

**PEACE COMMUNITY CENTER
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peace Community Center
Tacoma, Washington

We have audited the accompanying financial statements of Peace Community Center, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 audits 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.

Board of Directors
Peace Community Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peace Community Center as of June 30, 2017, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, an adjustment has been made to restate the property use asset, construction in progress, accounts payable, accrued payroll and expenses, deferred revenue, and unrestricted and temporarily restricted net assets as of July 1, 2016 to correct accounting errors. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
January 26, 2018

**PEACE COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	442,730
Investments		808,810
Grants Receivable		62,118
Pledges Receivable, Net		250,165
Prepaid Expenses		11,332
Total Current Assets		1,575,155

PROPERTY AND EQUIPMENT, Net

1,526,363

LONG-TERM PLEDGES RECEIVABLE, Net

145,500

Total Assets

\$ 3,247,018

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	162,393
Accrued Payroll and Expenses		17,561
Vacation Payable		10,756
Long-Term Debt, Current Portion		5,957
Total Current Liabilities		196,667

LONG-TERM LIABILITIES

Funds Held on Behalf of Others		1,800
Mortgage Payable, Less Current Portion		207,054
Total Long-Term Liabilities		208,854

Total Liabilities

405,521

NET ASSETS

Unrestricted:		
Unrestricted		686,047
Board Designated - Unrestricted		176,247
Total Unrestricted		862,294
Temporarily Restricted		1,979,203
Total Net Assets		2,841,497

Total Liabilities and Net Assets

\$ 3,247,018

See accompanying Notes to Financial Statements.

**PEACE COMMUNITY CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING ACTIVITY			
REVENUE AND SUPPORT FROM OPERATIONS			
Contributions, Nongrant	\$ 494,085	\$ 5,789	\$ 499,874
Nongovernmental Grants	58,419	127,387	185,806
Governmental Grants	222,525	-	222,525
In-Kind Rent	44,865	-	44,865
Interest Income	7,337	-	7,337
Rental Income, Net of Expenses of \$30,976	6,988	-	6,988
Reimbursements for Shared Employees	16,578	-	16,578
Other Income	1,575	-	1,575
Released for Amortization of Facility Use	27,135	(27,135)	-
Net Assets Released from Restriction	318,904	(318,904)	-
Total Revenue and Support	<u>1,198,411</u>	<u>(212,863)</u>	<u>985,548</u>
EXPENSES			
Program Expense:			
Elementary School	314,842	-	314,842
Middle School	179,360	-	179,360
High School	241,990	-	241,990
College Completion and Career Support	63,548	-	63,548
Other Program Expense	61,515	-	61,515
Total Program Expense	<u>861,255</u>	<u>-</u>	<u>861,255</u>
Supporting Services Expense:			
Management and General	119,833	-	119,833
Fundraising	147,916	-	147,916
Total Supporting Services Expense	<u>267,749</u>	<u>-</u>	<u>267,749</u>
Total Expenses and Losses	<u>1,129,004</u>	<u>-</u>	<u>1,129,004</u>
CHANGE IN NET ASSETS FROM OPERATIONS	69,407	(212,863)	(143,456)
NONOPERATING ACTIVITY			
Capital Campaign Contributions	-	556,779	556,779
Capital Campaign Expenses	(86,031)	-	(86,031)
Net Assets Released from Restriction	365,912	(365,912)	-
Total Nonoperating Activity	<u>279,881</u>	<u>190,867</u>	<u>470,748</u>
TOTAL CHANGE IN NET ASSETS	349,288	(21,996)	327,292
Net Assets - Beginning of Year - As Previously Stated	639,289	851,826	1,491,115
Prior Period Adjustments	(126,283)	1,149,373	1,023,090
Net Assets - Beginning of Year - As Restated	<u>513,006</u>	<u>2,001,199</u>	<u>2,514,205</u>
NET ASSETS - END OF YEAR	<u>\$ 862,294</u>	<u>\$ 1,979,203</u>	<u>\$ 2,841,497</u>

See accompanying Notes to Financial Statements.

**PEACE COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program Services						Total Program Services
	Elementary School	Middle School	High School	College Completion and Career Support	Other Program Services	Rentals	
Compensation and Related Expenses:							
Wages and Salary	\$ 154,297	\$ 91,945	\$ 92,369	\$ 36,721	\$ 30,178	\$ 96	\$ 405,606
Payroll Taxes	16,593	10,063	10,688	3,379	2,517	9	43,249
Employee Benefits	7,842	3,419	3,747	3,241	(296)	2	17,955
	<u>178,732</u>	<u>105,427</u>	<u>106,804</u>	<u>43,341</u>	<u>32,399</u>	<u>107</u>	<u>466,810</u>
Utilities and Security	1,647	1,647	8,233	823	823	3,093	16,266
In-Kind Rent Expense	7,245	7,245	36,225	3,622	3,662	-	57,999
Telephone	335	360	1,677	170	168	-	2,710
Program Expenses	28,151	17,889	15,705	2,147	21,000	-	84,892
Professional Fees	16,130	2,101	7,631	393	1,250	-	27,505
Contract Services	36,057	26,410	42,860	7,558	-	-	112,885
Office Expenses	4,474	2,825	3,351	527	568	-	11,745
Printing and Publications	1,479	898	1,128	149	192	-	3,846
Fundraising Expense	-	-	-	-	-	-	-
Travel	20,198	2,176	1,273	290	38	-	23,975
Meetings and Conferences	787	102	501	53	559	-	2,002
Equipment Lease and Maintenance	7,762	5,127	5,935	958	-	1,416	21,198
Staff Development	4,849	2,008	2,176	896	158	-	10,087
Insurance	796	871	3,979	398	398	-	6,442
Property Taxes	-	-	-	-	-	7,205	7,205
Interest Expense	-	-	-	-	-	8,940	8,940
Postage	1,531	1,162	953	1,362	-	-	5,008
Miscellaneous	2,911	1,951	2,215	644	300	-	8,021
Bad Debt	-	-	-	-	-	-	-
Depreciation	1,758	1,161	1,344	217	-	10,215	14,695
Total Expenses by Function	<u>314,842</u>	<u>179,360</u>	<u>241,990</u>	<u>63,548</u>	<u>61,515</u>	<u>30,976</u>	<u>892,231</u>
Less Expenses Netted Against Revenues on the Statement of Activities:							
Rental Expenses	-	-	-	-	-	(30,976)	(30,976)
Less Capital Campaign Expenses Netted Against Nonoperating Income on the Statement of Activities	-	-	-	-	-	-	-
Total Expenses Included in Expense Section of the Statement of Activities	<u>\$ 314,842</u>	<u>\$ 179,360</u>	<u>\$ 241,990</u>	<u>\$ 63,548</u>	<u>\$ 61,515</u>	<u>\$ -</u>	<u>\$ 861,255</u>

See accompanying Notes to Financial Statements.

**PEACE COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	Supporting Services			Total Supporting Services	Total
	Management and General	Fundraising			
		Operations	Capital Campaign		
Compensation and Related Expenses					
Wages and Salary	\$ 58,850	\$ 78,579	15,020	\$ 152,449	\$ 558,055
Payroll Taxes	5,646	7,285	1,254	14,185	57,434
Employee Benefits	4,421	11,386	1,425	17,232	35,187
	<u>68,917</u>	<u>97,250</u>	<u>17,699</u>	<u>183,866</u>	<u>650,676</u>
Utilities and Security	3,127	1,647		4,774	21,040
Rent Expense	6,686	7,245	520	14,451	72,450
Telephone	335	335	-	670	3,380
Program Expenses	3,333	479	-	3,812	88,704
Professional Fees	11,512	1,874	39,969	53,355	80,860
Contract Services	16,564	7,921	-	24,485	137,370
Office Expenses	1,724	1,097	340	3,161	14,906
Printing and Publications	521	631	-	1,152	4,998
Fundraising Expense	1,234	14,856	-	16,090	16,090
Travel	87	117	45	249	24,224
Meetings and Conferences	867	25	235	1,127	3,129
Equipment Lease and Maintenance	3,161	1,564	117	4,842	26,040
Staff Development	1,363	757	23	2,143	12,230
Insurance	720	796	-	1,516	7,958
Property Taxes	-	-	-	-	7,205
Interest Expense	-	-	-	-	8,940
Postage	942	787	98	1,827	6,835
Miscellaneous	(1,898)	4,344	285	2,731	10,752
Bad Debt	-	5,800	26,700	32,500	32,500
Depreciation	638	391	-	1,029	15,724
Total Expenses by Function	<u>119,833</u>	<u>147,916</u>	<u>86,031</u>	<u>353,780</u>	<u>1,246,011</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Rental Expenses	-	-	-	-	(30,976)
Less Capital Campaign Expenses Netted Against Nonoperating Income on the Statement of Activities	<u>-</u>	<u>-</u>	<u>(86,031)</u>	<u>(86,031)</u>	<u>(86,031)</u>
Total Expenses Included in Expense Section of the Statement of Activities	<u>\$ 119,833</u>	<u>\$ 147,916</u>	<u>\$ -</u>	<u>\$ 267,749</u>	<u>\$ 1,129,004</u>

See accompanying Notes to Financial Statements.

**PEACE COMMUNITY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	327,292
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation		15,724
Net In-Kind Rent		27,135
Contributions, Capital Campaign		(556,779)
(Increase) Decrease in Assets:		
Grants Receivable		(25,729)
Pledges Receivable		47,064
Prepaid Expenses		(3,499)
Increase (Decrease) in Liabilities:		
Accounts Payable		132,156
Accrued Liabilities		(61,976)
Funds Held on Behalf of Others		(150)
Net Cash Used by Operating Activities		<u>(98,762)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment		(308,023)
Purchase of Investments		<u>(7,337)</u>
Net Cash Used by Investing Activities		<u>(315,360)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Long-Term Debt		(5,664)
Contributions, Capital Campaign		<u>556,779</u>
Net Cash Provided by Financing Activities		<u>551,115</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

136,993

Cash and Cash Equivalents - Beginning of Year

305,737

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 442,730

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest Expense		<u>\$ 8,940</u>
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See accompanying Notes to Financial Statements.

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Peace Community Center (the Organization) is a nonprofit organization established in 1996 in Tacoma, Washington. Rooted in faith and the Hilltop neighborhood, the Organization supports education as an integral part of a strong community. The Organization supports and encourages youth—historically underrepresented in college—to cultivate their academic and leadership talents so youth can gain full access to educational opportunities and reach their full potential.

The Organization envisions a vibrant community of hope, where youth become life-long learners who act with compassion and confidence, using their diverse gifts for positive change.

The programs essential to the mission are:

Elementary Program - McCarver Scholars

Elementary students (ages 6 to 11) attending McCarver Elementary School attend an expanded learning program after-school throughout the week to build academic, social, and emotional skills. Scholars also attend a five to six week Summer Academy to mitigate summer learning loss and prepare for the upcoming school year.

Middle School Program - Hilltop Scholars - Middle School

Middle school students (ages 12 to 14) attending Jason Lee Middle School attend an expanded learning program after-school throughout the week to build academic skills and gain exposure to enrichment activities. Every scholar has weekly meetings with an academic coach to create and fulfill academic goals and prepare for high school. Scholars also attend a five to six week Summer Academy to mitigate summer learning loss and prepare for the upcoming year.

High School Program - Hilltop Scholars - High School

High school students (ages 15 to 18) attending school in Tacoma and who are part of the Hilltop Scholars program meet weekly with their academic coach to create and fulfill academic goals and prepare for post-secondary plans. After school tutoring is available during the school year. Scholars can participate in four different seminar series to build academic skills, work on identity exploration, and prepare for college and a career.

College Completion and Career Support

Students transitioning to college or entering the workforce receive support through transition coaching sessions; emotional, financial, and academic mentoring, and quarterly care packages from a team of volunteers.

Other Programs

The Organization supports the community by providing free community meals in April and October, offering free or discounted community gathering space, and acting as the fiscal agent for Vibrant Schools-Tacoma Coalition.

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Accounting and Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Under this accounting method, revenues are recognized in the year earned, support is recognized in the year which it is unconditionally promised, and expenses are recorded in the year incurred.

Income Tax Status

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise, or other taxes or may jeopardize its tax-exempt status.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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 and those differences could be material.

Cash and Cash Equivalents

Cash consists of cash held in checking and savings accounts. For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less, as cash equivalents. At times the amount in such accounts exceed the FDIC insurance limit.

Investments

Investments consist of Demand Investment funds held at the Mission Investment Fund Evangelical Lutheran Church in America (MIF ECLA). The MIF uses investments to make low-interest loans to establish congregations, "new-start" congregations, and related ministries. Accounts in the MIF ECLA are not insured. The Organization has not experienced any losses related to its credit risk.

Grants Receivable

Grants receivables consist of revenue earned or grants awarded for which funds were not received by year-end. Management considers the amounts to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Pledges Receivable

The Organization is currently conducting a \$2.3 million fundraising campaign for capital improvements and funding of Elementary Sustainability and Academic Coaches. Pledges receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Pledges receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

Property and Equipment

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released over time in an amount equivalent to annual depreciation. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 40 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions or law.

Temporarily Restricted Net Assets – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted purposes. The Organization did not have any permanently restricted net assets for the year ended June 30, 2017.

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue and Revenue Recognition

Revenue is recognized when earned. Rental income and reimbursements for shared employees are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cost Reimbursement Contracts

Revenue under state and federal government cost-reimbursement type contracts are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustments may be made by funding agencies.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Management has evaluated subsequent events through January 26, 2018, the date the financial statements were available to be issued. There were no events or transactions that require recognition and disclosures in the financial statements.

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 PLEDGES RECEIVABLE

Unconditional promises to give to the Organization are recognized when the promises are made. Unconditional pledges to give due in subsequent years are reported at present value, using a risk-free interest rate of 4.75%. Contributions receivable are as follows at June 30, 2017:

	Capital Campaign	Operations	Total
Total Amounts Due in:			
One Year	\$ 146,290	\$ 126,575	\$ 272,865
Two to Five Years	143,749	34,651	178,400
Gross Pledges Receivable	290,039	161,226	451,265
Less: Discount to Present Value	(23,000)	(8,500)	(31,500)
Less: Allowance for Doubtful Accounts	(19,300)	(4,800)	(24,100)
Pledges Receivable, Net	\$ 247,739	\$ 147,926	\$ 395,665
 Net Pledges Receivable, Current	 \$ 128,490	 \$ 121,675	 \$ 250,165
Net Pledges Receivable, Long-Term	119,249	26,251	145,500
	\$ 247,739	\$ 147,926	\$ 395,665

At June 30, 2017, three donors accounted for 43% of total pledges receivable. Two contributors accounted for approximately 32% of total contribution revenue for the year ended June 30, 2017.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017:

Building and Building Improvements	\$ 247,677
Leasehold Improvements	33,248
Equipment	27,866
Subtotal	308,791
Less: Accumulated Depreciation	(104,172)
Total	204,619
Land	97,991
Property Rights	870,165
Construction in Progress	353,588
Total Property and Equipment	\$ 1,526,363

Assets under construction are capitalized as construction-in-progress. The increase in construction in progress for the year ended June 30, 2017 represents expenditures for capital construction projects, which includes new classroom space, expanded office space, and dedicated learning spaces for high school students. The total project costs are anticipated to be \$1.5 million.

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 NOTE PAYABLE

The note payable consisted of the following at June 30, 2017:

Description

Mortgage payable to Mission Investment Fund Evangelical Lutheran Church of America (MIF ELCA), original balance of \$227,500. Payable over 25 years ending September 1, 2039. Initial monthly payments of \$1,217 including interest at 4.125% per annum through September 1, 2019, adjustable every five years thereafter at the discretion of MIF ELCA. Secured by real estate.	\$ 213,011
Less: Current Portion	(5,957)
Total	\$ 207,054

Future maturities of the note payable are as follows as of June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 5,957
2019	6,208
2020	6,469
2021	7,024
2022	7,319
Thereafter	180,034
Total	\$ 213,011

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 consisted of:

	<u>Restated Beginning Balance</u>	<u>Contributions</u>	<u>Released</u>	<u>Ending Balance</u>
Purpose Restricted:				
Vibrant Schools	\$ 398	\$ 32,600	\$ 31,771	\$ 1,227
Vision and Call	57,974	-	27,933	30,041
Journey to the Hilltop	18,721	-	16,002	2,719
Capital Campaign	714,321	556,779	365,912	905,188
Scholarship Funds	17,813	9,550	8,526	18,837
Total Restricted as to Purpose	809,227	598,929	450,144	958,012
Time Restricted:				
Operating Pledges, Net	89,672	91,026	29,672	151,026
Facility Use Asset	897,300	-	27,135	870,165
Grants Restricted as to Time	205,000	-	205,000	-
Total Time Restricted	1,191,972	91,026	261,807	1,021,191
Total	\$ 2,001,199	\$ 689,955	\$ 711,951	\$ 1,979,203

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 IN-KIND RENT

The Organization records in-kind rent for operating facilities rent. Rent is valued at fair value when received.

On June 30, 2016, the Organization entered into a 20-year lease with Peace Evangelical Lutheran Church for the use of its Tacoma facility for \$1 per year. The value of the leased property was \$897,300 at the date of the lease. The value is based on the estimated annual in-kind rent expense of \$72,000 over the life of the lease, net of a present value discount. For the year ended June 30, 2017, in-kind rent income was \$44,865, in-kind rent expense was \$72,000, and amortization of the net book value of the asset was \$27,135. The annual amortization of the asset is reported as a release of temporarily restricted net assets to unrestricted net assets. Temporarily restricted net assets related to the net book value of the leased property totaled \$870,165 at June 30, 2017.

NOTE 7 RELATED PARTY TRANSACTION

A nonvoting board member of the Organization is the church pastor of Peace Evangelical Lutheran Church, the church from which the Organization which leases the operating facilities, which includes office and program space. The lease is noncancellable with annual rent payment of \$1. The lease was signed on June 30, 2016 and expires June 30, 2036, with one-year renewals options.

NOTE 8 RETIREMENT PLAN

The Organization maintains an IRS Code 403(b) plan also known as a tax-shelter annuity (TSA) plan, for eligible employees. Pension expense was \$10,969 for the year ended June 30, 2017.

**PEACE COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 CORRECTION OF ERRORS

In 2017, management determined that there were several errors in the 2016 financial statements. The errors included understatement of construction in progress, accounts payable, and accrued payroll, and expenses, overstatement of deferred revenue, and misclassification of time-restricted contributions. In addition, management determined that the in-kind donation of the land lease was not properly recorded. The impact of the errors in the 2016 financial statements is as follows:

	Amount Previously Recorded	Adjustments	Amount as Restated
Facility Use Asset	\$ -	\$ 897,300	\$ 897,300
Construction in Progress	31,602	13,963	45,565
Accounts Payable	23,737	6,500	30,237
Accrued Payroll and Expenses	78,057	21,673	99,730
Deferred Revenue	80,000	(80,000)	-
Pledges Receivable	382,729	60,000	442,729
Unrestricted Net Assets	639,289	(126,283)	513,006
Temporarily Restricted Net Assets	851,826	1,149,373	2,001,199