

CHURCHES FOR MIDDLE EAST PEACE

AUDITED FINANCIAL STATEMENTS

December 31, 2011 and 2010

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December 31, 2011 and 2010

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McQuade.Brennan.LLP

Certified Public Accountants and Consultants
1730 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036

Report of Independent Auditors

To the Board of Directors
Churches for Middle East Peace

We have audited the accompanying statement of financial position of Churches for Middle East Peace as of December 31, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Churches for Middle East Peace. Our responsibility is to express an opinion on the financial statements based on our audits. The prior year summarized comparative information has been derived from the financial statements of Churches for Middle East Peace as of December 31, 2010 which were audited by Stanfield & Phillips, LLC, who merged with McQuade Brennan, LLP as of January 1, 2012, and whose report dated June 30, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 Churches for Middle East Peace as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses on page 8 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Washington, DC
May 31, 2012



Telephone (202) 296-3306

Fax (202) 296-0059

www.mcquadebrennan.com

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**CHURCHES FOR MIDDLE EAST PEACE
STATEMENTS OF FINANCIAL POSITION**

<i>December 31,</i>	2011	2010
ASSETS		
Cash and cash equivalents	\$ 30,829	\$ 96,369
Accounts receivable	11,297	8,367
Prepaid expenses	1,600	3,455
Fixed assets, net	11,982	16,870
TOTAL ASSETS	\$ 55,708	\$ 125,061
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,823	\$ 2,017
Deferred revenue	1,600	1,600
TOTAL LIABILITIES	3,423	3,617
NET ASSETS		
Unrestricted	52,285	121,444
TOTAL NET ASSETS	52,285	121,444
TOTAL LIABILITIES AND NET ASSETS	\$ 55,708	\$ 125,061

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

**CHURCHES FOR MIDDLE EAST PEACE
STATEMENTS OF ACTIVITIES**

<i>For the Year Ended December 31,</i>	UNRESTRICTED	
	2011	2010
REVENUE		
Contributions	\$ 261,237	\$ 316,295
International travel income	3,087	14,530
Conference and registration income	27,851	17,025
Interest income	644	1,569
Other income	420	1,600
TOTAL REVENUE	293,239	351,019
EXPENSES		
Program services	252,139	247,922
Management and general	71,400	77,485
Fundraising	38,859	39,032
TOTAL EXPENSES	362,398	364,439
CHANGE IN NET ASSETS	(69,159)	(13,420)
NET ASSETS, Beginning of Year	121,444	134,864
NET ASSETS, End of Year	\$ 52,285	\$ 121,444

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

**CHURCHES FOR MIDDLE EAST PEACE
STATEMENTS OF CASH FLOWS**

<i>For the Year Ended December 31,</i>	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (69,159)	\$ (13,420)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	6,575	1,950
(Increase) decrease in assets:		
Prepaid expenses	1,855	(1,745)
Accounts receivable	(2,930)	(8,367)
Increase (decrease) in liabilities		
Accounts payable	(194)	(10,010)
Deferred revenue	-	850
CASH USED IN OPERATING ACTIVITIES	(63,853)	(30,742)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,687)	(13,294)
CASH USED IN FINANCING ACTIVITIES	(1,687)	(13,294)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(65,540)	(44,036)
CASH AND CASH EQUIVALENTS, Beginning of year	96,369	140,405
CASH AND CASH EQUIVALENTS, End of year	\$ 30,829	\$ 96,369

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

CHURCHES FOR MIDDLE EAST PEACE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Churches for Middle East Peace (CMEP) is a coalition of 24 public policy offices of national churches and agencies - Orthodox, Catholic and Protestant. CMEP began its work in 1984 out of the conviction that the policy perspectives and long Middle East experience of our member bodies should be more widely known in the public policy arena. CMEP therefore seeks to maintain an on-going dialogue with Congress, the Administration and the diplomatic community, to advance such concerns, assessments, and advocacy positions.

The work of CMEP focuses on Washington in the knowledge that sound United States policy is crucial to achieving and maintaining just and stable relationships throughout the Middle East. In addition, CMEP seeks to help the members of our organizations advocate in a knowledgeable, timely and effective way their concerns about justice and peace for all people and countries in the region.

Among CMEP's principal advocacy concerns are: the avoidance and resolution of armed conflicts, human rights, arms control, foreign aid, and the unique nature of Jerusalem - sacred to Christians, Jews and Muslims.

Basis of Accounting The financial statements of CMEP have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation CMEP reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. CMEP reports expenses as a decrease in unrestricted net assets whether they are incurred to satisfy a donor's restrictions or not.

Use of 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.

Cash and Cash Equivalents The term cash as used in the accompanying financial statements includes currency on hand, demand deposits, and highly liquid investments purchased with Financial Institutions with a maturity of three months or less.

CHURCHES FOR MIDDLE EAST PEACE
NOTES TO THE FINANCIAL STATEMENT
December 31, 2011 and 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash

Concentration

CMEP maintains accounts with federally-insured institutions. These accounts usually do not exceed insured limits, and management does not consider this a significant concentration of credit risk.

**Furniture and
Equipment**

Furniture and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Additions of \$500 or more are generally capitalized.

Revenue

Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Restricted contributions and restricted investment income whose restrictions are met in the same reporting period are shown as unrestricted contributions and unrestricted investment income.

**Deferred
Revenue**

Deferred Revenue consists of rent received from sub-lease of space that has not yet been earned due to timing difference.

Income Taxes CMEP is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Service (IRS) code and has not been classified as a private foundation by the IRS. CMEP adopted the provisions of Accounting Standards Codification Topic 740, accounting for uncertainty in income taxes. ASC 740 requires that a tax position be recognized on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC 740 had no impact on CMEP's audited statements of financial position or statements of activities. CMEP does not believe their financial statements include (or reflect) any uncertain tax positions.

NOTE B - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and 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.

CHURCHES FOR MIDDLE EAST PEACE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C -- FIXED ASSETS

Fixed assets consist of the following as of December 31:	2011	2010
Computers	24,733	\$23,046
Furniture and equipment	1,445	1,445
	26,178	24,491
Less: Accumulated depreciation	(14,196)	(7,621)
	\$ 11,982	\$ 16,870

Depreciation expense for the years ended December 31, 2011 and 2010 was \$6,575 and \$1,950 respectively.

NOTE D- OPERATING LEASE

CMEP leases its current office space under a non-cancelable operating lease that expires December 31, 2016.

Future minimum lease payments consist of the following as of December 31:

2012	\$ 35,537
2013	37,304
2014	39,179
2015	41,138
2016	43,195
Total	\$196,363

Rent expense for the years ended December 31, 2011 and 2010 were \$35,541 and \$33,848, respectively.

NOTE E - SUBSEQUENT EVENTS

CMEP evaluated subsequent events through May 31, 2012, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**CHURCHES FOR MIDDLE EAST PEACE
SCHEDULE OF FUNCTIONAL EXPENSES
WITH COMPARATIVE TOTALS FOR 2010**

	<i>For the Year Ended December 31,</i>		2011		2010	
	Program Services	Management & General	Fundraising	Total	Total	Total
Salaries and wages	\$ 100,922	\$ 33,720	\$ 12,099	\$ 146,742	\$ 160,786	
Printing		2,872	20,448	23,320	31,219	
Conferences	61,621			61,621	46,332	
Occupancy	18,013	6,018	2,159	26,191	23,648	
Program costs	10,801			10,801	12,184	
Payroll taxes	7,678	2,566	920	11,164	12,301	
Postage	7,004	2,340	840	10,184	17,787	
Administration		10,466		10,466	10,295	
Professional fees		6,750		6,750	11,922	
Travel	24,206			24,206	14,237	
Telephone	4,683	1,565	561	6,809	7,216	
Employee benefits	7,686	2,568	921	11,175	6,675	
Supplies	2,911	973	349	4,233	6,093	
Resources	1,937			1,937	1,447	
Depreciation	4,522	1,511	542	6,575	1,950	
Equipment maintenance	154	52	18	224	347	
	\$ 252,139	\$ 71,400	\$ 38,859	\$ 362,398	\$ 364,439	

See independent auditor's report and accompanying notes to the financial statements.