

**CHRISTIAN UNION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**



CHRISTIAN UNION, INC.

JUNE 30, 2016

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# Kelly, Lee & Company L.L.C.

A Certified Public Accounting Firm

Kenneth J. Kelly, CPA  
Robert E. Lee, CPA

Member Firm:  
American Institute of Certified Public Accountants  
New Jersey Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors.  
Christian Union, Inc.  
Princeton, New Jersey

We have audited the accompanying financial statements of Christian Union, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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.

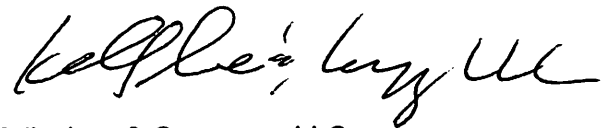
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Union, Inc. as of June 30, 2016 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, Inc. June 30, 2015 financial statements and our report dated February 25, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Kelly, Lee & Company, LLC

Monroe Twp., New Jersey  
November 3, 2016

CHRISTIAN UNION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Assets:</b>		
Cash and cash equivalents (including \$2,350,415 and \$582,945 of temporarily restricted cash)	\$ 3,161,120	\$ 601,091
Unconditional promises to give	9,120	682
Other receivables and prepaid expenses	94,405	322,528
Deposits	209,195	22,411
Other assets	57,670	57,670
Loan costs, net of accumulated amortization	3,473	3,936
Property and equipment, net of accumulated depreciation	<u>2,584,058</u>	<u>2,660,212</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,119,041</u></b>	<b><u>\$ 3,668,530</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 80,036	\$ 133,878
Loan payable	180,000	180,000
Mortgage payable	349,897	358,180
Security deposits	<u>6,350</u>	<u>7,250</u>
<b>TOTAL LIABILITIES</b>	<b><u>616,283</u></b>	<b><u>679,308</u></b>
<b>Net Assets:</b>		
Unrestricted	3,152,343	2,406,277
Temporarily restricted	<u>2,350,415</u>	<u>582,945</u>
<b>TOTAL NET ASSETS</b>	<b><u>5,502,758</u></b>	<b><u>2,989,222</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,119,041</u></b>	<b><u>\$ 3,668,530</u></b>

See auditors' report and accompanying notes to financial statements

CHRISTIAN UNION, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/2016</u>	<u>Total 6/30/2015</u>
<b>Revenue and Other Support:</b>				
Contributions	\$ 9,008,204	\$ 3,044,455	\$ 12,052,659	\$ 8,377,956
Sales	-	-	-	-
Events Income	156,855	-	156,855	90,085
Interest, Dividend and Miscellaneous income	5,413	-	5,413	6,445
Net assets released from temporary restrictions	<u>1,276,985</u>	<u>(1,276,985)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue and Other Support</b>	<u><b>10,447,457</b></u>	<u><b>1,767,470</b></u>	<u><b>\$12,214,927</b></u>	<u><b>8,474,486</b></u>
<b>Expenses:</b>				
Cost of goods sold	-	-	-	-
Program services	7,524,809	-	7,524,809	7,140,880
Fundraising and development	1,632,026	-	1,632,026	1,306,082
General and administrative	<u>544,556</u>	<u>-</u>	<u>544,556</u>	<u>544,941</u>
<b>Total Expenses</b>	<u><b>9,701,391</b></u>	<u><b>-</b></u>	<u><b>9,701,391</b></u>	<u><b>8,991,903</b></u>
<b>Change in Net Assets</b>	<b>746,066</b>	<b>1,767,470</b>	<b>2,513,536</b>	<b>(517,417)</b>
<b>Net Assets – Beginning</b>	<u><b>2,406,277</b></u>	<u><b>582,945</b></u>	<u><b>2,989,222</b></u>	<u><b>3,506,639</b></u>
<b>Net Assets – Ending</b>	<u><b>\$ 3,152,343</b></u>	<u><b>\$ 2,350,415</b></u>	<u><b>\$ 5,502,758</b></u>	<u><b>\$ 2,989,222</b></u>

See auditors' report and accompanying notes to financial statements

**CHRISTIAN UNION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors	\$ 12,044,221	\$ 8,394,409
Cash received from sales	-	-
Cash received from events	156,855	90,085
Cash paid for supplies, services and payroll	(9,586,304)	(8,949,371)
Interest expense	(21,042)	(22,765)
Interest, Dividend and Miscellaneous income	<u>5,413</u>	<u>6,445</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,599,143</u>	<u>(481,197)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(30,831)</u>	<u>(115,718)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(30,831)</u>	<u>(115,718)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings - loan payable	-	-
Proceeds from borrowings - mortgage payable	-	-
Loan costs	-	-
Repayment of debt - mortgage payable	<u>(8,283)</u>	<u>(7,972)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(8,283)</u>	<u>(7,972)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 2,560,029	 (604,887)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>601,091</u>	<u>1,205,978</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 3,161,120</u>	<u>\$ 601,091</u>

See auditors' report and accompanying notes to financial statements



CHRISTIAN UNION, INC.  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	<u>\$ 2,513,536</u>	<u>\$ (517,417)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	105,633	129,365
Amortization	463	463
Loss on disposal of property and equipment	1,352	2,771
Changes in Assets and Liabilities:		
(Increase) decrease in unconditional promises to give	(8,438)	16,453
(Increase) decrease in other receivables and prepaid expenses	228,123	(194,145)
(Increase) decrease in deposits	(186,784)	615
(Increase) decrease in other assets	-	(4,163)
Increase (decrease) in accounts payable and accrued expenses	(53,842)	83,861
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in security deposits	(900)	1,000
<b>TOTAL ADJUSTMENTS</b>	<u>85,607</u>	<u>36,220</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ 2,599,143</b></u>	<u><b>\$ (481,197)</b></u>

See auditors' report and accompanying notes to financial statements





CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(1) NATURE OF ORGANIZATION AND TAX STATUS

Christian Union, Inc. is a non-profit 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 eight universities and select cities because of their extraordinary influence on our culture and society. The universities are: Brown, Columbia, Cornell, Dartmouth, Harvard, Penn, Princeton, 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions consist of outright cash gifts received by Christian Union, Inc. during the fiscal year and unconditional promises to give (over current and future years) made throughout the year. Unconditional promises to give are recorded at the time of the contribution. Cash collection of the pledge may or may not have occurred during the year.

b. 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

c. 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.

d. INVENTORY

As of June 30, 2014, the organization no longer maintains any inventory for resale. All books, CD's and DVD's are currently included within other assets. The organization plans to donate or sell all of these items as soon as practically possible. Previously, inventory was stated at cost.



CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. ALLOCATION OF EXPENSES

Expenses that can be identified as related directly to each individual program are classified in that program. Other expenses are allocated among programs according to management's estimate of the related costs associated with the programs.

f. 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.

g. 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.

h. RECLASSIFICATION

Certain amounts in the prior year financial statements may have been reclassified for comparative purposes to conform to presentation in the current year financial statements.

i. COMPARATIVE DATA

The amounts shown for the year ended June 30, 2015 in the accompanying financial statements are included to provide a basis for comparison with June 30, 2016 and present summarized totals only. Accordingly, the June 30, 2015 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with Christian Union's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(3) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015 respectively:

	<u>2016</u>	<u>2015</u>
Capital Projects	\$ 900,000	\$ 0
Princeton Ministry Center	1,145,541	0
Ministry Partnerships	273,374	219,752
Time Restrictions	31,500	363,193
Total	<u>\$ 2,350,415</u>	<u>\$ 582,945</u>



CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(4) **NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS**  
Net assets were released from temporary restrictions in the amount of \$1,276,985 and \$1,158,818 throughout the years ended June 30, 2016 and 2015. These assets were utilized for various programs in accordance with donor restrictions.

(5) <b>DEPOSITS</b>	<u>6/30/2016</u>	<u>6/30/2015</u>
Lease Deposits	\$ 32,106	\$ 22,411
Real Estate Deposits	<u>177,089</u>	<u>0</u>
	<u>\$ 209,195</u>	<u>\$ 22,411</u>

(6) <b>PROPERTY AND EQUIPMENT</b>	<u>6/30/2016</u>	<u>6/30/2015</u>
Computers, furniture and equipment	\$ 359,086	\$ 341,151
Building and improvements	2,456,130	2,456,130
Land	<u>525,370</u>	<u>525,370</u>
	3,340,586	3,322,651
Less: accumulated depreciation	<u>(756,528)</u>	<u>(662,439)</u>
	<u>\$2,584,058</u>	<u>\$2,660,212</u>

Depreciation expense for the years ending June 30, 2016 and 2015 was \$105,633 and \$129,365, respectively.

(7) <b>LONG TERM DEBT</b>	<u>6/30/2016</u>	<u>6/30/2015</u>
Mortgage to bank, payable in 120 installments of \$2,144, including interest at 4.89%, remaining outstanding balance due December 2023, secured by real estate.	\$ 349,897	\$ 358,180
Loan payable to individual, interest only at 2%, principal due December 2018, secured by real estate.	<u>180,000</u>	<u>180,000</u>
	<u>\$ 529,897</u>	<u>\$ 538,180</u>

The aggregate amount of long-term debt maturing over the next five years as of June 30, 2016 is as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2017	\$ 8,810
June 30, 2018	9,250
June 30, 2019	189,713
June 30, 2020	10,199
June 30, 2021	10,709
Thereafter	<u>301,216</u>
	<u>\$ 529,897</u>



CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(8) **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 volunteer's 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 they are not susceptible to an objective measurement of valuation.

(9) **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.

(10) **CONCENTRATION 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, 2016 was \$659,033. Cash is also maintained in non federally insured accounts. The non-federally insured amount totaled \$2,200,108 as of June 30, 2016. Of this amount, \$500,000 is insured by the Securities Investment Protection Corp. (SIPC). Christian Union, Inc. maintains its cash with high quality financial institutions, which Christian Union, Inc. believes limits these risks.

(11) **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, 2016 and 2015 were \$85,794 and \$80,433, respectively.

(12) **RELATED PARTY TRANSACTION**

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 combined 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 combined 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 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 combined 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.

CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(13) **COMMITMENTS**

Christian Union, Inc. leases property in Massachusetts, New Hampshire, New York, and Pennsylvania, with various expiration dates. Future minimum lease payments under the non-cancelable operating leases as of June 30, 2016 are as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2017	\$ 143,436
June 30, 2018	46,636
June 30, 2019	6,659
June 30, 2020	0
June 30, 2021	0
Thereafter	<u>0</u>
Total:	<u>\$ 196,731</u>

Total rent expense for occupancy for the years ending June 30, 2016 and 2015 were \$178,561 and \$172,190, respectively.

(14) **SUBSEQUENT EVENTS**

Management has evaluated events through November 3, 2016, the date the financial statements were available to be issued.

On October 14, 2016, Christian Union, Inc. purchased real estate in Princeton, NJ for \$1,925,000. The building will become the Princeton Ministry Center.