

**PROJECT PEANUT BUTTER
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 and 2013**

PROJECT PEANUT BUTTER
DECEMBER 31, 2014 and 2013

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Martz & Wilson, LLP
Certified Public Accountants

712 Hanley Industrial Court, Brentwood, MO 63144 • 314-646-1040 Office • 314-646-0705 Fax

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Project Peanut Butter
St. Louis, Missouri

We have audited the accompanying financial statements of Project Peanut Butter (a Missouri nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Peanut Butter as of December 31, 2014 and 2013, 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.

Martz & Wilson, LLP

MARTZ & WILSON, LLP
Certified Public Accountants

September 9, 2015

PROJECT PEANUT BUTTER

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 639,072	\$ 541,889
Investments	6,197	4,362
Promises to give	-	250,000
Total Current Assets	645,269	796,251
Property and Equipment, net	3,271	2,036
Total Assets	\$ 648,540	\$ 798,287
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 97,251	\$ 28,899
Credit card payable	7,047	3,400
Total Current Liabilities	104,298	32,299
Net Assets		
Restricted	-	250,000
Unrestricted	544,242	515,988
Total Net Assets	544,242	765,988
Total Liabilities and Net Assets	\$ 648,540	\$ 798,287

PROJECT PEANUT BUTTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31,

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support						
Contributions	\$ 2,407,940	-	\$ 2,407,940	\$ 2,505,481	-	\$ 2,505,481
Grants	228,100	-	228,100	118,148	-	118,148
Total Public Support	2,636,040	-	2,636,040	2,623,629	-	2,623,629
Revenues						
Investment income	93	-	93	796	-	796
Released from Restriction	250,000	(250,000)	-	1,150,000	(1,150,000)	-
Total Revenues	2,886,133	(250,000)	2,636,133	3,774,425	(1,150,000)	2,624,425
Expenses						
Programs Support	2,758,383	-	2,758,383	3,308,107	-	3,308,107
Administrative	91,572	-	91,572	53,258	-	53,258
Fundraising	7,924	-	7,924	5,389	-	5,389
Total Expenses	2,857,879	-	2,857,879	3,366,754	-	3,366,754
Change in Net Assets	28,254	(250,000)	(221,746)	407,671	(1,150,000)	(742,329)
Net Assets, Beginning of Year	515,988	250,000	765,988	108,317	1,400,000	1,508,317
Net Assets, End of Year	\$ 544,242	\$ -	\$ 544,242	\$ 515,988	\$ 250,000	\$ 765,988

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

PROJECT PEANUT BUTTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2014				2013			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Administration	Fundraising	Total Support		Administration	Fundraising	Total Support
Salaries and Related Expenses	\$ 148,467	\$ 28,000	\$ -	\$ 28,000	\$ 159,833	\$ -	\$ -	\$ 159,833
Payroll	15,070	2,142	-	2,142	13,019	-	-	13,019
Payroll taxes	-	1,327	-	1,327	-	-	-	-
Insurance	-	10,419	-	10,419	-	-	-	-
	-	-	-	-	-	-	-	-
Total Salaries and Related Expenses	163,537	41,888	-	41,888	172,852	-	-	172,852
Other Expenses								
Research	162,606	-	-	-	261,500	-	-	261,500
Vitamins and minerals	42,607	-	-	-	-	-	-	-
Ingredients and supplies	559,980	-	-	-	1,545,876	-	-	1,545,876
Factory renovation and machinery	1,406,072	-	-	-	1,016,440	-	-	1,016,440
Travel	125,509	-	-	-	86,810	-	-	86,810
Rental	132,480	-	-	-	127,650	-	-	127,650
Volunteer expenses	85,365	-	-	-	60,003	-	-	60,003
Lab fees	80,227	-	-	-	36,976	-	-	36,976
Accounting	-	22,325	-	22,325	-	-	-	-
Bank charges	-	6,131	-	6,131	-	-	-	-
Office expense	-	7,660	-	7,660	-	-	-	-
Office supplies	-	3,719	-	3,719	-	-	-	-
Postage	-	8,833	-	8,833	-	-	-	-
Contract services	-	-	-	-	-	-	-	-
Advertising	-	-	7,924	7,924	-	-	-	-
Total Other Expenses	2,594,846	48,668	7,924	56,592	3,135,255	5,389	5,389	3,146,028
Depreciation	-	1,016	-	1,016	-	-	-	-
Total Expenses	\$ 2,758,383	\$ 91,572	\$ 7,924	\$ 99,496	\$ 3,308,107	\$ 5,389	\$ 5,389	\$ 3,366,754

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

PROJECT PEANUT BUTTER

STATEMENTS OF CASH FLOWS

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ (221,746)	\$ (742,329)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,016	556
Gain on sale of investments	(25)	-
Unrealized (gain) loss on investments	414	(744)
Decrease (increase) in due from officer	-	12,155
Decrease (increase) in promise to give	250,000	1,150,000
Increase (decrease) in accounts payable and current liabilities	71,999	32,299
Net cash provided by operating activities	101,658	451,937
Investing Activities		
Security investment donations received	(1,692)	(3,618)
Proceeds from sale of investments	6,079	-
Purchase of investments	(6,188)	-
Dividends reinvested in investments	(423)	-
Purchases of fixed assets	(2,251)	(1,410)
Net cash used by investing activities	(4,475)	(5,028)
Net Increase in Cash and Cash Equivalents	97,183	446,909
Cash and Cash Equivalents, Beginning of Year	541,889	94,980
Cash and Cash Equivalents, End of Year	\$ 639,072	\$ 541,889

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014 and 2013

NOTE 1 - ORGANIZATION

Project Peanut Butter is a therapeutic feeding program for malnourished children in Ghana, Malawi and Sierra Leone, on the continent of Africa. Project Peanut Butter, founded in 2004, is a Missouri not-for-profit corporation and exempt from income taxes under Internal Revenue Code Section 501(c)(3). Project Peanut Butter purchases equipment, vitamins and minerals, and peanuts and provides them to a local charity to manufacture a ready-to-use therapeutic food (RUTF).

Donations to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A) and the Organization is not a private foundation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities. The Organization receives public support from donations by private donors and grants from private foundations and public charities.

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, 'Financial Statements of Not-for-Profit Organizations'. Under SFAS No. 117, contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restriction. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014 and 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

The Organization does not have permanently restricted net assets. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Donated Materials, Equipment and Services

The Organization has adopted SFAS No. 116, 'Accounting for Contributions Received and Contributions Made'. Donated materials, equipment, and services are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

The Organization generally pays for services requiring specific expertise. However, there are many other individuals who volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost or at estimated fair value at the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Organization capitalizes all assets with a useful life of three years or above that cost \$250 or above.

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014 and 2013

Advertising

The costs of advertising are expensed as incurred. Advertising expense was \$7,924 and \$5,389 for the years ended December 31, 2014 and 2013, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. The Organization has also been classified as an entity that is not a private Organization within the meaning of Section 509(a) and qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Organization will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2011, 2012, and 2013 tax years. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended December 31, 2014 and 2013.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Organization considers, as cash equivalents, all highly liquid investments with a maturity at the date of purchase of three months or less.

Cash and cash equivalents appearing in the financial statements consist of the following:

	<u>2014</u>	<u>2013</u>
Cash	\$ 639,072	\$ 541,837
Money Market	-	52
	<u>\$ 639,072</u>	<u>\$ 541,889</u>

The Organization maintains three checking accounts, a PayPal account, and a money market account. At various times during the year, the Organization's cash in bank balances exceeded the Federally insured limits. At December 31, 2014 and 2013, the Organization's uninsured cash balances totaled \$375,927 and \$252,623, respectively.

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014 and 2013

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets as of December 31, 2014 and 2013 are composed of:

	<u>Grants</u>	<u>Contributions</u>	<u>Total</u>
Restricted Net Assets,			
December 31, 2012	1,400,000	-	1,400,000
Expenditures to meet restrictions	<u>(1,150,000)</u>	-	<u>(1,150,000)</u>
Restricted Net Assets,			
December 31, 2013	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
Restricted Contributions - 2014	-	-	-
Expenditures to meet restrictions	<u>(250,000)</u>	-	<u>(250,000)</u>
Restricted Net Assets,			
December 31, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – PROMISES TO GIVE

In December 2012, the Hershey Foundation committed to funding the Organization's operations in Ghana. Total promises to give were \$250,000 and \$1,400,000 for the years ended December 31, 2013 and 2012, respectively. Under generally accepted accounting principles, the Organization must recognize these commitments as assets. Because the funding must be used for future operations, these assets are restricted. No allowance for uncollectible promises to give is considered necessary.

Unconditional promises to give at December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ -	\$ 250,000
Receivable in one to five years	-	-
Receivable in more than five years	-	-
Total unconditional promises to give	-	250,000
Less discounts to net present value	-	-
Net unconditional promises to give	<u><u>\$ -</u></u>	<u><u>\$ 250,000</u></u>

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014 and 2013

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 4,421	\$ 6,522
Furniture	1,289	1,289
Software	260	260
	<u>5,970</u>	<u>8,071</u>
Less accumulated depreciation	<u>(2,699)</u>	<u>(6,035)</u>
	<u>\$ 3,271</u>	<u>\$ 2,036</u>

Depreciation expense was \$1,016 and \$556 for the years ended December 31, 2014 and 2013, respectively.

NOTE 7 – INVESTMENTS

The Organization adopted FASB Accounting Standards Codification (ASC) Topic 820. Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2014 and 2013.

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014 and 2013

	2014			
	Level 1	Level 2	Level 3	Total
Undesignated Net Assets				
Mutual funds	\$ 3,007	\$ 3,190	\$ -	\$ 6,197
Stocks	-	-	-	-
	<u>\$ 3,007</u>	<u>\$ 3,190</u>	<u>\$ -</u>	<u>\$ 6,197</u>

	2013			
	Level 1	Level 2	Level 3	Total
Undesignated Net Assets				
Mutual funds	\$ -	\$ -	\$ -	\$ -
Stocks	4,362	-	-	4,362
	<u>\$ 4,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,362</u>

NOTE 7 – INVESTMENTS (CONTINUED)

Investment income consists of the following:

	2014	2013
Interest and dividend income	\$ 482	\$ 52
Unrealized gain (loss) on investments	(414)	744
Realized gain on investments	25	-
	<u>\$ 93</u>	<u>\$ 796</u>

NOTE 8 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 9, 2015, the date which the financial statements were issued.

NOTE 9 - EXPANSION

As of December 31, 2013, the Organization had received \$1,150,000 of the \$1,400,000 promise to give in the connection with expansion into Ghana. The remaining balance of \$250,000 was received during the year ended December 31, 2014.