

**Business Council for Peace, Inc.**

**REPORT ON FINANCIAL STATEMENTS**

**For the years ended September 30, 2015 and 2014**

**BUSINESS COUNCIL FOR PEACE, INC.**

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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, 2015 and 2014, 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, 2015 and 2014, 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 2014 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated January 21, 2015. In my opinion, the summarized comparative information presented herein as of and for the fiscal year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Gregory N. Ferraris, CPA, LLC

January 5, 2016  
Sag Harbor, New York

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

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Unrestricted	\$ 232,734	\$ 217,928
Restricted	27,655	
Deposits	21,125	20,000
Prepaid expense	8,867	7,378
Total current assets	<u>290,381</u>	<u>245,306</u>
 Total assets	 <u>\$ 290,381</u>	 <u>\$ 245,306</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,539	\$ 24,897
Accrued expenses	6,500	6,500
Deferred revenue	27,655	
Total current liabilities	<u>36,694</u>	<u>31,397</u>
 Total liabilities	 36,694	 31,397
 <b>NET ASSETS</b>		
Unrestricted	<u>253,687</u>	<u>213,909</u>
Total net assets	<u>253,687</u>	<u>213,909</u>
 Total liabilities and net assets	 <u>\$ 290,381</u>	 <u>\$ 245,306</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 2015	(memo only) 2014
<b>SUPPORT AND REVENUE</b>				
Contributed services	\$ 1,809,048		\$ 1,809,048	\$ 1,651,723
Fundraising	377,830		377,830	296,549
Contributions	301,924	\$ 702	302,626	254,776
Grants	174,776	7,345	182,121	200,000
Dues	40,502		40,502	46,940
Total support and revenue	<u>2,704,080</u>	<u>8,047</u>	<u>2,712,127</u>	<u>2,449,988</u>
Net assets released from restrictions:	<u>8,047</u>	<u>(8,047)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restrictions	2,712,127	-	2,712,127	2,449,988
<b>OPERATING EXPENSES</b>				
Program	2,080,457		2,080,457	1,937,954
General and administrative	324,396		324,396	248,440
Fundraising	267,568		267,568	271,616
Total operating expenses	<u>2,672,421</u>	<u>-</u>	<u>2,672,421</u>	<u>2,458,010</u>
Increase (decrease) in net assets from operations	39,706	-	39,706	(8,022)
<b>NON-OPERATING ACTIVITIES</b>				
Realized gain on sale of marketable securities	<u>72</u>		<u>72</u>	<u>771</u>
Total non-operating activities	72	-	72	771
Change in net assets	39,778	-	39,778	(7,251)
NET ASSETS, beginning of year	<u>213,909</u>		<u>213,909</u>	<u>221,160</u>
NET ASSETS, end of year	<u>\$ 253,687</u>	<u>\$ -</u>	<u>\$ 253,687</u>	<u>\$ 213,909</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>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 39,778	\$ (7,251)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments	(72)	(771)
Increase in asset accounts affecting cash from operations		
Deposits	(1,125)	
Prepaid expense	(1,489)	(2,378)
Increase (decrease) in liability accounts affecting cash from operations		
Accounts payable	(22,358)	20,145
Deferred revenue	27,655	
Net cash provided by operating activities	<u>42,389</u>	<u>9,745</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Contribution of investments	(54,552)	(4,818)
Proceeds from sales of investments	54,624	5,589
Net cash provided by investing activities	<u>72</u>	<u>771</u>
<b>Net increase in cash and cash equivalents</b>	42,461	10,516
<b>Cash and cash equivalents, beginning of year</b>	<u>217,928</u>	<u>207,412</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 260,389</u>	<u>\$ 217,928</u>
<b>Supplemental data of cash flow information:</b>		
Cash paid for interest:	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes:	<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>2015</u>	<u>2014</u>
<b>PROGRAM EXPENSES</b>		
Contributed services	\$ 1,420,974	\$ 1,308,680
Central America	425,550	405,433
Volunteer coordination	147,715	97,063
Afghanistan	86,218	93,841
Rwanda		32,937
Total program expenses	<u>\$ 2,080,457</u>	<u>\$ 1,937,954</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Contributed services	\$ 271,838	\$ 193,274
Payroll taxes	18,004	14,869
Independent contractors	12,433	9,675
Accounting	6,500	6,500
Paypal and Auctionpay expense	3,750	4,238
Bank fees	3,710	3,889
Payroll processing	3,059	3,221
Insurance	2,378	2,805
Merchant fees	1,859	2,110
Office supplies	460	1,668
Other	405	191
Personnel		6,000
Total general and administrative expenses	<u>\$ 324,396</u>	<u>\$ 248,440</u>
<b>FUNDRAISING EXPENSES</b>		
Contributed services	\$ 116,236	\$ 149,769
Events	132,212	108,850
Grant development	10,554	8,973
Other	3,269	1,382
Personnel	2,800	
SofterWare	2,497	2,642
Total fundraising expenses	<u>\$ 267,568</u>	<u>\$ 271,616</u>

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



## **BUSINESS COUNCIL FOR PEACE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**Years ended September 30, 2015 and 2014**

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#### **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, 2015 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.

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.

*1 – SIGNIFICANT ACCOUNTING POLICIES (continued)*

**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.

**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.

*1 – SIGNIFICANT ACCOUNTING POLICIES (continued)*

**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 5* 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, 2015, 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 2012.

**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, 2015 were 78%, 12% and 10% for Program, General and Administrative and Fundraising, respectively. Functional expenses for the year ended September 30, 2014 were 80%, 10% and 10% for Program, General and Administrative and Fundraising, respectively.

**BUSINESS COUNCIL FOR PEACE, INC.****NOTES TO FINANCIAL STATEMENTS****Years ended September 30, 2015 and 2014***1 – SIGNIFICANT ACCOUNTING POLICIES (continued)***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, 2014, 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 5, 2016, 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 2016 gala. 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 gala in the subsequent year, the amounts will be reclassified to expense.

*4 – DEFERRED REVENUE*

The Organization was awarded a grant from a private foundation in the amount of \$300,000 for the period July 6, 2015 through July 5, 2018. A payment of \$35,000 was received at the signing of the contract, prior to the performance of services. As of September 30, 2015 a total of \$7,345 in expenses were allocated to the grant in fulfillment of grant terms, representing earned income. The remaining amount of \$27,655 has been recorded as deferred revenue on the statement of financial position.

*5 – NET ASSET CLASSIFICATION*

For the year ended September 30, 2015 and 2014 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, 2015 and 2014 and for the year then ended as follows:

	2015	2014
<b>Expenditures:</b>		
Central America	\$ 425,550	\$ 405,433
Afghanistan	86,218	93,841
Rwanda	<u>                    </u>	<u>32,937</u>
<b>Total</b>	<b><u>\$ 511,768</u></b>	<b><u>\$ 532,211</u></b>
<b>Funded by:</b>		
Unrestricted	\$ 503,721	\$ 481,246
Temporarily Restricted	<u>8,047</u>	<u>50,965</u>
<b>Total</b>	<b><u>\$ 511,768</u></b>	<b><u>\$ 532,211</u></b>

**BUSINESS COUNCIL FOR PEACE, INC.****NOTES TO FINANCIAL STATEMENTS****Years ended September 30, 2015 and 2014****6 – GRANT REVENUE**

The Organization was awarded a grant from the US Dept of State in the amount of \$374,776 for the period September 30, 2013 through June 30, 2015. During the year ended September 30, 2015, a total of \$174,776 was received from the US Department of State on this grant.

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, 2015, a total of \$35,000 was received from the Foundation on this grant.

**7 – CONTRIBUTED SERVICES**

The Organization has 360 volunteers registered as members and approximately 180 volunteers have donated their professional time to provide pro bono consulting services and training to the Afghan, Rwandan, and Central American entrepreneurs in the Bpeace program. Most volunteers who travel to Afghanistan, Rwanda, 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, 2015 and 2014 was measured based on the fair market value of those services, and the amounts recognized were as follows:

	<u>2015</u>	<u>2014</u>
Central America	\$ 938,844	\$ 753,421
Program administration	638,993	674,345
In kind services	100,157	111,952
Afghanistan	100,559	91,879
Volunteer coordination	30,495	13,022
Rwanda		<u>7,104</u>
Total	<u>\$1,809,048</u>	<u>\$ 1,651,723</u>

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

	<u>2015</u>	<u>2014</u>
Program services	\$1,420,974	\$1,308,680
General and administrative	271,838	193,274
Fundraising	<u>116,236</u>	<u>149,769</u>
Total	<u>\$1,809,048</u>	<u>\$1,651,723</u>

**BUSINESS COUNCIL FOR PEACE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended September 30, 2015 and 2014**

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*8 – FUNDRAISING ACTIVITIES*

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

*9 – RETIREMENT PLAN*

The Organization currently provides a 401(k) retirement plan for its employees. Under the plan, qualified employees can defer up to \$17,500 (\$23,000 if age 50 or older). The Organization does not provide a match.