

THE CONFLICT CENTER
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED DECEMBER 31, 2006 AND 2005
AND
INDEPENDENT AUDITOR'S REPORT

THE CONFLICT CENTER
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED DECEMBER 31, 2006 AND 2005

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April 25, 2007

The Board of Directors
The Conflict Center

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of The Conflict Center (a non-profit organization) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 December 31, 2006 and 2005 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Roger Nittler & Co., Inc.

THE CONFLICT CENTER
STATEMENT OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Current assets:		
Cash (Notes 1, 3 and 4)	\$ 318,913	\$ 323,042
Receivables: (Note 1)		
Fees for services	1,796	12,875
Grants	2,500	14,500
Government contracts	10,639	
Prepaid expenses	18,002	15,052
Inventory (Note 1)	<u>8,631</u>	<u>9,144</u>
Total current assets	<u>360,481</u>	<u>374,613</u>
Property: (Note 1)		
Land	9,000	9,000
Building	1,151,229	1,151,229
Equipment, furniture and fixtures	<u>109,417</u>	<u>126,142</u>
	1,269,646	1,286,371
Less accumulated depreciation	<u>323,082</u>	<u>313,798</u>
Net property	<u>946,564</u>	<u>972,573</u>
Other assets: (Note 4)		
Endowment fund – restricted	78,221	71,914
Endowment fund – unrestricted	<u>3,685</u>	<u>2,137</u>
Total other assets	<u>81,906</u>	<u>74,051</u>
	<u>\$ 1,388,951</u>	<u>\$ 1,421,237</u>

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

LIABILITIES AND NET ASSETS

	2006	2005
Current liabilities:		
Accounts payable	\$ 10,582	\$ 5,842
Unearned revenue (Note 2)	2,100	400
Total current liabilities	12,682	6,242
Net assets: (Notes 1, 3 and 4)		
Unrestricted	1,293,048	1,343,081
Temporarily restricted	5,000	
Permanently restricted	78,221	71,914
Total net assets	1,376,269	1,414,995
	\$ 1,388,951	\$ 1,421,237

THE CONFLICT CENTER
STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Unrestricted net assets: (Note 1)		
Support:		
Grants	\$ 317,825	\$ 307,432
Gifts	55,253	27,294
Fees for services – government	33,603	27,281
Fees for services – general public	33,238	58,864
Special events	46,437	53,533
Resource sales and rentals	2,955	4,671
Net assets released from restrictions		<u>5,000</u>
Total support	<u>489,311</u>	<u>484,075</u>
Other revenue:		
Rental income (Note 8)	41,748	39,863
Interest income	16,838	9,360
Loss on sale of investments	<u>(102)</u>	<u>(343)</u>
Total other revenue	<u>58,484</u>	<u>48,880</u>
Total unrestricted revenue	<u>547,795</u>	<u>532,955</u>
Expenses: (Note 6)		
Program services	490,414	451,011
Management and general	43,512	61,693
Fund raising	58,389	60,895
Cost of goods sold	<u>513</u>	<u>1,674</u>
Total expenses	<u>592,828</u>	<u>575,273</u>
Decrease in unrestricted net assets	<u>45,033</u>	<u>42,318</u>
Temporarily restricted net assets: (Note 1 and 3)		
Support:		
Net assets released from restrictions		<u>5,000</u>
Decrease in temporarily restricted net assets		<u>5,000</u>
Permanently restricted net assets: (Note 1 and 4)		
Support:		
Endowment grants		35,000
Endowment gifts	<u>6,307</u>	<u>22,739</u>
Increase in permanently restricted net assets	<u>6,307</u>	<u>57,739</u>
Increase (decrease) in net assets	(38,726)	10,421
Net assets - beginning	<u>1,414,995</u>	<u>1,404,574</u>
Net assets - ending	<u>\$ 1,376,269</u>	<u>\$ 1,414,995</u>

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

THE CONFLICT CENTER
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (38,726)	\$ 10,421
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	35,228	44,197
Loss on sale of investments	102	343
Donated stock	(40,955)	(21,808)
Changes in:		
Receivables	12,440	4,390
Prepaid expenses	(2,950)	(1,641)
Inventory	513	1,675
Accounts payable	<u>6,440</u>	<u>(5,407)</u>
Net cash provided from (used for) operating activities	<u>(27,908)</u>	<u>32,170</u>
Cash flows from investing activities:		
Proceeds from sale of investments	40,853	22,501
Contributions made to endowment fund	(6,307)	(71,914)
Disbursements from endowment fund	2,137	
Endowment fund earnings	(3,685)	(2,137)
Payments for purchase of property assets	<u>(9,219)</u>	<u>(8,555)</u>
Net cash provided from (used for) investing activities	<u>23,779</u>	<u>(60,105)</u>
Decrease in cash	4,129	27,935
Cash balance - beginning	<u>323,042</u>	<u>350,977</u>
Cash balance - ending	<u>\$ 318,913</u>	<u>\$ 323,042</u>

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

THE CONFLICT CENTER
STATEMENT OF CASH FLOWS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2006 AND 2005

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES

The statement of cash flows discloses all significant investing transactions which provided cash or required the use of cash. In addition to these cash transactions, the following transactions occurred which did not require the immediate use of cash:

	<u>2006</u>	<u>2005</u>
The fair market value of stock donated to the Center was	<u>\$ 40,955</u>	<u>\$ 22,844</u>

THE CONFLICT CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Conflict Center (the Center) is a non-profit educational organization, formed for the purpose of promoting interpersonal skills to handle conflict nonviolently.

The Center draws the majority of its revenue from foundations, earned income, government agencies, corporations, and individual contributions.

This summary of significant accounting policies of The Center is presented to assist in understanding The Center's financial statements. The financial statements and notes are representations of The Center's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of The Center's financial statements.

Basis of Presentation

The Conflict Center reports in accordance with the American Institute of Certified Public Accountants industry audit and accounting guide, Not-for-Profit Organizations. The financial statements have been prepared in conformity with generally accepted accounting principles.

The Conflict Center has adopted Statements of Financial Accounting Standards No. 116 (SFAS 116), Accounting for Contributions Received and Contributions Made and No. 117 (SFAS 117) Financial Statements of Not-For-Profit Organizations. SFAS 116 generally requires contributions received, including unconditional promises to give, to be recognized in the period received, at fair value. SFAS 117 requires the presentation of a statement of cash flows, and requires that amounts be classified based on the presence or absence of donor-imposed restrictions. Under SFAS No. 117, the balances and activities of The Center have been segregated into classes according to the nature of the activity and related restrictions imposed by funding sources and the Board of Directors. Current Unrestricted Net Assets is the class used to account for resources for which The Center has discretionary control. The Temporarily Restricted Net Assets class is used to account for amounts administered by The Center which are stipulated by donors for specific purposes. The Permanently Restricted Net Assets class is used to account for amounts that are held permanently in an endowment fund, the income from which is available for the Center's unrestricted use.

THE CONFLICT CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of 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.

Inventory

Inventory, which consists of books, T-shirts, and greeting cards offered for sale by The Conflict Center, is stated at the lower of cost or market determined by the first-in, first-out method.

Accounts receivable

All fees for services and grants receivable are considered fully collectible by management and no allowance for doubtful accounts has been provided.

Property and equipment

Purchased property and equipment are carried at cost. Building, land, and equipment which have been donated to the Center are carried at appraised or estimated fair market value at the date of donation. Depreciation and amortization are computed using the straight-line method over estimated useful lives of three to thirty-nine years and amounted to \$ 35,228 and \$44,197 for 2006 and 2005, respectively.

Expenditures for maintenance, repairs and minor replacements are charged to operations, and expenditures for major replacements and betterments of \$200 and greater are capitalized.

Contributed Services

A number of people, primarily program volunteers and directors, have contributed significant amounts of time to the activities of the Center. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of SFAS 116.

Cash

The Center considers all highly liquid investments to be cash equivalents.

THE CONFLICT CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005

2. UNEARNED REVENUE

The Center received funds in advance for services not yet performed and has accounted for these funds as unearned revenue. As the services are performed the revenue will be recognized.

3. TEMPORARILY RESTRICTED FUNDS

Certain grants and donations received by the Center are designated for specific programs and are accounted for as temporarily restricted funds.

4. ENDOWMENT AND PERMANENTLY RESTRICTED FUNDS

The Center established an endowment fund with the Lutheran Medical Center Community Foundation (the Foundation). In 2005, the Foundation funded a one time match up to \$35,000 for donations raised by the Center in 2005. The funds raised by the Center, plus the matching funds from the Foundation, are permanently restricted funds held by the Foundation. The Center is entitled to the unrestricted use of the annual earnings of the fund each year and does not have access to the funds principal balance. The Center raised \$6,307 and \$22,739 in cash and pledges, in 2006 and 2005 respectively, and has accounted for these funds as permanently restricted funds. The endowment fund balance with the Foundation was \$81,905 and \$74,501 at December 31, 2006 and 2005, respectively. Of this amount, \$78,221 and \$71,914 was permanently restricted and \$3,685 and \$2,137 was unrestricted at December 31, 2006 and 2005, respectively.

5. INCOME TAX

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

6. INDIRECT COSTS

Indirect costs allocated to programs are a percentage of all general and administrative costs based on the ratio of total hours of all employees to administrative hours.

THE CONFLICT CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

7. PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

8. RENT AGREEMENTS

The Center is leasing office space to two unrelated non-profit organizations for a monthly rent of \$3,485. One lease is for a four year period expiring in July, 2007. A second lease is for a five year period expiring in December, 2009.

ACCOMPANYING INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INFORMATION ACCOMPANYING
THE BASIC FINANCIAL STATEMENTS

The Board of Directors
The Conflict Center

Our report on the examination of the basic financial statements of the Conflict Center appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America taken as a whole. The schedule of functional expenses on Page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

Denver, Colorado
April 25, 2007

THE CONFLICT CENTER

SCHEDULE OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Accounting	\$ 5,395	\$ 5,154
Audio and visuals		600
Board expenses	2,570	1,905
Books		63
Building insurance	3,766	3,576
Building maintenance	8,199	5,936
Building property taxes	4,026	4,869
Consumables	2,135	1,180
Contract labor	27,437	10,744
Depreciation (Note 1)	35,228	44,197
Dues and memberships	759	630
Fund raising	58,389	60,895
Health and dental insurance	18,488	22,638
Insurance	3,357	3,279
Library resources	1,250	
Miscellaneous expense	1,563	1,735
Office supplies	1,264	2,079
Payroll taxes	33,899	30,523
Postage and freight	1,040	2,031
Printing and duplication	9,634	9,856
Promotion	521	678
Repairs and maintenance	219	2,174
Salaries	341,195	336,040
Telephone and internet	10,236	4,163
Training	7,806	6,132
Travel	1,409	1,990
Utilities	11,154	8,924
Volunteer expenses	<u>1,376</u>	<u>1,608</u>
	<u>\$ 592,315</u>	<u>\$ 573,599</u>
Allocated to:		
Program services	\$ 490,414	\$ 451,011
Management and general	43,512	61,693
Fund raising	<u>58,389</u>	<u>60,895</u>
	<u>\$ 592,315</u>	<u>\$ 573,599</u>

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

