

Business Council for Peace, Inc.

REPORT ON FINANCIAL STATEMENTS

For the years ended September 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Business Council for Peace, Inc.
Water Mill, New York

I have audited the accompanying financial statements of Business Council for Peace, Inc. which comprise the statement of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT

(continued)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Business Council for Peace, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the Organization's 2017 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated February 7, 2018. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gregory N. Ferraris

GNFerraris, CPA, LLC

January 29, 2019
Sag Harbor, New York

BUSINESS COUNCIL FOR PEACE, INC.**STATEMENT OF FINANCIAL POSITION****September 30,**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 95,882	\$ 57,679
Grants and contracts receivable	40,427	
Prepaid expense	1,860	2,300
Total current assets	<u>138,169</u>	<u>59,979</u>
Total assets	<u>\$ 138,169</u>	<u>\$ 59,979</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,994	\$ 20,368
Accrued expenses	7,000	7,000
Deferred grant revenue	82,796	38,590
Total current liabilities	<u>102,790</u>	<u>65,958</u>
Total liabilities	102,790	65,958
NET ASSETS		
Unrestricted (deficit)	<u>35,379</u>	<u>(5,979)</u>
Total net assets	<u>35,379</u>	<u>(5,979)</u>
Total liabilities and net assets	<u>\$ 138,169</u>	<u>\$ 59,979</u>

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

BUSINESS COUNCIL FOR PEACE, INC.

STATEMENT OF ACTIVITIES

Years ended September 30,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>(memo only) 2017</u>
SUPPORT AND REVENUE				
Contributed services	\$ 2,016,215		\$ 2,016,215	\$ 1,469,731
Contributions	245,777	\$ 10,715	256,492	147,387
Grants and contracts	95,194		95,194	119,257
Fundraising	66,850		66,850	
Dues	57,310		57,310	43,686
Fast runner fees	9,833		9,833	5,902
Investment income			-	20
Total support and revenue	<u>2,491,179</u>	<u>10,715</u>	<u>2,501,894</u>	<u>1,785,983</u>
Net assets released from restrictions:	<u>10,715</u>	<u>(10,715)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restrictions	2,501,894	-	2,501,894	1,785,983
OPERATING EXPENSES				
Program	2,140,396		2,140,396	1,685,446
General and administrative	279,945		279,945	304,561
Fundraising	40,225		40,225	36,512
Total operating expenses	<u>2,460,566</u>	<u>-</u>	<u>2,460,566</u>	<u>2,026,519</u>
Increase (decrease) in net assets from operations	41,328	-	41,328	(240,536)
NON-OPERATING ACTIVITIES				
Realized gain on sale of marketable securities	30		30	74
Total non-operating activities	<u>30</u>	<u>-</u>	<u>30</u>	<u>74</u>
Change in net assets	41,358	-	41,358	(240,462)
NET ASSETS, beginning of year	<u>(5,979)</u>		<u>(5,979)</u>	<u>234,483</u>
NET ASSETS, end of year	<u>\$ 35,379</u>	<u>\$ -</u>	<u>\$ 35,379</u>	<u>\$ (5,979)</u>

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

BUSINESS COUNCIL FOR PEACE, INC.

STATEMENT OF CASH FLOWS

Years ended September 30,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 41,358	\$ (240,462)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments	(30)	(74)
(Increase) decrease in asset accounts affecting cash from operations		
Grants and contracts receivable	(40,427)	
Prepaid expense	440	(414)
Deposits		1,200
Increase (decrease) in liability accounts affecting cash from operations		
Accounts payable	(7,374)	12,186
Deferred revenue	44,206	38,590
Net cash provided by (used in) operating activities	<u>38,173</u>	<u>(188,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution of investments	(12,276)	(26,090)
Proceeds from sales of investments	12,306	26,164
Net cash provided by investing activities	<u>30</u>	<u>74</u>
Net increase (decrease) in cash and cash equivalents	38,203	(188,900)
Cash and cash equivalents, beginning of year	<u>57,679</u>	<u>246,579</u>
Cash and cash equivalents, end of year	<u><u>\$ 95,882</u></u>	<u><u>\$ 57,679</u></u>
Supplemental data of cash flow information:		
Cash paid for interest:	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes:	<u>\$ -</u>	<u>\$ -</u>
Fixed assets financed with accounts payable:	<u>\$ -</u>	<u>\$ -</u>

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

BUSINESS COUNCIL FOR PEACE, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

Years ended September 30,

	<u>2018</u>	<u>2017</u>
PROGRAM EXPENSES		
Contributed services	\$ 1,762,227	\$ 1,191,695
Guatemala	139,245	225,341
Volunteer coordination	70,348	76,639
El Salvador	66,359	108,796
Lebanon	51,561	
Other	27,588	
Afghanistan	12,323	64,194
New country	10,745	18,781
Total program expenses	<u>\$ 2,140,396</u>	<u>\$ 1,685,446</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Contributed services	\$ 243,297	\$ 266,334
Independent contractors	11,210	4,817
Payroll taxes	7,315	16,266
Accounting	7,000	7,000
Paypal and Auctionpay expense	4,496	3,515
Payroll processing	2,398	3,629
Merchant fees	1,428	337
Bank fees	1,408	1,018
Insurance	866	867
Office	527	778
Total general and administrative expenses	<u>\$ 279,945</u>	<u>\$ 304,561</u>
FUNDRAISING EXPENSES		
Independent contractors	\$ 20,271	\$ 8,340
Contributed services	10,691	11,702
Events	6,041	9,560
SofterWare	2,366	2,394
Other	856	3,466
Personnel		1,050
Total fundraising expenses	<u>\$ 40,225</u>	<u>\$ 36,512</u>

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

Nature of Organization

The Business Council for Peace, Inc. (the Organization) is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's purpose is to organize United States and international volunteers to help entrepreneurs in historically violent areas to expand their businesses, create significant employment for all, and expand the economic power of women. More jobs mean less violence.

1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies are described as follows:

Basis of Presentation

Under accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. A description of the Organization's net assets categories is as follows:

- *Permanently restricted net assets* contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- *Temporarily restricted net assets* contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- *Unrestricted net assets* are not restricted by donors, or the donor-imposed restrictions have expired.

As of September 30, 2018, there were no permanently or temporarily restricted net assets.

Support Recognition

Under accounting principles generally accepted in the United States of America, the Organization records contributions as receivables and revenues and require the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Support Recognition, continued

The Organization follows the policy of reporting donor-imposed restricted contributions whose restrictions are met within the same fiscal year as unrestricted support.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments purchased with maturity of three months or less to be cash equivalents. The fair value of cash and cash equivalents approximates carrying value.

Fair Value Measurements

Financial assets required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy for fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Inputs may include pricing information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" may require significant judgment. The Organization considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the risks associated with that instrument. Application of these provisions has not resulted in any change in the measurement of the carrying value of any of the Organization's financial assets or liabilities.

Grant Receivables

When the Organization invoices in accordance with grant terms, a grant receivable is recorded at net realizable value. Once the receivable is older than thirty days it is considered past due. The Organization periodically evaluates the balances in the various aging categories as well as the status of any significant past due amounts to determine if any balances are uncollectible. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly to earnings.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Grant Revenue

When the Organization receives funding from a grant agreement prior to performing services in accordance with the agreement, those funds are considered deferred revenue. When the Organization has met the terms of the agreement, the balance is recognized as income in the year earned.

Property, Plant and Equipment

Currently, the Organization owns no property, plant and equipment. The Organization's volunteer members use their own computers, phones, etc. and outside contractors are hired for other office needs.

Financial Instruments

The Organization's financial instruments consist of accounts payable and other accrued liabilities. It is management's opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair values of these instruments are the market values of these financial instruments, and approximate their carrying value.

Contributed Services

Contributed services are recognized in the financial statements at their fair value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- The services enhance or create an asset.

See **Note 6** for additional information on contributed services.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. Section 501(c)(3) of the code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, and whose net earnings do not inure to the benefit of any member or individual.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**Uncertain Tax Positions**

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken, and had concluded that as of September 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and amounts of support and expense during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation

Expenses have been classified by specific functions where ascertainable. Those expenses that cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage. Functional expenses for the year ended September 30, 2018 were 87%, 11% and 2% for Program, General and Administrative and Fundraising, respectively. Functional expenses for the year ended September 30, 2017 were 83%, 15% and 2% for Program, General and Administrative and Fundraising, respectively.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the current presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

2 – DATE OF MANAGEMENT’S REVIEW

Under accounting principles generally accepted in the United States of America, the Organization has evaluated events that occurred after September 30, 2018, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued. Such date was January 29, 2019 for the accompanying financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements.

3 – GRANT AND CONTRACT REVENUE

The Organization was awarded a grant from the US Embassy in the amount of \$19,730 for the period September 30, 2015 through June 30, 2017, extended to August 30, 2017. During the year ended September 30, 2018 and 2017, a total of \$1,973 and \$9,865 was received from the US Embassy on this grant, respectively.

The Organization was awarded a grant by a private foundation in the amount of \$300,000 for the period July 6, 2015 through September 30, 2018. This grant is restricted for use for activities carried out in Guatemala. The terms of the grant allow for progress payments based on achievement of specific targets. The main goal is to increase the revenue trajectory of forty Guatemala small-medium sized enterprises and their ability to create additional jobs. During the year ended September 30, 2018 and 2017, a total of \$52,794 and \$74,392 was received from the Foundation on this grant, respectively. Deferred revenue from the Foundation was \$82,796 and \$38,590 as of September 30, 2018 and 2017, respectively.

The Organization entered into a contract with a private enterprise in the amount of \$149,996 for the period August 7, 2018 through September 30, 2019. Funding received as part of this contract is restricted for use for activities carried out in El Salvador. During the year ended September 30, 2018 a total of \$15,677 was received. Contract receivable from the company was \$15,677 as of September 30, 2018.

The Organization entered into a contract with a private enterprise in the amount of \$49,500 for the period August 9, 2018 through February 15, 2019. Funding received as part of this contract is restricted for use for activities carried out in a new country. During the year ended September 30, 2018 a total of \$24,750 was received. Contract receivable from the company was \$24,750 as of September 30, 2018.

4 – FUNDRAISING ACTIVITIES

The activities of the Organization are supported primarily through memberships, contributions, and fund-raising activities.

5 – NET ASSET CLASSIFICATION

For the year ended September 30, 2018 and 2017 the Organization used temporarily restricted and unrestricted funds to fund temporarily restricted activities. The Organization recorded the following activity in temporarily restricted net assets as of September 30, 2018 and 2017 and for the year then ended as follows:

	2018	2017
Expenditures:		
Guatemala	\$ 139,245	\$ 225,341
El Salvador	66,359	108,796
Lebanon	51,561	
Afghanistan	12,323	64,194
Total	<u>\$ 269,488</u>	<u>\$ 398,331</u>
Funded by:		
Unrestricted	\$ 258,773	\$ 397,934
Temporarily restricted	10,715	397
Total	<u>\$ 269,488</u>	<u>\$ 398,331</u>

6 – CONTRIBUTED SERVICES

The Organization has 318 volunteers registered as members and approximately 122 volunteers have donated their professional time to provide pro bono consulting services and training related to our programs in Guatemala, El Salvador and Lebanon. Most volunteers who travel for consulting and training expeditions pay for all or part of their own travel and accommodations.

Some administrative duties of the Organization are performed by volunteers. Contribution revenue from services for the year ended September 30, 2018 and 2017 was measured based on the fair market value of those services, and the amounts recognized were as follows:

	2018	2017
Program administration	\$ 632,857	\$ 635,029
Guatemala	614,221	323,621
Lebanon	384,251	56,915
Volunteer coordination	197,549	81,332
El Salvador	178,073	314,216
In kind services	4,887	
Afghanistan	4,377	58,618
Total	<u>\$ 2,016,215</u>	<u>\$ 1,469,731</u>

BUSINESS COUNCIL FOR PEACE, INC.

REPORT ON FINANCIAL STATEMENTS

Years ended September 30, 2018 and 2017

6 – CONTRIBUTED SERVICES (continued)

These amounts were also reflected as expenses and allocated between program services, general and administrative and fundraising as follows:

	<u>2018</u>	<u>2017</u>
Program services	\$ 1,762,227	\$ 1,191,695
General and administrative	243,297	266,334
Fundraising	10,691	11,702
Total	<u>\$ 2,016,215</u>	<u>\$ 1,469,731</u>