



PEACEMAKER[®]

MINISTRIES

Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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.

Capin Crouse LLP

Colorado Springs, Colorado
June 19, 2018

PEACEMAKER MINISTRIES

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 306,545	\$ 163,233
Inventory	4,306	14,369
Accounts receivable and other assets	792	22,376
Capitalized production costs	15,000	-
Furniture and equipment—net	7,812	4,541
Total Assets	<u>\$ 334,455</u>	<u>\$ 204,519</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 11,457	\$ 20,450
Accrued liabilities	-	62,788
	<u>11,457</u>	<u>83,238</u>
Net assets:		
Unrestricted:		
Undesignated	276,948	58,411
Equity in furniture and equipment—net	7,812	4,541
	<u>284,760</u>	<u>62,952</u>
Temporarily restricted	29,048	49,139
Permanently restricted	9,190	9,190
	<u>322,998</u>	<u>121,281</u>
Total Liabilities and Net Assets	<u>\$ 334,455</u>	<u>\$ 204,519</u>

See notes to financial statements

PEACEMAKER MINISTRIES

Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING:				
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
	526,500	-	-	526,500
Total Support and Revenue				
Net Assets Released:				
Purpose restrictions	20,091	(20,091)	-	-
	20,091	(20,091)	-	-
Expenses:				
Payroll and benefits	101,119	-	-	101,119
Contracted services	78,632	-	-	78,632
Cost of goods sold and product development direct costs	46,825	-	-	46,825
Information technology	30,542	-	-	30,542
Building and office	30,874	-	-	30,874
Travel and events	22,148	-	-	22,148
Marketing and promotion	11,119	-	-	11,119
Interest, dues, and fees	3,524	-	-	3,524
	324,783	-	-	324,783
Total Expenses				
Change in Net Assets	221,808	(20,091)	-	201,717
Net Assets, Beginning of Year	62,952	49,139	9,190	121,281
Net Assets, End of Year	\$ 284,760	\$ 29,048	\$ 9,190	\$ 322,998

See notes to financial statements

PEACEMAKER MINISTRIES

Statement of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING:				
Support and Revenue:				
Contributions	\$ 314,286	\$ 5,900	\$ -	\$ 320,186
Sales	144,526	-	-	144,526
Event income	86,299	-	-	86,299
Conciliation services	27,237	-	-	27,237
Other income	5,928	-	-	5,928
Total Support and Revenue	<u>578,276</u>	<u>5,900</u>	<u>-</u>	<u>584,176</u>
Net Assets Released:				
Purpose restrictions	<u>5,017</u>	<u>(5,017)</u>	<u>-</u>	<u>-</u>
Expenses:				
Payroll and benefits	282,158	-	-	282,158
Marketing and promotion	89,093	-	-	89,093
Contracted services	87,291	-	-	87,291
Cost of goods sold and product development direct costs	63,280	-	-	63,280
Building and office	53,508	-	-	53,508
Travel and events	44,080	-	-	44,080
Information technology	28,291	-	-	28,291
Interest, dues, and fees	15,859	-	-	15,859
Total Expenses	<u>663,560</u>	<u>-</u>	<u>-</u>	<u>663,560</u>
Change in Net Assets From Operation	(80,267)	883	-	(79,384)
NON-OPERATING:				
Loss on disposal of fixed assets	<u>(34,949)</u>	<u>-</u>	<u>-</u>	<u>(34,949)</u>
Change in Net Assets	(115,216)	883	-	(114,333)
Net Assets, Beginning of Year	<u>178,168</u>	<u>48,256</u>	<u>9,190</u>	<u>235,614</u>
Net Assets, End of Year	<u>\$ 62,952</u>	<u>\$ 49,139</u>	<u>\$ 9,190</u>	<u>\$ 121,281</u>

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 201,717	\$ (114,333)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	640	3,305
Loss on disposal of fixed assets	2,054	32,423
Changes in operating assets and liabilities:		
Accounts receivable and other assets	21,584	251,756
Inventory	10,063	12,150
Accounts payable and other liabilities	(8,993)	(52,595)
Accrued liabilities	(62,788)	(62,335)
Deferred income	-	(18,701)
Net Cash Provided by Operating Activities	164,277	51,670
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of capitalized production costs	(15,000)	-
Purchases of furniture and equipment	(7,065)	(2,992)
Proceeds on sale of furniture and equipment	1,100	-
Net Cash Used by Investing Activities	(20,965)	(2,992)
Change in Cash and Cash Equivalents	143,312	48,678
Cash and Cash Equivalents, Beginning of Year	163,233	114,555
Cash and Cash Equivalents, End of Year	\$ 306,545	\$ 163,233

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Functional Expenses

Year Ended December 31, 2017

	Program Services	General and Administrative	Fund - raising	Total
Payroll and benefits	\$ 41,137	\$ 49,870	\$ 10,112	\$ 101,119
Marketing and promotion	5,431	-	5,688	11,119
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
Travel and events	21,901	247	-	22,148
Building and office	6,800	20,195	3,879	30,874
Information technology	11,899	15,796	2,847	30,542
Interest, dues, and fees	523	2,776	225	3,524
Total Expenses	\$ 167,851	\$ 117,319	\$ 39,613	\$ 324,783
Percentage of Total Expenses	52%	36%	12%	100%

Year Ended December 31, 2016

	Program Services	General and Administrative	Fund - raising	Total
Payroll and benefits	\$ 146,722	\$ 42,324	\$ 93,112	\$ 282,158
Marketing and promotion	76,195	196	12,702	89,093
Contracted services	22,574	64,663	54	87,291
Cost of goods sold and product development direct costs	60,858	2,422	-	63,280
Building and office	17,310	34,249	1,949	53,508
Travel and events	39,271	3,171	1,638	44,080
Information technology	8,481	17,830	1,980	28,291
Interest, dues, and fees	3,011	12,109	739	15,859
Total Expenses	\$ 374,422	\$ 176,964	\$ 112,174	\$ 663,560
Percentage of Total Expenses	56%	27%	17%	100%

See notes to financial statements

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2017 and 2016

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. The balances exceeded federally insured limits by approximately \$48,000 as of December 31, 2017. 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.

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CAPITALIZED PRODUCTION COSTS

Capitalized production costs consist of funds spent by Peacemaker towards the creation of a book. This book is in-process as of December 31, 2017, and is expected to be completed during the year ended December 31, 2018, with sales beginning soon after completion.

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.

ACCRUED LIABILITIES

Accrued liabilities consist mainly of wages payable owed to a former President by Peacemaker in the amount of \$47,234 as of December 31, 2016. In March 2017, the entire balance was paid in full to the former President. The remaining balance as of December 31, 2016 in accrued liabilities consists of accrued vacation payable to employees and other miscellaneous items. Accrued liabilities are recorded when incurred.

CLASSES OF NET ASSETS

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

Unrestricted net assets include resources that are used to support Peacemaker's current operations and investments in furniture and equipment—net.

Temporarily restricted net assets are comprised of donor-restricted contributions for the support of specific projects and programs.

Permanently restricted net assets are those restricted by donors in perpetuity as endowments, the income from which is restricted for specific ministry projects or programs. 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.

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use 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, 2017, and Google ad credits offset by an equal advertising expense during the year ended December 31, 2016. Total in-kind service contributions totaled \$40,892 and \$67,693 during the years ended December 31, 2017 and 2016, 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.

ADVERTISING COSTS

During the year ended December 31, 2017, advertising expense totaled \$11,119 for Peacemaker. During the year ended December 31, 2016, advertising expense totaled \$67,693 is for contributed service expense for free advertising of Google ad credits given to Peacemaker. Contributed services revenue and expense is recorded at current market value of the advertising services. Both amounts for the years ended December 31, 2017 and 2016, are recorded in marketing and promotion on the statements of functional expenses.

OPERATING AND NON-OPERATING ACTIVITIES:

For the year ended December 31, 2016, the activity of Peacemaker has been reported in the statement of activities in the following two categories: operating and non-operating. Operating includes the core service activities of Peacemaker. Non-operating includes all other activity that is not considered to be "core services," such as the loss on disposal of fixed assets.

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2017 and 2016

3. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2017	2016
Doctoral scholarships	\$ 29,048	\$ 34,148
Other projects	-	14,991
	<u>\$ 29,048</u>	<u>\$ 49,139</u>

4. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 19, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.