

PROJECT PEANUT BUTTER

FINANCIAL STATEMENTS

DECEMBER 31, 2017

PROJECT PEANUT BUTTER

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Table of Contents	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12



Martz & Wilson, LLP
Certified Public Accountants

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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, 2017, and the related statements of activities and changes in net assets, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 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, 2017, 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.

A handwritten signature in black ink that reads "Martz & Wilson, LLP". The signature is written in a cursive, flowing style.

MARTZ & WILSON, LLP
Certified Public Accountants

October 31, 2018

PROJECT PEANUT BUTTER

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

Assets

Current Assets	
Cash and cash equivalents	\$ 1,152,754
Investments	26,497
Total Current Assets	<u>1,179,251</u>
Property and Equipment, net	<u>-</u>
Total Assets	<u><u>\$ 1,179,251</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 90,300
Credit card payable	12,656
Donor designations payable	1,020,160
Total Current Liabilities	<u>1,123,116</u>
Net Assets	
Without donor restrictions	56,135
With donor restrictions	-
Total Net Assets	<u>56,135</u>
Total Liabilities and Net Assets	<u><u>\$ 1,179,251</u></u>

PROJECT PEANUT BUTTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Public Support:			
Contributions	\$ 1,564,898	\$ -	\$ 1,564,898
Grants	2,986,723	-	2,986,723
Designated funds awarded	(3,444,049)	-	(3,444,049)
Total Public Support	1,107,572	-	1,107,572
Revenues:			
Investment income	4,917	-	4,917
Total Revenues	4,917	-	4,917
Net Assets Released from Restriction	100,000	(100,000)	-
Total Public Support and Revenues	1,212,489	(100,000)	1,112,489
Expenses			
Programs	1,440,457	-	1,440,457
Support			
Administrative	160,703	-	160,703
Fundraising	900	-	900
Total Expenses	1,602,060	-	1,602,060
Change in Net Assets	(389,571)	(100,000)	(489,571)
Net Assets, Beginning of Year	445,706	100,000	545,706
Net Assets, End of Year	\$ 56,135	\$ -	\$ 56,135

PROJECT PEANUT BUTTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Supporting Services			Total
		Administration	Fundraising	Support	
Grant Expenses					
Awards and grants	\$ 2,423,889	\$ -	\$ -	\$ -	\$ 2,423,889
Ingredients and supplies	443,768	-	-	-	443,768
Factory renovation and machinery	453,227	-	-	-	453,227
Travel	107,066	-	-	-	107,066
Rental	217,000	-	-	-	217,000
Volunteer expenses	43,159	-	-	-	43,159
Lab fees	8,372	-	-	-	8,372
Contract services	7,896	-	-	-	7,896
Less: Donor designations	(2,423,889)	-	-	-	(2,423,889)
Total Grant Expenses	1,280,488	-	-	-	1,280,488
Salaries and Related Expenses					
Payroll	147,882	69,742	-	69,742	217,624
Payroll taxes	12,087	5,335	-	5,335	17,422
Payroll fees	-	1,712	-	1,712	1,712
Insurance	-	24,503	-	24,503	24,503
Retirement plan contributions	-	4,173	-	4,173	4,173
Total Salaries and Related Expenses	159,969	105,465	-	105,465	265,434
Other Expenses					
Accounting	-	13,730	-	13,730	13,730
Bank charges	-	15,226	-	15,226	15,226
Office expense	-	13,090	-	13,090	13,090
Office supplies	-	12,929	-	12,929	12,929
Postage	-	263	-	263	263
Advertising	-	-	900	900	900
Total Other Expenses	-	55,238	900	56,138	56,138
Depreciation	-	-	-	-	-
Total Expenses	\$ 1,440,457	\$ 160,703	\$ 900	\$ 161,603	\$ 1,602,060

PROJECT PEANUT BUTTER

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Activities

Change in net assets	\$ (489,571)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized gain on investments	(4,166)
Decrease in accounts receivable	154,723
Decrease in promise to give	100,000
Increase in accounts payable and current liabilities	979,152
Net cash provided by operating activities	<u>740,138</u>

Investing Activities

Dividends reinvested in investments	<u>(347)</u>
Net cash used by investing activities	<u>(347)</u>

Net Increase in Cash and Cash Equivalents **739,791**

Cash and Cash Equivalents, Beginning of Year **412,963**

Cash and Cash Equivalents, End of Year **\$ 1,152,754**

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - ORGANIZATION

Project Peanut Butter is a therapeutic feeding program for malnourished children in sub-Saharan Africa and beyond. 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.

New Accounting Pronouncements

The Organization has adopted ASU No. 2016-14 Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities, which changes presentation of the Statements of Financial Position, Statements of Activities and Changes in Net Assets, and Statements of Functional Expenses.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the statement of activities. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified as without donor restrictions net assets and reported as an increase in without donor restrictions net assets.

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – 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.

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

Contributions with donor restrictions whose restrictions are met in the same reporting period are recorded as without donor restrictions 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.

Donor Designations

The Organization receives donor contributions that are designated for the benefit of other nonprofit agencies. Such designations are deducted from gross contributions received in the accompanying Statement of Activities and Changes in Net Assets, to arrive at net public support since the Organization does not have variance power over

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donor Designations (Continued)

such designated contributions. Any amounts collected under these arrangements but not yet distributed in accordance with donor stipulations are recorded as Donor designations payable in the accompanying Statement of Financial Position. As of December 31, 2017, the amount of donor designated payables was \$ 1,020,160.

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.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was \$900 for the year ended December 31, 2017.

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).

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

Exchange Transactions

Exchange transactions are reciprocal transfers in which each party receives assets or services or satisfies liabilities of equal value. Income and expenses related to the exchange transactions are reported on the statement of financial position as an asset and a liability.

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. At December 31, 2017 the cash and cash equivalents were \$1,152,754.

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, 2017, the Organization's uninsured cash balances totaled \$868,493.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2017
Equipment	\$ 760
Furniture	1,289
	<u>2,049</u>
Less: accumulated depreciation	(2,049)
Property and equipment, net	<u>\$ -</u>

Depreciation expense was \$0 for the year ended December 31, 2017.

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 5 – 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, 2017.

	2017			
	Level 1	Level 2	Level 3	Total
Mutual fund	\$ 9,054	\$ 3,967	\$ -	\$ 13,021
Stocks	13,476	-	-	\$ 13,476
	<u>\$ 22,530</u>	<u>\$ 3,967</u>	<u>\$ -</u>	<u>\$ 26,497</u>

Investment income consists of the following:

	2017
Interest and dividend income	\$ 751
Unrealized gain (loss) on investments	4,166
Total investment income	<u>\$ 4,917</u>

NOTE 6 – DONOR DESIGNATIONS

The gross designated funds awarded to other nonprofit agencies were \$3,444,049 in 2017, of which \$2,423,889 was received by the other nonprofit agencies as awards and grants during the year.

PROJECT PEANUT BUTTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLAN

The Organization has a defined contribution retirement plan for all eligible employees. The Organization elected to contribute a matching contribution equal to the employees' salary reduction contribution up to 2% of the employees' compensation. The Organization made contributions of \$4,173 for the year ended December 31, 2017.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The Organization's supporting services are primarily funded by public support and grant contributions by corporations. Program service revenues are mainly funded by donor contributions that are designated for the benefit of other nonprofit agencies. As part of its liquidity management, the Organization structures its financial assets to be available as supporting services, liabilities, and other obligations become due. The below reflects the Organization's financial assets as of the statement of financial position date, reduced by the amounts that are not available for supporting services due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2017</u>
Financial assets, at year end	\$ 1,179,251
Less those unavailable for supporting services within one year, due to:	
Donor designations payable:	<u>1,020,160</u>
Financial assets available to meet cash needs for supporting services within one year	<u><u>\$ 159,091</u></u>

The Organization sets a goal for operating reserves at a minimum of 25% of annual supporting services. Supporting services for the year ended December 31, 2017 were \$161,603. The 25% equates to minimum assets on hand of \$40,401 with actual net assets amounting to \$56,135.

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 31, 2018, the date which the financial statements were available to be issued.