

**CHRISTIAN UNION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

CHRISTIAN UNION, INC.

JUNE 30, 2013

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 10



# 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, 2013, and the related statements of activities and cash flows for the years 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.

Christian Union, Inc.  
October 16, 2013  
Page 2, 2013

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, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

The financial statements of Christian Union, Inc. as of June 30, 2012, were audited by other auditors whose report dated September 28, 2012 expressed an unqualified opinion on those statements.

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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  
October 16, 2013

CHRISTIAN UNION, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

	<u>ASSETS</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
<b>Assets:</b>			
Cash and cash equivalents (including \$679,085 and \$592,040 of temporarily restricted cash)	\$	1,121,709	\$ 1,369,617
Unconditional promises to give		353,605	-
Other receivables and prepaid expenses		85,649	117,780
Inventory		38,778	39,704
Deposits		13,456	17,420
Property and equipment, net of accumulated depreciation		<u>1,837,207</u>	<u>1,814,013</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>3,450,404</u></b>	<b><u>\$ 3,358,534</u></b>
<u>LIABILITIES AND NET ASSETS</u>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$	45,729	\$ 44,426
Deferred revenue		-	250,000
Security deposits		<u>550</u>	<u>1,650</u>
<b>TOTAL LIABILITIES</b>		<u>46,279</u>	<u>296,076</u>
<b>Net Assets:</b>			
Unrestricted		2,725,040	2,470,418
Temporarily restricted		679,085	592,040
Permanently restricted		<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>		<u>3,404,125</u>	<u>3,062,458</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>3,450,404</u></b>	<b><u>\$ 3,358,534</u></b>

See auditors' report and accompanying notes to financial statements



CHRISTIAN UNION, INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/2013</u>	<u>Total 6/30/2012</u>
<b>Revenue and Other Support:</b>					
Contributions	\$ 4,986,338	\$ 844,182	\$ -	\$ 5,830,520	\$ 5,587,162
Sales	1,471	-	-	1,471	1,963
Interest, Dividend and Miscellaneous income	(1,023)	-	-	(1,023)	5,726
Net assets released from temporary restrictions	<u>757,137</u>	<u>(757,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>5,743,923</u>	<u>87,045</u>	<u>-</u>	<u>\$5,830,968</u>	<u>5,594,851</u>
<b>Expenses:</b>					
Cost of goods sold	2,383	-	-	2,383	3,335
Program services	4,096,191	-	-	4,096,191	3,594,786
Fundraising and development	800,949	-	-	800,949	677,960
General and administrative	<u>589,778</u>	<u>-</u>	<u>-</u>	<u>589,778</u>	<u>351,613</u>
Total Expenses	<u>5,489,301</u>	<u>-</u>	<u>-</u>	<u>5,489,301</u>	<u>4,627,694</u>
Change in Net Assets	254,622	87,045	-	341,667	967,157
Net Assets – Beginning	<u>2,470,418</u>	<u>592,040</u>	<u>-</u>	<u>3,062,458</u>	<u>2,095,301</u>
Net Assets – Ending	<u>\$ 2,725,040</u>	<u>\$ 679,085</u>	<u>\$ -</u>	<u>\$ 3,404,125</u>	<u>\$ 3,062,458</u>

See auditors' report and accompanying notes to financial statements



CHRISTIAN UNION, INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>6/30/2013</u>	<u>6/30/2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors	\$ 5,226,915	\$ 5,089,691
Cash received from sales	1,471	1,963
Cash paid for supplies, services and payroll	(5,364,952)	(4,565,838)
Interest expense	-	-
Interest, Dividend and Miscellaneous income	<u>(1,023)</u>	<u>5,726</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(137,589)</u>	<u>531,542</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(110,319)</u>	<u>(47,516)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(110,319)</u>	<u>(47,516)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(247,908)</b>	<b>484,026</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<b><u>1,369,617</u></b>	<b><u>885,591</u></b>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<b><u>\$ 1,121,709</u></b>	<b><u>\$ 1,369,617</u></b>

See auditors' report and accompanying notes to financial statements



CHRISTIAN UNION, INC.  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>6/30/2013</u>	<u>6/30/2012</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 341,667	\$ 967,157
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	87,125	69,729
Foregiveness of mortgage debt	-	(556,500)
Imputed interest on mortgages payable	-	23,029
Donation of capital asset	-	(214,000)
Changes in Assets and Liabilities:		
(Increase) decrease in unconditional promises to give	(353,605)	-
(Increase) decrease in other receivables and prepaid expenses	32,131	(30,835)
(Increase) decrease in Inventory	926	(388)
(Increase) decrease in deposits	3,964	(3,075)
Increase (decrease) in accounts payable and accrued expenses	1,303	26,225
Increase (decrease) in deferred revenue	(250,000)	250,000
Increase (decrease) in security deposits	(1,100)	200
TOTAL ADJUSTMENTS	<u>(479,256)</u>	<u>(435,615)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (137,589)</u>	<u>\$ 531,542</u>

See auditors' report and accompanying notes to financial statements





CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(1) NATURE OF ORGANIZATION AND TAX STATUS

Christian Union, Inc. is a non-profit Christian ministry dedicated to advancing the kingdom of Jesus Christ in the Ivy League, which is comprised of Brown, Columbia, Cornell, Dartmouth, Harvard, Princeton, University of Pennsylvania and Yale. The ministry focuses on students, parents of students, university staff and faculty, alumni and people in the surrounding community. Their mission is to bring sweeping spiritual change and vitality to these university communities.

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

Inventory is stated at cost and consists of books held for resale.

CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(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 with presentation in the current year financial statements.

i. PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Christian Union Inc's financial statements for the year ended June 30, 2012, 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, 2013 and 2012 respectively:

	<u>2013</u>	<u>2012</u>
Ministry Partnerships	\$179,085	\$ 92,040
Time Restrictions	<u>500,000</u>	<u>500,000</u>
Total	<u>\$679,085</u>	<u>\$ 592,040</u>

CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(4) NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS

Net assets were released from temporary restrictions in the amount of \$757,137 and \$1,008,003 throughout the years ended June 30, 2013 and 2012. These assets were utilized for various programs in accordance with donor restrictions.

(5) PROPERTY AND EQUIPMENT

	<u>2013</u>	<u>2012</u>
- Computers, furniture and equipment	\$ 274,642	\$ 224,002
- Building and improvements	1,691,417	1,632,311
- Land	<u>356,265</u>	<u>356,265</u>
	2,322,324	2,212,578
- Less: accumulated depreciation	<u>(485,117)</u>	<u>(398,565)</u>
	<u>\$1,837,207</u>	<u>\$1,814,013</u>

Depreciation expense for the years ending June 30, 2013 and 2012 was \$87,125 and \$69,729, respectively.

(6) MORTGAGES PAYABLE

During the year ended June 30, 2012, the mortgage holders donated the value of the mortgages they held against Christian Union, Inc. The balances of these mortgages at the time of donation were \$300,000 and \$233,471. There was also imputed interest of \$23,029 on the mortgages.

(7) 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.

(8) 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.

(9) 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. Cash is also maintained in non federally insured accounts. The uninsured amount totaled \$929,578 as of June 30, 2013. 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.



CHRISTIAN UNION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(10) RETIREMENT PLAN

Effective March 20, 2006, Christian Union, Inc. established a voluntary employee payroll reduction plan. All employees, 21 years and older are eligible to participate. Each year, Christian Union, Inc. may make discretionary contributions. Contributions made for the years ending June 30, 2013 and 2012 were \$17,415 and \$0, respectively.

(11) 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 its fair market value of \$550,000 net of allowable depreciation.

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 its fair value of \$440,000 net of allowable depreciation. Net values of leasehold improvements previously made to the property are included with the amount.

(12) COMMITMENTS

Christian Union, Inc. leases property in Connecticut and Massachusetts with various expiration dates through August, 2014. Currently, Christian Union, Inc. also leases property in New Hampshire and New York on a month to month basis. In addition, Christian Union, Inc. leases office equipment through June, 2017. Future minimum lease payments under the non-cancelable operating leases as of June 30, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2014	\$ 33,600
June 30, 2015	8,200
June 30, 2016	4,900
June 30, 2017	4,900
June 30, 2018	-
Thereafter	<u>-</u>
TOTAL:	<u>\$ 51,600</u>

Total rent expense for occupancy for the years ending June 30, 2013 and 2012 were \$188,608 and \$154,320, respectively.

(13) SUBSEQUENT EVENTS

Management has evaluated events through October 16, 2013, the date the financial statements were available to be issued.