

DROPLETS OF MERCY INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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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, 2025, 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, 2025, 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, 2025 and 2024, current assets as at December 31, 2025 and net assets as at January 1, December 31, 2025 and December 31, 2024. Our audit opinion on the financial statements for the year ended December 31, 2024 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.



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.

Woodbridge, Ontario
June 29, 2026

AGT Partners LLP
AGT Partners LLP
Licensed Public Accountants

DROPLETS OF MERCY INC.

Statement of Financial Position

As at December 31, 2025

	2025	2024
ASSETS		
Current		
Cash (Note 3)	\$ 1,446,115	\$ 1,291,586
Donations receivable	13,444	17,167
Government remittances	49,771	41,663
Prepaid expenses	12,032	22,462
Short term investment (Note 4)	70,000	70,000
	<u>1,591,362</u>	<u>1,442,878</u>
Due From Related Organizations (Note 5)	420,214	408,193
Office Equipment (Note 6)	6,421	9,173
	<u>426,635</u>	<u>417,366</u>
	<u>\$ 2,017,997</u>	<u>\$ 1,860,244</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 2,450,654	\$ 914,207
General Fund	-	946,037
Restricted Fund	(432,657)	-
	<u>(432,657)</u>	<u>946,037</u>
	<u>\$ 2,017,997</u>	<u>\$ 1,860,244</u>

ON BEHALF OF THE BOARD

Anisa Bolaud Director

Fawaaz Safeek Director

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

DROPLETS OF MERCY INC.

Statement of Operations

Year ended December 31, 2025

	General Funds	Restricted	December 31	December 31
	2025	Funds	2025	2024
		2025		
Revenues				
Donations	\$ 1,514,033	\$ 1,850,324	\$ 3,364,357	\$ 3,795,820
Donations and private grants from other charities	225,587	168,697	394,284	122,303
Donations from international organizations	1,870,312	371,126	2,241,438	-
Donations in kind (Note 8)	-	2,066,157	2,066,157	-
Other income	2,555	-	2,555	-
	<u>3,612,487</u>	<u>4,456,304</u>	<u>8,068,791</u>	<u>3,918,123</u>
Expenses				
Program expenses				
Contributions towards international agreements	344,382	6,185,637	6,530,019	3,490,518
Donations to qualified donees	215,470	-	215,470	1,146,023
Other direct program related expenses	360,875	132,326	493,201	122,104
Program support				
Fundraising	1,688,951	-	1,688,951	1,251,944
Administration	519,844	-	519,844	416,993
	<u>3,129,522</u>	<u>6,317,963</u>	<u>9,447,485</u>	<u>6,427,582</u>
Excess revenues (expenses) for the year	\$ 482,965	\$ (1,861,659)	\$ (1,378,694)	\$ (2,509,459)

(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, 2025

	General Funds 2025	Restricted Funds 2025	December 31 2025	December 31 2024
Net assets, beginning of year	\$ 946,037	\$ -	\$ 946,037	\$ 3,455,496
Excess revenues (expenses) for the year	482,965	(1,861,659)	(1,378,694)	(2,509,459)
Interfund transfers	(1,429,002)	1,429,002	-	-
Net assets (deficiency), ending of year	\$ -	\$ (432,657)	\$ (432,657)	\$ 946,037

(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, 2025

	2025	2024
Operating activities		
Net Income	\$ (1,378,694)	\$ (2,509,459)
Adjustments for Amortization	2,752	1,619
Change in non-cash working capital items		
Accounts receivable	3,723	(16,992)
Prepaid expenses	10,430	(22,462)
Accounts payable and accrued liabilities	1,536,447	895,541
Government remittances	(8,108)	(41,663)
	166,550	(1,693,416)
Investing activities		
Due to/from related parties	(12,021)	(408,193)
Office Equipment	-	(10,791)
	(12,021)	(418,984)
Increase (decrease) in cash	154,529	(2,112,400)
Cash, beginning of year	1,291,586	3,403,986
Cash, end of year	\$ 1,446,115	\$ 1,291,586

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

Droplets of Mercy Inc.

Notes to the Financial Statements
December 31, 2025

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.

Donations in kind are recorded at their appraised or fair value only if the donor provides an appraisal or invoice to support the value. When recorded as a donation an equivalent amount is recorded as an expense.

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.

Droplets of Mercy Inc.

Notes to the Financial Statements

December 31, 2025

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.

The Organization has agreements with Droplets of Mercy to implement programs as directed by the Organization. During 2025, the Organization executed several international charitable programs through Droplets of Mercy with a value of \$2,241,437 (2024 - \$Nil).

(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.

Droplets of Mercy Inc.

Notes to the Financial Statements

December 31, 2025

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%
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(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.

Droplets of Mercy Inc.

Notes to the Financial Statements

December 31, 2025

4. Short term investment

The Organization made an investment in GICs in the amount of \$70,000 (2024 - \$70,000). It is earning an interest at 2%-3% (2024 - 3.65%). It matures in 2026 (2024 - 2025). Therefore, it is recorded as current.

5. Due From Related Organizations

	2025	2025	2025	2024
Droplets of Mercy USA Inc.	\$ 408,193	\$ -	\$ 408,193	\$ 408,193
Droplets of Mercy UK Inc.	12,021	-	12,021	-
	<u>\$ 420,214</u>	<u>\$ -</u>	<u>\$ 420,214</u>	<u>\$ 408,193</u>

These loans are non-interest bearing, unsecured, and no terms of repayment.

6. Office Equipment

	Cost	Accumulated Amortization	2025 Net Book Value	2024 Net Book Value
Computer equipment	\$ 10,791	\$ 4,370	\$ 6,421	\$ 9,173

7. Related party transactions

During the year, the Organization paid in the amount of \$Nil (2024 - \$52,741) in consulting 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. Donation in kind

During the year, the Organization received donated medical supplies with a fair value of \$2,066,157 (2024 - \$Nil). Donation in kind revenue is recognized in the statements of operations. The corresponding expense, recognized as these supplies were distributed, is included in Contributions towards international agreements.

9. 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.

10. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

CERTIFICATE *of* SIGNATURE

REF. NUMBER
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DOCUMENT COMPLETED BY ALL PARTIES ON
30 JUN 2026 14:35:42
UTC

SIGNER

TIMESTAMP

SIGNATURE

FAWAAZ SAFE EK

EMAIL
FAWAAZ@DROPLETSOFMERCY.ORG

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SIGNED
30 JUN 2026 00:37:34



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ANISA BOLAND

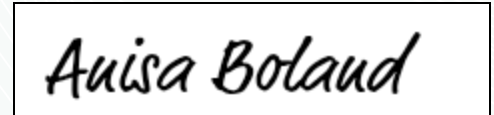
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