

**CHRISTIAN UNION, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2021 AND 2020**

**TOGETHER WITH AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Christian Union, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Christian Union, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the 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 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 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 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.

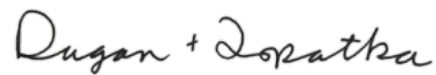
To the Board of Directors of  
Christian Union, Inc.  
Page two

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Union, Inc. and Subsidiaries as of June 30, 2021, 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.

***Report on Summarized Comparative Information***

We have previously audited the Christian Union's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



DUGAN & LOPATKA

Warrenville, Illinois  
November 19, 2021

CHRISTIAN UNION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

|  | <u>2021</u>              | <u>2020</u>              |
|--|--------------------------|--------------------------|
| <u>A S S E T S</u>   |                          |                          |
| Cash and cash equivalents (including \$1,008,152 and \$1,032,674 of restricted cash) | \$ 1,771,478             | \$ 2,315,807             |
| Unconditional promises to give, net of discount                                      | 262,495                  | 206,695                  |
| Investments  | 1,096,713                | 927,336                  |
| Other receivables and prepaid expenses   | -                        | 60,137                   |
| Deposits   | 11,385                   | 11,385                   |
| Property and equipment, net of accumulated depreciation                              | <u>9,579,437</u>         | <u>9,839,703</u>         |
| <br>Total assets   | <br><u>12,721,508</u>    | <br><u>13,361,063</u>    |
| <u>LIABILITIES AND NET ASSETS</u>  |                          |                          |
| LIABILITIES:   |                          |                          |
| Accounts payable and accrued expenses  | \$ 74,933                | \$ 158,135               |
| Line of credit   | 4,167,658                | 5,106,858                |
| Loan payable   | -                        | 180,000                  |
| Mortgage payable   | 1,880,420                | 2,037,700                |
| Payroll Protection Program loan payable  | 2,787,193                | 1,346,236                |
| Security deposits  | <u>20,500</u>            | <u>15,500</u>            |
| <br>Total liabilities  | <br><u>8,930,704</u>     | <br><u>8,844,429</u>     |
| NET ASSETS:  |                          |                          |
| Without donor restrictions   | 2,782,652                | 3,483,960                |
| With donor restrictions  | <u>1,008,152</u>         | <u>1,032,674</u>         |
| <br>Total net assets   | <br><u>3,790,804</u>     | <br><u>4,516,634</u>     |
| <br>Total liabilities and net assets   | <br><u>\$ 12,721,508</u> | <br><u>\$ 13,361,063</u> |

The accompanying notes are an integral part of this statement.

CHRISTIAN UNION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021  
(with comparative totals for 2020)

|  | 2021                          |                            | 2020         |               |
|--|-------------------------------|----------------------------|--------------|---------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        | Total         |
| REVENUE AND OTHER SUPPORT:               |                               |                            |              |               |
| Contributions                            | 4,799,287                     | \$ -                       | \$ 4,799,287 | \$ 11,706,941 |
| Loans converted to contributions         | 1,180,000                     | -                          | 1,180,000    | -             |
| Investment return, net                   | 214,821                       | -                          | 214,821      | (39,526)      |
| Advertising and miscellaneous income     | 48,401                        | -                          | 48,401       | 49,508        |
| Rental income                            | 202,900                       | -                          | 202,900      | 226,762       |
| (Loss) on sale of property and equipment | (1,535)                       | -                          | (1,535)      | (58,720)      |
| Net assets released from restrictions    | 24,522                        | (24,522)                   | -            | -             |
|  | 6,468,396                     | (24,522)                   | 6,443,874    | 11,884,965    |
| Total revenue and other support          |                               |                            |              |               |
| EXPENSES:                                |                               |                            |              |               |
| Program services                         | 5,569,747                     | -                          | 5,569,747    | 9,122,214     |
| Fundraising and development              | 731,338                       | -                          | 731,338      | 892,928       |
| General and administrative               | 868,619                       | -                          | 868,619      | 1,389,446     |
|  | 7,169,704                     | -                          | 7,169,704    | 11,404,588    |
| Total expenses                           |                               |                            |              |               |
| CHANGE IN NET ASSETS                     | (701,308)                     | (24,522)                   | (725,830)    | 480,377       |
| NET ASSETS, Beginning of year            | 3,483,960                     | 1,032,674                  | 4,516,634    | 4,036,257     |
| NET ASSETS, End of year                  | \$ 2,782,652                  | \$ 1,008,152               | \$ 3,790,804 | \$ 4,516,634  |

The accompanying notes are an integral part of this statement.

CHRISTIAN UNION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Increase in net assets   | \$ (725,830)        | \$ 480,377          |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: |                     |                     |
| Line of credit converted to a contribution by lender   | (1,000,000)         | -                   |
| Note payable converted to a contribution by lender   | (180,000)           | -                   |
| Depreciation   | 258,731             | 272,527             |
| Amortization   | 2,370               | 4,277               |
| Realized and unrealized (gain) loss on investments   | (176,362)           | 61,878              |
| Loss on disposal of property and equipment   | 1,535               | 58,720              |
| Changes in assets and liabilities:   |                     |                     |
| (Increase) in unconditional promises to give   | (55,800)            | (172,136)           |
| Decrease in other receivables and prepaid expenses   | 60,137              | 15,517              |
| Decrease in deposits   | -                   | 22,879              |
| Increase in accounts payable and accrued expenses  | (83,202)            | 41,538              |
| Increase in security deposits  | 5,000               | -                   |
|  | <u>(1,893,421)</u>  | <u>785,577</u>      |
| Net cash provided by (used in) operating activities  |                     |                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Proceeds from sales of investments   | 50,000              | 44,146              |
| Purchases of investments   | (43,015)            | (52,992)            |
| Proceeds from sale of property and equipment   | -                   | 150,657             |
| Purchase of property and equipment   | -                   | (5,276)             |
|  | <u>6,985</u>        | <u>136,535</u>      |
| Net cash provided by investing activities  |                     |                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                     |                     |
| Net proceeds (repayments) to/from line of credit   | 60,800              | (936,535)           |
| Proceeds from Payroll Protection Program note payable  | 1,440,957           | 1,345,327           |
| Repayment of debt - mortgage payable   | (159,650)           | (1,111,567)         |
|  | <u>1,342,107</u>    | <u>(702,775)</u>    |
| Net cash provided by (used in) by financing activities   |                     |                     |
| NET CHANGE IN CASH AND CASH EQUIVALENTS  | (544,329)           | 219,337             |
| CASH AND CASH EQUIVALENTS, Beginning of year   | <u>2,315,807</u>    | <u>2,096,470</u>    |
| CASH AND CASH EQUIVALENTS, End of year   | <u>\$ 1,771,478</u> | <u>\$ 2,315,807</u> |

The accompanying notes are an integral part of these statements.

CHRISTIAN UNION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021  
(with comparative totals for 2020)

|                                  | Program<br>Services | Management<br>and General | Fundraising<br>Expenses | Total<br>Expenses   | 2020<br>Total        |
|----------------------------------|---------------------|---------------------------|-------------------------|---------------------|----------------------|
| Salaries                         | \$ 3,416,286        | \$ 402,293                | \$ 602,454              | \$ 4,421,033        | \$ 6,343,781         |
| Benefits                         | 929,426             | 102,868                   | 94,259                  | 1,126,553           | 1,267,061            |
| Campus Ministry activities       | 136,622             | -                         | 6,248                   | 142,870             | 439,036              |
| Conferences and meetings         | 30,752              | -                         | 850                     | 31,602              | 465,049              |
| Lodging, meals and travel        | 30,367              | 2,599                     | 30,322                  | 63,288              | 247,299              |
| Marketing                        | 41,334              | 17                        | 322                     | 41,673              | 376,505              |
| Office supplies and equipment    | 23,233              | 1,731                     | 1,831                   | 26,795              | 104,729              |
| Professional fees                | 144,282             | 153,000                   | 42,677                  | 339,959             | 340,921              |
| Bank and payroll service charges | 49,916              | 3,118                     | 22,230                  | 75,264              | 148,667              |
| Property and directors insurance | 26,330              | 67                        | 89                      | 26,486              | 58,619               |
| Depreciation and amortization    | 260,302             | 200                       | 599                     | 261,101             | 276,373              |
| Repairs and maintenance          | 54,967              | 259                       | 345                     | 55,571              | 133,699              |
| Rent expense                     | 59,135              | 7,747                     | 3,159                   | 70,041              | 310,132              |
| Real estate taxes                | 53,562              | -                         | -                       | 53,562              | 42,627               |
| Contributions                    | 8,550               | -                         | -                       | 8,550               | 95,055               |
| Interest expense                 | 71,330              | 60,800                    | -                       | 132,130             | 189,592              |
| Fax, telephone and utilities     | 62,718              | 2,577                     | 5,804                   | 71,099              | 124,037              |
| Office expense                   | 170,635             | (5,938)                   | 57,430                  | 222,127             | 441,406              |
| <b>Total functional expenses</b> | <b>\$ 5,569,747</b> | <b>\$ 731,338</b>         | <b>\$ 868,619</b>       | <b>\$ 7,169,704</b> | <b>\$ 11,404,588</b> |

The accompanying notes are an integral part of this statement.

CHRISTIAN UNION, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Christian Union, Inc. (the Organization) is a nonprofit Christian ministry founded in 2002 to transform our nation and world by developing and connecting bold Christian leaders. Christian Union focuses energy toward developing Christian leaders at nine universities and select cities because of their extraordinary influence on our culture and society. The universities are Brown, Columbia, Cornell, Dartmouth, Harvard, Penn, Princeton, Stanford, and Yale.

Christian Union, Inc. has received a letter of determination from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The financial statements were available to be issued on November 19, 2021, with subsequent events being evaluated through this date.

The following is a summary of the significant accounting policies and practices reflected in the accompanying financial statements.

Basis of Consolidation -

RI Real Estate Investments, LLC; Ithaca Investments, LLC; 31 Whitney, LLC; Melrose Center, LLC; and 529 W 113<sup>th</sup> Street, LLC are consolidated with Christian Union, Inc. for financial report purposes. Christian Union, Inc. is the single member of all the LLCs and therefore controls all of the entities. All significant intercompany account balances and transactions have been eliminated.

Basis of Accounting -

The financial statements are maintained on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

Basis of Presentation -

Christian Union, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Without donor restrictions* - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of Christian Union, Inc. These net assets may be used at the discretion of management and the board of directors.

*With donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of Christian Union, Inc. and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents -

For purposes of the statements of cash flows, Christian Union, Inc. considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk -

Christian Union, Inc. maintains several bank accounts. Accounts at banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of this insured amount at June 30, 2021 was approximately \$1,138,000. Cash is also maintained in non-federally insured accounts. Christian Union, Inc. maintains its cash with high-quality financial institutions, which Christian Union, Inc. believes limits these risks.

Revenue Recognition for Contributions -

Christian Union, Inc. recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give; that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Christian Union, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Revenue Recognition for Rental Income -

Christian Union, Inc. receives rental income from unrelated tenants. Rental income is considered a single performance obligation that is recognized over time. Rental income is charged each month and the monthly fees are recognized ratably over the life of the lease.

Unconditional Promise to Give -

Unconditional promise to give is recorded in the fiscal year in which the pledge has become unconditional, and then is classified as either without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments -

Investments in securities are carried at fair value based on quoted market prices for those investments. Donated investments are recorded as support at fair value when received.

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of market risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment -

The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings. Expenditures for maintenance, repairs, and improvements which do not materially extend the useful lives of the assets, are charged to earnings. The major asset category and estimated useful lives are as follows:

| <u>Assets</u>                       | <u>Life</u> |
|-------------------------------------|-------------|
| Computers, furniture, and equipment | 3 - 5 years |
| Building and improvements           | 40 years    |

Income Taxes -

Christian Union, Inc. has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

Christian Union, Inc. files income tax returns in the U.S. federal jurisdiction and in various states. With few exceptions, Christian Union, Inc. is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2018. Christian Union, Inc. does not expect a material net change in unrecognized tax benefits in the next twelve months.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Compensated Absences -

Christian Union, Inc. has not recognized a liability for compensated absences. Compensated absences occur when employees are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. Christian Union, Inc.'s policy is to recognize the costs of compensated absences when paid to employees. The amount will be insignificant to the financial statements as a whole.

Comparative Information -

The financial statements include certain prior-year, summarized, comparative information in total, but not by net asset class, which does not provide sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such prior-year information should be read in conjunction with Christian Union's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassification -

Prior-year amounts were reclassified to be consistent with current-year presentation.

(2) UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at June 30, 2021 and 2020, are as follows:

|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| Receivable in less than one year                             | \$ 190,800        | \$ 105,000        |
| Receivable in greater than one year and less than five years | <u>75,000</u>     | <u>105,000</u>    |
| Total unconditional promises to give                         | 265,800           | 210,000           |
| Less - Discounts to net present value                        | <u>(3,305)</u>    | <u>(3,305)</u>    |
| Net unconditional promise to give                            | <u>\$ 262,495</u> | <u>\$ 206,695</u> |

The discount rate used on long-term promises to give is 3.25% for the year ended June 30, 2021.

(3) INVESTMENTS:

Investments consist of the following at June 30, 2021 and 2020:

|                              | <u>2021</u>         | <u>2020</u>       |
|------------------------------|---------------------|-------------------|
| Domestic Equity Mutual Funds | \$ 1,043,251        | \$ 867,923        |
| Domestic Bond Funds          | <u>53,462</u>       | <u>59,413</u>     |
| Total                        | <u>\$ 1,096,713</u> | <u>\$ 927,336</u> |

Investment return consists of the following:

|  | <u>2021</u>       | <u>2020</u>        |
|--|-------------------|--------------------|
| Interest and dividends                             | \$ 38,459         | \$ 22,352          |
| Realized and unrealized gain (loss) on investments | <u>176,362</u>    | <u>(61,878)</u>    |
| Total  | <u>\$ 214,821</u> | <u>\$ (39,526)</u> |

(4) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification (ASC) for Fair Value Measurements which establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement, and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

The ASC-established market and observable inputs are the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Christian Union, Inc.'s market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

(4) FAIR VALUE MEASUREMENTS: (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Mutual Funds: Valued at the closing price reported on the active market on which the individual funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Christian Union, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, Christian Union, Inc.'s assets at fair value as of June 30, 2021 and 2020:

| <u>Description</u>         | <u>Assets at Fair Value as of June 30, 2021</u> |                |                |                     |
|----------------------------|---|----------------|----------------|---------------------|
|                            | <u>Level 1</u>                                  | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
| Investments:               |   |                |                |                     |
| Mutual funds -             |   |                |                |                     |
| Equity Fund                | \$ 1,043,251                                    | \$ -           | \$ -           | \$ 1,043,251        |
| Domestic bond fund         | <u>53,462</u>                                   | <u>-</u>       | <u>-</u>       | <u>53,462</u>       |
| Total assets at fair value | <u>\$ 1,096,713</u>                             | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,096,713</u> |

| <u>Description</u>         | <u>Assets at Fair Value as of June 30, 2020</u> |                |                |                   |
|----------------------------|---|----------------|----------------|-------------------|
|                            | <u>Level 1</u>                                  | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
| Investments:               |   |                |                |                   |
| Mutual funds -             |   |                |                |                   |
| Equity Fund                | \$ 867,923                                      | \$ -           | \$ -           | \$ 867,923        |
| Domestic bond fund         | <u>59,413</u>                                   | <u>-</u>       | <u>-</u>       | <u>59,413</u>     |
| Total assets at fair value | <u>\$ 927,336</u>                               | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 927,336</u> |

(5) NET ASSETS:

Net assets with donor restrictions for specific purposes are available for the following purposes at June 30, 2021 and 2020, respectively:

|                           | <u>2021</u>         | <u>2020</u>         |
|---------------------------|---------------------|---------------------|
| Melrose Center Operations | \$ 919,733          | \$ 925,678          |
| Ministry Partnerships     | <u>88,418</u>       | <u>106,996</u>      |
| Total                     | <u>\$ 1,008,152</u> | <u>\$ 1,032,674</u> |

(5) NET ASSETS: (Continued)

Net assets were released from temporary restrictions in the amount of \$24,522 and \$1,187,232 throughout the years ended June 30, 2021 and 2020. These assets were utilized for various programs in accordance with donor restrictions.

(6) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Cash & cash equivalents   | \$ 1,771,478        | \$ 2,315,807        |
| Unconditional promises to give  | 262,495             | 206,695             |
| Investments   | <u>1,096,713</u>    | <u>927,336</u>      |
| Total   | <u>3,130,686</u>    | <u>3,449,838</u>    |
| Less: Unconditional promises greater than one year  | 75,000              | 105,000             |
| Net assets with donor restrictions  | <u>1,008,152</u>    | <u>1,032,675</u>    |
| Total   | <u>1,083,152</u>    | <u>1,137,675</u>    |
| Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year | <u>\$ 2,047,534</u> | <u>\$ 2,312,163</u> |

Christian Union, Inc. sets a goal of having financial assets on hand to meet 60 days of normal operating expenses which are, on average, approximately \$1,300,000. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization also invests its cash in excess of its daily needs in short-term investments. Should an unforeseen liquidity need arise, Christian Union, Inc. could also draw upon a \$12,000,000 available line of credit (as discussed in Note 10).

(7) RETIREMENT PLAN:

Effective March 20, 2006, Christian Union, Inc. established a voluntary employee payroll reduction plan. All employees working a minimum of 20 hours per week are eligible to participate. Each year, Christian Union, Inc. may make discretionary contributions. Contributions made for the years ending June 30, 2021 and 2020, were \$55,681 and \$89,957, respectively.

(8) PROPERTY AND EQUIPMENT:

|                                     | <u>2021</u>         | <u>2020</u>         |
|-------------------------------------|---------------------|---------------------|
| Computers, furniture, and equipment | \$ 233,990          | \$ 389,354          |
| Building, land, and improvements    | <u>10,677,535</u>   | <u>10,676,319</u>   |
|                                     | 10,911,525          | 11,065,673          |
| Less: accumulated depreciation      | <u>(1,332,088)</u>  | <u>(1,225,970)</u>  |
|                                     | <u>\$ 9,579,437</u> | <u>\$ 9,839,703</u> |

(9) LINES OF CREDIT:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Line of credit bearing interest of lowest applicable federal rate imposed by federal tax law. Note matures the earlier of March 31, 2021, or thirty days after receiving funds under the Coronavirus Aid Relief and Economic Security Act or any other Federal Coronavirus related program. The note was forgiven by the individual who provided the loan and was converted to a contribution in 2021. | -                   | 1,000,000           |
| Christian Union, Inc. has a total of \$12,000,000 line of credit. Interest accrues at 1.52%. Notes mature the earlier of December 2023, or seven days after a change in the President of the organization, unsecured.  | <u>4,167,658</u>    | <u>4,106,858</u>    |
|  | <u>\$ 4,167,658</u> | <u>\$ 5,106,858</u> |

(10) MORTGAGE AND LOAN PAYABLE:

|   | <u>2021</u>  | <u>2020</u>  |
|---|--------------|--------------|
| Mortgage payable to bank, payable in 120 installments of \$18,706.95, including interest at 4.33%, remaining outstanding balance due February 13, 2028, secured by real estate. | \$ 1,615,592 | \$ 1,766,505 |
| Mortgage payable to bank, payable in 120 installments of \$2,144, including interest at 4.89%, remaining outstanding balance due December 2023, secured by real estate.         | 278,620      | 287,357      |

(10) MORTGAGE AND LOAN PAYABLE:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Loan payable to individual, interest only at 3.03%, Principal due December 2023, unsecured. Any past-due interest accrues at 12%. The note was forgiven and was converted to a contribution in 2021.   | \$ -                | \$ 180,000          |
| Payroll Protection Program (PPP) loan payable to a bank as part of the Economic Aid Act, interest at 1% with the amount to be repaid in equal installments of principal and interest, of \$33,367 beginning in August, 2022 with final payment due March, 2026. As part of the loan agreement, the entire loan, or a portion, can be forgiven. Christian Union, Inc. intends to maximize the forgivable portion of this loan. Christian Union, Inc. has adopted ASC 470 to account for the PPP loan and will record a gain from the forgiven portion of the loan.  | 1,440,957           | -                   |
| Payroll Protection Program (PPP) loan payable to a bank as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, interest at 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable covered period, final payment due May 2022. As part of the loan agreement, the entire loan, or a portion, can be forgiven. Christian Union, Inc. intends to maximize the forgivable portion of this loan. Christian Union, Inc. has adopted ASC 470 to account for the PPP loan and will record a gain from the forgiven portion of the loan when it is forgiven. | <u>1,346,236</u>    | <u>1,346,236</u>    |
|  | 4,681,405           | 3,580,098           |
| Less - unamortized mortgage cost   | <u>(13,792)</u>     | <u>(16,162)</u>     |
| Mortgage and loan payable  | <u>\$ 4,667,613</u> | <u>\$ 3,563,936</u> |



(10) MORTGAGE AND LOAN PAYABLE: (Continued)

The aggregate amount of long-term debt maturing over the next five years as of June 30, 2021, is as follows:

| <u>Year</u> | <u>Amount</u>       |
|-------------|---------------------|
| 2022        | \$ 1,515,860        |
| 2023        | 480,682             |
| 2024        | 576,214             |
| 2025        | 588,428             |
| 2026        | 553,167             |
| Thereafter  | <u>967,054</u>      |
|             | <u>\$ 4,681,405</u> |

(11) CONTRIBUTED SERVICES AND FACILITIES:

Volunteers make significant contributions of their time to develop Christian Union, Inc.'s programs, activities, and fund-raising. The value of the volunteers' contributed time, as well as the value of donated materials and other non-monetary items provided for Christian Union, Inc.'s activities, is not reflected in the accompanying financial statements since the Organization believes they are not susceptible to an objective measurement of valuation and they do not meet the criteria under generally accepted accounting principles to record on the statement of activities.

(12) ECONOMIC DEPENDENCY:

Christian Union, Inc. relies primarily on gifts from a small number of benefactors. It is unlikely Christian Union, Inc. could continue without these continued contributions. Christian Union, Inc. has implemented a multi-year fundraising plan focused on broadening its base of donors.

(13) CONSOLIDATED ENTITIES:

Effective June 5, 2009, Christian Union, Inc. received an unrestricted contribution of a 100% interest in the single member Limited Liability Company RI Real Estate Investments, LLC. The entity's sole asset is a building in Providence, Rhode Island. The financial results of RI Real Estate Investments, LLC have been consolidated with those of Christian Union, Inc. in the accompanying financial statements, with significant balances and transactions between the two entities eliminated. The entity has been recorded as property and equipment at fair market value.

Effective December 21, 2009, Christian Union, Inc. received an unrestricted contribution of a 100% interest in the single member Limited Liability Company Ithaca Investments, LLC. The entity's sole asset is a building in Ithaca, New York. The financial results of Ithaca Investments, LLC have been consolidated with those of Christian Union, Inc., in the accompanying financial statements with significant balances and transactions between the two entities eliminated. The entity has been recorded as property and equipment at fair market value.

(13) CONSOLIDATED ENTITIES: (Continued)

Effective December 20, 2013, Christian Union, Inc. purchased a building through the single member Limited Liability Company 31 Whitney, LLC. The entity's sole asset is the building in New Haven, CT. The financial results of 31 Whitney, LLC have been consolidated with those of Christian Union, Inc. in the accompanying financial statements with significant balances and transactions between the two entities eliminated. The entity has been recorded at cost.

Effective October 17, 2016, Christian Union, Inc. purchased a building through the single member Limited Liability Company Melrose Center, LLC. The entity's sole asset is the building in Princeton, NJ. The financial results of Melrose Center, LLC have been consolidated with those of Christian Union, Inc. in the accompanying financial statements with significant balances and transactions between the two entities eliminated. The entity has been recorded at cost.

Effective February 13, 2018, Christian Union, Inc. purchased a building through the single member Limited Liability Company 529 W 113<sup>th</sup> Street, LLC. The entity's sole asset is the building in New York, NY. The financial results of 529 W 113<sup>th</sup> Street, LLC have been consolidated with those of Christian Union, Inc. in the accompanying financial statements with significant balances and transactions between the two entities eliminated. The entity has been recorded at cost.

(14) RENTAL INCOME AND LEASE COMMITMENTS:

Christian Union, Inc. leases office space to various third parties under operating leases that expire at various dates through December 31, 2021. Lease income for the years ended June 30, 2021 and 2020, was \$202,900 and \$226,762, respectively.

Approximate future minimum lease payments to be received under the terms of these operating leases are as follows:

| <u>Year ending</u><br><u>June 30,</u> |           |
|---------------------------------------|-----------|
| 2022                                  | \$ 79,800 |

Christian Union, Inc. leases property in Massachusetts, New Hampshire, New York, and Pennsylvania with various expiration dates from third parties.

Future minimum lease payments under the non-cancelable operating leases are as follows:

| <u>Year ending</u><br><u>June 30,</u> |                  |
|---------------------------------------|------------------|
| 2022                                  | \$ 57,750        |
| 2023                                  | <u>29,050</u>    |
|                                       | <u>\$ 86,800</u> |

(14) RENTAL INCOME AND LEASE COMMITMENTS: (Continued)

Total rent expense for occupancy for the years ending June 30, 2021 and 2020, was \$70,041 and \$310,132 respectively.

(15) FUNCTIONAL ALLOCATION OF EXPENSES:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, lodging/meals/travel, professional fees, consulting fees, conferences and meetings, and other expenses which are allocated on the basis of estimated time and effort. Depreciation is allocated on the basis of utilized space

(16) MANAGEMENT'S RESPONSE TO EFFECTS OF COVID-19 PANDEMIC:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As part of these mitigation measures, Christian Union Inc. has had to make changes in how to operate its programs. In response to the effects of COVID-19, management has implemented strategies to help mitigate the losses in relation to this pandemic. Christian Union Inc. cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact Christian Union Inc.'s operations and financial statements.

(17) SUPPLEMENTAL CASH FLOW DISCLOSURES:

|               | <u>2021</u>       | <u>2020</u>       |
|---------------|-------------------|-------------------|
| Interest Paid | <u>\$ 132,130</u> | <u>\$ 189,592</u> |