



PEACEMAKER[®]

MINISTRIES

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2015 (Audited) and 2014 (Reviewed)

PEACEMAKER MINISTRIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peacemaker Ministries
Colorado Springs, Colorado

We have audited the accompanying financial statements of Peacemaker Ministries, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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
Colorado Springs, Colorado

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, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The December 31, 2014 financial statements were reviewed by us, and our report thereon, dated July 2, 2015, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
July 29, 2016

PEACEMAKER MINISTRIES

Statements of Financial Position

	December 31,	
	2015	2014
	(Audited)	(Reviewed)
ASSETS:		
Cash and cash equivalents	\$ 114,555	\$ 347,987
Inventory	26,519	23,763
Accounts receivable and other assets	24,132	58,591
Note receivable	250,000	450,000
Furniture and equipment—net	37,277	38,764
	<u> </u>	<u> </u>
Total Assets	<u>\$ 452,483</u>	<u>\$ 919,105</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 73,045	\$ 94,641
Accrued liabilities	125,123	106,423
Deferred income	18,701	17,398
	<u> </u>	<u> </u>
	216,869	218,462
	<u> </u>	<u> </u>
Net assets:		
Unrestricted:		
Undesignated	140,891	458,608
Equity in furniture and equipment—net	37,277	38,764
	<u> </u>	<u> </u>
	178,168	497,372
Temporarily restricted	48,256	194,081
Permanently restricted	9,190	9,190
	<u> </u>	<u> </u>
	235,614	700,643
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 452,483</u>	<u>\$ 919,105</u>

See notes to financial statements

PEACEMAKER MINISTRIES

Statement of Activities

Year Ended December 31, 2015 (Audited)

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

See notes to financial statements

PEACEMAKER MINISTRIES

Statement of Activities

Year Ended December 31, 2014 (Reviewed)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING:				
Support and Revenue:				
Contributions	\$ 436,964	\$ 229,286	\$ -	\$ 666,250
Sales	377,665	-	-	377,665
Event income	126,096	-	-	126,096
Conciliation services	69,462	-	-	69,462
Other income	5,825	-	-	5,825
	<u>1,016,012</u>	<u>229,286</u>	<u>-</u>	<u>1,245,298</u>
Total Support and Revenue				
Net Assets Released:				
Purpose restrictions	43,863	(43,863)	-	-
Administrative assessments	44,304	(44,304)	-	-
	<u>88,167</u>	<u>(88,167)</u>	<u>-</u>	<u>-</u>
Expenses:				
Payroll and benefits	639,366	-	-	639,366
Cost of goods sold	199,584	-	-	199,584
Marketing and promotion	145,708	-	-	145,708
Travel and events	114,142	-	-	114,142
Contracted services	109,655	-	-	109,655
Building and office	88,073	-	-	88,073
Information technology	49,627	-	-	49,627
Interest and fees	14,932	-	-	14,932
Product development direct costs	10,328	-	-	10,328
Miscellaneous	10,035	-	-	10,035
	<u>1,381,450</u>	<u>-</u>	<u>-</u>	<u>1,381,450</u>
Total Expenses				
Change in Net Assets From Operations	(277,271)	141,119	-	(136,152)
NON-OPERATING:				
Gain on disposal of fixed assets	86,892	-	-	86,892
Loss on investments	(19,201)	-	-	(19,201)
	<u>67,691</u>	<u>-</u>	<u>-</u>	<u>67,691</u>
Change in Net Assets	(209,580)	141,119	-	(68,461)
Net Assets, Beginning of Year	<u>706,952</u>	<u>52,962</u>	<u>9,190</u>	<u>769,104</u>
Net Assets, End of Year	<u>\$ 497,372</u>	<u>\$ 194,081</u>	<u>\$ 9,190</u>	<u>\$ 700,643</u>

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Cash Flows

	Year Ended December 31,	
	2015 (Audited)	2014 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (465,029)	\$ (68,461)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,173	24,611
Gain on disposal of fixed assets	-	(86,892)
Changes in operating assets and liabilities:		
Accounts receivable and other assets	34,459	(11,165)
Inventory	(2,756)	54,763
Accounts payable	(21,596)	78,466
Accrued liabilities	18,700	29,203
Deferred income	1,303	7,521
Net Cash Provided (Used) by Operating Activities	(430,746)	28,046
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	-	11,155
Loss on note receivable	200,000	-
Cash proceeds from sale of fixed assets	-	400,000
Purchases of furniture and equipment	(2,686)	(40,170)
Net Cash Provided by Investing Activities	197,314	370,985
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable and line of credit	-	(232,679)
Net Cash Used by Financing Activities	-	(232,679)
Change in Cash and Cash Equivalents	(233,432)	166,352
Cash and Cash Equivalents, Beginning of Year	347,987	181,635
Cash and Cash Equivalents, End of Year	\$ 114,555	\$ 347,987
NON-CASH TRANSACTION:		
Fixed assets sold for note receivable	\$ -	\$ 450,000

See notes to financial statements

PEACEMAKER MINISTRIES

Statements of Functional Expenses

Year Ended December 31, 2015 (Audited)

	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 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%

Year Ended December 31, 2014 (Reviewed)

	Program Services	General and Administrative	Fund - raising	Total
Payroll and benefits	\$ 389,189	\$ 200,238	\$ 49,939	\$ 639,366
Cost of goods sold	199,584	-	-	199,584
Marketing and promotion	127,094	667	17,947	145,708
Travel and events	106,861	3,410	3,871	114,142
Contracted services	62,159	42,496	5,000	109,655
Building and office	64,488	15,913	7,672	88,073
Information technology	24,506	25,121	-	49,627
Interest and fees	-	14,932	-	14,932
Product development direct costs	7,258	2,965	105	10,328
Miscellaneous	9,702	-	333	10,035
Total Expenses	\$ 990,841	\$ 305,742	\$ 84,867	\$ 1,381,450
Percentage of Total Expenses	72%	22%	6%	100%

See notes to financial statements

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2015 and 2014

1. NATURE OF ORGANIZATION:

Peacemaker Ministries (Peacemaker) is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code. 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, 2015 and 2014

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 the President by the organization in the amount of \$114,126. The remaining balance 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, 2015 and 2014

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 \$122,720 of Google ad credits offset by an equal marketing expense.

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 statement 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, 2015 and 2014, \$122,720 and \$106,551, 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.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2015, Peacemaker had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Peacemaker is generally no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2012.

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 the organization. Non-operating includes all other activity that is not considered to be "core services," such as the gain (loss) on investments and disposal of fixed assets.

PEACEMAKER MINISTRIES

Notes to Financial Statements

December 31, 2015 and 2014

3. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2015	2014
	(Audited)	(Reviewed)
Doctoral scholarships	\$ 34,148	\$ 34,148
Other projects	14,108	16,108
Curriculum - PM 2.0, & marriage	-	143,825
	<u>\$ 48,256</u>	<u>\$ 194,081</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.