

THE CONFLICT CENTER
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
AND
INDEPENDENT AUDITOR'S REPORT

THE CONFLICT CENTER
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006

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May 6, 2008

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, 2007 and 2006, 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, 2007 and 2006 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, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash (Notes 1, 3 and 4)	\$ 314,077	\$ 318,913
Receivables: (Note 1)		
Fees for services	6,566	1,796
Grants		2,500
Government contracts	42,496	10,639
Pledges	15,000	
Prepaid expenses	20,323	18,002
Inventory (Note 1)		<u>8,631</u>
Total current assets	<u>398,462</u>	<u>360,481</u>
Property: (Note 1)		
Land	9,000	9,000
Building	1,172,995	1,151,229
Equipment, furniture and fixtures	<u>102,568</u>	<u>109,417</u>
	1,284,563	1,269,646
Less accumulated depreciation	<u>337,975</u>	<u>323,082</u>
Net property	<u>946,588</u>	<u>946,564</u>
Other assets: (Note 4)		
Endowment fund – restricted	81,026	78,221
Endowment fund – unrestricted	<u>3,952</u>	<u>3,685</u>
Total other assets	<u>84,978</u>	<u>81,906</u>
	<u>\$ 1,430,028</u>	<u>\$ 1,388,951</u>

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

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
Current liabilities:		
Accounts payable	\$ 10,109	\$ 10,582
Payroll	5,383	
Unearned revenue (Note 2)	<u>600</u>	<u>2,100</u>
Total current liabilities	<u>16,092</u>	<u>12,682</u>
Net assets: (Notes 1, 3 and 4)		
Unrestricted	1,330,660	1,293,048
Temporarily restricted	2,250	5,000
Permanently restricted	<u>81,026</u>	<u>78,221</u>
Total net assets	<u>1,413,936</u>	<u>1,376,269</u>
	 <u>\$ 1,430,028</u>	 <u>\$ 1,388,951</u>

THE CONFLICT CENTER
STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Unrestricted net assets: (Note 1)		
Support:		
Grants	\$ 345,493	\$ 317,825
Gifts	44,645	55,253
Fees for services – government	82,315	33,603
Fees for services – general public	29,453	33,238
Special events	44,584	46,437
Resource sales and rentals	2,482	2,955
Net assets released from restrictions	2,750	
Total support	551,722	489,311
Other revenue:		
Rental income (Note 8)	41,536	41,748
Interest income	15,754	16,838
Miscellaneous	163	
Gain (loss) on sale of investments	28	(102)
Total other revenue	57,481	58,484
Total unrestricted revenue	609,203	547,795
Expenses: (Note 6)		
Program services	447,982	490,414
Management and general	49,445	43,512
Fund raising	65,533	58,389
Cost of goods sold	8,631	513
Total expenses	571,591	592,828
Increase (decrease) in unrestricted net assets	37,612	(45,033)
Temporarily restricted net assets: (Note 1 and 3)		
Support:		
Net assets released from restrictions	(2,750)	
Decrease in temporarily restricted net assets	(2,750)	
Permanently restricted net assets: (Note 1 and 4)		
Support:		
Endowment gifts	2,805	6,307
Increase in permanently restricted net assets	2,805	6,307
Increase (decrease) in net assets	37,667	(38,726)
Net assets - beginning	1,376,269	1,414,995
Net assets - ending	\$ 1,413,936	\$ 1,376,269

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

THE CONFLICT CENTER
STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 37,667	\$ (38,726)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	35,836	35,228
Loss (gain) on sale of investments	(28)	102
Donated stock	(15,281)	(40,955)
Changes in:		
Receivables	(49,127)	12,440
Prepaid expenses	(2,321)	(2,950)
Inventory	8,631	513
Accounts payable	(1,973)	6,440
Payroll liabilities	<u>5,383</u>	<u> </u>
Net cash provided from (used for) operating activities	<u>18,787</u>	<u>(27,908)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	15,309	40,853
Contributions made to endowment fund	(2,803)	(6,307)
Disbursements from endowment fund	3,714	2,137
Endowment fund earnings	(3,983)	(3,685)
Payments for purchase of property assets	<u>(35,860)</u>	<u>(9,219)</u>
Net cash provided from (used for) investing activities	<u>(23,623)</u>	<u>23,779</u>
Decrease in cash	4,836	4,129
Cash balance - beginning	<u>318,913</u>	<u>323,042</u>
Cash balance - ending	<u>\$ 314,077</u>	<u>\$ 318,913</u>

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

THE CONFLICT CENTER
STATEMENT OF CASH FLOWS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

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>2007</u>	<u>2006</u>
The fair market value of stock donated to the Center was	<u>\$ 15,281</u>	<u>\$ 40,955</u>

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

THE CONFLICT CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 2007 AND 2006

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 in the year 2006 consisted off books, T-shirts, and greeting cards offered for sale by The Conflict Center, and was stated at the lower of cost or market determined by the first-in, first-out method. In 2007, the entire inventory was determined to be obsolete and of little value and so was charged off.

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 \$35,836 and \$35,228 for 2007 and 2006, 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, 2007 AND 2006

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

In 2005, the Center established an endowment fund with the Community First Foundation (the Foundation), formerly the LMC Community Foundation. 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 fund's principal balance. The Center raised \$2,805 and \$6,307 in cash and pledges in 2007 and 2006 respectively, and has accounted for these funds as permanently restricted funds. The endowment fund balance with the Foundation was \$84,978 and \$81,906 at December 31, 2007 and 2006, respectively. Of this amount, \$81,026 and \$78,221 was permanently restricted and \$3,952 and \$3,685 was unrestricted at December 31, 2007 and 2006, 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, 2007 AND 2006

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 \$3,843. Both leases are for a five year period expiring in the year 2012.

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
May 6, 2008

THE CONFLICT CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Accounting	\$ 5,016	
Audit	4,461	\$ 5,395
Board expenses	1,371	2,570
Building insurance	3,723	3,766
Building maintenance	8,166	8,199
Building property taxes	3,368	4,026
Consumables	1,557	2,135
Contract labor	15,128	27,437
Depreciation (Note 1)	35,836	35,228
Dues and memberships	849	759
Fund raising	65,533	58,389
Health and dental insurance	16,823	18,488
Insurance	3,319	3,357
Library resources	2,187	1,250
Miscellaneous expense	1,091	1,563
Office supplies	3,259	1,264
Payroll taxes	31,387	33,899
Postage and freight	929	1,040
Printing and duplication	6,571	9,634
Promotion	1,344	521
Repairs and maintenance	4	219
Salaries	321,880	341,195
Telephone and internet	10,246	10,236
Training	4,252	7,806
Travel	3,069	1,409
Utilities	11,209	11,154
Volunteer expenses	<u>382</u>	<u>1,376</u>
	<u>\$ 562,960</u>	<u>\$ 592,315</u>
Allocated to:		
Program services	\$ 447,982	\$ 490,414
Management and general	49,445	43,512
Fund raising	<u>65,533</u>	<u>58,389</u>
	<u>\$ 562,960</u>	<u>\$ 592,315</u>

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