

THE CONFLICT CENTER
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED DECEMBER 31, 2010 AND 2009
AND
INDEPENDENT AUDITOR'S REPORT

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July 27, 2011

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, 2010 and 2009, 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, 2010 and 2009 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
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2010 AND 2009

ASSETS

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------|---------------------|---------------------|
| Current assets: | | |
| Cash (Notes 1, 3 and 4) | \$ 301,490 | \$ 240,517 |
| Receivables: (Note 1) | | |
| Fees for services | | 20,763 |
| Government contracts | 27,803 | 41,100 |
| Prepaid expenses | <u>10,279</u> | <u>13,339</u> |
| Total current assets | <u>339,572</u> | <u>315,719</u> |
| Property: (Note 1) | | |
| Land | 9,000 | 9,000 |
| Building | 1,197,197 | 1,197,197 |
| Equipment, furniture and fixtures | <u>102,618</u> | <u>100,816</u> |
| | 1,308,815 | 1,307,013 |
| Less accumulated depreciation | <u>432,002</u> | <u>390,600</u> |
| Net property | <u>876,813</u> | <u>916,413</u> |
| Other assets: (Note 4) | | |
| Endowment fund – restricted | 140,296 | 138,956 |
| Endowment fund – unrestricted | <u>42,660</u> | <u>27,680</u> |
| Total other assets | <u>182,956</u> | <u>166,636</u> |
| | <u>\$ 1,399,341</u> | <u>\$ 1,398,768</u> |

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

LIABILITIES AND NET ASSETS

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable | \$ 7,428 | \$ 13,097 |
| Accrued compensation and payroll taxes | 10,906 | |
| Security deposits | 1,400 | 1,400 |
| Unearned revenue (Note 2) | <u>2,950</u> | <u>1,450</u> |
| Total current liabilities | <u>22,684</u> | <u>15,947</u> |
| | | |
| Net assets: (Notes 1, 3 and 4) | | |
| Unrestricted | 1,229,320 | 1,243,865 |
| Temporarily restricted | 7,041 | |
| Permanently restricted | <u>140,296</u> | <u>138,956</u> |
| Total net assets | <u>1,376,657</u> | <u>1,382,821</u> |
| | | |
| | <u>\$ 1,399,341</u> | <u>\$ 1,398,768</u> |

THE CONFLICT CENTER
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2010 AND 2009

| | 2010 | 2009 |
|--|--------------|--------------|
| Unrestricted net assets: (Note 1) | | |
| Support: | | |
| Grants | \$ 211,698 | \$ 238,451 |
| Gifts | 54,238 | 50,469 |
| Fees for services – government | 176,595 | 167,136 |
| Fees for services – general public | 48,722 | 47,652 |
| Special events | 21,043 | 28,995 |
| Resource sales and rentals | 377 | 254 |
| Net assets released from restrictions | 36,991 | 5,000 |
| Total support | 549,664 | 537,957 |
| Other revenue: | | |
| Rental income (Note 8) | 50,168 | 48,201 |
| Endowment fund earnings | 16,320 | 29,056 |
| Interest income | 896 | 1,003 |
| Miscellaneous | 3,756 | 4,018 |
| Gain on sale of investments | 45 | 297 |
| Total other revenue | 71,185 | 82,575 |
| Total unrestricted revenue | 620,849 | 620,532 |
| Expenses: (Note 6) | | |
| Program services | 515,932 | 483,076 |
| Management and general | 59,692 | 57,067 |
| Fund raising | 59,770 | 80,131 |
| Total expenses | 635,394 | 620,274 |
| Increase (decrease) in unrestricted net assets | (14,545) | 258 |
| Temporarily restricted net assets: (Note 1 and 3) | | |
| Support: | | |
| Grants | 12,000 | |
| Fees for services – government | 32,032 | |
| Net assets released from restrictions | (36,991) | (5,000) |
| Increase (decrease) in temporarily restricted net assets | 7,041 | (5,000) |
| Permanently restricted net assets: (Note 1 and 4) | | |
| Support: | | |
| Endowment gifts | 1,340 | 1,085 |
| Increase in permanently restricted net assets | 1,340 | 1,085 |
| Decrease in net assets | 6,164 | 3,657 |
| Net assets - beginning | 1,382,821 | 1,386,478 |
| Net assets - ending | \$ 1,376,657 | \$ 1,382,821 |

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

THE CONFLICT CENTER
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Decrease in net assets | \$ 6,164 | \$ 3,657 |
| Adjustments to reconcile change in net assets to net cash provided by operations: | | |
| Depreciation | 41,719 | 40,058 |
| (Gain) on sale of investments | (45) | (297) |
| Donated stock | (1,477) | (20,948) |
| Changes in: | | |
| Receivables | 34,060 | (15,436) |
| Prepaid expenses | 3,060 | 1,230 |
| Accounts payable | (5,669) | 2,194 |
| Accrued compensation and payroll taxes | 10,906 | |
| Unearned revenue | <u>1,500</u> | <u>(50)</u> |
| Net cash provided from operating activities | <u>77,890</u> | <u>3,094</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 1,523 | 21,245 |
| Disbursements from endowment fund | | 4,471 |
| Endowment fund earnings | (16,320) | (29,056) |
| Payments for purchase of property assets | <u>(2,120)</u> | <u>(32,327)</u> |
| Net cash used for investing activities | <u>(16,917)</u> | <u>(35,667)</u> |
| Increase (decrease) in cash | 60,973 | (32,573) |
| Cash balance - beginning | <u>240,517</u> | <u>273,090</u> |
| Cash balance - ending | <u>\$ 301,490</u> | <u>\$ 240,517</u> |

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

THE CONFLICT CENTER
STATEMENTS OF CASH FLOWS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2010 AND 2009

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>2010</u> | <u>2009</u> |
|--|-----------------|------------------|
| The fair market value of stock donated to the Center was | <u>\$ 1,477</u> | <u>\$ 20,948</u> |

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

THE CONFLICT CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 AND 2009

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.

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 \$41,719 and \$40,058 for 2010 and 2009, 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.

2. UNEARNED REVENUE

The Center receives funds in advance for services not yet performed and accounts for these funds as unearned revenue. As the services are performed the revenue is recognized.

THE CONFLICT CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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 \$1,340 and \$1,085 in cash and pledges in 2010 and 2009 respectively, and has accounted for these funds as permanently restricted funds. The endowment fund balance with the Foundation was \$182,956 and \$166,636 at December 31, 2010 and 2009, respectively. Of this amount, \$140,296 and \$138,956 was permanently restricted and \$42,660 and \$27,680 was unrestricted at December 31, 2010 and 2009, respectively.

5. INCOME TAX

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

6. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and activities of the Center has been allocated and summarized on a functional basis in the schedules of functional expenses. Accordingly, certain 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, 2010 AND 2009

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 \$3,963. Both leases are for a five year period expiring in the year 2012.

9. EMPLOYEE BENEFIT PLANS

The Center has a section 403(b) defined contribution employee benefit plan that covers all employees who work more than 20 hours per week and have obtained one year of service. Beginning in 2009, the Center implemented an employer match provision to its existing plan whereby the Center contributes up to a maximum of three percent of each employee's eligible salary. The contribution to the plan amounted to \$6,355 and \$5,501 for the years ending December 31, 2010 and 2009, respectively.

10. EVALUATION OF SUBSEQUENT EVENTS

The Center has evaluated subsequent events through July 27, 2011, the date which the financial statements were available to be issued.

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 schedules 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
July 27, 2011

THE CONFLICT CENTER

SCHEDULES OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|---------------------------------|-------------------|-------------------|
| Accounting | \$ 8,328 | \$ 15,156 |
| Audit | 4,495 | 5,007 |
| Board expenses | 1,129 | 1,104 |
| Building insurance | 2,611 | 3,052 |
| Building maintenance | 7,373 | 14,181 |
| Consumables | 2,134 | 1,679 |
| Contract labor | 8,518 | 33,280 |
| Depreciation (Note 1) | 41,719 | 40,058 |
| Dues and memberships | 1,560 | 1,520 |
| Fund raising | 12,841 | 80,131 |
| Health and dental insurance | 27,489 | 18,753 |
| Insurance | 2,483 | 2,979 |
| Library resources | 1,822 | 697 |
| Miscellaneous expense | 3,032 | 1,982 |
| Office supplies | 2,594 | 1,371 |
| Payroll taxes | 35,771 | 28,170 |
| Postage and freight | 803 | 1,241 |
| Printing and duplication | 5,567 | 4,282 |
| Promotion | 1,091 | 766 |
| Repairs and maintenance | 4,508 | 205 |
| Retirement 403(b) plan (Note 9) | 6,355 | 5,501 |
| Salaries | 390,937 | 326,738 |
| Special projects expense | 36,991 | |
| Telephone and internet | 8,662 | 9,792 |
| Training | 1,230 | 7,754 |
| Travel | 3,265 | 3,751 |
| Utilities | 11,167 | 10,454 |
| Volunteer expenses | <u>919</u> | <u>670</u> |
| | <u>\$ 635,394</u> | <u>\$ 620,274</u> |
| Allocated to: | | |
| Program services | \$ 515,932 | \$ 483,076 |
| Management and general | 59,692 | 57,067 |
| Fund raising | <u>59,770</u> | <u>80,131</u> |
| | <u>\$ 635,394</u> | <u>\$ 620,274</u> |

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