 expenses relating to specific programs are allocated accordingly.

(b) Contributed services

Directors and volunteers contribute a significant amount of time each year in carrying out the Organization's activities, however, the value of volunteer time is not recognized in these financial statements as fair market value cannot be reasonably determined.

2. Significant accounting policies, continued

(c) Financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for securities quoted in an active market, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash, short-term investment, and donations receivable. Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

(d) Financial asset impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write-down reflects the difference between the carrying amount and the higher of:

i) The present value of the future cash flows expected to be generated by the asset or group of assets, discounted using a current market rate of interest;

ii) The amount that could be realized by selling the asset or group of assets;

iii) The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

(e) International operations

The Organization treats all funds remitted to donees as expenditures in the year payment is made. Subsequently upon receiving the final program report from the donee, under spent programs are treated as an expense reduction in the year this information becomes available, and recorded receivable. The amounts are either reimbursed to the Organization or applied to another approved program.

(f) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Significant accounting policies, continued

(g) Leases

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Organization are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is amortized on the same basis as described above. Payments under operating leases are expensed as incurred.

(h) Foreign exchange

Monetary assets and liabilities of the Organization which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

(i) Computer Equipment

Computer equipment is recorded at cost. The Organization provides for amortization using the declining balance method at rates designed to amortize the cost of the computer equipment over its estimated useful life. The annual amortization rates are as follows:

Computer equipment	Declining balance	30%

(j) Impairment of long-lived assets

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

3. Cash

Cash consists of restricted and unrestricted cash collected on an ongoing basis. Restricted funds received for specified expenditures which have not been fully incurred, are not used for general operations other than certain defined expenses mandated by the Board of Directors.

4. Short term investment

The Organization made an investment in GICs in the amount of $70,000 (2023 - $70,000). It is earning an interest at 3.65% (2023 - 4%). It matures in 2025 (2023 - 2024). Therefore, it is recorded as current.

5. Due from related organization

	General Funds 2024	Restricted Funds 2024	December 31 2024	December 31 2023
Droplets of Mercy USA Inc.	$ 408,193	$ -	$ 408,193	$ -

The loan is non-interest bearing, unsecured, and due on demand.

6. Office Equipment

	Cost	Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Computer equipment	$ 10,791	$ 1,618	$ 9,173	$ -

7. Related party transactions

During the year, the Organization paid in the amount of $52,741 (2023 - $138,604) in conulting fees to its director who is also the CEO. This amount is included in program support cost.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. Financial instruments

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, fair value, currency, liquidity, market or credit risks arising from its financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates.

(b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk by constantly monitoring its accounts receivable and creating an allowance for bad debts when applicable. In the opinion of management the credit risk exposure to the Organization is low and is not material.

The Organization's cash is also subject to credit risk. The Organization minimizes its risk by maintaining cash with two major financial institutions.

(c) Liquidity risk

Liquidity risk is the risk the Organization may not be able to meet its obligations. The Organization manages this risk by maintaining sufficient cash on hand to settle obligations as they arise. In the opinion of management the liquidity risk exposure to the Organization is low and is not material.

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Final Audit Report 2025-07-01

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