

PROJECT HEALTHY CHILDREN, INC.

FINANCIAL STATEMENTS

September 30, 2015 and 2014

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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, 2015 and 2014, 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 qualified audit opinion.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the existence of inventory and equipment because of the remote overseas location. We also were not able to obtain sufficient appropriate audit evidence about the ownership of the equipment because of an absence of documentation.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Project Healthy Children, Inc. as of September 30, 2015 and 2014, 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
March 15, 2016

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PROJECT HEALTHY CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	\$ 205,356	\$ 155,853
Contributions receivable	134,582	-
Accounts receivable	5,636	-
Pledge receivable	10,000	50,000
Loans receivable - employees	3,194	8,196
Inventory	28,829	-
Employee cash advances	76,269	69,867
Prepaid expenses	39,450	28,132
TOTAL CURRENT ASSETS	503,316	312,048
 PROPERTY AND EQUIPMENT, net of accumulated depreciation	 154,897	 470
 OTHER ASSETS		
Security deposits	3,000	5,700
TOTAL ASSETS	\$ 661,213	\$ 318,218

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 20,075	\$ 17,511
 LONG TERM LIABILITIES		
Loan payable - officer	100,000	100,000
 NET ASSETS		
Unrestricted	541,138	200,707
TOTAL NET ASSETS	541,138	200,707
 TOTAL LIABILITIES AND NET ASSETS	 \$ 661,213	 \$ 318,218

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, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PROGRAM AND OTHER REVENUE:						
Contributions	\$ 839,992	\$ -	\$ 839,992	\$ 776,472	\$ -	\$ 776,472
Other revenue	189,386	-	189,386	53,603	-	53,603
In kind donations	237,701	-	237,701	-	-	-
TOTAL PROGRAM AND OTHER REVENUE	1,267,079	-	1,267,079	830,075	-	830,075
EXPENSES:						
Program services						
Payroll	201,290	-	201,290	299,708	-	299,708
Travel	129,940	-	129,940	120,777	-	120,777
Consultant fees	39,973	-	39,973	45,929	-	45,929
Overseas payroll and payroll taxes	96,926	-	96,926	111,733	-	111,733
Employee benefits	35,234	-	35,234	46,551	-	46,551
Payroll taxes	16,768	-	16,768	23,475	-	23,475
Supplies	1,932	-	1,932	3,584	-	3,584
Communications	11,136	-	11,136	10,042	-	10,042
Rent	14,073	-	14,073	21,741	-	21,741
Office supplies	12,433	-	12,433	8,237	-	8,237
Materials - fortification devices	191,922	-	191,922	103,456	-	103,456
Cost of goods sold - premix	2,890	-	2,890	-	-	-
Other	44,426	-	44,426	45,816	-	45,816
Total program services	798,943	-	798,943	841,049	-	841,049
General and administrative						
Payroll	17,437	-	17,437	41,325	-	41,325
Consultant and professional fees	24,393	-	24,393	7,500	-	7,500
Rent	11,577	-	11,577	8,751	-	8,751
Communication	1,504	-	1,504	3,211	-	3,211
Travel	41	-	41	-	-	-
Employee benefits	2,422	-	2,422	2,990	-	2,990
Payroll taxes	531	-	531	5,590	-	5,590
Depreciation	49,340	-	49,340	938	-	938
Insurance	6,618	-	6,618	7,132	-	7,132
Office supplies	1,683	-	1,683	3,189	-	3,189
Other	11,615	-	11,615	8,829	-	8,829
Utilities	-	-	-	60	-	60
Supplies	544	-	544	1,139	-	1,139
Total general and administrative	127,705	-	127,705	90,654	-	90,654
TOTAL EXPENSES	926,648	-	926,648	931,703	-	931,703
CHANGES IN NET ASSETS	340,431	-	340,431	(101,628)	-	(101,628)
NET ASSETS, BEGINNING OF YEAR	200,707	-	200,707	302,335	-	302,335
NET ASSETS, END OF YEAR	\$ 541,138	\$ -	\$ 541,138	\$ 200,707	\$ -	\$ 200,707

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 340,431	\$ (101,628)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	49,340	938
Donated assets	(232,596)	-
(Increase) decrease in assets:		
Accounts receivable	(5,636)	-
Contributions, grant and pledge receivables	(94,582)	150,000
Other receivables	-	1,218
Employee cash advances	(6,402)	(8,388)
Prepaid expenses	(11,318)	(3,826)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,564	(4,256)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>41,801</u>	<u>34,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Security deposits	2,700	-
Loans to employees	-	(7,500)
Repayment of loans to employees	5,002	4,304
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>7,702</u>	<u>(3,196)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from officer	-	100,000
NET INCREASE IN CASH	49,503	130,862
CASH AT BEGINNING OF YEAR	<u>155,853</u>	<u>24,991</u>
CASH AT END OF YEAR	<u>\$ 205,356</u>	<u>\$ 155,853</u>
SCHEDULE OF NON CASH INVESTING ACTIVITIES:		
Donated assets	<u>\$ (232,596)</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

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, 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, 2012, 2013, and 2014.

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)

September 30, 2015 and 2014

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 donated assets of \$232,596 and \$-0- as of September 30, 2015 and 2014, respectively. The donated assets consist of equipment, a vehicle and inventory. The assets were capitalized as property and equipment and inventory and they were included in contribution revenue. The fair market value of the equipment was determined by the depreciated value. The fair market value of the inventory was determined by the net realizable value. There were also donated office supplies of \$5,105 during the year ended September 30, 2015. 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 no donated services as of September 30, 2015 and 2014, respectively.

Accounts Receivable

Trade accounts receivable consists of amounts due from the millers in Tanzania. The premix inventory is delivered to them by Project Healthy Children, Inc. Once the premix inventory is sold, the millers pay back Project Healthy Children, Inc.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2015 and 2014

NOTE B – LOANS RECEIVABLE – EMPLOYEES

During the year ended September 30, 2014, an employee of the organization received a loan from the organization for \$7,500. The loan is due on demand and carries no interest rate. The balance of the loan receivable as of September 30, 2015 and 2014 is \$3,194 and \$6,196, respectively.

During the year ended September 30, 2013, a different employee received a loan from the organization for \$5,000. The loan was paid off during fiscal year ended September 30, 2015. The balance of the loan receivable as of September 30, 2015 and 2014 is \$-0- and \$2,000, respectively.

NOTE C – EMPLOYEE CASH ADVANCES

Employees who work in or travel to the rural countries of Liberia, Malawi, Rwanda, Burundi, Tanzania, Zimbabwe and Sierra Leone 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:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 16,836	\$ 16,836
Furniture and fixtures	6,567	6,567
Donated equipment	183,927	-
Donated vehicle	<u>19,840</u>	<u>-</u>
	227,170	23,403
Accumulated depreciation	<u>(72,273)</u>	<u>(22,933)</u>
Total property and equipment, net	\$ <u>154,897</u>	\$ <u>470</u>

NOTE E – OPERATING LEASES

The Organization leases office space in Cambridge, Massachusetts on a month to month basis.

The Organization also leases office space in Rwanda and Burundi. The Rwandan lease expired in February 2015 and was not renewed. The Burundi lease expires in April 2016. Future minimum rent payments for Burundi are \$4,970 in fiscal year ending September 30, 2016.

PROJECT HEALTHY CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2015 and 2014

NOTE F - LOAN PAYABLE - OFFICER

During fiscal year end September 30, 2014, the president of the board of directors of the Organization, loaned Project Healthy Children, Inc. \$100,000. The note bears no interest and is due and payable May 15, 2016. However, the debt will be forgiven if the Organization does not meet the financial requirements as set forth in the promissory note.

NOTE G - 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 H - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated events occurring after the balance sheet date of September 30, 2015 through March 15, 2016, which is the date that the financial statements were available to be issued.