

**Peace Development Fund
Financial Statements
June 30, 2018**

Peace Development Fund

Financial Statements

June 30, 2018

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NOLAN, CALCASOLA & CO., P.C.
Certified Public Accountants

Independent Auditor's Report

**To the Members of the Board of Directors
Peace Development Fund**

We have audited the accompanying financial statements of Peace Development Fund (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses 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.

Auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peace Development Fund as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Nolan, Calcasola & CO., P.C.

January 24, 2019

Peace Development Fund
Statement of Financial Position
June 30, 2018

Assets

Current Assets:

Cash and Cash Equivalents	\$ 1,558,819
Investments at Fair Value	463,625
Prepaid Expenses	<u>2,303</u>

Total Current Assets 2,024,747

Property and Equipment:

Building Improvements	248,963
Furniture and Equipment	211,333
Building	<u>175,000</u>
	635,296
(Less: Accumulated Depreciation)	<u>(382,650)</u>

Net Property and Equipment 252,646

Total Assets **\$ 2,277,393**

Liabilities and Net Assets

Current Liabilities:

Grants and Accounts Payable	<u>\$ 6,870</u>
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Total Current Liabilities 6,870

Total Liabilities 6,870

Net Assets:

Unrestricted	350,608
Temporarily Restricted	<u>1,919,915</u>

Total Net Assets 2,270,523

Total Liabilities and Net Assets **\$ 2,277,393**

Peace Development Fund
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Contributions:			
Individuals	\$ 202,423	\$ 746,887	\$ 949,310
Foundations	288,772	2,348,652	2,637,424
	<hr/>	<hr/>	<hr/>
Total Contributions	491,195	3,095,539	3,586,734
	<hr/>	<hr/>	<hr/>
Other Support:			
Administrative Fees	180,455	-	180,455
Interest & Dividend Income	308	11,509	11,817
Rental Income	3,500	-	3,500
Gain (Loss) on Investments	(15)	(7,683)	(7,698)
	<hr/>	<hr/>	<hr/>
Total Other Support	184,248	3,826	188,074
	<hr/>	<hr/>	<hr/>
Revenues, Gains and Other Support	675,443	3,099,365	3,774,808
	<hr/>	<hr/>	<hr/>
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	2,161,948	(2,161,948)	-
	<hr/>	<hr/>	<hr/>
Total Revenues, Gains and Other Support	2,837,391	937,417	3,774,808
	<hr/>	<hr/>	<hr/>
Expenses:			
Program Expenses	2,503,182	-	2,503,182
Development Expenses	86,022	-	86,022
Management Expenses	92,077	-	92,077
	<hr/>	<hr/>	<hr/>
Total Expenses	2,681,281	937,417	2,681,281
	<hr/>	<hr/>	<hr/>
Change in Net Assets	156,110	937,417	1,093,527
	<hr/>	<hr/>	<hr/>
Net Assets at Beginning of Year	194,498	982,498	1,176,996
	<hr/>	<hr/>	<hr/>
Net Assets at End of Year	\$ 350,608	\$ 1,919,915	\$ 2,270,523
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Peace Development Fund
Statement of Cash Flows
Year Ended June 30, 2018

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Change in Net Assets: \$ 1,093,527

Adjustments to reconcile change in net assets to
net cash used by operating activities:

Depreciation 9,141
Increase (Decrease) in Current Liabilities (169,394)

Net Cash Provided by Operating Activities **933,274**

Cash Flows from Investing Activities:

(Increase) Decrease in Investments 11,621

Net Cash Provided (Used) by Investing Activities **11,621**

Net Increase in Cash and Cash Equivalents 944,895

Cash and Cash Equivalents at Beginning of Year 613,924

Cash and Cash Equivalents at End of Year **\$ 1,558,819**

Supplemental Data:

Interest Paid \$ -
Income Taxes Paid \$ -

Peace Development Fund
Statement of Functional Expenses
Year Ended June 30, 2018

	<u>Development</u>	<u>Management</u>	<u>Program Services</u>	<u>Total</u>
Expenses:				
Salaries	\$ 47,863	\$ 51,054	\$ 220,172	\$ 319,089
Travel and Meetings	8,570	9,141	39,423	57,134
Occupancy Expenses	6,723	7,170	30,924	44,817
Employee Benefits	5,792	6,178	26,642	38,612
Payroll Taxes	4,759	5,077	21,893	31,729
Equipment Rental and Maintenance	3,377	3,602	15,533	22,512
Professional Fees	1,895	2,021	8,715	12,631
Printing and Publications	1,637	1,746	7,529	10,912
Depreciation	1,371	1,463	6,307	9,141
Business Expenses	950	1,013	4,368	6,331
Telephone	860	917	3,956	5,733
Postage	850	906	3,909	5,665
Office Expenses	775	826	3,563	5,164
Investment Fees	-	-	4,266	4,266
Insurance Directors and Officers	381	407	1,755	2,543
Temp Help and Work Study	-	405	2,127	2,532
Staff Development	74	79	339	492
Memberships	68	72	310	450
Publicity and Promotions	77	-	-	77
Subtotal Expenses	86,022	92,077	401,731	579,830
Grants	-	-	2,101,451	2,101,451
Total Expenses	\$ 86,022	\$ 92,077	\$ 2,503,182	\$ 2,681,281

The accompanying notes are an integral part of these financial statements.

1. Organization and Purpose

The Peace Development Fund (Agency) was incorporated under the laws of the State of Delaware on June 10, 1981. The purpose of the Agency is to promote world peace and to sponsor, support, research, and aid in the development and conduct of projects and programs to educate and inform the public on the principles of disarmament, global demilitarization, and the peaceful resolution of international conflict, thereby benefiting the international community of nations as a whole. It has been classified as an organization that is not a private foundation under Section 509(a) (2) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

The significant accounting policies followed are described below:

Basis of Accounting

The financial statements of Peace Development Fund have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Net Assets

Unrestricted net assets represent the portion of the net assets of the Agency that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent those assets that are received with donor stipulations that limit the use or time of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted assets consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations.

The Agency reports gifts of land, buildings, and equipment as unrestricted support unless explicit restrictions that specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-term assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Currently, the Agency has only Unrestricted Net Assets of \$350,608 and Temporarily Restricted Net Assets \$1,919,915.

Publicity and Promotions

The Agency uses publicity and promotions to promote its programs. Such costs are expensed as incurred.

Shipping and Handling

The Agency expenses all shipping and handling costs in the period in which they are incurred.

2. Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered available for the Agency's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Contributions including unconditional promises to give are recognized as support in the period in which they are received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when conditions on which they depend are substantially met.

Pledges are recorded as a receivable in the year that they are made. Provisions for uncollectible pledges are based on the Agency's collection policy, the length of time the pledge has been outstanding and other matters.

Securities received as contributions are recorded as revenue at the quoted market value (cost) at the date of the contribution. Net gain or loss on disposal is reflected in the statement of activities for the period in which the net gain or loss is recognized.

Office furniture and equipment received as contributions are recorded as revenue at the fair market value (cost) at the date of the contribution.

Property and Equipment

Property and equipment are valued at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Additions and renewals, unless minor in amount, are capitalized. Expenditures for maintenance, repairs and minor renewals are expensed in the period incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to income.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Expense Allocation

Common operating expenses are allocated to programs as a percentage of actual time spent by employees on each of the programs.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all unrestricted highly liquid accounts to be cash with an initial maturity of three months or less to be cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Investments

The Agency records investments in marketable securities at the stated fair market value and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Net investment income is reflected as increases or decreases in the unrestricted class of net assets unless donors place temporary or permanent restrictions on such income

Concentration of Risk

Investments at Fair Value

Substantial parts of the Agency's investments' are invested in the public traded equity and bond markets. Approximately, 88% of the Agency's investments are in such securities. The balance is invested money funds.

Cash and Cash Equivalents and Time Deposits

The Agency maintains cash balances at several financial institutions. At various times during the year cash balances may exceed the insured amount of \$250,000 of the Federal Deposit Insurance Corporation.

Contributions

The Agency receives substantial amount of their support from various individuals and foundations. If such individuals and foundations decrease their amount of contributions this may impact the operation of the Agency.

3. Federal Income Tax Status

On May 14, 1982 the Internal Revenue Service determined that the Agency is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code of 1954, as amended ("Code Section"), as an organization described in Section 501(c) 3 and publicly supported under Code Section 509(a) 2 and 170(b)(1)(A)(vi).

4. Pledges Receivable

The Agency recognizes donor pledges as contribution revenue and any unpaid balance is recorded as a pledge receivable. All pledges that are determined to be a receivable are expected to be received within one year. The Agency evaluates its receivables and establishes an allowance for doubtful accounts if deemed necessary. There are no pledges outstanding as of the balance sheet date.

5. Fair Value of Financial Instruments

Cash and Cash Equivalents and Time Deposits

The carrying amount approximates fair value because of the short maturity of those instruments.

Investments at Fair Value

Investments are quoted at market prices as of the balance sheet date. For investments in which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs therefore such investments are recorded at cost.

5. Fair Value of Financial Instruments (continued)

Receivables

The carrying amount approximates fair value because of the short maturity of those instruments.

Current Liabilities

The carrying amount approximates fair value because of the short maturity of those instruments.

6. Investments

Securities are presented in the financial statements at fair value. Fair value measurements establish a fair value hierarchy. This hierarchy consists of three levels. Level one assets are valued at quoted prices in active markets for identical assets, Level two assets are valued based on observable inputs other than quoted prices in active markets and Level three assets are assets that have no observable inputs which to value such assets. All the securities of the Agency are Level one assets, valued at quoted prices in publicly traded markets for identical assets.

Fair values as of June 30, 2018 are as follows:

Mutual Funds	\$ 376,168
Money Funds	57,660
Bonds and Notes	29,797
	<u>\$ 463,625</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Totals
Interest & Dividend Income	\$ 308	\$ 11,509	\$ 11,817
Net Realized & Unrealized Gains(Losses)	(15)	(7,683)	(7,698)
Total Investment Return	<u>\$ 293</u>	<u>\$ 3,826</u>	<u>\$ 4,119</u>

7. Compensated Absences

The Agency's policy is to allow individuals not to accrue more than ten days for sick and twenty days for vacation. Upon separation of service, accrued sick days are not paid. Management feels that this amount is immaterial to the financial statements taken as a whole.

8. Notes Payable

The Agency has a revolving line of credit for \$125,000 with an interest rate on the outstanding balance of 1.75% above the bank's base rate. The note is secured by all tangible and intangible personal and real property of the Agency except for the donor restricted assets. The balance outstanding at the balance sheet date is \$0.

No interest expense was paid during the year ended June 30, 2018.

9. Property and Equipment

Property and equipment consisted of the following:

Building Improvements	\$	248,963
Furniture & Equipment		211,333
Building		175,000
		<u>635,296</u>
Less: Accumulated Depreciation		(382,650)
Net Property and Equipment	\$	<u>252,646</u>

Depreciation charged to expense during the year was \$9,141.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$1,919,915 are available for donor-advised grants and projects expected to be completed in future periods.

11. Net Assets Released from Donor Restrictions

Net assets of \$2,161,948 were released from donor restrictions by incurring expenses related to grants awarded which satisfied the restricted purposes specified by donors.

12. Leases

The Agency leases an office in California. The lease is classified as operating lease. The lease requires the Agency to pay a monthly base rent of \$1,719 plus utilities. The lease is a month to month lease.

13. Related Party Transactions

During the year the Agency made grants to three organizations with relationships to two members of the Board of Directors. The total amount of the two grants awarded was \$4,500. The Agency's conflict of interest policy requires that members with relationships to potential grantees are not involved in the vote or decision to make a grant to such organizations. Therefore the two members abstain from voting with respect to such grants awarded.

14. Income Taxes

The Peace Development Fund is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Peace Development Fund believes it is no longer subject to income tax examinations for years prior to 2015.

The Agency's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

15. Subsequent Events

The Peace Development Fund did not have any recognized or non-recognized subsequent events after June 30, 2018, the date of the statement of financial position. Subsequent events have been evaluated through January 24, 2019, the date the financial statements were available to be issued.