



FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2008 and 2007

PROMISE KEEPERS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Promise Keepers
Denver, Colorado

We have audited the accompanying statements of financial position of Promise Keepers as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Promise Keepers' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Promise Keepers as of December 31, 2008 and 2007, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Littleton, Colorado
May 26, 2009



Statements of Financial Position

	December 31,	
	2008	2007
ASSETS:		
Cash and cash equivalents	\$ 669,737	\$ 623,139
Accounts and pledge receivables, net	63,637	77,903
Inventory	110,075	93,212
Prepaid expenses and other assets	53,742	64,929
Property and equipment, net	89,518	94,725
Total Assets	\$ 986,709	\$ 953,908
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 197,990	\$ 293,731
Deferred income	16,831	129,164
	<u>214,821</u>	<u>422,895</u>
Net assets:		
Unrestricted	<u>714,524</u>	<u>434,680</u>
Temporarily restricted:		
Pledges receivable, net	35,754	49,953
Projects	21,610	46,380
	<u>57,364</u>	<u>96,333</u>
	<u>771,888</u>	<u>531,013</u>
Total Liabilities and Net Assets	\$ 986,709	\$ 953,908

See notes to financial statements



Statements of Activities

	Year Ended December 31,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Conference fees	\$ 2,070,902	\$ -	\$ 2,070,902	\$ 3,271,492	\$ -	\$ 3,271,492
Contributions	5,284,284	50,754	5,335,038	5,941,381	96,333	6,037,714
Gross sales	434,495	-	434,495	569,277	-	569,277
Royalty income	9,507	-	9,507	33,139	-	33,139
Gain on sale of property held for sale	-	-	-	1,154,173	-	1,154,173
Other	49,635	-	49,635	91,092	-	91,092
Total Support and Revenue	7,848,823	50,754	7,899,577	11,060,554	96,333	11,156,887
NET ASSETS RELEASED:						
Time restrictions	49,953	(49,953)	-	131,206	(131,206)	-
Purpose restrictions	39,770	(39,770)	-	71,650	(71,650)	-
	89,723	(89,723)	-	202,856	(202,856)	-
EXPENSES:						
Conference and field ministries	5,270,251	-	5,270,251	6,551,802	-	6,551,802
Supporting activities:						
General and administrative	1,262,993	-	1,262,993	1,768,420	-	1,768,420
Fundraising	1,125,458	-	1,125,458	1,631,992	-	1,631,992
	2,388,451	-	2,388,451	3,400,412	-	3,400,412
Total Expenses	7,658,702	-	7,658,702	9,952,214	-	9,952,214
Change in Net Assets	279,844	(38,969)	240,875	1,311,196	(106,523)	1,204,673
Net Assets—Beginning of Year	434,680	96,333	531,013	(876,516)	202,856	(673,660)
Net Assets—End of Year	\$ 714,524	\$ 57,364	\$ 771,888	\$ 434,680	\$ 96,333	\$ 531,013

See notes to financial statements



Statements of Cash Flows

	Year Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 240,875	\$ 1,204,673
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	50,710	45,624
Donated investments	(84,734)	(31,526)
(Gain) loss on sale of property and equipment	(3,194)	16,892
Gain on sale of property held for sale	-	(1,154,173)
Net realized and unrealized (gains) losses	(312)	196
Changes in operating assets and liabilities:		
Receivables	14,266	187,450
Inventory	(16,863)	(32,148)
Prepaid expenses and other assets	11,187	73,618
Accounts payable and accrued expenses	(95,741)	(1,108,929)
Deferred income	(112,333)	(384,443)
Net Cash Provided (Used) by Operating Activities	3,861	(1,182,766)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	85,046	31,330
Proceeds from sales of property and equipment	4,258	417
Purchases of property and equipment	(46,567)	(109,612)
Proceeds from sale of property held for sale	-	2,494,010
Net Cash Provided by Investing Activities	42,737	2,416,145
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in restricted cash	-	175,942
Payments on note payable	-	(1,931,820)
Net Cash Used by Financing Activities	-	(1,755,878)
Net Change in Cash and Cash Equivalents	46,598	(522,499)
Cash and Cash Equivalents—Beginning of Year	623,139	1,145,638
Cash and Cash Equivalents—End of Year	\$ 669,737	\$ 623,139
Supplemental Disclosure:		
Cash paid for interest	\$ 132	\$ 89,361

See notes to financial statements



Notes to Financial Statements

December 31, 2008 and 2007

1. NATURE OF ORGANIZATION:

Promise Keeper's (PK) vision is "Men Transformed Worldwide." The mission statement of PK reads "to ignite and unite men to passionately follow Jesus Christ through effective communication of the Seven Promises." The primary means for accomplishing these goals are as follows: 1) Conferences and other catalytic events designed to draw men closer to God and to challenge them to make life changing commitments to their families, churches and communities. The Field Ministries team works with churches before, during and after conferences to maximize the local effectiveness of these events through programs, training and assistance throughout the cycle. 2) Resources and communications bring the message to their constituents, to churches and to the public at large through various media including radio broadcasts, videotapes, audio tapes, newspapers, books, magazines and the internet.

PK is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). As such, contributions to PK are tax-deductible within the limitations prescribed by the Code. PK has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

PK has several associated organizations located in countries throughout the world. These organizations are separate entities which are not under the control of PK and, therefore, are not included in these financial statements. A license agreement is signed by each organization in order to uphold PK's philosophy of ministry.

2. SIGNIFICANT ACCOUNTING POLICIES:

PK uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

PK considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash and cash equivalents. These accounts at times may exceed federally insured limits. PK has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.



Notes to Financial Statements

December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS AND PLEDGE RECEIVABLES

Accounts and pledge receivables become past due when they exceed their contractual due date. Pledges receivable are unconditional promises to give and are recognized as assets and contributions in the year when pledged. All pledges receivable are due within one year. PK has recorded an allowance for doubtful accounts and pledges of \$0 and \$35,000 as of December 31, 2008 and 2007, respectively. Management's estimate of uncollectible amounts was based upon an historical analysis of collections for past due accounts and pledges. Accounts and pledge receivables are written off when all methods to collect have been exhausted.

INVENTORY

Inventory consists of books, tapes, resource material and apparel held for resale and granting, and is recorded at the lower of cost or market, using the first in, first out (FIFO) method. Obsolete inventory is written off based on management's estimate. No adjustment was required for the inventory balance as of December 31, 2008 and 2007.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at estimated fair value on the date received. These assets are depreciated using the straight-line method over their useful lives which are as follows: 3-7 years for office furnishings, office equipment and computer equipment, and 3-5 years for vehicles and leasehold improvements. However, only assets whose acquisition value is greater than \$1,000 are capitalized.

DEFERRED INCOME

Deferred income represents fees collected prior to year-end for conferences that will be held in the next fiscal year.

NET ASSETS

To ensure observance of limitations and restrictions placed on the use of resources available to the organization, the accounts of the organization are maintained in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations. The net assets of PK have been reported in the following two classes of net assets:

Unrestricted net assets - Consist of resources used to support PK's current operations and the equity in property and equipment.

Temporarily restricted net assets - Consist of donor restricted contributions for the support of specific PK programs and pledges receivable. Temporarily restricted net assets are reclassified to unrestricted net assets in the statements of activities when expenses satisfying the donor restrictions are incurred.



Notes to Financial Statements

December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are reported as income when made, which may be when cash is received, unconditionally promised, or ownership of donated assets is transferred to PK. Noncash gifts are recorded at their estimated fair market value at the date of donation. Gifts of cash and other assets restricted by the donor for a specific purpose in which the restrictions are fully satisfied on or before PK's fiscal year-end are reported as unrestricted support. If the restrictions are not fully satisfied on or before the fiscal year-end, the contributions are recorded as temporarily restricted. Upon satisfaction of the purpose or time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Those contributions received after year-end that were postmarked by December 31, 2008, were recorded as contributions and cash and cash equivalents rather than promises to give.

Conference fees are recognized as revenue at the time the conference is held. Sales revenue, primarily from conference product sales, are handled internally and is recorded when the product is shipped or given to the customer. Royalty income is recorded as earned during the period the products are sold.

A substantial number of unpaid volunteers have made significant contributions of their time toward achieving the objectives of the organization. During the years ended December 31, 2008 and 2007, 81,424 and 69,440 volunteer hours were contributed towards conferences, respectively. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria under current accounting standards.

PK has entered into conference sponsorship agreements with various organizations. Sponsorship income is recorded in the year the conferences take place. PK did not receive any sponsorship payments prior to year-end for the following conference year. Sponsorship income was \$81,595 and \$95,700 during the years ended December 31, 2008 and 2007, respectively. PK determined that there was not any unrelated business income tax liability as of December 31, 2008 and 2007.

ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. PK incurs joint costs relating to conference expenses. These expenses have been allocated as follows:

	Year Ended December 31,	
	2008	2007
Program services - conference and field ministries	\$ 1,933,296	\$ 3,180,605
Fundraising	22,005	101,201
	<u>\$ 1,955,301</u>	<u>\$ 3,281,806</u>



Notes to Financial Statements

December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING

PK uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred and are included in general and administrative expenses. Advertising expense for the years ended December 31, 2008 and 2007, was \$300,454 and \$486,931, respectively.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

3. ACCOUNTS AND PLEDGE RECEIVABLES, NET:

Receivables, net consist of:

	December 31,	
	2008	2007
Sponsorships	\$ -	\$ 36,200
Amounts due from vendors	11,036	19,657
Pledges (due in subsequent year)	35,753	49,953
Royalties receivable	2,016	2,364
Other	14,832	4,729
	<u>63,637</u>	<u>112,903</u>
Less allowance for doubtful accounts	-	(35,000)
	<u>\$ 63,637</u>	<u>\$ 77,903</u>

4. INVENTORY:

Inventory consists of:

	December 31,	
	2008	2007
Inventory held for sale	\$ 63,740	\$ 41,229
Inventory held for granting	46,335	51,983
	<u>\$ 110,075</u>	<u>\$ 93,212</u>

5. PROPERTY HELD FOR SALE:

PK sold its headquarters building for approximately \$2.66 million on May 31, 2007. The sale resulted in a gain of approximately \$1.15 million.



Notes to Financial Statements

December 31, 2008 and 2007

6. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	December 31,	
	2008	2007
Office furnishings	\$ 412,032	\$ 412,032
Office equipment	399,974	402,358
Computer equipment	184,708	208,227
Website development	129,267	88,272
Vehicles	12,774	12,774
	<u>1,138,755</u>	<u>1,123,663</u>
Less accumulated depreciation	<u>(1,049,237)</u>	<u>(1,028,938)</u>
	<u>\$ 89,518</u>	<u>\$ 94,725</u>

7. OPERATING LEASES:

In 2007, PK entered into a lease for office space in Denver, Colorado. Also, PK leases various office equipment and one vehicle. Lease expense under these agreements for the years ended December 31, 2008 and 2007, was \$149,673 and \$116,919, respectively. In addition, PK rented various facilities to accommodate their 2008 and 2007 conferences. Stadium and arena rent expense for the years ended December 31, 2008 and 2007, totaled \$246,878 and \$402,576, respectively.

Future minimum lease payments are:

<u>Year Ending December 31,</u>	
2009	\$ 180,921
2010	<u>4,090</u>
Total	<u>\$ 185,011</u>



Notes to Financial Statements

December 31, 2008 and 2007

8. BENEFITS:

PK's retirement and medical benefits are:

Retirement—PK has adopted a defined contribution profit sharing plan. On an annual basis, the board of directors determines the contribution to be made on behalf of eligible employees. Employees are eligible to participate in the plan on the first entry date on or immediately following the date they complete one twelve month continuous period of service in which at least 1,000 hours have been worked. Employees are 100% vested in their plan benefits at such time as they meet the eligibility criteria discussed above. However, they are not entitled to distribution of those benefits until their termination of employment with PK. PK did not make any contributions during the years ended December 31, 2008 and 2007. PK also maintains a retirement plan under section 403(b) of the Internal Revenue Code for its employees. However, this plan only permits employee contributions. The 403(b) plan was terminated December 31, 2008.

Medical—PK's medical benefits are provided under a self-insured plan and a contract with an insurance company for major stop-loss coverage. Under the insurance contract, PK is liable for all expenses up to \$50,000 per person, per year, with an aggregate annual maximum based on the number of persons covered. Included in accrued expenses and other liabilities are liabilities of \$28,311 and \$9,815 as of December 31, 2008 and 2007, respectively, which represent estimated claims incurred but not paid as of year-end.

9. COMMITMENTS:

PK entered into several contracts before and subsequent to year-end for goods or services to be provided to PK from 2009 through 2011. The terms of these contracts include either non-termination clauses or termination with significant monetary commitments by PK. In addition, PK has entered into contracts for venues for the 2009 through 2011 event seasons. Venue contract commitments include a \$75,000 commitment for 2009 and a \$25,000 commitment for 2011.

10. SUPPORT AND REVENUE CONCENTRATION:

During the year ended December 31, 2008, PK received contributions from a donor that totaled \$1,100,000. This gift accounted for 14% of total support and revenue for the year ended December 31, 2008.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL SCHEDULE**

Board of Directors
Promise Keepers
Denver, Colorado

Our report on our audits of the basic financial statements of Promise Keepers for December 31, 2008 and 2007, appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements 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. It has been subjected to the auditing procedures applied in the audits 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.

The prior year summarized comparative information on page 12 has been derived from Promise Keeper's 2007 financial statements and, in our report dated May 30, 2008, we expressed an unqualified opinion on those financial statements.

Capin Crouse LLP

Littleton, Colorado
May 26, 2009



PROMISE KEEPERS

Schedule of Functional Expenses

Year Ended December 31, 2008

(with comparative information for the Year Ended December 31, 2007)

	Conference and Field Ministries	General and Administrative	Fundraising	2008 Total Expenses	2007 Total Expenses
2008:					
Salaries, wages, and benefits	\$ 1,990,736	\$ 705,185	\$ 468,800	\$ 3,164,721	\$ 3,198,455
Conference catering and security	149,243	16	-	149,259	146,347
Gifts and grants	6,521	275	175	6,971	54,537
Occupancy and equipment	799,563	59,484	7,016	866,063	1,626,435
Cost of sales	224,618	-	-	224,618	284,243
Travel	377,670	21,362	46,376	445,408	475,364
Printing	58,047	1,890	100,736	160,673	349,170
Postage and handling	43,071	3,025	196,108	242,204	373,377
Communications and utilities	78,709	19,473	16,526	114,708	199,961
Advertising and promotion	108,127	188,352	3,975	300,454	486,931
Credit card and banking fees	67,374	26,012	16,994	110,380	152,844
Depreciation	40,061	10,142	507	50,710	45,624
Contract labor and professional fees	833,837	175,602	223,341	1,232,780	1,627,415
Honorarium expense	327,140	-	-	327,140	377,550
Supplies	28,114	3,483	6,835	38,432	55,418
Insurance	86,627	21,931	1,097	109,655	161,917
Other expenses	72,798	26,761	14,967	114,526	336,626
Transfer of conference fundraising costs	(22,005)	-	22,005	-	-
Total expenses	<u>\$ 5,270,251</u>	<u>\$ 1,262,993</u>	<u>\$ 1,125,458</u>	<u>\$ 7,658,702</u>	
2008 percentages	69%	16%	15%	100%	
Total 2007	<u>\$ 6,551,802</u>	<u>\$ 1,768,420</u>	<u>\$ 1,631,992</u>		<u>\$ 9,952,214</u>
2007 percentages	66%	18%	16%		100%



PROMISE KEEPERS

Schedule of Functional Expenses

Year Ended December 31, 2007

(with comparative information for the Year Ended December 31, 2006)

	Conference and Field Ministries	General and Administrative	Fundraising	2007 Total Expenses	2006 Total Expenses
2007:					
Salaries, wages, and benefits	\$ 1,854,945	\$ 769,792	\$ 573,718	\$ 3,198,455	\$ 3,612,520
Conference catering and security	128,338	18,001	8	146,347	977,141
Gifts and grants	54,487	25	25	54,537	21,354
Occupancy and equipment	1,541,954	75,215	9,266	1,626,435	3,780,713
Cost of sales	284,243	-	-	284,243	173,812
Travel	390,329	23,787	61,248	475,364	1,263,218
Printing	150,937	338	197,895	349,170	730,886
Postage and handling	83,308	4,316	285,753	373,377	679,036
Communications and utilities	133,033	36,827	30,101	199,961	357,352
Advertising and promotion	12,783	471,505	2,643	486,931	1,202,555
Credit card and banking fees	109,762	14,602	28,480	152,844	344,827
Depreciation	36,043	9,125	456	45,624	129,961
Contract labor and professional fees	1,053,080	245,142	329,193	1,627,415	4,630,388
Honorarium expense	377,550	-	-	377,550	1,174,361
Supplies	42,903	7,960	4,555	55,418	260,187
Insurance	127,915	32,383	1,619	161,917	285,734
Other expenses	271,393	59,402	5,831	336,626	188,059
Transfer of conference fundraising costs	(101,201)	-	101,201	-	-
Total expenses	\$ 6,551,802	\$ 1,768,420	\$ 1,631,992	\$ 9,952,214	
2007 percentages	66%	18%	16%	100%	
Total 2006	\$ 14,237,674	\$ 2,538,753	\$ 3,035,677		\$ 19,812,104
2006 percentages	72%	13%	15%		100%