

PeacePlayers International and Affiliates

**Consolidated Financial Statements
and Independent Auditor's Report**

June 30, 2016 and 2015

PeacePlayers International and Affiliates

Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Change in Net Assets	5
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10

Independent Auditor's Report

To the Board of Directors
PeacePlayers International and Affiliates

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of PeacePlayers International and Affiliates ("PPI"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of PPI as of June 30, 2016 and 2015, and the change 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.

CohnReznick LLP

Bethesda, Maryland
March 29, 2017

PeacePlayers International and Affiliates

**Consolidated Statements of Financial Position
June 30, 2016 and 2015**

	<u>Assets</u>	
	2016	2015
Current assets		
Cash and cash equivalents	\$ 313,257	\$ 603,576
Short term investments	49,742	50,557
Grants and contributions receivable, current portion	447,560	295,609
Prepaid expenses	59,172	49,679
Total current assets	869,731	999,421
Fixed Assets		
Furniture	36,772	37,093
Vehicles	41,918	41,918
	78,690	79,011
Less: Accumulated depreciation	(75,681)	(76,052)
Fixed assets, net	3,009	2,959
Other assets		
Grants and contributions receivable, net of current portion	239,692	172,891
Deposits	26,267	6,850
Total other assets	265,959	179,741
Total assets	\$ 1,138,699	\$ 1,182,121
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 43,741	\$ 73,355
Accrued payroll	136,123	96,991
Total liabilities	179,864	170,346
Net Assets		
Unrestricted	84,580	653,647
Temporarily restricted	874,255	358,128
Total net assets	958,835	1,011,775
Total liabilities and net assets	\$ 1,138,699	\$ 1,182,121

See Notes to Consolidated Financial Statements.

PeacePlayers International and Affiliates

**Consolidated Statements of Activities and Change in Net Assets
Year Ended June 30, 2016**

	Unrestricted	Temporarily restricted	Total
Revenue and Support			
Grants and contributions	\$ 717,189	\$ 1,618,263	\$ 2,335,452
Government grants	548,653	-	548,653
Other income	24,938	-	24,938
Net assets released from donor restrictions	1,102,136	(1,102,136)	-
 Total revenue and support	 2,392,916	 516,127	 2,909,043
Expenses			
Program services			
Cyprus	292,896	-	292,896
Middle East	1,147,819	-	1,147,819
Northern Ireland	556,706	-	556,706
South Africa	230,513	-	230,513
Training and Technical Assistance	179,968	-	179,968
 Total program services	 2,407,902	 -	 2,407,902
Supporting services			
General and administrative	328,795	-	328,795
Fundraising	225,286	-	225,286
 Total supporting services	 554,081	 -	 554,081
 Total expenses	 2,961,983	 -	 2,961,983
Changes in net assets	(569,067)	516,127	(52,940)
Net assets, beginning of year	653,647	358,128	1,011,775
Net assets, end of year	\$ 84,580	\$ 874,255	\$ 958,835

See Notes to Consolidated Financial Statements.

PeacePlayers International and Affiliates

**Consolidated Statements of Activities and Change in Net Assets
Year Ended June 30, 2015**

	Unrestricted	Temporarily restricted	Total
Revenue and Support			
Grants and contributions	\$ 1,019,287	\$ 899,758	\$ 1,919,045
Government grants	825,420	-	825,420
In-kind contributions	13,371	-	13,371
Other income	93,289	-	93,289
Net assets released from donor restrictions	<u>1,206,318</u>	<u>(1,206,318)</u>	<u>-</u>
 Total revenue and support	 3,157,685	 (306,560)	 2,851,125
Expenses			
Program services			
Cyprus	282,489	-	282,489
Middle East	1,085,351	-	1,085,351
Northern Ireland	562,449	-	562,449
South Africa	247,050	-	247,050
Training and Technical Assistance	<u>123,387</u>	<u>-</u>	<u>123,387</u>
 Total program services	 2,300,726	 -	 2,300,726
Supporting services			
General and administrative	234,768	-	234,768
Fundraising	<u>293,183</u>	<u>-</u>	<u>293,183</u>
 Total supporting services	 527,951	 -	 527,951
 Total expenses	 <u>2,828,677</u>	 <u>-</u>	 <u>2,828,677</u>
 Changes in net assets	 329,008	 (306,560)	 22,448
Net assets, beginning of year	<u>324,639</u>	<u>664,688</u>	<u>989,327</u>
Net assets, end of year	<u>\$ 653,647</u>	<u>\$ 358,128</u>	<u>\$ 1,011,775</u>

See Notes to Consolidated Financial Statements.

PeacePlayers International and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services					Supporting Services				
	Cyprus	Middle East	Northern Ireland	South Africa	Training and Technical Assistance	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and related expenses	\$ 151,819	\$ 586,107	\$ 309,484	\$ 135,197	\$ 98,515	\$ 1,281,122	\$ 201,309	\$ 152,660	\$ 353,969	\$ 1,635,091
Insurance expense	32,857	37,871	30,127	22,455	5,094	128,404	9,600	8,163	17,763	146,167
Other personal expenses	7,944	60,156	12,336	8,477	23,334	112,247	42,100	1,188	43,288	155,535
Trainings, retreats and assessment	-	-	6,805	2,812	1,650	11,267	348	81	429	11,696
Uniforms	5,735	10,878	12,967	4,732	1,139	35,451	-	1,668	1,668	37,119
Non-personnel expenses	10,247	49,285	24,365	11,441	1,053	96,391	28,708	9,918	38,626	135,017
Occupancy and other expenses	52,284	175,419	79,563	20,890	26,648	354,804	25,631	41,166	66,797	421,601
Travel and transportation	22,227	213,113	75,503	22,449	22,535	355,827	7,235	9,659	16,894	372,721
Depreciation	-	142	955	-	-	1,097	451	-	451	1,548
Miscellaneous expenses	6,224	12,731	4,145	900	-	24,000	6,310	783	7,093	31,093
Business expenses	2,196	2,117	456	1,160	-	5,929	7,103	-	7,103	13,032
Bad debt	1,363	-	-	-	-	1,363	-	-	-	1,363
Total	\$ 292,896	\$ 1,147,819	\$ 556,706	\$ 230,513	\$ 179,968	\$ 2,407,902	\$ 328,795	\$ 225,286	\$ 554,081	\$ 2,961,983

See Notes to Consolidated Financial Statements.

PeacePlayers International and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services					Supporting Services				
	Cyprus	Middle East	Northern Ireland	South Africa	Training and Technical Assistance	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and related expenses	\$ 150,082	\$ 493,997	\$ 337,035	\$ 140,783	\$ 71,524	\$ 1,193,421	\$ 146,548	\$ 201,534	\$ 348,082	\$ 1,541,503
Insurance expense	29,214	25,520	25,063	18,169	7,880	105,846	11,370	10,698	22,068	127,914
Other personal expenses	15,980	76,479	15,141	12,825	22,004	142,429	17,109	5,586	22,695	165,124
Trainings, retreats and assessment	1,294	-	3,805	5,050	569	10,718	236	32	268	10,986
Uniforms	4,937	57,678	11,360	3,225	792	77,992	-	1,590	1,590	79,582
Non-personnel expenses	11,537	41,029	20,404	17,424	4,838	95,232	36,609	20,116	56,725	151,957
Occupancy and other expenses	42,354	143,943	61,337	23,379	7,983	278,996	8,891	41,263	50,154	329,150
Travel and transportation	21,183	224,864	80,708	24,648	7,797	359,200	6,273	7,731	14,004	373,204
Depreciation	-	570	1,078	248	-	1,896	242	-	242	2,138
Miscellaneous expenses	3,308	18,319	5,831	39	-	27,497	4,914	2,241	7,155	34,652
Business expenses	2,600	2,952	687	1,260	-	7,499	2,576	2,392	4,968	12,467
Bad debt	-	-	-	-	-	-	-	-	-	-
Total	\$ 282,489	\$ 1,085,351	\$ 562,449	\$ 247,050	\$ 123,387	\$ 2,300,726	\$ 234,768	\$ 293,183	\$ 527,951	\$ 2,828,677

See Notes to Consolidated Financial Statements.

PeacePlayers International and Affiliates

**Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (52,940)	\$ 22,448
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,548	2,138
Loss on disposal of fixed assets	1,210	-
Change in:		
Grants and contributions receivable	(218,752)	324,941
Prepaid expenses	(9,493)	14,673
Deposits	(19,417)	(5,789)
Accounts payable	(29,614)	(46,687)
Accrued payroll	<u>39,132</u>	<u>22,763</u>
Net cash provided by (used in) operating activities	<u>(288,326)</u>	<u>334,487</u>
Cash flows from investing activities		
Purchase of short term investments	815	(50,557)
Purchase of fixed assets	<u>(2,808)</u>	<u>(1,349)</u>
Net cash used in investing activities	<u>(1,993)</u>	<u>(51,906)</u>
Cash flows from financing activities		
Payments on line of credit	(50,000)	(150,000)
Draws from line of credit	<u>50,000</u>	<u>150,000</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(290,319)	282,581
Cash and cash equivalents, beginning of year	<u>603,576</u>	<u>320,995</u>
Cash and cash equivalents, end of year	<u>\$ 313,257</u>	<u>\$ 603,576</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 83</u>	<u>\$ 1,104</u>

See Notes to Consolidated Financial Statements.

PeacePlayers International and Affiliates

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 1 - Organization and summary of significant accounting policies

Organization

PeacePlayers International ("PPI-DC") is a non-profit organization based in Washington, D.C. PPI-DC uses sports and the values of sportsmanship to bridge divides and to develop leaders in conflict and post-conflict communities. PPI has affiliates in the Middle East (Israel and West Bank), South Africa, Northern Ireland and Cyprus. The Affiliates bring together thousands of children from different religious, racial and cultural backgrounds to form positive relationships, develop leadership and life skills, live healthy lives and improve their futures. In 2011, PPI launched a Technical Assistance program, leveraging the organization's institutional knowledge to support others seeking to use sports to make a positive impact in their communities.

PeacePlayers International - Middle East ("PPI - ME") is a locally led charity active in Israel and the West Bank that unites and educates Jewish and Arab young people and their communities through basketball.

PeacePlayers International - Northern Ireland ("PPI - NI") is an independently registered cross-community peacebuilding charity in Northern Ireland that uses sport - in particular, basketball - to unite and educate young people from Protestant and Catholic communities.

PeacePlayers International- South Africa ("PPI-SA") is an independently registered charity founded with the goal of promoting peaceful coexistence among white, black, Indian and coloured children, while providing a positive extracurricular outlet and leadership opportunities for those from disadvantaged communities.

PeacePlayers - Cyprus ("PPI-CY") is a locally led, independently registered charity in Cyprus that uses the game of basketball to allow 10-to-16 year old Greek-Cypriot and Turkish-Cypriot boys and girls to play together, learn together and build positive relationships that overcome generations of mistrust and formidable physical barriers to interaction.

Principles of consolidation

The consolidated financial statements include the accounts of PeacePlayers International and Affiliates (collectively, "PPI"). All significant intercompany accounts and transactions between the organizations have been eliminated.

Basis of presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting, and accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Cash and cash equivalents

PPI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Short-term investments

Short-term investments include a certificate of deposit with a maturity over three months, held at an Israeli bank.

Grants and contributions receivable

Grants and contributions, including unconditional promises to give are recognized as revenues in the appropriate category of net assets in the period received. Management considers all grants and

PeacePlayers International and Affiliates

Notes to Consolidated Financial Statements June 30, 2016 and 2015

contributions receivable to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established. Unconditional promises to give that are expected to be collected in future years are reflected as grants and contributions receivable and are recorded at their net present value using a risk adjusted discount rate. Amortization of the discount on long-term grants and contributions receivable is recognized as grants and contribution revenue.

Fixed assets

Fixed assets in excess of \$1,000 with an estimated useful life of greater than one year are capitalized. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years.

Income tax status

PPI-DC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the PPI's tax-exempt purpose is subject to taxation as unrelated business income. There has been no unrelated business income or income tax expense reported for the years ended June 30, 2016 and 2015. PPI-ME, PPI-NI, PPI-CY and PPI-SA are subject to tax laws of their respective countries and had no taxable income to report in accordance with tax laws for the years ended.

PPI believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. PPI recognizes interest expense and penalties on income taxes related to uncertain tax positions in general administration expense on the consolidated statements of activities and change in net assets and in accounts payable in the consolidated statements of financial position. PPI reported no penalties or interest on income taxes related to uncertain tax positions for the years ended June 30, 2016 and 2015. Tax years prior to 2012 for PPI-DC are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Net assets

Unrestricted net assets are net assets that are neither temporarily restricted nor permanently restricted by donor stipulations for a time or purpose restriction.

Temporarily restricted net assets result from grants and contributions whose use is limited by donor-imposed purpose restrictions that have not yet been fulfilled by actions of PPI pursuant to these stipulations or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

Revenue recognition

PPI records contributions as revenue when they are pledged by the donor or when received in cash if not pledged. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets represent resources with temporary, donor-imposed time and/or program-specific restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a certain period.

Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by PPI's

PeacePlayers International and Affiliates

Notes to Consolidated Financial Statements June 30, 2016 and 2015

actions. The donors of these assets permit PPI to use the income and gains earned on related investments for operations or for specific purposes stipulated by the donors. PPI has no permanently restricted net assets.

Government grants

PPI receives funding under grants and contracts from the U.S. government. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. PPI recognizes government grant revenue as unrestricted revenues when the related expenses are incurred. Amounts due from the U.S. government for reimbursable expenses incurred but not yet received are recorded in grants and contributions receivable.

In-kind contributions

In-kind contributions consist of various goods and the use of facilities. In-kind contributions are recorded at their fair market value as of the date of the gift, both as support and as expenses in the period when donated.

Use of estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Functional and presentation currency

Items included in the consolidated financial statements of PPI are measured using the currency of the primary economic environment in which PPI operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars, which is the PPI's functional and presentation currency. Transactions in a currency other than the functional and presentation currency (foreign currency) are translated into the functional currency using the exchange rates prevailing at the date of significant transactions or an exchange rate at the date PPI made a cash transfer to the foreign entity. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies were translation losses of \$32,249 and \$104,361, for the years ended June 30, 2016 and 2015, respectively, and are recognized in the consolidated statements of activities and change in net assets and are included in other income.

Subsequent events

PPI has evaluated events and transactions for potential recognition or disclosure through March 29, 2017, the date the consolidated financial statements were available to be issued.

PeacePlayers International and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

Note 2 - Grants and contributions receivable

Contributions receivable are collectible through 2019, and the following is a summary of grants and contributions receivable, by years, as of June 30:

	2016	2015
Less than one year	\$ 447,560	\$ 295,609
One to five years	239,692	172,891
Total grants and contributions receivable	\$ 687,252	\$ 468,500

Note 3 - Line of credit

On November 19, 2015, PPI entered into a \$250,000 bank line of credit, bearing interest at variable rate which adjusts daily based on the bank's prime rate plus 1 percent, but not less than 5 percent. The line of credit matures on November 19, 2017.

Note 4 - Temporarily restricted net assets

Temporarily restricted net assets consist of the unexpended portion of restricted grants and contributions received by PPI. These contributions are restricted for the following as of June 30:

	2016	2015
Purpose		
Training and technical assistance	\$ 167,769	\$ 30,797
The Office of Organizational Learning	82,627	-
Time and purpose		
Training and technical assistance	46,116	47,151
The Office of Organizational Learning	333,000	-
Cyprus	21,227	1,363
Middle East	44,891	12,500
Northern Ireland	173,499	259,337
South Africa	5,126	6,980
	\$ 874,255	\$ 358,128

PeacePlayers International and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2016 and 2015**

Net assets released from donor restrictions by incurring expenses that satisfied the restricted purposes specified by the donors of by the passage of time as follows:

	Year Ended June 30,	
	2016	2015
Time and purpose		
Cyprus	\$ 210,458	\$ 193,849
Middle East	220,694	271,230
Northern Ireland	359,335	176,858
South Africa	47,308	66,975
Training and technical assistance	179,968	123,386
The Office of Organizational Learning	84,373	-
Passage of time	-	374,020
	<u>\$ 1,102,136</u>	<u>\$ 1,206,318</u>

Note 5 - Lease commitments

In January 2015, PPI signed a new lease for office space in Washington DC, and moved into the new space in April 2015. Under the new lease, the first two months of rent were abated, with one month of free rent each year for the next four years. Base rent is \$5,977 per month and increases by four percent each year. The lease expires on December 31, 2020.

PPI-SA leases office space in South Africa under a three-year agreement, which originated in July 2014. Base rent is \$7,320 per year, plus a proportionate share of expenses, increasing by a factor of 10 percent per year.

PPI-NI leases office space in Northern Ireland under a three-year agreement, which originated in January 2012, and is currently month-to-month. Base rent is \$12,276 per year, plus a proportionate share of expenses. The lease expired in January 2015, and PPI-NI is currently paying rent on a month-to-month basis until a new lease is formalized.

PPI-CY leases office space in Cyprus under a one-year agreement, which expired on December 31, 2015, and was subsequently renewed through December 31, 2016. Base rent is \$5,325 per year, plus a proportionate share of expenses.

Additionally, PPI-ME had leased office space in the Middle East under a one-year agreement, which was due to expire in December 2016. Base rent was \$23,663 per year, plus a proportionate share of expenses. However, during the fiscal year PPI-ME signed a new office lease which started May 1st, 2016 and expires in April, 2018. Base rent is \$3,108 per month, plus a proportionate share of expenses.

PeacePlayers International and Affiliates

Notes to Consolidated Financial Statements June 30, 2016 and 2015

Future base rents for leases, are as follows for the years ending June 30:

2017	\$	117,960
2018		102,714
2019		74,495
2020		84,747
2021		<u>43,632</u>
	\$	<u>423,548</u>

Rent expense for the years ended June 30, 2016 and 2015 totaled \$125,026 and \$91,694, respectively.

Note 6 - Retirement plan

PPI-DC provides retirement benefits to its employees through a Simple IRA Plan (the "Plan") covering full-time employees in the United States headquarters. The Plan became effective January 1, 2013. PPI matches up to 3 percent of gross wages. Employer contributions to the Plan during the years ended June 30, 2015 and 2014 totaled \$16,094 and \$10,201, respectively.

Note 7 - Contingency

PPI receives federal grants that are subject to audit by the awarding agency. Any adjustments to costs allowed under the grant as a result of a government audit will be reflected in the period they are determined. Management believes expenses charged to the grant are allowable and any disallowance of charges would not be material to the financial statements.

Note 8 - Concentrations

Credit risk

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, PPI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal. PPI also maintains bank accounts in other foreign countries that are uninsured. Management believes the risk in these situations to be minimal.

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