



James L. Ulvog
Certified Public Accountant

**Accounting and Auditing for the
Nonprofit Community**

PEACEMAKER MINISTRIES

FINANCIAL STATEMENTS

With Independent Accountant's Compilation Report

December 31, 2023 and 2022

PEACEMAKER MINISTRIES

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**Accounting and Auditing for the
Nonprofit Community**

**P.O. Box 8724
Williston, ND 58803**

office: (909) 296-1487

fax: (888) 958-2407

e-mail: jamesulvog@earthlink.net

e-mail: james@ulvogcpa.com

web: www.ulvogcpa.com

**weblogs: nonprofitupate.info and onceuponinternalcontrol.com
published resources: www.riverstonefinancepress.com**

Management is responsible for the accompanying financial statements of Peacemaker Ministries (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activity, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with U.S. generally accepted accounting principles. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or the completeness of the information provided by management. I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I also performed a compilation engagement on the adjustments described in Note 10 that were applied to restate the 2022 financial statements. I have not audited or reviewed the adjustments described in Note 10 that were applied to restate the 2022 financial statements and do not express an opinion, a conclusion, nor provide any assurance on the adjustments.

The financial statements prior to adjustment of Peacemaker Ministries as of December 31, 2022 were subjected to a compilation engagement by other accountants whose report, dated August 9, 2023, stated that they have not audited or reviewed the 2022 financial statements and do not express an opinion, a conclusion, nor provide any form of assurance on those financial statements.

James L. Ulvog

October 10, 2024

Peacemaker Ministries
Statements of Financial Position

See Independent Accountant's Compilation Report

	December 31,	
	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 86,155	\$ 118,422
Inventory	36,585	38,826
Right-of-use assets, current portion (Note 2)	8,612	8,263
Total Current Assets	131,352	165,511
Capitalized Production Costs (Note 3)	44,603	51,023
Right-of-Use Assets, net of current portion (Note 2)	26,424	35,036
Equipment - at cost, net (Note 4)	2,377	6,172
Total Assets	<u>\$ 204,756</u>	<u>\$ 257,742</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,102	\$ 6,337
Current portion of lease liability (Note 5)	8,612	8,263
Total Current Liabilities	16,714	14,600
Lease Liability, Net of Current Portion (Note 5)	26,424	35,036
Total Liabilities	43,138	49,636
Net Assets	161,618	208,106
Total Liabilities and Net Assets	<u>\$ 204,756</u>	<u>\$ 257,742</u>

See notes to financial statements

Peacemaker Ministries

Statements of Activity

See Independent Accountant's Compilation Report

	Year ended December 31,	
	2023	2022
SUPPORT AND REVENUE:		
Contributions	\$ 104,978	\$ 165,618
Sales and royalty income	98,769	114,403
Event income	26,153	30,632
Conciliation services	23,430	16,488
Gain on sale of equipment	5,507	-
Other income	1,373	583
Total Support and Revenue	260,210	327,724
EXPENSES:		
Salaries and benefits	166,786	151,692
Occupancy	34,847	30,417
Cost of goods sold and product development costs	52,374	78,719
Professional services	13,365	14,472
Information technology	17,968	19,867
Marketing and promotion	2,911	64,419
Travel	6,707	7,843
Other expenses	6,942	8,637
Depreciation	4,798	6,190
Total Expenses	306,698	382,256
Change in Net Assets	(46,488)	(54,532)
Net Assets, Beginning of Year	208,106	262,638
Net Assets, End of Year	\$ 161,618	\$ 208,106

See notes to financial statements

Peacemaker Ministries

Statements of Functional Expenses

See Independent Accountant's Compilation Report

	Year Ended December 31,							
	2023				2022			
	Program Activities	General and Management	Fundraising	Total	Program Activities	General and Management	Fundraising	Total
Salaries and benefits	\$ 113,798	\$ 44,626	\$ 8,362	\$ 166,786	\$ 119,338	\$ 32,354	\$ -	\$ 151,692
Occupancy	23,973	9,158	1,716	34,847	22,005	8,412	-	30,417
Cost of goods sold and product development costs	52,374	-	-	52,374	78,719	-	-	78,719
Professional services	-	13,365	-	13,365	2,498	9,115	2,859	14,472
Information technology	12,260	4,807	901	17,968	19,101	766	-	19,867
Marketing and promotion	2,246	409	256	2,911	64,143	-	276	64,419
Travel	6,707	-	-	6,707	7,843	-	-	7,843
Other expenses	2,392	4,043	507	6,942	4,868	3,769	-	8,637
Depreciation	4,798	-	-	4,798	6,190	-	-	6,190
Total Expenses	<u>\$ 218,548</u>	<u>\$ 76,408</u>	<u>\$ 11,742</u>	<u>\$ 306,698</u>	<u>\$ 324,705</u>	<u>\$ 54,416</u>	<u>\$ 3,135</u>	<u>\$ 382,256</u>

See notes to financial statements

Peacemaker Ministries

Statements of Cash Flows

See Independent Accountant's Compilation Report

	Year ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (46,488)	\$ (54,532)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,798	6,190
Amortization of capitalized production costs	6,420	25,012
Gain on sale of equipment	(5,507)	-
Other changes in receivables and payables:		
Net change in inventory	2,241	9,626
Net change in accounts payable and accrued expenses	1,765	(5,540)
Net Cash Used by Operating Activities	<u>(36,771)</u>	<u>(19,244)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	7,300	-
Purchase of equipment	<u>(2,796)</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>4,504</u>	<u>-</u>
Decrease in Cash	(32,267)	(19,244)
Cash, Beginning of Year	<u>118,422</u>	<u>137,666</u>
Cash, End of Year	<u><u>\$ 86,155</u></u>	<u><u>\$ 118,422</u></u>
OTHER SUPPLEMENTAL INFORMATION:		
Recognize right-of-use asset and lease liability	\$ -	\$ 44,643
Change in right-of-use asset and lease liability	<u><u>\$ 8,263</u></u>	<u><u>\$ -</u></u>

See notes to financial statements

PEACEMAKER MINISTRIES

Notes to Financial Statements

See accompanying Independent Accountant's Compilation Report

December 31, 2023

1. NATURE OF ORGANIZATION:

Peacemaker Ministries (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. Peacemaker has also published books and resources which generate sales and royalty income for the organization.

Peacemaker is a nonprofit organization that was organized in 1982 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. As such, it is also exempt from state income taxes, and contributions by the public are deductible for income tax purposes. Peacemaker is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

For the years ended December 31, 2023 and 2022 contributions were approximately 40% and 50% of total support and revenue, respectively. For the same years, sales and royalty income were approximately 38% and 35% of total support and revenue, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Peacemaker have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. This body of knowledge is also referred to as "GAAP" and can be located in the *Accounting Standards Codification*TM, prepared by the *Financial Accounting Standards Board* (FASB). A summary of the significant accounting policies is described below to enhance the usefulness of the financial statements to the reader.

CASH

For statements of financial position and cash flow purposes, cash includes cash on hand and on deposit with financial institutions.

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 books. Peacemaker completed and released for sale its first book during the year ended December 31, 2019. During the year ended December 31, 2021, Peacemaker completed two additional books which were released in 2022. Amortization is computed based on the expected future sales of the books for ten years, with accelerated amortization during the first year after the release of the book.

EQUIPMENT

Expenditures for equipment are capitalized at cost. Expenditures greater than \$2,500 are capitalized. Donated assets to be used in the ministry are capitalized at their fair market value on the date of the gift.

Depreciation of buildings and equipment is computed on the straight-line method over the estimated useful lives of the assets. Useful lives are 5 years for equipment.

PEACEMAKER MINISTRIES

Notes to Financial Statements

See accompanying Independent Accountant's Compilation Report

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - continued NET ASSETS

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

- Net assets without donor restrictions are those currently available at the discretion of the board of directors and/or management for use in Peacemaker's operations and those resources invested in equipment.
- Net assets with donor restrictions are amounts which are specified by donors for specific operating purposes. As of December 31, 2023 and 2022 there are no contributions restricted by donors.

SUPPORT, REVENUE AND EXPENSES

Contributions received are recorded in the *without donor restriction* or *with donor restriction* net asset classes depending on the existence and nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

Peacemaker records contributions in the donor restricted net asset class if they are received with donor stipulations that limit their use through either purpose or time restrictions or both. When donor restrictions expire – that is, when the purpose restriction is fulfilled or the time restriction expires – net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions. Contributions restricted to the purchase of property or equipment are considered to be met when the asset is placed in service.

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets to be used directly in the operations is transferred to Peacemaker. Goods given to Peacemaker that do not have an objective basis for valuation are not recorded.

Peacemaker recognizes program income from selling resources, earning royalties, holding events, and providing conciliation services in accordance with ASC 606 *Revenue from Contracts with Customers*. Program income is recorded when goods are shipped and after completion of services (seminars or conciliation meetings). Royalty income is recorded when received. All program revenue sources consist of single performance obligations. Program income earned, but not yet received, results in the recognition of accounts receivable, and program income received but not yet earned results in the recognition of deferred income on the financial statements. For the years ended December 31, 2023 and 2022, there were no accounts receivable and no deferred income recorded by Peacemaker.

DONATED SERVICES

GAAP requires the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of Peacemaker. The value of the contributed services which meet the accounting criteria are recognized as contributions in the accompanying financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Expenses directly attributable to a specific functional area of Peacemaker are reported as expenses of those functional areas. Salary is allocated based on estimates of time and effort of the individuals. Occupancy costs and certain operational expenses are allocated based on the estimated portions that apply to each functional area.

PEACEMAKER MINISTRIES

Notes to Financial Statements

See accompanying Independent Accountant's Compilation Report

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - continued
ADVERTISING

Advertising and marketing costs are charged to expense as incurred. Direct advertising and marketing expenses are recorded as marketing and promotion expense in the accompanying financial statements.

LEASES

Peacemaker leases a piece of office equipment under an operating lease with fixed payments and no stated renewal options. As required by GAAP the present value of future lease payments is presented in the accompanying statement of financial position as lease liabilities. The future value of the leased equipment is presented as a right-of-use asset in the accompanying statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term.

Peacemaker has made the following accounting elections:

- Discounting of future lease payments to present value at time of commencement of the lease is based on the risk-free interest rate for the same term as the lease instead of ascertaining the incremental borrowing rate which otherwise could be obtained for financing a loan of comparable amount for a comparable term.
- Peacemaker does not report right-of-use assets and leases liabilities for its short-term leases with a term of 12 months or less. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.
- Variable usage costs and non-lease components (insurance) are not included in the present value of payments but instead are recorded as incurred.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DATE THROUGH WHICH SUBSEQUENT EVENTS ARE EVALUATED

Peacemaker has evaluated through October 10, 2024 whether there are any subsequent events that should be considered for inclusion in these financial statements. That date is when the financial statements are available to be issued.

RECLASSIFICATION OF PRIOR YEAR AMOUNTS

Certain amounts from prior year have been reclassified to conform to current year presentation. See Note 10.

3. CAPITALIZED PRODUCTION COSTS:

Capitalized production costs consist of the following:

	December 31,	
	2023	2022
Capitalized production costs	\$ 96,292	\$ 96,292
Less accumulated amortization	51,689	45,269
Capitalized production costs, net of amortization	<u>\$ 44,603</u>	<u>\$ 51,023</u>

PEACEMAKER MINISTRIES

Notes to Financial Statements

See accompanying Independent Accountant's Compilation Report

December 31, 2023

4. EQUIPMENT:

Equipment consists of the following:

	December 31,	
	2023	2022
Equipment	\$ 13,062	\$ 34,149
Less accumulated depreciation	10,685	27,977
Equipment, net	<u>\$ 2,377</u>	<u>\$ 6,172</u>

5. LEASES:

Peacemaker is leasing one piece of office equipment under a lease that expires in October 2027. Monthly payments are \$825 as of December 2023.

Undiscounted future lease payments and a reconciliation to the right-of-use liability on the statement of financial position is:

	Operating Lease
Undiscounted cash flows due in year ending December 31,	
2024	\$ 9,900
2025	9,900
2026	9,900
2027	<u>8,250</u>
Total undiscounted cash flow	37,950
Impact of discounting to present value	<u>2,914</u>
Present value of cash flow	35,036
Right-of-Use liability, current	8,612
Right-of-Use liability, long term	<u>\$ 26,424</u>

Operating lease cost and cash paid for the years ended December 31, 2023 and 2022 was \$9,900 and \$4,500, respectively.

As of December 31, 2023 and 2022, the discount rate was 4.14% and 4.14%, respectively, and the remaining term was approximately 3.8 years and 4.8 years, respectively.

PEACEMAKER MINISTRIES

Notes to Financial Statements

See accompanying Independent Accountant's Compilation Report

December 31, 2023

6. NET ASSETS WITHOUT RESTRICTIONS:

Net assets without restrictions consist of the following:

	December 31,	
	2023	2022
Net investment in equipment	\$ 2,377	6,172
Undesignated	159,241	201,934
Total net assets without donor restrictions	<u>\$ 161,618</u>	<u>\$ 208,106</u>

7. DONATED SERVICES

Contributions of in-kind services and goods consist of:

	December 31,	
	2023	2022
Donated office space	\$ 17,928	\$ 17,928
Donated advertising	1,590	2,330
Volunteer time assembling products	2,720	-
Total donated services	<u>\$ 22,238</u>	<u>\$ 20,258</u>

8. CONCENTRATIONS:

For the year ended December 31, 2023 contributions from the three largest donors constitute approximately 39% of total contributions. For the year ended December 31, 2022 contributions from the two largest donors constitute approximately 34% of total contributions.

9. LIQUIDITY:

The following reflects Peacemaker's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	December 31,	
	2023	2022
Financial assets:		
Cash	\$ 86,155	\$ 118,422
Financial assets at year end	86,155	118,422
Less financial assets not available for general expenditures within one year	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 86,155</u>	<u>\$ 118,422</u>

Peacemaker's liquidity management strategy is to maintain adequate cash to cover several months of operating expenses.

PEACEMAKER MINISTRIES

Notes to Financial Statements

See accompanying Independent Accountant's Compilation Report

December 31, 2023

10. RESTATEMENT OF PRIOR YEAR AMOUNTS:

Certain amounts have been reclassified from the prior year presentation in order to confirm with the current year presentation. Amounts restated as of December 31, 2022 and the year then ended, along with select subtotals and totals are as follows:

	As previously reported	As restated
Statement of Financial Position:		
Right-of-use asset, current portion	\$ -	\$ 8,263
Total current assets	-	165,511
Right-of-use asset, net of current portion	43,299	35,036
Total assets	257,742	257,742
Current portion of lease liability	-	8,263
Total current liabilities	-	14,600
Lease liability, net of current portion	43,299	35,036
Total liabilities	49,636	49,636
Statement of activity:		
Expenses:		
Occupancy	66,487	30,417
Cost of goods sold and product development costs	53,707	78,719
Professional services	18,241	14,472
Other expenses	-	8,637
Depreciation	-	6,919
Total expenses	382,256	382,256
Statement of functional expenses		
Program activities:		
Occupancy	58,075	22,005
Cost of goods sold and product development costs	53,707	78,719
Other expenses	-	4,868
Depreciation	-	6,190
Total program activities	324,705	324,705
General and management:		
Professional services	12,884	9,115
Other expenses	-	3,769
Total general and management	\$ 54,416	\$ 54,416

PEACEMAKER MINISTRIES

Notes to Financial Statements

See accompanying Independent Accountant's Compilation Report

December 31, 2023

10. RESTATEMENT OF PRIOR YEAR AMOUNTS: - continued

	<u>As previously reported</u>	<u>As restated</u>
Statement of Cash Flows:		
Cash flows from operating activities:		
Depreciation	\$ 31,202	\$ 6,190
Amortization of capitalize production costs	-	25,012
Net cash used by operating activities	\$ (19,244)	\$ (19,244)