

**Business Council for Peace, Inc.**

**REPORT ON FINANCIAL STATEMENTS**

**For the years ended September 30, 2023 and 2022**

**CONTENTS**

	<u>Page</u>
<b>Independent Auditor's Report</b>	3
<b>Financial Statements</b>	
Statement of Financial Position	5
Statement of Activities and Change in Net Assets	6
Statement of Cash Flows	7
Statement of Functional Expenses	8
<b>Notes to Financial Statements</b>	9 – 15

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

I have audited the accompanying financial statements of Business Council for Peace, Inc (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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 ("GAAP").

### **Basis for Opinion**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Business Council for Peace, Inc and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Business Council for Peace Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITOR'S REPORT

(continued)

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Business Council for Peace Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Business Council for Peace Inc's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

**GNFerraris LLC**

Certified Public Accountant  
Sag Harbor, New York

June 17, 2024

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

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 858,078	\$ 866,627
Grants and contracts receivable	24,875	37,900
Prepaid expense	34,441	16,205
Total current assets	<u>917,394</u>	<u>920,732</u>
 Total assets	 <u>\$ 917,394</u>	 <u>\$ 920,732</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 42,487	\$ 68,854
Accrued expenses	14,399	12,167
Contract liabilities	151,667	131,919
Total current liabilities	<u>208,553</u>	<u>212,940</u>
 <b>LONG-TERM LIABILITIES</b>		
SBA loan payable	<u>156,930</u>	<u>159,356</u>
Total long-term liabilities	<u>156,930</u>	<u>159,356</u>
Total liabilities	<u>365,483</u>	<u>372,296</u>
 <b>NET ASSETS</b>		
Unrestricted	298,957	548,436
With restriction	<u>252,954</u>	<u>548,436</u>
Total net assets	<u>551,911</u>	<u>548,436</u>
 Total liabilities and net assets	 <u>\$ 917,394</u>	 <u>\$ 920,732</u>

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

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

Years ended September 30,

	2023	Memo only 2022
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>OPERATING REVENUE</b>		
Contributed services	\$ 2,056,811	\$ 1,783,542
Contributions	176,022	210,523
Fundraising	52,067	
Dues	49,815	58,728
Fast runner fees	44,305	83,226
Investment income	3,858	134
Net assets released from restrictions	992,597	1,121,420
	<u>3,375,475</u>	<u>3,257,573</u>
Total operating revenue	3,375,475	3,257,573
<b>OPERATING EXPENSES</b>		
Regional-based programing	3,121,378	2,944,254
Administrative	195,957	221,606
Fundraising	308,965	96,248
Total operating expenses	<u>3,626,300</u>	<u>3,262,108</u>
Change in net assets without donor restrictions	<u>(250,825)</u>	<u>(4,535)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Grants and contracts	1,244,651	1,100,882
Contributions	900	20,538
Net assets released from restrictions	(992,597)	(1,121,420)
Change in net assets with donor restrictions	<u>252,954</u>	<u>-</u>
<b>NON-OPERATING ACTIVITIES</b>		
Realized gain (loss) on sale of marketable securities	1,346	(1,695)
	<u>1,346</u>	<u>(1,695)</u>
Change in net assets	3,475	(6,230)
<b>NET ASSETS</b>		
Beginning of year	548,436	554,666
End of year	<u>\$ 551,911</u>	<u>\$ 548,436</u>

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

**BUSINESS COUNCIL FOR PEACE, INC.**

**STATEMENT OF CASH FLOWS**

**Years ended September 30,**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,475	\$ (6,230)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized (gain) loss on investments	(1,346)	1,695
(Increase) decrease in asset accounts affecting cash from operations		
Grants and contracts receivable	13,025	8,405
Prepaid expense	(18,236)	(14,085)
Increase (decrease) in liability accounts affecting cash from operations		
Accounts payable and accrued expenses	(24,135)	62,718
Taxes payable		242
Contract liabilities	19,748	(37,077)
Net cash provided by (used in) operating activities	<u>(7,469)</u>	<u>15,668</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Contribution of investments	(36,184)	(63,610)
Proceeds from sales of investments	37,530	61,915
Net cash provided by (used in) investing activities	<u>1,346</u>	<u>(1,695)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term debt		4,265
Repayment of long term debt	(2,426)	
Net cash provided by (used in) financing activities	<u>(2,426)</u>	<u>4,265</u>
<b>Net increase in cash and cash equivalents</b>	<b>(8,549)</b>	<b>18,238</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>866,627</u>	<u>848,389</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 858,078</u>	<u>\$ 866,627</u>
 Supplemental data of cash flow information:		
Cash paid for interest:	<u>\$ 3,985</u>	<u>\$ 4,265</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>2023</u>	<u>2022</u>
<b>PROGRAM EXPENSES</b>		
Contributed services	\$ 1,913,761	\$ 1,752,813
Regional-based programming	1,207,617	1,191,441
Total program expenses	<u>\$ 3,121,378</u>	<u>\$ 2,944,254</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Personnel	\$ 66,642	\$ 68,438
Legal and accounting	42,119	57,091
Payroll taxes	39,266	27,311
Technology and software	12,290	3,171
Independent contractors	10,195	13,192
Contributed services	6,760	22,200
Bank fees	5,142	3,658
Merchant fees	4,387	6,043
Interest	3,985	4,265
Payroll processing	2,110	2,674
Insurance	1,947	954
Office	779	4,264
Travel	210	1,434
NYS filing fee	125	125
Training and support		5,499
Communications		1,287
Total general and administrative expenses	<u>\$ 195,957</u>	<u>\$ 221,606</u>
<b>FUNDRAISING EXPENSES</b>		
Contributed services	\$ 136,290	\$ 8,529
Events	75,316	1,470
Personnel	56,777	32,110
Independent contractors	26,633	38,449
Professional	11,106	7,402
Donor software	2,650	2,543
Communications	146	268
Miscellaneous	47	169
Training and support		4,582
Travel		726
Total fundraising expenses	<u>\$ 308,965</u>	<u>\$ 96,248</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 GAAP, 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.

There was \$252,954 and \$0 of net assets with donor restrictions as of September 30, 2023 and 2022, respectively.

**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.

**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, 2023 and 2022 based on current incremental borrowing rates for similar types of borrowing arrangements.

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

**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.

**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.

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

**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.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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, 2023 were 89%, 5% and 6% for Program, General and Administrative and Fundraising, respectively. Functional expenses for the year ended September 30, 2022 were 91%, 6% and 3% 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended September 30, 2022, from which the summarized information was derived.

**2 – DATE OF MANAGEMENT'S REVIEW**

Under GAAP, the Organization has evaluated events that occurred after September 30, 2023, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued. Such date was June 17, 2024 for the accompanying financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements.

**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 ongoing operations due to the shutdown caused by the COVID-19 pandemic. Monthly installment payments had been deferred for two years during which interest accrued. Interest only payments of \$641 began on December 25, 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 and subcontracts by government organizations restricted for use for activities carried out in Guatemala, El Salvador and the United States. 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, El Salvadoran and United States small and growing businesses. The amounts awarded, recognized as revenue and deferred as a contract liability as of September 30, 2023 is summarized as follows:

	<u>Period</u>	<u>Total Award</u>	<u>Revenue</u>	<u>Receivable</u>	<u>Contract Liability</u>
Grant 1	01/01/20-02/28/23	\$ 838,145	\$ 74,227		
Grant 2	01/01/22-12/31/23	300,000	125,000		
Grant 3	12/01/21-12/01/22	250,000	57,692		
Grant 4	05/31/22-02/28/23	99,500	59,700	\$ 24,875	
Grant 5	09/17/21-06/09/23	231,525	69,458		
Grant 6	05/16/22-06/16/23	217,924	76,273		
Grant 7	06/28/22-06/28/23	191,902	143,927		
Grant 8	11/14/22-11/14/23	197,201	180,041		
Grant 9	04/01/23-03/31/26	770,000	128,333		\$ 151,667
Grant 10	12/01/22-03/31/24	330,000	330,000		
Total			<u>\$ 1,244,651</u>	<u>\$ 24,875</u>	<u>\$ 151,667</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, 2023 and 2022 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, 2023 and 2022 and for the year then ended as follows:

	<u>2023</u>	<u>2022</u>
Expenditures:		
Regional-based programming	\$ 1,207,617	\$ 1,191,441
Total	<u>\$ 1,207,617</u>	<u>\$ 1,191,441</u>
Funded by:		
Net assets without donor restriction	\$ 215,020	\$ 70,021
Net assets with donor restriction	<u>992,597</u>	<u>1,121,420</u>
Total	<u>\$ 1,207,617</u>	<u>\$ 1,191,441</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:

	<u>2023</u>	<u>2022</u>
Financial assets available within one year and free of donor restrictions:		
Cash and cash equivalents	\$ 858,078	\$ 866,627
Contribution receivable	<u>24,875</u>	<u>37,900</u>
Total financial assets	\$ 882,953	\$ 904,527
Contractual or donor-imposed restrictions:		
Cash restricted by others to specific uses		
Regional-based programming	<u>(404,621)</u>	<u>( 131,919)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 478,332</u>	<u>\$ 772,608</u>

**8 – CONTRIBUTED SERVICES**

The Organization has records donated assets at fair market value on the date the assets are unconditionally promised to the Organization. Donated services are recorded at fair market value on the date the services are provided if the services create or enhance nonfinancial assets or the services are provided by person possessing certain skills that would typically need to be purchased if not provided by donation. The Organization has 600 Skillanthropist volunteer members registered and approximately 288 donated their professional time in fiscal year 2023 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.

Contribution revenue from services for the year ended September 30, 2023 and 2022 was measured based on the fair market value of those services and unreimbursed expenses. These amounts were reflected as expenses and allocated between program services, general and administrative and fundraising as follows:

	2023	2022
Regional-based programing	\$ 1,913,761	1,752,813
General and administrative	6,760	22,200
Fundraising	136,290	8,529
Total	<u>\$ 2,056,811</u>	<u>\$ 1,783,542</u>

**9– COMMITMENTS AND CONTINGENCIES**

As detailed in Note 4, the Organization entered into several grant and subcontract 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 both a bank and brokerage firm located in Eastern Long Island. Deposits maintained at an insured bank are insured by the Federal Deposit Insurance Corporation "FDIC" up to \$250,000. Deposits maintained at an insured Securities Investor Protection Corporation "SIPC" brokerage firm are insured by the SIPC up to \$500,000, which includes a \$250,000 limit for cash. The Organization had an uninsured cash balance of \$357,078 (2023) and \$350,544 (2022) in excess of the \$250,000 FDIC and SIPC coverages at September 30, 2023 and 2022.