



PEACEMAKER[®]
MINISTRIES

Financial Statements
With Independent Auditors' Report

December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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
October 18, 2017

PEACEMAKER MINISTRIES

Statements of Financial Position

	December 31,	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 163,233	\$ 114,555
Inventory	14,369	26,519
Accounts receivable and other assets	22,376	24,132
Note receivable	-	250,000
Furniture and equipment-net	4,541	37,277
Total Assets	\$ 204,519	\$ 452,483
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 20,450	\$ 73,045
Accrued liabilities	62,788	125,123
Deferred income	-	18,701
	<u>83,238</u>	<u>216,869</u>
Net assets:		
Unrestricted:		
Undesignated	58,411	140,891
Equity in furniture and equipment-net	4,541	37,277
	<u>62,952</u>	<u>178,168</u>
Temporarily restricted	49,139	48,256
Permanently restricted	9,190	9,190
	<u>121,281</u>	<u>235,614</u>
Total Liabilities and Net Assets	\$ 204,519	\$ 452,483

See notes to financial statements

PEACEMAKER MINISTRIES

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	58,113	-	-	58,113
Travel and events	44,080	-	-	44,080
Building and office	43,516	-	-	43,516
Information technology	28,291	-	-	28,291
Interest, dues, and fees	15,859	-	-	15,859
Miscellaneous	9,992	-	-	9,992
Product development direct costs	<u>5,167</u>	<u>-</u>	<u>-</u>	<u>5,167</u>
Total Expenses	<u>663,560</u>	<u>-</u>	<u>-</u>	<u>663,560</u>
Change in Net Assets From Operations	(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

Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING:				
Support and Revenue:				
Contributions	\$ 446,991	\$ 1,500	\$ -	\$ 448,491
Sales	173,666	-	-	173,666
Event income	114,157	-	-	114,157
Conciliation services	60,521	-	-	60,521
Other income	4,300	-	-	4,300
Total Support and Revenue	<u>799,635</u>	<u>1,500</u>	<u>-</u>	<u>801,135</u>
Net Assets Released:				
Purpose restrictions	<u>147,325</u>	<u>(147,325)</u>	<u>-</u>	<u>-</u>
Expenses:				
Payroll and benefits	364,376	-	-	364,376
Cost of goods sold	182,644	-	-	182,644
Marketing and promotion	178,493	-	-	178,493
Travel and events	129,542	-	-	129,542
Contracted services	81,954	-	-	81,954
Building and office	48,929	-	-	48,929
Information technology	31,717	-	-	31,717
Interest, dues, and fees	26,343	-	-	26,343
Product development direct costs	12,985	-	-	12,985
Miscellaneous	9,181	-	-	9,181
Total Expenses	<u>1,066,164</u>	<u>-</u>	<u>-</u>	<u>1,066,164</u>
Change in Net Assets From Operations	<u>(119,204)</u>	<u>(145,825)</u>	<u>-</u>	<u>(265,029)</u>
NON-OPERATING:				
Loss on disposal of fixed assets	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Change in Net Assets	<u>(319,204)</u>	<u>(145,825)</u>	<u>-</u>	<u>(465,029)</u>
Net Assets, Beginning of Year	<u>497,372</u>	<u>194,081</u>	<u>9,190</u>	<u>700,643</u>
Net Assets, End of Year	<u>\$ 178,168</u>	<u>\$ 48,256</u>	<u>\$ 9,190</u>	<u>\$ 235,614</u>

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (114,333)	\$ (465,029)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,305	4,173
Loss on disposal of fixed assets	32,423	-
Changes in operating assets and liabilities:		
Accounts receivable and other assets	251,756	34,459
Inventory	12,150	(2,756)
Accounts payable	(52,595)	(21,596)
Accrued liabilities	(62,335)	18,700
Deferred income	(18,701)	1,303
Net Cash Provided (Used) by Operating Activities	51,670	(430,746)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loss on note receivable	-	200,000
Purchases of furniture and equipment	(2,992)	(2,686)
Net Cash Provided by Investing Activities	(2,992)	197,314
Change in Cash and Cash Equivalents	48,678	(233,432)
Cash and Cash Equivalents, Beginning of Year	114,555	347,987
Cash and Cash Equivalents, End of Year	\$ 163,233	\$ 114,555

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Functional Expenses

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	56,390	1,723	-	58,113
Travel and events	39,271	3,171	1,638	44,080
Building and office	12,609	30,470	437	43,516
Information technology	8,481	17,830	1,980	28,291
Interest, dues, and fees	3,011	12,109	739	15,859
Miscellaneous	4,701	3,779	1,512	9,992
Product development direct costs	4,468	699	-	5,167
Total Expenses	\$ 374,422	\$ 176,964	\$ 112,174	\$ 663,560
Percentage of Total Expenses	56%	27%	17%	100%

Year Ended December 31, 2015

	Program Services	General and Administrative	Fund - raising	Total
Payroll and benefits	\$ 156,794	\$ 143,891	\$ 63,691	\$ 364,376
Marketing and promotion	173,962	-	8,682	182,644
Contracted services	73,109	96,049	9,335	178,493
Travel and events	117,110	5,261	7,171	129,542
Cost of goods sold	81,954	-	-	81,954
Building and office	132	48,540	257	48,929
Information technology	2,044	29,673	-	31,717
Product development direct costs	26,343	-	-	26,343
Interest, dues, and fees	-	11,955	1,030	12,985
Miscellaneous	1,193	6,732	1,256	9,181
Total Expenses	\$ 632,641	\$ 342,101	\$ 91,422	\$ 1,066,164
Percentage of Total Expenses	59%	32%	9%	100%

See notes to financial statements

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2016 and 2015

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(c) 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. From time to time, amounts in this account exceed federally insured limits. 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 market. Peacemaker and The Christianbook Group, LLC (TCG) operate under an agreement for sales of Peacemaker products. Under the agreement, TCG provides ministry resource fulfillment services for online orders for Peacemaker customers on a co-branded website. In connection with the TCG agreement, Peacemaker has changed to the sales model for ministry resource distribution which allows them to offer a wider range of ministry resources at competitive prices, while extending discounts, promotions and payment opportunities. Peacemaker sells their products to TCG, and then receives 5% of all sales made by TCG to consumers on the co-branded website for digital downloads, and 10% of all sales made by TCG for all other products.

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTE RECEIVABLE

During the year ended December 31, 2014, Peacemaker sold property for both cash proceeds and a note receivable from the buyer of \$450,000. The note was secured by the property sold and was due upon the buyer finding a lessee for the building or June 2017, whichever was earlier. During the year ended December 31, 2015, Peacemaker agreed to reduce the receivable by \$200,000 due to a decrease in the value of the building. The note receivable was fully collected in January 2016.

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 \$47,234 and \$114,126 as of December 31, 2016 and 2015, respectively. In March 2017, the entire balance was paid in full to the former President. The remaining balance 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, 2016 and 2015

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 Google ad credits offset by an equal advertising expense. These contributions totaled \$67,693 and \$122,720 during the years ended December 31, 2016 and 2015, 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 years ended December 31, 2016 and 2015, \$67,693 and \$122,720, respectively, of the total advertising expense is for contributed service expense for free advertising given to Peacemaker. Contributed services revenue and expense is recorded at current market value of the advertising services.

OPERATING AND NON-OPERATING ACTIVITIES:

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, 2016 and 2015

3. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2016	2015
Doctoral scholarships	\$ 34,148	\$ 34,148
Other projects	14,991	14,108
	<u>\$ 49,139</u>	<u>\$ 48,256</u>

4. SUBSEQUENT EVENTS:

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