



Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

PEACEMAKER MINISTRIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peacemaker Ministries
Spokane Valley, Washington

We have audited the accompanying financial statements of Peacemaker Ministries, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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.

Auditors' 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.

Board of Directors
Peacemaker Ministries
Spokane Valley, Washington

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peacemaker Ministries as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Peacemaker Ministries has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
August 15, 2019

PEACEMAKER MINISTRIES

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 175,472	\$ 306,545
Accounts receivable and other assets	1,862	792
Inventory	4,216	4,306
Capitalized production costs	40,514	15,000
Furniture and equipment—net	5,759	7,812
Total Assets	\$ 227,823	\$ 334,455
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,882	\$ 11,457
Deferred income	37,890	-
	<u>46,772</u>	<u>11,457</u>
Net assets:		
Net assets without donor restrictions	181,051	284,760
Net assets with donor restrictions	-	38,238
	<u>181,051</u>	<u>322,998</u>
Total Liabilities and Net Assets	\$ 227,823	\$ 334,455

See notes to financial statements

PEACEMAKER MINISTRIES

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 191,154	\$ -	\$ 191,154
Sales and royalty income	87,262	-	87,262
Event income	51,166	-	51,166
Conciliation services	44,775	-	44,775
Other income	439	-	439
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	374,796	-	374,796
	<hr/>	<hr/>	<hr/>
Net Assets Released:			
Purpose restrictions	38,238	(38,238)	-
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	392,343	-	392,343
	<hr/>	<hr/>	<hr/>
Supporting activities:			
General and administrative	97,602	-	97,602
Fundraising	26,798	-	26,798
	<hr/>	<hr/>	<hr/>
	124,400	-	124,400
	<hr/>	<hr/>	<hr/>
Total Expenses	516,743	-	516,743
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(103,709)	(38,238)	(141,947)
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	284,760	38,238	322,998
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	\$ 181,051	\$ -	\$ 181,051
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements

PEACEMAKER MINISTRIES

Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 401,221	\$ -	\$ 401,221
Sales and royalty income	91,228	-	91,228
Event income	23,582	-	23,582
Conciliation services	10,000	-	10,000
Other income	469	-	469
Total Support and Revenue	<u>526,500</u>	<u>-</u>	<u>526,500</u>
Net Assets Released:			
Purpose restrictions	<u>20,091</u>	<u>(20,091)</u>	<u>-</u>
Expenses:			
Program services	<u>164,733</u>	<u>-</u>	<u>164,733</u>
Supporting activities:			
General and administrative	126,215	-	126,215
Fundraising	33,835	-	33,835
	<u>160,050</u>	<u>-</u>	<u>160,050</u>
Total Expenses	<u>324,783</u>	<u>-</u>	<u>324,783</u>
Change in Net Assets	221,808	(20,091)	201,717
Net Assets, Beginning of Year	<u>62,952</u>	<u>58,329</u>	<u>121,281</u>
Net Assets, End of Year	<u>\$ 284,760</u>	<u>\$ 38,238</u>	<u>\$ 322,998</u>

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (141,947)	\$ 201,717
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gift-in-kind donation of capitalized production costs	(7,575)	-
Depreciation and amortization	2,053	640
Loss on disposal of fixed assets	-	2,054
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(1,070)	21,584
Inventory	90	10,063
Accounts payable and accrued expenses	(2,575)	(71,781)
Deferred income	37,890	-
Net Cash Provided (Used) by Operating Activities	(113,134)	164,277
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of capitalized production costs	(17,939)	(15,000)
Purchases of furniture and equipment	-	(7,065)
Proceeds on sale of furniture and equipment	-	1,100
Net Cash Used by Investing Activities	(17,939)	(20,965)
Change in Cash and Cash Equivalents	(131,073)	143,312
Cash and Cash Equivalents, Beginning of Year	306,545	163,233
Cash and Cash Equivalents, End of Year	\$ 175,472	\$ 306,545

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Functional Expenses

Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Contracted services	\$ 140,633	\$ 7,435	\$ 20,250	\$ 168,318
Payroll and benefits	121,278	44,856	-	166,134
Cost of goods sold and product development direct costs	40,142	1,243	14	41,399
Building and office	8,034	25,293	5,083	38,410
Travel and events	36,903	622	287	37,812
Information technology	24,327	1,120	1,164	26,611
Marketing and promotion	4,258	17,033	-	21,291
Donated inventory	16,768	-	-	16,768
Total Expenses	\$ 392,343	\$ 97,602	\$ 26,798	\$ 516,743
Percentage of Total Expenses	76%	19%	5%	100%

Year Ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Payroll and benefits	\$ 41,136	\$ 49,870	\$ 10,112	\$ 101,118
Contracted services	33,858	28,145	16,629	78,632
Cost of goods sold and product development direct costs	46,302	290	233	46,825
Building and office	7,323	22,971	4,014	34,308
Information technology	11,899	15,796	2,847	30,542
Travel and events	21,991	247	-	22,238
Marketing and promotion	2,224	8,896	-	11,120
Total Expenses	\$ 164,733	\$ 126,215	\$ 33,835	\$ 324,783
Percentage of Total Expenses	51%	39%	10%	100%

See notes to financial statements

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION:

Peacemaker Ministries (Peacemaker) is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, Peacemaker is subject to federal income tax on any unrelated business taxable income. In addition, Peacemaker is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Peacemaker is primarily supported by contributions from organizations and individuals.

Peacemaker is a non-denominational ministry whose mission is to equip and assist Christians and their churches to respond to conflict biblically. Peacemaker provides conflict coaching, mediation, and arbitration services to help resolve conflicts, disputes, and church divisions. Its training services include seminars, conflict coaching training, mediation training, and advanced mediation and arbitration training for conciliators and church leaders working within their churches, as well as training for individuals conducting more formal and complex proceedings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Peacemaker maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of amounts held in checking and savings accounts. Peacemaker has not experienced any losses in such account and believes it is not exposed to any significant credit risk.

INVENTORY

Inventory consists of publications and program materials and is stated as the lower of cost (first-in, first-out) or net realizable value.

CAPITALIZED PRODUCTION COSTS

Capitalized production costs consist of funds spent by Peacemaker towards the creation of a book. Subsequent to the year ended December 31, 2018, the book was completed and released for sale.

FURNITURE AND EQUIPMENT

Furniture and equipment is stated at cost, or if donated, at its fair market value on the date of the gift. Peacemaker capitalizes all fixed assets greater than \$2,500. Depreciation is computed on the straight-line basis over estimated useful lives of five to fifteen years.

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DEFERRED INCOME

Deferred income mainly consists of cash received in advance for royalties related to a book not released to the public until after December 31, 2018.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions include resources that are used to support Peacemaker's current operations and investments in furniture and equipment—net.

Net assets with donor restrictions are comprised of donor-restricted contributions for the support of specific projects and programs. During the year ended December 31, 2017, this included a restriction by a donor in perpetuity in the form of an endowment in the amount of \$9,190. The income from this endowment was restricted for specific ministry projects or programs. During the year ended December 31, 2018, the donor released the restriction, and the amount was therefore released into net assets without donor restrictions. The disclosures required by the Reporting Endowment Funds subtopic of the Financial Accounting Standards Board Accounting Standards Codification have not been included in these financial statements due to immateriality.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restriction unless specifically restricted by the donor. Donated assets are recorded at their fair market value on the date of donation.

Included in contributions are in-kind services comprised of contributed salaries and rental expense during the year ended December 31, 2018 and 2017. Total in-kind service contributions totaled \$26,618 and \$40,892 during the years ended December 31, 2018 and 2017, respectively.

All other income is recognized when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs, such as payroll expenses and depreciation, have been allocated among the program services and supporting activities benefited. Salaries and benefits were allocated based on time and effort. All other expenses were allocated based on the nature of the expense.

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING COSTS

During the year ended December 31, 2018 and 2017, advertising expense totaled \$22,064 and \$11,119, respectively. Both amounts for the years ended December 31, 2018 and 2017, are recorded in marketing and promotion on the statements of functional expenses.

CHANGE IN ACCOUNTING PRINCIPLE

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Peacemaker adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and the availability of resources (note 3), and disclosures related to the functional allocation of expenses were expanded (note 2, above). Adoption of this standard had no effect on the change in net assets by class of net assets or in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

Peacemaker has \$177,334, of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents and accounts receivable and other assets. This amount represents the financial assets available within one year to meet cash needs for general expenditures. Peacemaker structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through board meetings and detailed financial analysis.

4. CONCENTRATION:

During the years ended December 31, 2018 and 2017, Peacemaker received contributions from one donor of approximately \$50,000 and \$55,000, respectively. These gifts account for approximately 13% and 10% of total support and revenue for the years ended December 31, 2018 and 2017, respectively.

5. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 15, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.