

PROJECT HEALTHY CHILDREN, INC.

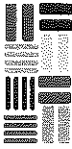
FINANCIAL STATEMENTS

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September 30, 2013 and 2012

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R. J. GOLD & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Project Healthy Children, Inc.

We have audited the accompanying financial statements of Project Healthy Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and changes in net assets 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 Healthy Children, Inc. as of September 30, 2013 and 2012, 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.

*R. J. Gold & Company, P.C.*  
Burlington, Massachusetts  
February 16, 2014

PROJECT HEALTHY CHILDREN, INC.  
 STATEMENTS OF FINANCIAL POSITION  
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 SEPTEMBER 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 24,991	\$ 79,659
Contributions receivable	100,000	115,000
Pledge receivable	100,000	-
Loan receivable - employee	5,000	1,750
Other receivables	1,218	51
Employees cash advance	61,479	49,295
Prepaid expenses	24,306	17,539
<b>TOTAL CURRENT ASSETS</b>	<u>316,994</u>	<u>263,294</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>1,408</u>	<u>2,346</u>
<b>OTHER ASSETS</b>		
Security deposits	<u>5,700</u>	<u>9,962</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 324,102</u></u>	<u><u>\$ 275,602</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 21,767</u>	<u>\$ 16,259</u>
<b>NET ASSETS</b>		
Unrestricted	<u>302,335</u>	<u>259,343</u>
<b>TOTAL NET ASSETS</b>	<u>302,335</u>	<u>259,343</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 324,102</u></u>	<u><u>\$ 275,602</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

## PROJECT HEALTHY CHILDREN, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended September 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PROGRAM AND OTHER REVENUE:</b>						
Contributions	\$ 739,291	\$ -	\$ 739,291	\$ 452,705	\$ -	\$ 452,705
Other revenue	24,767	-	24,767	19,000	-	19,000
Net assets released from temporary restrictions	-	-	-	44,636	(44,636)	-
<b>TOTAL PROGRAM AND OTHER REVENUE</b>	<b>764,058</b>	<b>-</b>	<b>764,058</b>	<b>516,341</b>	<b>(44,636)</b>	<b>471,705</b>
<b>EXPENSES:</b>						
<b>Program services</b>						
Payroll	221,345	-	221,345	123,619	-	123,619
Travel	61,354	-	61,354	58,022	-	58,022
Consultant fees	15,578	-	15,578	400	-	400
Overseas payroll and payroll taxes	67,730	-	67,730	48,076	-	48,076
Employee benefits	34,968	-	34,968	17,102	-	17,102
Payroll taxes	19,170	-	19,170	17,093	-	17,093
Supplies	2,270	-	2,270	468	-	468
Communications	9,200	-	9,200	5,983	-	5,983
Rent	15,289	-	15,289	10,800	-	10,800
Office supplies	2,364	-	2,364	1,708	-	1,708
Materials - fortification devices	38,736	-	38,736	34,386	-	34,386
Other	15,986	-	15,986	16,815	-	16,815
<b>Total program services</b>	<b>503,990</b>	<b>-</b>	<b>503,990</b>	<b>334,472</b>	<b>-</b>	<b>334,472</b>
<b>General and administrative</b>						
Payroll	85,197	-	85,197	88,558	-	88,558
Consultant and professional fees	15,000	-	15,000	12,903	-	12,903
Rent	38,373	-	38,373	34,346	-	34,346
Communication	3,071	-	3,071	3,804	-	3,804
Travel	31,886	-	31,886	43,525	-	43,525
Employee benefits	16,486	-	16,486	19,389	-	19,389
Payroll taxes	9,416	-	9,416	8,695	-	8,695
Depreciation	938	-	938	9,414	-	9,414
Insurance	5,748	-	5,748	4,735	-	4,735
Office supplies	3,629	-	3,629	5,916	-	5,916
Other	5,115	-	5,115	6,174	-	6,174
Utilities	383	-	383	2,205	-	2,205
Supplies	1,834	-	1,834	1,923	-	1,923
<b>Total general and administrative</b>	<b>217,076</b>	<b>-</b>	<b>217,076</b>	<b>241,587</b>	<b>-</b>	<b>241,587</b>
<b>TOTAL EXPENSES</b>	<b>721,066</b>	<b>-</b>	<b>721,066</b>	<b>576,059</b>	<b>-</b>	<b>576,059</b>
<b>CHANGES IN NET ASSETS</b>	<b>42,992</b>	<b>-</b>	<b>42,992</b>	<b>(59,718)</b>	<b>(44,636)</b>	<b>(104,354)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>259,343</b>	<b>-</b>	<b>259,343</b>	<b>319,061</b>	<b>44,636</b>	<b>363,697</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 302,335</b>	<b>\$ -</b>	<b>\$ 302,335</b>	<b>\$ 259,343</b>	<b>\$ -</b>	<b>\$ 259,343</b>

The Accompanying Notes are an Integral Part of These Financial Statements

PROJECT HEALTHY CHILDREN, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 42,992	\$ (104,354)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	938	9,414
(Increase) decrease in assets:		
Contributions, grant and pledge receivables	(85,000)	(65,000)
Other receivables	(1,167)	1,527
Employees cash advance	(12,184)	(19,305)
Prepaid expenses	(6,767)	7,322
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,508	2,282
	<u>(55,680)</u>	<u>(168,114)</u>
CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Security deposits	4,262	(4,554)
Loans to employees	(5,000)	-
Repayment of loans to employees	1,750	3,000
	<u>1,012</u>	<u>(1,554)</u>
CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET DECREASE IN CASH	(54,668)	(169,668)
CASH AT BEGINNING OF YEAR	<u>79,659</u>	<u>249,327</u>
CASH AT END OF YEAR	<u>\$ 24,991</u>	<u>\$ 79,659</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

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September 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Organization and Purpose

Project Healthy Children, Inc. (the "Organization") is a not-for-profit organization which was organized April, 2004 and provides technical support and education on the benefits of food fortification. The Organization works with governments and private industry to establish fortification programs that improve the health of people around the world. The Organization currently conducts its work in Liberia, Nepal, Malawi, Rwanda, Burundi, Tanzania, Zimbabwe and Sierra Leone.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization's tax returns are subject to examination by taxing authorities for the years ended September 30, 2010, 2011, and 2012.

Basis of Presentation

The Organization has adopted ASC 958-205 for Financial Statements of Not-For-Profit Organizations issued by FASB for presentation of its financial statements. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

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September 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from temporary restrictions.

Contributions

The Organization has adopted ASC 958-605 required for Accounting for Contributions Received and Contributions Made. In accordance with professional standards, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and or nature of any donor restrictions.

Contributions in the form of property are recorded at fair market value on the date the property is received. There were no donated assets as of September 30, 2013 and 2012. Donated services, if any, are computed as the value that contributed services requiring specialized skills represent to the comparable compensation that would be paid if the Organization were charged for these services. There were donated services with a value of \$7,500 as of September 30, 2013. The services consisted of digital interviews conducted in the search for an employee to lead the small scale fortification efforts.

Pledge Receivable

Pledge receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges and grants. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledge or grant receivable. Changes in the valuation allowance have not been material to the financial statements.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

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September 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledge Receivable (continued)

Pledge receivables are unconditional promises to give that are recognized as revenues in the period received and as assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledge receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contribution revenue.

Property and Equipment

All acquisitions of property and equipment in excess of \$3,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

Property and equipment of the Organization is evaluated for possible impairment in accordance with ASC 360-10 and 360-20, Accounting for the Impairment or Disposal of Long Lived Assets, and is required whenever events or circumstances indicate that the assets' undiscounted expected future cash flows are not sufficient to recover their carrying amounts. If the carrying amount exceeds the expected future cash flows, the Organization measures the amount of impairment by comparing the asset to its fair value.

Commitments and Contingencies

Grants, bequests and endowments often require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, the Board of Directors deems the contingency unlikely, since by accepting the gifts and their terms, it has made a commitment to fulfill the provisions of the gift.

NOTE B – LOAN RECEIVABLE – EMPLOYEE

During the year ended September 30, 2013, an employee of the Organization received a loan of \$5,000 from the Organization. The loan is due on demand and carries no interest rate. The balance of the loan receivable is \$5,000. As of September 30, 2012, there was a loan receivable from the same employee with a balance of \$1,750. This was paid off in April 2013.



PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE C – EMPLOYEES CASH ADVANCE

Employees who work in or travel to the rural countries of Liberia, Malawi, Rwanda and Burundi are given cash advances because often there are no credit card transactions available in those locations. Once the money is spent, the employees submit receipts to the United States office and the corresponding expenses are recorded on the books.

NOTE D – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following:

Office equipment	\$	16,836
Furniture and fixtures		<u>6,567</u>
		23,403
Accumulated depreciation		<u>(21,995)</u>
Total property and equipment, net	\$	<u>1,408</u>

NOTE E – OPERATING LEASES

The Organization leased office space in Cambridge, Massachusetts. The lease was due to expire August 15, 2015, however, the Organization terminated this lease early in September 2013. Rent expense was \$38,373 and \$34,346 for the years ended September 30, 2013 and 2012, respectively. The lessor charged an early termination fee of \$7,500 and retained the security deposit of \$4,554. Monthly rent expense was \$2,277.

Currently, the Organization lease office space in Cambridge, Massachusetts on a month to month basis and pays \$750 per month.

The Organization also leases office space in Rwanda and Burundi. The Rwandan lease expires in February 2015. The Burundi lease expires in January 2015. Monthly rent expense is \$600 in Rwanda and \$200 in Burundi.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

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September 30, 2013 and 2012

NOTE E – OPERATING LEASES (continued)

Future minimum rent payments for these leases are as follows:

Fiscal Year Ending September 30,	<u>Amount</u>
2014	\$ 8,800
2015	<u>3,800</u>
Total	<u>\$12,600</u>

NOTE F – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at one financial institution located in Massachusetts. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Bank deposit amounts may, at times, exceed federally insured limits. Management does not believe that it is exposed to significant risk with respect to cash.

NOTE G – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated events occurring after the balance sheet date of September 30, 2013 through February 16, 2014, which is the date that the financial statements were available to be issued.