Peace Development Fund

Financial Statements

June 30, 2019

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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

Report on the Financial Statements

We have audited the accompanying statement of financial position of Peace Development Fund (a nonprofit organization), as of June 30, 2019, and the related statements of activities, cash flows and functional expenses 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 in the first paragraph present fairly, in all material respects, the financial position of Peace Development Fund as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Nolan, Calcasola & CO., P.C.

East Longmeadow, Massachusetts
October 10, 2019

Peace Development Fund
Statement of Financial Position
June 30, 2019

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 1,516,866
Investments at Fair Value	628,570
Prepaid Expenses	2,458
Total Current Assets	2,147,894
Property and Equipment:	
Building Improvements	268,650
Furniture and Equipment	211,333
Building	175,000
	654,983
(Less: Accumulated Depreciation)	(392,706)
Net Property and Equipment	262,277
Total Assets	**$ 2,410,171**
Liabilities and Net Assets	
Current Liabilities:	
Deferred Income	$ 90,000
Grants Payable	25,960
Accounts Payable	15,855
Total Current Liabilities	131,815
Total Liabilities	131,815
Net Assets:	
Without Donor Restrictions	384,628
With Donor Restrictions	1,893,728
Total Net Assets	2,278,356
Total Liabilities and Net Assets	**$ 2,410,171**

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

Peace Development Fund
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions:			
Individuals	$ 247,263	$ 841,209	$ 1,088,472
Foundations	210,859	2,024,821	2,235,680
Total Contributions	458,122	2,866,030	3,324,152
Other Support:			
Administrative Fees	229,973	-	229,973
Interest & Dividend Income	4,690	10,012	14,702
Gain on Investments	649	12,203	12,852
Rental Income	4,200	-	4,200
Total Other Support	239,512	22,215	261,727
Revenues, Gains and Other Support	**697,634**	**2,888,245**	**3,585,879**
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	2,914,432	(2,914,432)	-
Total Revenues, Gains and Other Support	**3,612,066**	**(26,187)**	**3,585,879**
Expenses:			
Program Expenses	3,411,178	-	3,411,178
Development Expenses	84,829	-	84,829
Management Expenses	82,667	-	82,667
Total Expenses	3,578,674	-	3,578,674
Change in Net Assets	33,392	(26,187)	7,205
Net Assets at Beginning of Year	351,236	1,919,915	2,271,151
Net Assets at End of Year	**$ 384,628**	**$ 1,893,728**	**$ 2,278,356**

Peace Development Fund
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Operating Activities		
Change in Net Assets:	$	7,205
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		10,055
(Increase) Decrease in Prepaid Expenses		(155)
Increase (Decrease) in Current Liabilities		124,945
Net Cash Provided by Operating Activities		**142,050**
Cash Flows from Investing Activities:		
Fixed Asset Purchases		(19,687)
(Increase) Decrease in Investments		(164,316)
Net Cash Used by Investing Activities		**(184,003)**
Net Increase in Cash and Cash Equivalents		(41,953)
Cash and Cash Equivalents at Beginning of Year		1,558,819
Cash and Cash Equivalents at End of Year	**$**	**1,516,866**
Supplemental Data:		
Interest Paid	$	-

Peace Development Fund
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Development	*Management*	*Program Services*	*Total*
Expenses:				
Salaries	$ 47,737	$ 50,920	$ 219,591	$ 318,248
Occupancy Expenses	7,331	-	41,544	48,875
Employee Benefits	6,426	6,855	29,562	42,843
Travel and Meetings	5,883	6,275	27,062	39,220
Professional Fees	4,571	4,875	21,025	30,471
Payroll Taxes	3,909	4,170	17,982	26,061
Equipment Rental and Maintenance	2,190	2,336	10,077	14,603
Printing and Publications	2,069	2,207	9,515	13,791
Depreciation	1,508	1,609	6,938	10,055
Telecommunications	1,238	1,320	5,692	8,250
Investment Fees	-	-	5,240	5,240
Business Expenses	659	703	3,032	4,394
Postage, Mailing Service	507	541	2,333	3,381
Temp Help and Work Study	-	-	2,580	2,580
Insurance Directors and Officers	381	407	1,755	2,543
Office Expenses	250	267	1,149	1,666
Memberships	140	150	646	936
Staff Development	30	32	137	199
Subtotal Expenses	84,829	82,667	405,860	573,356
NOVO Program	-	-	937,722	937,722
Grants	-	-	2,067,596	2,067,596
Total Expenses	**$ 84,829**	**$ 82,667**	**$ 3,411,178**	**$ 3,578,674**

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 Agency prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Agency are described subsequently to enhance the usefulness and understandability of the financial statements.

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.

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.

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.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose which is not consumed in the current period because an event has not occurred or the expiration of time has not occurred.

Property and Equipment

Property and equipment are valued at cost if purchased, and at fair market value if donated. 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.

2 - Summary of Significant Accounting Policies (continued)

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Concentrations of Risk

Investments at Fair Value

Substantial parts of the Agency’s investments’ are invested in the public traded equity and bond markets. Approximately, 54% 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.

Expense Allocation

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

2. Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Any contributions received in the form of equitable securities are transferred to the Agency's investment account. These equitable securities are sold as quickly as possible. There may be instances where equitable securities are held for a short period due to the timing of when the security is sold. These items are shown as temporary investments on the balance sheet.

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.

Shipping and Handling

Shipping and handling costs are expensed in the period in which they are incurred.

Publicity and Promotions

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

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.

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

Investments in marketable securities are stated at 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 an increases or decreases in the unrestricted class of net assets unless donors place restrictions on such income.

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 Organization are Level one assets, valued at quoted prices in publicly traded markets for identical assets.

Fair values as of June 30, 2019 are as follows:

Mutual Funds	$	304,986
Money Funds		287,088
Bonds and Notes		36,496
	$	628,570

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2019:

		Unrestricted		Temporarily Restricted		Totals
Interest & Dividend Income	$	4,690	$	10,012	$	14,702
Net Realized & Unrealized Gains		649		12,203		12,852
Total Investment Return	$	5,339	$	22,215	$	27,554

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, 2019.

9. Property and Equipment

Property and equipment consisted of the following:

Building Improvements	$	268,650
Furniture and Equipment		211,333
Building		175,000
		654,983
Less: Accumulated Depreciation		(392,706)
Net Property and Equipment	$	262,27

Depreciation charged to expense during the year was $10,055.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions of $1,893,728 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 $2,914,432 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 $12,500. 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 2016.

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

15. Liquidity and Availability

The Agency has $2,147,894 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of $1,516,866, investments of $628,570 and prepaid expenses of $2,458. $1,893,728 of the financial assets are subject to donor restrictions to be used for a specific purpose. The Agency has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 90 days of normal operating expense, which are, on average, approximately $900,000. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Agency invests cash in excess of daily requirements in various short-term investments, including money market funds.

15. Subsequent Events

Subsequent events have been evaluated through November 13, 2019, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.