

Business Council for Peace, Inc.

REPORT ON FINANCIAL STATEMENTS

For the years ended September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Business Council for Peace, Inc.
Southampton, 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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 I 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years 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 2020 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 7, 2020. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GNFerraris LLC

Certified Public Accountant
Sag Harbor, New York

February 4, 2022

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

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 848,389	\$ 578,463
Grants and contracts receivable	46,305	7,420
Prepaid expense	2,120	
Total current assets	<u>896,814</u>	<u>585,883</u>
Total assets	<u>\$ 896,814</u>	<u>\$ 585,883</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,061	\$ 14,626
Accrued expenses	8,000	7,000
Contract liabilities	168,996	144,375
Current portion of long term debt	1,254	1,794
Total current liabilities	<u>188,311</u>	<u>167,795</u>
LONG-TERM LIABILITIES		
SBA loan payable	<u>153,837</u>	<u>148,206</u>
Total long-term liabilities	<u>153,837</u>	<u>148,206</u>
Total liabilities	342,148	316,001
NET ASSETS		
Unrestricted	<u>554,666</u>	<u>269,882</u>
Total net assets	<u>554,666</u>	<u>269,882</u>
Total liabilities and net assets	<u>\$ 896,814</u>	<u>\$ 585,883</u>

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

BUSINESS COUNCIL FOR PEACE, INC**STATEMENT OF ACTIVITIES**

Years ended September 30,

	2021	Memo only 2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE		
Contributed services	\$ 2,147,498	\$ 2,179,935
Contributions	296,883	254,722
Dues	61,313	51,315
Fast runner fees	57,358	46,546
Fundraising	5,815	43,651
Interest income	15	3
Net assets released from restrictions	719,830	449,790
Total operating revenue	3,288,712	3,025,962
OPERATING EXPENSES		
Regional-based programing	2,878,771	2,797,358
Administrative	138,721	66,982
Fundraising	50,094	60,540
Total operating expenses	3,067,586	2,924,880
Change in net assets without donor restrictions	221,126	101,082
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contracts	660,630	449,790
Contributions	59,200	
Net assets released from restrictions	(719,830)	(449,790)
Change in net assets with donor restrictions	-	-
NON-OPERATING ACTIVITIES		
Realized gain on sale of marketable securities	6,158	2,626
Conditional contribution- SBA PPP	57,500	57,500
Change in net assets	63,658	60,126
Change in net assets	284,784	161,208
NET ASSETS		
Beginning of year	269,882	108,674
End of year	\$ 554,666	\$ 269,882

See accompanying auditor's report and notes to financial statements.

BUSINESS COUNCIL FOR PEACE, INC.**STATEMENT OF CASH FLOWS**

Years ended September 30,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 284,784	\$ 161,208
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments	(6,158)	(2,626)
(Increase) decrease in asset accounts affecting cash from operations		
Grants and contracts receivable	(38,885)	21,517
Prepaid expense	(2,120)	531
Increase (decrease) in liability accounts affecting cash from operations		
Accounts payable and accrued expenses	(3,565)	6,403
Contract liabilities	24,621	144,375
Net cash provided by operating activities	<u>258,677</u>	<u>331,408</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution of investments	(26,670)	(26,126)
Proceeds from sales of investments	32,828	28,752
Net cash provided by investing activities	<u>6,158</u>	<u>2,626</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	5,091	150,000
Net cash provided by financing activities	<u>5,091</u>	<u>150,000</u>
Net increase in cash and cash equivalents	269,926	484,034
Cash and cash equivalents, beginning of year	<u>578,463</u>	<u>94,429</u>
Cash and cash equivalents, end of year	<u>\$ 848,389</u>	<u>\$ 578,463</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>2021</u>	<u>2020</u>
PROGRAM EXPENSES		
Contributed services	\$ 2,083,896	\$ 1,969,232
Regional-based programming	794,875	617,423
Total program expenses	<u>\$ 2,878,771</u>	<u>\$ 2,586,655</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Contributed services	\$ 49,015	\$ 86,197
Independent contractors	34,541	25,595
Payroll taxes	27,609	19,159
Accounting	9,797	7,000
Merchant fees	6,181	6,902
Interest	5,091	
Payroll processing	2,344	2,412
Office	1,996	3,537
Bank fees	1,285	1,846
Insurance	862	531
Total general and administrative expenses	<u>\$ 138,721</u>	<u>\$ 153,179</u>
FUNDRAISING EXPENSES		
Contributed services	\$ 14,587	\$ 124,506
Personnel	27,900	5,307
Independent contractors	3,973	2,641
Donor software	3,051	571
Events	583	52,021
Total fundraising expenses	<u>\$ 50,094</u>	<u>\$ 185,046</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 crisis 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 two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- *Net assets without donor restriction* are not subject to or are no longer subject to donor-imposed stipulations and are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.
- *Net assets with donor restrictions* 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. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

As of September 30, 2021, there were no net assets with donor restrictions.

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.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Support Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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

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.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial Instruments**

The Organization's financial instruments consist primarily of cash, grant receivables, trade payables, deferred revenue and debt instruments. It is management's opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. The carrying values of cash, grants receivables, trade payables, and deferred revenue are considered to be representative of their respective fair values. The carrying value of the Organization' debt instruments approximate their fair values as of September 30, 2021 and 2020 based on current incremental borrowing rates for similar types of borrowing arrangements.

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.

Contract Liabilities

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.

Revenue Recognition and Contract Liabilities

The Organization derives its revenues primarily from receiving contributions from the general public, government agencies, philanthropic foundations, and other organizations.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give- that is, those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met.

1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**Conditional Contributions - SBA Paycheck Protection Program Loans**

On May 14, 2020, the Organization received loan proceeds in the amount of \$57,500 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or up to 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The Organization submitted a forgiveness application in February 2021 which was approved by the Small Business Administration. In accordance with ASC 958-605, the loan balance has been reported as a conditional contribution as of September 30, 2020 as the expenses for the purpose of the loan have been incurred and the expectations met.

On June 11, 2021, the Organization received loan proceeds in the amount of \$57,500 under a second draw of the Paycheck Protection Program (“PPP”). The Organization submitted a forgiveness application which was approved by the Small Business Administration on December 3, 2021. In accordance with ASC 958-605, the loan balance has been reported as a conditional contribution as of September 30, 2021 as the expenses for the purpose of the loan have been incurred and the expectations met.

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.

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, 2021, 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 2018.

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, 2021 were 94%, 4% and 2% for Program, General and Administrative and Fundraising, respectively. Functional expenses for the year ended September 30, 2020 were 89%, 5% and 6% 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, 2020, 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, 2021, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued. Such date was February 4, 2022 for the accompanying financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements other than what is disclosed in Note 11.

3 – LONG TERM DEBT

On June 24, 2020, the Organization received proceeds from an Economic Injury Disaster Loan (“EIDL”) from the Small Business Administration related to the “CARES ACT” in the amount of \$150,000. The Board authorized the use of these proceeds to fund on going operations due to the shutdown caused by the COVID-19 pandemic. Monthly installment payments have been deferred for two years during which interest will accrue. Payments of \$674, including principal and interest will begin on June 24, 2022 at the rate of 2.75% over thirty years. The loan is collateralized by general business assets of the Organization.

4 – GRANT AND CONTRACT REVENUE

The Organization was awarded grants by private foundations restricted for use for activities carried out in Guatemala and El Salvador. The terms of the grants allow for progress payments based on achievement of specific targets. The main goal is to increase the revenue trajectory of Guatemalan and El Salvadoran small and growing businesses. The amounts awarded, recognized as revenue and deferred as a contract liability as of September 30, 2021 is summarized as follows:

	<u>Grant 1</u>	<u>Grant 2</u>	<u>Grant 3</u>	<u>Grant 4</u>	<u>Grant 5</u>	<u>Total</u>
Period	01/01/20- 12/31/22	10/01/20- 09/30/20	09/18/20- 04/17/21	09/17/21- 06/09/23	05/18/21- 02/27/22	
Total Award	<u>\$ 838,145</u>	<u>\$ 84,000</u>	<u>\$ 149,946</u>	<u>\$ 231,525</u>	<u>\$ 180,000</u>	<u>\$1,483,616</u>
Revenue	<u>\$ 309,375</u>	<u>\$ 56,004</u>	<u>\$ 149,946</u>	<u>\$ 46,305</u>	<u>\$ 99,000</u>	<u>\$ 660,630</u>
Receivable				<u>\$ 46,305</u>		<u>\$ 46,305</u>
Contract Liability	<u>\$ 165,000</u>	<u>\$ 3,996</u>				<u>\$ 168,996</u>

5– FUNDRAISING ACTIVITIES

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

6– NET ASSET CLASSIFICATION

For the year ended September 30, 2021 and 2020 the Organization used net asset with donor restriction and net asset without donor restriction funds to fund donor restricted activities attributable to the specific locations listed below. The Organization recorded the following activity in donor restricted net assets as of September 30, 2021 and 2020 and for the year then ended as follows:

	2021	2020
Expenditures:		
Regional-based programming	\$ 794,875	617,423
Total	<u>\$ 794,875</u>	<u>\$ 617,423</u>
Funded by:		
Net assets without donor restriction	\$ 75,045	\$ 167,633
Net assets with donor restriction	719,830	449,790
Total	<u>\$ 794,875</u>	<u>\$ 617,423</u>

7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position sheet date, comprise the following:

	2021	2020
Financial assets available within one year and free of donor restrictions:		
Cash and cash equivalents	\$ 848,389	\$ 578,463
Contribution receivable	46,305	7,420
Total financial assets	<u>\$ 894,694</u>	<u>\$ 585,883</u>
Contractual or donor-imposed restrictions:		
Cash restricted by others to specific uses		
Regional-based programming	(168,996)	(144,375)
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 725,698</u>	<u>\$441,508</u>

See Note 11, “COVID-19 FINANCIAL STATEMENTS IMPACT” for additional information which may have liquidity ramifications.

8 – CONTRIBUTED SERVICES

The Organization has 337 Skillanthropist volunteer members registered and approximately 163 donated their professional time in fiscal year 2021 to pro bono advisory, consultancy and training related to our work, including our job creation programs in El Salvador, Guatemala, the United States and Afghanistan.

Some administrative duties of the Organization are performed by volunteers. Contribution revenue from services for the year ended September 30, 2021 and 2020 was measured based on the fair market value of those services. These amounts were reflected as expenses and allocated between program services, general and administrative and fundraising as follows:

	2021	2020
Regional-based programing	\$ 2,083,896	\$ 1,969,232
General and administrative	49,015	86,197
Fundraising	14,587	124,506
Total	<u>\$ 2,147,498</u>	<u>\$ 2,179,935</u>

9– COMMITMENTS AND CONTINGENCIES

As detailed in Note 4, the Organization entered into several grant agreements with private foundations. The Organization receives periodic payments of the total grant award, contingent on the acceptance and approval of various milestones as stipulated in the agreements. The Organization will submit final reports at the conclusion of the respective grant periods at which time final payment will be received.

10– CONCENTRATIONS

The Organization maintains cash deposits at Chase Bank located in Eastern Long Island. Deposits maintained at an insured bank are insured by the Federal Deposit Insurance Corporation “FDIC” up to \$250,000. The Organization had an uninsured cash balance of \$595,755 and \$328,463 in excess of the \$250,000 FDIC coverage at September 30, 2021 and 2020.

11– NON-RECOGNIZED SUBSEQUENT EVENT

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.