

THE CONFLICT CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE CONFLICT CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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November 14, 2018

Independent Auditors' Report

Board of Directors
The Conflict Center
Denver, Colorado

We have audited the accompanying financial statements of **The Conflict Center** (a Colorado nonprofit corporation), 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

Management is responsible for the preparation and fair presentation of the 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 The Conflict Center 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.

Report on Summarized Comparative Information

Other auditors previously audited The Conflict Center's 2017 financial statements and they expressed an unqualified opinion in their report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial information from which it has been derived.

Taylor, Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THE CONFLICT CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FROM 2017)

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 58,242	\$ 112,276
Cash and cash equivalents - temporarily restricted	35,500	-
Cash held for others (Note 3)	3,571	2,106
Contracts and other receivables	4,374	34,413
Grant receivable (Note 4)	32,000	-
Prepaid expenses and deposits	3,553	2,265
Program development costs, net (Note 5)	30,557	32,205
Property and equipment, net (Note 6)	757,649	734,450
Investments (Note 7)	270,867	271,467
Beneficial interest in assets held by others (Note 8)	201,769	200,130
	<u>\$ 1,398,082</u>	<u>\$ 1,389,312</u>
 <u>Liabilities and net assets</u>		
Accounts payable	\$ 6,124	\$ 16,605
Payroll and tax liabilities	14,634	462
Fiscal agent liabilities (Note 3)	3,571	2,106
Tenant security deposits	5,488	4,250
	<u>29,817</u>	<u>23,423</u>
 Net assets		
Unrestricted		
Operating	102,480	159,842
Board designated reserve (Note 9)	270,867	271,467
Net investment in fixed assets	757,649	734,450
Temporarily restricted (Note 10)	35,500	-
Permanently restricted (Note 8)	201,769	200,130
	<u>1,368,265</u>	<u>1,365,889</u>
Total net assets	<u>\$ 1,398,082</u>	<u>\$ 1,389,312</u>
Total liabilities and net assets	<u>\$ 1,398,082</u>	<u>\$ 1,389,312</u>

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and other support					
Fees for services - government	\$ 140,384	\$ -	\$ -	140,384	\$ 171,781
Foundation awards	85,442	31,300	-	116,742	104,186
Fees for services - general public	72,426	-	-	72,426	79,329
Rent	69,666	-	-	69,666	60,896
Religious organization grants	62,000	4,200	-	66,200	31,420
Donations	63,350	-	475	63,825	61,367
Investment income	29,453	-	10,345	39,798	58,989
Bequests	8,807	-	-	8,807	-
Special events, net (Note 11)	7,369	-	-	7,369	4,040
Other	492	-	-	492	613
In-kind (Note 12)	10,556	-	-	10,556	-
Net assets released from restrictions (Note 8)	9,181	-	(9,181)	-	-
Total revenue and other support	559,126	35,500	1,639	596,265	572,621
Expense					
Program	479,805	-	-	479,805	459,018
Supporting services					
Management and general	68,268	-	-	68,268	55,852
Fund-raising	45,816	-	-	45,816	46,764
Total expense	593,889	-	-	593,889	561,634
Change in net assets	(34,763)	35,500	1,639	2,376	10,987
Net assets, beginning of year	1,165,759	-	200,130	1,365,889	1,354,902
Net assets, end of year	\$ 1,130,996	\$ 35,500	\$ 201,769	\$ 1,368,265	\$ 1,365,889

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	<u>Supporting Services</u>				
	Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 237,743	\$ 25,317	\$ 38,986	\$ 302,046	\$ 304,898
Payroll taxes and benefits	31,122	4,779	2,799	38,700	49,572
Special projects	52,337	23	-	52,360	69,603
Property taxes	19,700	4,324	-	24,024	12,526
Facility costs	19,117	3,998	-	23,115	9,368
Staff and volunteer development	8,460	1,859	49	10,368	1,441
Legal services	-	9,306	-	9,306	-
Contract labor	8,552	443	-	8,995	17,063
Telecommunications	8,083	363	-	8,446	11,614
Printing and production	6,493	704	-	7,197	3,239
Utilities	5,378	1,180	-	6,558	8,593
Equipment	5,258	1,163	-	6,421	-
Insurance	4,959	1,077	-	6,036	6,185
Supplies	3,916	1,008	27	4,951	3,174
Audit fees	3,856	847	-	4,703	5,140
Accounting fees	3,428	753	-	4,181	1,736
Fundraising	-	-	3,798	3,798	3,304
Promotion	2,365	1,035	-	3,400	141
Dues and subscriptions	2,145	441	-	2,586	1,678
Bank and transaction fees	1,879	233	157	2,269	1,528
Travel	1,713	302	-	2,015	2,207
Board	1,109	336	-	1,445	1,585
Volunteer program	676	90	-	766	1,035
Postage	217	424	-	641	784
Personnel	468	132	-	600	-
Repairs and maintenance	191	126	-	317	270
Other	25	5	-	30	-
	<u>429,190</u>	<u>60,268</u>	<u>45,816</u>	<u>535,274</u>	<u>516,684</u>
Depreciation	36,442	8,000	-	44,442	44,030
Amortization	14,173	-	-	14,173	920
Total	<u><u>\$ 479,805</u></u>	<u><u>\$ 68,268</u></u>	<u><u>\$ 45,816</u></u>	<u><u>\$ 593,889</u></u>	<u><u>\$ 561,634</u></u>

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 2,376	\$ 10,987
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities:		
Depreciation and amortization	58,615	44,950
Donated stock	(8,513)	(19,583)
Losses on disposal of property and equipment	482	-
Unrealized/realized (gains) losses on investments and endowment, net	(39,633)	(58,972)
Contributions to endowment	(475)	(3,700)
<u>Changes in operating assets and liabilities</u>		
Decrease(increase) in accounts and contracts receivable	30,039	10,919
Decrease(increase) in grants receivable	(32,000)	-
Decrease(increase) in prepaid expenses and deposits	(1,288)	118
(Decrease)increase in accounts payable	(10,481)	(283)
(Decrease)increase in accrued payroll liabilities	14,172	462
(Decrease)increase in fiscal agent liabilities	1,465	-
(Decrease)increase in tenant security deposits	1,238	-
(Decrease)increase in deferred revenue	-	(2,835)
Net cash provided(used) by operating activities	15,997	(17,937)
<u>Cash flows from investing activities</u>		
Program development costs	(12,525)	(33,125)
(Purchases) of property and equipment	(68,124)	(12,125)
Proceeds from sale of donated stock	8,402	19,644
(Additions) to assets held by others	(475)	(3,700)
Distribution from investments	30,000	24,631
Net cash (used) in investing activities	(42,722)	(4,675)
<u>Cash flows from financing activities</u>		
Distribution from endowment	9,181	9,987
Investment in endowment	475	3,700
Net cash provided by financing activities	9,656	13,687
Net decrease in cash and cash equivalents	(17,069)	(8,925)
Cash and cash equivalents, beginning of year	114,382	123,307
Cash and cash equivalents, end of year	\$ 97,313	\$ 114,382

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - NATURE OF ACTIVITIES

The Conflict Center (the Organization) is a nonprofit corporation incorporated under the laws of the State of Colorado. The Organization's mission is to "prevent physical, verbal, and emotional violence by partnering with individuals and communities to shift perceptions, attitudes, and behaviors through education and skill-building." For over 30 years, The Conflict Center has been providing education programs in the Denver-metro area and throughout Colorado.

Through youth and adult skill building classes and conflict management workshops, individuals are empowered to see and use conflict as an opportunity to grow, learn, and create positive change in their lives. Through school partnerships, the Organization partners with schools to foster a community of inclusion, where students feel safe to be themselves and nurtured to build positive relationships. In addition, the Organization is committed to implementing Restorative Practices in schools, holding students accountable within the school community rather than through exclusionary, punitive discipline.

The Organization is supported primarily through fees for services, grants and donations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

4. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

5. Donations

The Organization reports gifts of cash and other assets such as land, buildings and equipment as unrestricted support unless a donor stipulates how the donated assets must be used. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended June 30, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

10. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

11. Subsequent Events

Management has evaluated subsequent events through November 14, 2018, the date the financial statements were available to be issued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

12. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 3 - FISCAL AGENT

The Organization serves as fiscal agent for Conflict Resolution Month which organizes and manages Conflict Resolution month activities in Colorado. At year-end, the Organization held \$3,571 for Conflict Resolution Month.

NOTE 4 - GRANT RECEIVABLE

At year-end, grant receivable consists of a grant from a religious organization. The receivable is anticipated to be collected during the upcoming year. Management has evaluated the receivable and does not believe that an allowance for doubtful accounts is necessary.

NOTE 5 - PROGRAM DEVELOPMENT COSTS

The Organization capitalized certain costs associated with the Restorative Practices program. The costs are being amortized over a life of three years. The program development costs are reflected net of accumulated amortization of \$15,093.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 9,000
Building and improvements	1,341,736
Furniture and equipment	<u>85,625</u>
Total	1,436,361
Less: accumulated depreciation	<u>(678,712)</u>
Net property and equipment	<u>\$ 757,649</u>

Depreciation expense for the year was \$44,442.

NOTE 7 - INVESTMENTS

Investments held by the Organization are valued using Level 1 inputs and consist of the following at June 30, 2018:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Stock mutual fund	\$ 139,259	\$ 187,589	\$ 48,330
Bond index mutual fund	86,875	83,278	(3,597)
Total	<u>\$ 226,134</u>	<u>\$ 270,867</u>	<u>\$ 44,733</u>

Investment income and account activity is summarized as follows:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	<u>\$ 271,467</u>
Interest and dividend income	5,254
Net appreciation	<u>24,146</u>
Total investment return	<u>29,400</u>
Withdrawals	<u>(30,000)</u>
Balance, end of year	<u>\$ 270,867</u>

Additionally, during the year, the Organization earned interest income of \$53 on operating cash accounts and an investment return of \$10,345 on an endowment fund as described in Note 8.

NOTE 8 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has established an endowment fund through Community First Foundation (the Foundation) to provide ongoing support for the Organization. Under the terms of the endowment, the Organization may take an annual distribution of up to 4.5% of the average of the net fair market value of the assets of the endowment fund on the last business day of each of the three calendar years preceding the year for which the distribution is being made. The Organization's right to a distribution for any calendar year shall not be cumulative. If the Organization receives less than the previously described annual distribution on a calendar basis, then the Organization shall not be entitled to request a distribution of such undistributed amount in any subsequent year.

The assets in the endowment fund are managed by the Foundation and invested in accordance with the Foundation's asset allocation. The investment returns are based upon the Foundation's returns for commingled investments. The Foundation's targeted return for any year is the Consumer Price Index plus 5%. Actual returns in any given year may vary from this amount.

Changes in the endowment fund balances (Level 3 inputs) during year are as follows:

<u>Description</u>	<u>Amount</u>
Endowment assets, beginning of year	<u>\$ 200,130</u>
Contributions	<u>475</u>
Interest and dividend income	4,415
Realized/unrealized gains and losses, net	7,975
Management fees	<u>(2,045)</u>
Total investment return	<u>10,345</u>
Distributions	<u>(9,181)</u>
Balance, end of year	<u>\$ 201,769</u>

NOTE 9 - BOARD DESIGNATED RESERVE

The Organization received a bequest in a prior year from the estate of a long-time supporter and friend of the Organization. The board established a reserve from the bequest. Under the terms of the operating reserve policy, the balance should not go below \$150,000 and distribution requests require the approval of a majority board of director vote. Distributions are to be used for purposes of generating additional revenue for the Organization and cannot be used to pay debt or other ongoing operational expenses. The composition of the investment of the bequest is further described in Note 7.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Restorative practices	\$ 25,000
Restorative practices – Jefferson County	<u>10,500</u>
Total	<u>\$ 35,500</u>

NOTE 11 - SPECIAL EVENTS, NET

For the year, special events consisted of:

<u>Description</u>	<u>Amount</u>
Special events revenue	\$ 9,610
Less: direct costs	<u>(2,241)</u>
Total	<u>\$ 7,369</u>

NOTE 12 - IN-KIND CONTRIBUTIONS

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are reflected in the accompanying financial statements at their estimated value at date of receipt. The value of services included in the financial statements and the corresponding expenses for the year are as follows:

<u>Description</u>	<u>Amount</u>
Legal services	\$ 9,306
Executive director search consulting services	1,120
Supplies	<u>130</u>
Total	<u>\$ 10,556</u>

NOTE 13 - COMMITMENTS

The Organization has entered into a copier lease agreement. The future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 1,668
2020	1,668
2021	<u>1,668</u>
Total	<u>\$ 5,004</u>

NOTE 14 - LEASES

The Organization leases space to tenants at its facility. The future minimum lease payments to be received under the agreements are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$34,768
2020	<u>1,200</u>
Total	<u>\$35,968</u>

NOTE 15 - RETIREMENT PLAN

The Organization has a 403(b) defined contribution employee benefit plan (Plan) that covers all employees who work more than twenty hours per week and have one year of service. Eligible employees may elect to make contributions to the Plan. The Organization matches the first three percent of salary contributed by each employee. Pension expense for the year was \$940.

NOTE 16 - RELATED PARTY

During the prior year, the Organization entered into a consulting agreement with a company owned by a board member to provide advice in the development of the Restorative Practices program. The total amount of payments made to the company during the year was \$14,375.