NONVIOLENT PEACEFORCE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

PREPARED BY:

ROGERS AND COMPANY

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Independent Auditor's Report 1

Financial Statements

Statement of Financial Position 2

Statement of Activities 3

Statement of Functional Expenses 4

Statement of Cash Flows 5

Notes to the Financial Statements 6-12

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nonviolent Peaceforce
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of Nonviolent Peaceforce as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Nonviolent Peaceforce's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of 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 audit provides 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 Nonviolent Peaceforce as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles of the United States of America. Information for the year ended December 31, 2004, is presented for comparative purposes only and was extracted from the financial statements presented for that year, of which an unqualified opinion dated April 8, 2005, was expressed.

February 10, 2006

NONVIOLENT PEACEFORCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

ASSETS	2005	2004
Current Assets:		
Cash and Cash Equivalents	$ 853,905	$ 500,881
Receivables (Note 2)	54,600	170,034
Prepaid Expenses	2,184	4,235
Total Current Assets	910,689	675,150
Property and Equipment, net of accumulated depreciation of $21,684 and $9,051 in 2005 and 2004, respectively (Note 3)	65,357	24,764
Deposit	820	820
TOTAL ASSETS	$ 976,866	$ 700,734
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 13,995	$ 7,609
Current Portion of Long-Term Debt (Note 9)	18,333	-
Due to Sarvodaya (Note 7)	-	11,095
Total Current Liabilities	32,328	18,704
Long-Term Debt (Note 9)	58,334	-
Total Liabilities	90,662	18,704
Net Assets:		
Unrestricted	580,204	407,030
Temporarily Restricted (Note 4)	306,000	275,000
Total Net Assets	886,204	682,030
TOTAL LIABILITIES AND NET ASSETS	$ 976,866	$ 700,734

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

NONVIOLENT PEACEFORCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH COMPARATIVE TOTALS FOR 2004

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue:				
Foundations/Corporations	$ 444,063	$ 171,000	$ 615,063	$ 784,842
Government Grants	55,415	-	55,415	-
Individual Contributions	1,042,638	-	1,042,638	670,875
Interest/Dividend Income	3,335	-	3,335	825
Miscellaneous Income	2,597	-	2,597	-
In-Kind Contributions	130,266	-	130,266	154,698
Net Assets Released from Restriction (Note 5)	140,000	(140,000)	-	-
Total Support and Revenue	1,818,314	31,000	1,849,314	1,611,240
Expenses:				
Pilot Project	933,196	-	933,196	279,859
Other Program Services	241,070	-	241,070	691,013
Total Program Services	1,174,266	-	1,174,266	970,872
Support Services:				
Management and General	205,805	-	205,805	153,304
Fundraising	265,069	-	265,069	136,296
Total Support Services	470,874	-	470,874	289,600
Total Expense	1,645,140	-	1,645,140	1,260,472
Change in Net Assets	173,174	31,000	204,174	350,768
Net Assets - Beginning of Year	407,030	275,000	682,030	331,262
Net Assets - End of Year	$ 580,204	$ 306,000	$ 886,204	$ 682,030

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

NONVIOLENT PEACEFORCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH COMPARATIVE TOTALS FOR 2004

	2005							2004
				Support Services				
	Pilot Project	Other Program Services	Total Programs	Administrative	Fund-raising	Total Support Services	Total	Total
Salaries & Benefits	$ 331,968	$ 105,307	$ 437,275	$ 56,618	$ 110,901	$ 167,519	$ 604,794	$ 371,574
Payroll Taxes	24,389	5,701	30,090	5,729	11,219	16,948	47,038	33,128
Total Personnel Costs	356,357	111,008	467,365	62,347	122,120	184,467	651,832	404,702
Contracted Services	179,527	33,716	213,243	30,471	3,800	34,271	247,514	325,969
Rent	10,959	3,993	14,952	12,314	12,314	24,628	39,580	23,535
Telephone/Internet/Communications	15,499	1,709	17,208	25,093	4,027	29,120	46,328	41,731
Bank Fees	-	-	-	15,796	-	15,796	15,796	5,464
Office Supplies	13,039	3,497	16,536	1,016	1,992	3,008	19,544	85,446
Copying and Printing	27,227	8,037	35,264	7,372	14,440	21,812	57,076	259
Meetings and Training	51,722	8,517	60,239	4,826	9,452	14,278	74,517	33,766
Miscellaneous	67,722	20,858	88,580	15,249	-	15,249	103,829	87,057
Travel	154,767	40,817	195,584	9,966	34,201	44,167	239,751	164,417
Equipment Rental and Maintenance	2,810	3,491	6,301	2,098	-	2,098	8,399	9,614
Insurance	36,631	-	36,631	4,163	-	4,163	40,794	17,179
Books & Publications	99	239	338	1,348	-	1,348	1,686	785
Postage	15,574	4,556	20,130	4,272	11,228	15,500	35,630	25,508
Depreciation	1,263	632	1,895	9,474	1,263	10,737	12,632	6,949
Direct Fundraising Costs	-	-	-	-	50,232	50,232	50,232	28,075
Passthrough Expenses	-	-	-	-	-	-	-	15
Total Expense	$ 933,196	$ 241,070	$ 1,174,266	$ 205,805	$ 265,069	$ 470,874	$ 1,645,140	$ 1,260,471

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

NONVIOLENT PEACEFORCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Cash Flows from Operating Activities:		
Change in Net Assets	$ 204,174	$ 350,768
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,632	6,949
Donated Fixed Assets	(2,500)	(14,365)
(Increase) Decrease in:		
Receivables	115,434	(169,197)
Prepaid Expenses	2,051	17,760
Increase (Decrease) in:		
Accounts Payable	6,386	(2,882)
Employee Reimbursement	-	(5,906)
Due to Sarvodaya	(11,095)	11,095
Net Cash Provided by Operating Activities	327,082	194,222
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(50,725)	(7,855)
Cash (Used) by Investing Activities	(50,725)	(7,855)
Cash Flows from Financing Activities:		
Loans Received	80,000	-
Payments on Loans	(3,333)	-
Cash Provided by Financing Activities	76,667	-
Net Increase in Cash	353,024	186,367
Cash and Cash Equivalents, Beginning of Year	500,881	314,514
Cash and Cash Equivalents, End of Year	$ 853,905	$ 500,881

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

NONVIOLENT PEACEFORCE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

The Nonviolent Peaceforce (Peaceforce) started as a project of Peaceworkers. The Peaceforce has organized a "peace army" composed of trained civilians from around the world. In partnership with local groups, Peaceforce members will apply proven nonviolent strategies to protect human rights, deter violence, and help create space for local peacemakers to carry out their work.

The Pilot Project is a three-year project of the Nonviolent Peaceforce. In 2002, the Peaceforce conducted follow-up research in three regions experiencing violent conflict: Guatemala, Israel/Palestine, and Sri Lanka. In December 2002, Peaceforce delegates reviewed this research and voted Sri Lanka as the site of the pilot project, slated to begin in 2003.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Furniture and equipment are reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that are satisfied by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Permanently Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions pursuant to those stipulations. The Peaceforce had no permanently restricted net assets at December 31, 2005.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services

Contributed services are recognized as contributions in accordance with the criteria mandated in SFAS No. 116 and are described as in-kind donations in the accompanying statement of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Nonviolent Peaceforce considers all cash and money market accounts to be cash and cash equivalents.

Receivables

The receivables balance represents the amount considered collectible at year-end. All balances were considered collectible at year-end; therefore, no allowance for doubtful accounts has been established.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. All major expenditures for furniture and equipment are capitalized at cost. Contributed furniture and equipment is recorded at fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributions

Nonviolent Peaceforce reports gifts of cash and other assets as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Donated stock is sold immediately upon receipt.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses other than salaries and related expenses, which are not directly identifiable by program or support service, are allocated based on the best estimates of management.

Income Tax

Nonviolent Peaceforce has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code, and charitable contributions by donors are tax-deductible.

Concentration of Credit Risk

The Federal Deposit Insurance Corporation insures accounts up to $100,000. At times, the Organization's cash balances may exceed the insured limits. The Organization has not experienced any losses in such accounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

NOTE 2. RECEIVABLES

Receivables consist of the following as of December 31:

	2005	2004
Community Foundation of Broward	$ ---	$110,000
Solidago Foundation	---	20,000
Institute of International Education	---	15,000
CarEth Foundation	---	10,000
Miscellaneous Other	54,600	15,034
Total Receivables	$54,600	$170,034

There were no conditional promises to give or indications of intentions to give.

NOTE 3. PROPERTY & EQUIPMENT

Fixed assets consist of the following as of December 31:

	2005	2004
Furniture & Equipment	$27,553	$19,450
Leasehold Improvements	2,554	---
Vehicles	40,069	---
Promotional Video Production Costs	16,865	14,365
Gross Property & Equipment	87,041	33,815
Less: Accumulated Depreciation	(21,684)	(9,051)
Net Book Value	$65,357	$24,764

Depreciation expense of $12,632 and $6,949 was recorded for the years ended December 31, 2005 and 2004, respectively.

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2005	2004
Sri Lanka	$135,000	$175,000
Philippines Project	36,000	---
General Operations	135,000	100,000
Total Temporarily Restricted Net Assets	$306,000	$275,000

NOTE 5. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2005	2004
Purpose restrictions accomplished:		
Sri Lanka	$40,000	$20,000
Time restriction expired	100,000	---
Total Net Assets Released from Restriction	$140,000	$20,000

NOTE 6. LEASE COMMITMENTS

Nonviolent Peaceforce entered into a 5-year lease for a photocopier, which began February 5, 2003, and will end on February 4, 2008. They also entered into a lease agreement for office space beginning November 1, 2004. This lease expires October 31, 2006. The leases are classified as operating leases and are charged to operations as incurred. Future minimum lease obligations for years ending December 31 are:

2006	$10,948
2007	2,448
2008	205
Total	$13,601

NOTE 7. DUE TO SARVODAYA

In December 2004, Nonviolent Peaceforce began collecting donations for tsunami relief. Those donations were subsequently sent to Sarvodaya, a Sri Lankan non-governmental organization, to help the victims of the tsunami.

NOTE 8. IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions at fair market value at date of donation. In-kind contributions include the following for the year ended December 31:

	2005	2004
Public Relations	$70,200	$54,600
Legal Costs	---	17,500
Accounting/Financial Services	12,576	32,880
IT Services	17,460	16,387
Promotional Video Costs	2,500	14,365
Graphic Designers	13,530	11,280
Other Consulting Services	7,420	5,990
Translators	6,580	1,696
Total In-Kind Contributions	$130,266	$154,698

The Organization also receives services that are not included in the financial statements, as they do not meet the criteria for recognition. However, volunteer hours, donated in various capacities, for the years ended 2005 and 2004 were approximately 20,375 and 15,250, respectively. The agency estimates these services at $17 per hour, for a total estimated value of $346,375 and $259,250 in 2005 and 2004, respectively.

NOTE 9. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2005	2004
A $60,000 note payable to an individual signed in November 2005 for purchase of vehicles for the peacekeeping work in Sri Lanka. This is a three-year, interest-free note with monthly payments of $1,667.	$56,667	$ ---
A $20,000 note payable to an individual signed in November 2005 for purchase of a vehicle to be used by peacekeepers in Sri Lanka. This is a three-year, interest-free note. Monthly payments of $556 begin in January 2007 for thirty-five months. There is a final payment of $540 due in December 2009.	20,000	---
Total Notes Payable	$76,667	$ ---
Less: Portion due within one year	(18,333)	---
Notes Payable due after one year	$58,334	$ ---

NOTE 9. LONG-TERM DEBT (CONTINUED)

Maturity of long-term debt is as follows:

December 31	Amount
2006	$18,333
2007	26,673
2008	25,005
2009	6,656
Total	$76,667