

Business Council for Peace, Inc.

REPORT ON FINANCIAL STATEMENTS

For the years ended September 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Business Council for Peace, Inc.
New York, 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, 2016 and 2015, 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.

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, 2016 and 2015, 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 2015 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated January 5, 2016. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Gregory N. Ferraris, CPA, LLC

January 15, 2017
Sag Harbor, New York

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

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 246,579	\$ 232,734
Restricted		27,655
Deposits	1,200	21,125
Prepaid expense	1,886	8,867
Total current assets	<u>249,665</u>	<u>290,381</u>
Total assets	<u>\$ 249,665</u>	<u>\$ 290,381</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,182	\$ 2,539
Accrued expenses	7,000	6,500
Deferred revenue		27,655
Total current liabilities	<u>15,182</u>	<u>36,694</u>
Total liabilities	15,182	36,694
NET ASSETS		
Unrestricted	<u>234,483</u>	<u>253,687</u>
Total net assets	<u>234,483</u>	<u>253,687</u>
Total liabilities and net assets	<u>\$ 249,665</u>	<u>\$ 290,381</u>

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

BUSINESS COUNCIL FOR PEACE, INC.

STATEMENT OF ACTIVITIES

Years ended September 30,

	Unrestricted	Temporarily Restricted	Total 2016	(memo only) 2015
SUPPORT AND REVENUE				
Contributed services	\$ 1,447,532		\$ 1,447,532	\$ 1,809,048
Fundraising	400,505		400,505	377,830
Contributions	267,124	\$ 498	267,622	302,626
Grants	95,529		95,529	182,121
Dues	44,334		44,334	40,502
Investment income	24		24	
Total support and revenue	<u>2,255,048</u>	<u>498</u>	<u>2,255,546</u>	<u>2,712,127</u>
Net assets released from restrictions:	<u>498</u>	<u>(498)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restrictions	2,255,546	-	2,255,546	2,712,127
OPERATING EXPENSES				
Program	1,760,776		1,760,776	2,080,457
General and administrative	287,096		287,096	324,396
Fundraising	227,520		227,520	267,568
Total operating expenses	<u>2,275,392</u>	<u>-</u>	<u>2,275,392</u>	<u>2,672,421</u>
Increase (decrease) in net assets from operations	(19,846)	-	(19,846)	39,706
NON-OPERATING ACTIVITIES				
Realized gain on sale of marketable securities	642		642	72
Total non-operating activities	<u>642</u>	<u>-</u>	<u>642</u>	<u>72</u>
Change in net assets	(19,204)	-	(19,204)	39,778
NET ASSETS, beginning of year	<u>253,687</u>		<u>253,687</u>	<u>213,909</u>
NET ASSETS, end of year	<u>\$ 234,483</u>	<u>\$ -</u>	<u>\$ 234,483</u>	<u>\$ 253,687</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>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (19,204)	\$ 39,778
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments	(642)	(72)
(Increase) decrease in asset accounts affecting cash from operations		
Deposits	19,925	(1,125)
Prepaid expense	6,981	(1,489)
Increase (decrease) in liability accounts affecting cash from operations		
Accounts payable	5,643	(22,358)
Accrued expenses	500	
Deferred revenue	(27,655)	27,655
Net cash (used in) provided by operating activities	<u>(14,452)</u>	<u>42,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution of investments	(79,684)	(54,552)
Proceeds from sales of investments	80,326	54,624
Net cash provided by investing activities	<u>642</u>	<u>72</u>
Net (decrease) increase in cash and cash equivalents	(13,810)	42,461
Cash and cash equivalents, beginning of year	<u>260,389</u>	<u>217,928</u>
Cash and cash equivalents, end of year	<u>\$ 246,579</u>	<u>\$ 260,389</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>2016</u>	<u>2015</u>
PROGRAM EXPENSES		
Contributed services	\$ 1,142,562	\$ 1,420,974
Central America	435,083	425,550
Volunteer coordination	103,225	147,715
Afghanistan	61,673	86,218
Other	18,233	
Total program expenses	<u>\$ 1,760,776</u>	<u>\$ 2,080,457</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Contributed services	\$ 235,253	\$ 271,838
Payroll taxes	21,524	18,004
Independent contractors	10,352	12,433
Accounting	7,000	6,500
Paypal and Auctionpay expense	4,030	3,750
Payroll processing	3,690	3,059
Office supplies	1,873	460
Insurance	1,687	2,378
Bank fees	999	3,710
Merchant fees	551	1,859
Other	137	405
Total general and administrative expenses	<u>\$ 287,096</u>	<u>\$ 324,396</u>
FUNDRAISING EXPENSES		
Contributed services	\$ 69,717	\$ 116,236
Events	126,635	132,212
Grant development	19,420	10,554
Other	6,194	3,269
Personnel	3,500	2,800
SofterWare	2,054	2,497
Total fundraising expenses	<u>\$ 227,520</u>	<u>\$ 267,568</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 conflict-affected 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, 2016 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.

Grant Deferred 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.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 8* 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.

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, 2016, 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 2013.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 were 77%, 13% and 10% for Program, General and Administrative and Fundraising, respectively. Functional expenses for the year ended September 30, 2015 were 78%, 12% and 10% 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, 2015, from which the summarized information was derived.

2 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 15, 2017, the date that the financial statements were available to be issued.

3 – DEPOSITS

The Organization signed a contract with a venue to secure the location for the 2017 annual meeting. As these amounts represent an expense for a future period, they have been recorded as deposits on the statement of financial position. Upon completion of the meeting in the subsequent year, the amounts will be reclassified to expense.

4 – GRANT 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. During the year ended September 30, 2016, a total of \$7,892 was received from the US Embassy on this grant.

4 – GRANT REVENUE (continued)

The Organization was awarded a grant by a private foundation in the amount of \$300,000 for the period July 6, 2015 through July 5, 2018. This grant is restricted for use for activities carried out in the Guatemalan region. 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, 2016 and 2015, a total of \$54,982 and \$35,000 was received from the Foundation on this grant, respectively.

5 – NET ASSET CLASSIFICATION

For the year ended September 30, 2016 and 2015 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, 2016 and 2015 and for the year then ended as follows:

	<u>2016</u>	<u>2015</u>
Expenditures:		
Central America	\$ 435,083	\$ 425,550
Afghanistan	61,673	86,218
	<u>\$ 496,756</u>	<u>\$ 511,768</u>
Total		
Funded by:		
Unrestricted	\$ 496,258	\$ 503,721
Temporarily restricted	498	8,047
	<u>\$ 496,756</u>	<u>\$ 511,768</u>
Total		

6 – FUNDRAISING ACTIVITIES

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

7 – RETIREMENT PLAN

The Organization currently provides a 401(k) retirement plan for its employees. Under the plan, qualified employees can defer up to \$18,000 (\$24,000 if age 50 or older). The Organization does not provide a match.

8 – CONTRIBUTED SERVICES

The Organization has 390 volunteers registered as members and approximately 165 volunteers have donated their professional time to provide pro bono consulting services and training to the Afghan, and Central American entrepreneurs in the Bpeace program. Most volunteers who travel to Afghanistan, and Central America 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, 2016 and 2015 was measured based on the fair market value of those services, and the amounts recognized were as follows:

	2016	2015
Program administration	\$ 757,489	\$ 638,993
Central America	542,728	938,844
Volunteer coordination	72,449	30,495
In kind services	48,994	100,157
Afghanistan	25,872	100,559
Total	<u>\$ 1,447,532</u>	<u>\$ 1,809,048</u>

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

	2016	2015
Program services	\$ 1,142,562	\$ 1,420,974
General and administrative	235,253	271,838
Fundraising	69,717	116,236
Total	<u>\$ 1,447,532</u>	<u>\$ 1,809,048</u>