



PEACE FIRST, INC.

Financial Statements

June 30, 2018



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Kevin P. Martin & Associates, P.C.

**PEACE FIRST, INC.**

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June 30, 2018

**Independent Auditors' Report**

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## **Independent Auditors' Report**

To the Board of Directors of  
Peace First, Inc.

We have audited the accompanying financial statements of Peace First, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2018, 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.

### **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 auditors' 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 Organization 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**

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. 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 statements from which it has been derived.

*Nunir P. Mantua & Associates, P.C.*

December 7, 2018

**PEACE FIRST, INC.**

Statement of Financial Position

As of June 30, 2018

With Comparative Totals as of June 30, 2017

<b>Current Assets</b>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 119,027	\$ 334,583
Promises to give, current portion	452,300	468,240
Prepaid expenses	<u>21,479</u>	<u>22,240</u>
Total current assets	<u>592,806</u>	<u>825,063</u>
 <b>Fixed Assets</b>		
Equipment and software	255,955	76,918
Construction in progress	<u>-</u>	<u>81,300</u>
Total fixed assets	<u>255,955</u>	<u>158,218</u>
Less: accumulated depreciation	<u>(90,782)</u>	<u>(39,787)</u>
Total net fixed assets	<u>165,173</u>	<u>118,431</u>
 <b>Other Assets</b>		
Promises to give, net of current portion	314,852	588,043
Security deposit	<u>12,666</u>	<u>12,666</u>
Total other assets	<u>327,518</u>	<u>600,709</u>
<b>Total Assets</b>	<u>\$ 1,085,497</u>	<u>\$ 1,544,203</u>
 <b>Current Liabilities</b>		
Line of credit	\$ 369,462	\$ 643,788
Notes payable	150,000	7,406
Accounts payable and accrued expenses	66,466	110,015
Grants payable	12,500	40,500
Accrued payroll and benefits	<u>108,922</u>	<u>65,032</u>
Total current liabilities	<u>707,350</u>	<u>866,741</u>
 <b>Net Assets</b>		
Unrestricted	(580,005)	(438,821)
Temporarily restricted	<u>958,152</u>	<u>1,116,283</u>
Total net assets	<u>378,147</u>	<u>677,462</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,085,497</u>	<u>\$ 1,544,203</u>

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

**PEACE FIRST, INC.**

Statement of Activities

For the Year Ended June 30, 2018  
With Comparative Totals for the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Revenue and Support</b>				
Contributions and grants	\$ 602,953	\$ 1,372,268	\$ 1,975,221	\$ 1,791,080
In-kind contributions	274,307	-	274,307	275,027
Program service fees	-	-	-	29,500
Sublease income	9,600	-	9,600	9,216
Miscellaneous income	11,627	-	11,627	2,834
Interest income	267	-	267	56
Net assets released from restrictions	<u>1,530,399</u>	<u>(1,530,399)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>2,429,153</u>	 <u>(158,131)</u>	 <u>2,271,022</u>	 <u>2,107,713</u>
<b>Expenses</b>				
Program services	2,066,218	-	2,066,218	1,442,368
General and administrative	357,591	-	357,591	203,986
Fundraising	<u>146,528</u>	<u>-</u>	<u>146,528</u>	<u>351,099</u>
 Total expenses	 <u>2,570,337</u>	 <u>-</u>	 <u>2,570,337</u>	 <u>1,997,453</u>
 <b>Total Change in Net Assets</b>	 <u>(141,184)</u>	 <u>(158,131)</u>	 <u>(299,315)</u>	 <u>110,260</u>
 <b>Net Assets at Beginning of Year</b>	 <u>(438,821)</u>	 <u>1,116,283</u>	 <u>677,462</u>	 <u>567,202</u>
 <b>Net Assets at End of Year</b>	 <u><u>\$ (580,005)</u></u>	 <u><u>\$ 958,152</u></u>	 <u><u>\$ 378,147</u></u>	 <u><u>\$ 677,462</u></u>

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

**PEACE FIRST, INC.**

Statement of Cash Flows

For the Year Ended June 30, 2018  
With Comparative Totals for the Year Ended June 30, 2017

<b>Cash Flows from Operating Activities</b>	<u>2018</u>	<u>2017</u>
<b>Change in Net Assets</b>	\$ (299,315)	\$ 110,260
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,995	11,952
Provision for bad debts	-	15,000
Finance fees on line of credit	-	1,837
Decrease (increase) in assets:		
Promises to give	289,131	251,636
Prepaid expenses	761	(8,543)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(43,549)	74,445
Grants payable	(28,000)	(63,000)
Accrued payroll and benefits	43,890	25,827
<b>Net Cash Provided by Operating Activities</b>	<u>13,913</u>	<u>419,414</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment and software	(97,737)	(47,740)
Additions to construction in progress	-	(81,300)
<b>Net Cash Used in Investing Activities</b>	<u>(97,737)</u>	<u>(129,040)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	150,000	-
Repayments of notes payable	(7,406)	(16,645)
Proceeds from line of credit	354,000	385,000
Repayments on line of credit	(628,326)	(488,049)
<b>Net Cash Used in Financing Activities</b>	<u>(131,732)</u>	<u>(119,694)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(215,556)	170,680
<b>Cash and Cash Equivalents - Beginning</b>	<u>334,583</u>	<u>163,903</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 119,027</u>	<u>\$ 334,583</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 32,680</u>	<u>\$ 36,836</u>

**Supplemental Data for Noncash Investing and Financing Activities**

During the year ended June 30, 2018, the Organization placed \$81,300 of construction in progress into service.

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

**PEACE FIRST, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2018

With Comparative Totals for the Year Ended June 30, 2017

	Total Program Services	General and Administrative	Fundraising	2018 Total	2017 Total
Salaries	\$ 964,221	\$ 126,589	\$ 93,140	\$ 1,183,950	\$ 899,731
Employee benefits	74,030	10,098	7,429	91,557	76,040
Payroll taxes	78,738	10,740	7,902	97,380	60,876
Subtotal	<u>1,116,989</u>	<u>147,427</u>	<u>108,471</u>	<u>1,372,887</u>	<u>1,036,647</u>
Advertising	8,656	6,282	-	14,938	7,136
Bank charges	1,867	2,237	324	4,428	6,591
Bad debt	-	-	-	-	15,000
Consultants	334,464	86,477	8,185	429,126	305,902
Depreciation	47,782	1,851	1,362	50,995	11,952
In-kind goods and services	210,285	64,022	-	274,307	275,027
Insurance	12,299	1,678	1,234	15,211	12,061
Interest expense	26,144	3,268	3,268	32,680	36,836
Membership dues	8,482	5,558	3,628	17,668	11,019
Payroll fees	3,802	518	381	4,701	4,455
Grant expense	39,480	-	-	39,480	40,503
Postage	85	195	25	305	1,026
Printing	223	-	31	254	454
Professional fees	7,417	7,140	-	14,557	15,568
Rent	89,026	12,011	8,838	109,875	99,251
Repairs and maintenance	3,173	433	319	3,925	4,588
Staff development	5,750	3,900	-	9,650	130
Supplies	6,000	5,493	-	11,493	5,740
Taxes, licenses and permits	240	1,229	-	1,469	1,104
Technology expenses	9,037	2,942	-	11,979	714
Telecommunications	12,240	1,669	1,228	15,137	15,412
Transportation and travel	118,462	2,673	8,801	129,936	85,223
Utilities	4,315	588	433	5,336	5,114
Subtotal	<u>2,066,218</u>	<u>357,591</u>	<u>146,528</u>	<u>2,570,337</u>	<u>1,997,453</u>
Total expenses	<u>\$ 2,066,218</u>	<u>\$ 357,591</u>	<u>\$ 146,528</u>	<u>\$ 2,570,337</u>	<u>\$ 1,997,453</u>

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



# PEACE FIRST, INC.

## Notes to Financial Statements

June 30, 2018

### **(1) Summary of Significant Accounting Policies**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Peace First, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

#### ***(a) Nature of Activities***

The Organization was founded in Boston in 1992 by young people to help young people change the world for the better. The Organization began with a classroom-based curriculum that helped reduce violence in schools. This classroom curriculum is now open-source and available online via the Organization's Digital Activity Center where it has been used by educators across the U.S. and in countries around the world. In 2012, the Organization built on its belief in the power of young people by launching the Peace First Prize, a two-year fellowship for young people who exemplify the positive impact youth can create in the world by unleashing their moral imaginations. The Organization runs the following programs to enhance its missions and goals:

#### **Digital Platform**

The Organization used its content and experience to build a digital platform and community to support young people in turning their ideas into effective solutions. Co-developed with young people from across the U.S., the platform guides participants at every step to create an impactful community-based project through exemplar videos, interactive exercises, and supportive adult mentors.

#### **Peace First Prize**

Since its inception, the Organization has received applications and nominations from all 50 states, Washington D.C., and Puerto Rico. The Organization has also had thousands of visitors to the Organization's Prize website with the help of nonprofit partners (such as 4-H, City Year, and Girl Scouts) and celebrity supporters (such as Rashida Jones, America Ferrera, and Ellen DeGeneres) spreading the word through their networks and social media. Through the search and selection process, the Organization has uncovered and showcased stories of peacemaking from youth of all walks of life and from diverse geographic regions. This is designed to make peacemaking accessible, attainable and inspiring to all, and so far the feedback and visibility the Organization has achieved is extremely exciting. Changing the narrative from stories of gun violence, terrorism, and bullying, the Organization wants to continue to tell stories of courage, compassion, and collaborative change. The Organization's purpose in launching the Prize is to share the stories of its nominees, finalists, and winners to help build a youth peacemaking movement and inspire other young people to take action in their own communities.

# PEACE FIRST, INC.

## Notes to Financial Statements

June 30, 2018

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(a) Nature of Activities - continued***

##### **Peace First Challenge**

To bring the Organization's 25+ years of experience and assets together and take advantage of this current once-in-a-lifetime opportunity to engage the most civically-minded generation in history (Generation Z, born after 1994), the Organization launched the Peace First Challenge during the year ended June 30, 2017. The Challenge is a call to action for young people around the world to join a community of young peacemakers dedicated to finding compassionate solutions to the world's problems. Young people who accept the Challenge are invited to develop their own peacemaking project addressing an injustice they choose. To support the implementation of their solutions, the Organization plans to distribute grants and in-kind support directly to young people.

Young people who accept the Challenge are invited to create a peacemaking project through a five-step process:

- a. Identify the injustice they care about, with a focus on understanding the differences between inconveniences and true injustices;
- b. Understand the injustice and what drives it, developing key insights grounded in compassion;
- c. Create a plan grounded in their insights for how they can solve the injustice;
- d. Act on their plan with the support of the peacemaking community and the Organization;
- e. Reflect on their experience, what they have learned and decide on what their next step will be.

#### ***(b) Basis of Presentation***

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

**PEACE FIRST, INC.**

Notes to Financial Statements

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

***(c) Standards of Accounting and Reporting***

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***(d) Cash and Cash Equivalents***

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

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2018.

## PEACE FIRST, INC.

### Notes to Financial Statements

June 30, 2018

#### **(1) Summary of Significant Accounting Policies - continued**

##### ***(e) Revenue Recognition***

The Organization recognizes revenue as follows:

Contributions and Grants - Contributions and grants are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

In-kind Contributions - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Program Service Fees - Program service fee revenue is earned and recognized by the Organization when units or services are provided and billed.

A majority of the Organization's revenues are derived from its activities in Massachusetts. During the year ended June 30, 2018, the Organization derived approximately 87% of its total revenue from contributions and grants, 12% from in-kind donations and pro-bono services and 1% from sublease and other income. All revenue is recorded at the estimated net realizable amounts.

##### ***(f) Income Taxes***

The Organization qualifies as a corporation formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

**PEACE FIRST, INC.**

Notes to Financial Statements

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

**(g) Promises to Give**

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2018, management has determined any allowance would be immaterial.

**(h) Fixed Assets**

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Capital expenditures in excess of \$1,000, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Equipment and software	3 years
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Depreciation expense charged to operations amounted to \$50,995 at June 30, 2018.

**(i) Contributed Services and Gifts in Kind**

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel.

## PEACE FIRST, INC.

### Notes to Financial Statements

June 30, 2018

#### **(1) Summary of Significant Accounting Policies - continued**

##### ***(i) Contributed Services and Gifts in Kind – continued***

###### **Volunteers**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program and fund-raising services. The Organization would not have paid for these volunteered services if they had not been donated and therefore, they have not been reflected in the financial statements. For the year ended June 30, 2018, the value of volunteer hours received, but not reflected in the financial statements, totaled \$5,334.

##### ***(j) Fair Value Measurements***

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

**Level 1:** Quoted prices for identical instruments traded in active markets.

**Level 2:** Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant inputs to the valuation model are unobservable.

###### **Recurring Measurements**

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Organization currently has no assets or liabilities that are adjusted to fair value on a recurring basis. The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2018.

###### **Nonrecurring Measurements**

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Organization records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Organization's assets that are adjusted to fair value on a nonrecurring basis are described below. The Organization currently has no liabilities that are adjusted to fair value on a nonrecurring basis.

**PEACE FIRST, INC.**

Notes to Financial Statements

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

***(j) Fair Value Measurements - continued***

**Nonrecurring Measurements - continued**

**Promises to Give:** The promises to give received in the current year that are due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3% and were classified as Level 2.

***(k) Fundraising***

Fundraising relates to the activities of raising general and specific contributions to the Organization. Fundraising expenses as a percentage of total contribution was 7% for the year ended June 30, 2018. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

***(l) Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon the allocation of salary.

***(m) Advertising Costs***

The Organization expenses advertising costs as incurred. Advertising expense amounted to \$14,938 for the year ended June 30, 2018.

***(n) Use of Estimates***

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PEACE FIRST, INC.**

Notes to Financial Statements

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

*(o) Summarized Financial Information for 2017*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. 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.

*(p) Reclassifications*

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

**(2) Promises to Give**

The Organization has received unconditional promises to give related to a fundraising campaign initiated during prior years and is primarily due from foundations, corporation and individuals. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received more than a year after June 30, 2018 are recorded at the present value of their future cash flows using discount rates of 3%. Uncollectible amounts of pledges receivable are expected to be immaterial. Accordingly, no provision has been made for uncollectible amounts.

Promises to give consist of the following as of June 30, 2018:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivables less than 1 year	\$ 452,300	\$ -	\$ 452,300	\$ -	\$ 452,300
Receivables 1 to 5 years	314,000	-	314,000	(11,714)	302,286
Receivables greater than 5 years	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>(2,434)</u>	<u>12,566</u>
	<u>\$ 781,300</u>	<u>\$ -</u>	<u>\$ 781,300</u>	<u>\$ (14,148)</u>	<u>\$ 767,152</u>



**PEACE FIRST, INC.**

Notes to Financial Statements

June 30, 2018

**(3) Construction in Progress**

Construction in progress consisted of website development costs. The project was completed and placed into service during the year ended June 30, 2018.

**(4) Debt**

**(a) Line of Credit**

The Organization has available a demand line of credit with Eastern Bank (a Massachusetts bank) of \$1,250,000 to be drawn upon as needed, with a variable interest rate at Eastern Bank's base rate (5% as of June 30, 2018) with a minimum base at 3.99%. The line is subject to a borrowing base calculation as defined in the agreement and is secured by the Organization's general business assets. The outstanding line of credit balance amounted to \$369,462 as of June 30, 2018.

Interest expense incurred on the above line of credit amounted to \$32,442 for the year ended June 30, 2018.

**(b) Notes Payable**

The Organization had a note payable to Eastern Bank in the original amount of \$125,000. The note was due in monthly installments of \$1,477, bore interest at 6.43% and was secured by general business assets. As of June 30, 2018, the note was fully satisfied. Interest incurred on the note payable amounted to \$238 for the year ended June 30, 2018.

The Organization has a note payable to a long time donor in the original amount of \$150,000. The note is due on demand and bears no interest. As of June 30, 2018, the principal balance due was \$150,000.

**(5) Contributed Services, Space and Supplies in-Kind**

Contributed services, space and supplies in-kind for the year ended June 30, 2018 were as follows:

Program and development service	\$ 198,284
Program supplies	75,323
Regional office and classroom space	<u>700</u>
Total	\$ <u>274,307</u>

**PEACE FIRST, INC.**

Notes to Financial Statements

June 30, 2018

**(6) Operating Lease Commitments**

The Organization leases office space in Boston, Massachusetts under a non-cancelable operating lease agreement set to expire on June 30, 2020. Terms of the lease call for base monthly lease payments, payable in advance, in the amount of \$8,867 per month, increasing annually in accordance with the lease agreement, plus related common area maintenance operating costs. Rent expense incurred amounted to \$108,918 for the year ended June 30, 2018.

Future minimum operating lease payments are as follows:

2019	\$ 110,804
2020	114,596

Sublease income

The Organization subleases a portion of the office space to a third-party under a short-term non-cancelable operating lease. Sublease income amounted to \$9,600 for the year ended June 30, 2018.

**(7) Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2018, temporarily restricted net assets are restricted for the following purposes:

Time Restricted-Peace first prize	\$ 405,000
Time Restricted-General use	362,152
Program restricted	<u>191,000</u>
Total temporarily restricted net assets	\$ <u>958,152</u>

**PEACE FIRST, INC.**

Notes to Financial Statements

June 30, 2018

**(8) Employee Benefits**

*(a) Defined Contribution Plan*

The Organization has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the IRC for the benefit of eligible employees. The revised plan allows eligible employees to contribute a percentage (up to the maximum amounts allowed by the Internal Revenue Service each year) of their gross pay to the plan. Employer contributions and administration fees amounted to \$6,073 for the year ended June 30, 2018.

*(b) Section 125 Plan*

The Organization has a plan that qualifies as a “Cafeteria Plan” under Section 125 of the IRC. The Plan allows the Organization’s employees to pay for medical and dental insurance and daycare on a pre-tax basis. All employees whose customary employment is at least 32 hours per week are eligible to participate in the Plan.

**(9) Related Party Transactions**

The Organization has a board member whose spouse provides professional consultant services. The amount of professional consultant services amounted to \$41,353 for the year ended June 30, 2018.

The Organization has long-term promises to give from three board members in the aggregate amount of \$235,000 as of June 30, 2018. During the year ended June 30, 2018, two board members made promises to give in the aggregate amount of \$100,323.

**(10) Subsequent Events**

The Organization has performed an evaluation of subsequent events through December 7, 2018, which is the date the Organization’s financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in these financial statements.