

Council For Christian Colleges & Universities And Affiliates

Consolidated Financial Report
June 30, 2011

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Independent Auditor's Report

To the Board of Directors
Council for Christian Colleges & Universities
Washington, D.C.

We have audited the accompanying consolidated balance sheets of Council for Christian Colleges & Universities and Affiliates (collectively, the Council) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Council for Christian Colleges & Universities and Affiliates as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
November 3, 2011

Council For Christian Colleges & Universities And Affiliates

Consolidated Balance Sheets

June 30, 2011 And 2010

Assets	2011	2010
Current Assets		
Cash and cash equivalents	\$ 2,582,802	\$ 1,905,396
Accounts receivable	45,199	156,465
Prepaid expenses	496,409	440,788
Promises to give, net	-	67,000
Investments in foreign exchange contracts	182,105	-
Total current assets	3,306,515	2,569,649
Investments	2,733,432	2,307,497
Deposits And Other Assets	74,712	84,032
Cash Surrender Value Of Life Insurance Policies	29,596	30,839
Land And Building - Held for Sale, net	476,552	-
Property And Equipment, net	3,547,272	4,272,705
	\$ 10,168,079	\$ 9,264,722
Liabilities And Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 297,672	\$ 177,501
Deferred revenue	782,710	755,017
Investments in foreign exchange contracts	-	63,121
Other liabilities	21,345	10,505
Notes payable – current portion	41,524	39,308
Total current liabilities	1,143,251	1,045,452
Notes Payable, net of current portion	1,241,328	1,286,227
	2,384,579	2,331,679
Commitments (Note 14)		
Net Assets		
Unrestricted		
Undesignated	1,920,220	1,030,046
Designated		
Net investment in plant	2,740,972	2,947,192
Board designated	1,398,092	1,398,092
	6,059,284	5,375,330
Temporarily restricted	588,569	424,566
Permanently restricted	1,135,647	1,133,147
	7,783,500	6,933,043
	\$ 10,168,079	\$ 9,264,722

See Notes To Consolidated Financial Statements.

Council For Christian Colleges & Universities And Affiliates

**Consolidated Statement Of Activities
Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Student programs	\$ 9,483,143	\$ 24,060	\$ -	\$ 9,507,203
Professional development:				
Grants, special initiatives and other programs	29,793	250,030	2,500	282,323
Conferences	548,701	20,713	-	569,414
Communications	186,105	25,000	-	211,105
Membership and affiliate dues	1,333,649	-	-	1,333,649
Interest income	72,828	-	-	72,828
Administrative and support	113,093	-	-	113,093
Net assets released from restrictions	209,346	(209,346)	-	-
Total support and revenue	11,976,658	110,457	2,500	12,089,615
Expenses:				
Student programs	8,926,543	-	-	8,926,543
Professional development:				
Grants, special initiatives and other programs	563,060	-	-	563,060
Conferences	808,544	-	-	808,544
Communications	194,344	-	-	194,344
Development	-	-	-	-
Administrative and support	1,673,978	-	-	1,673,978
Total expenses	12,166,469	-	-	12,166,469
Change in net assets before other gains and losses	(189,811)	110,457	2,500	(76,854)
Other gains and losses:				
Realized and unrealized gain on investments	339,889	53,546	-	393,435
Gain on currency fluctuations	288,650	-	-	288,650
Gain on foreign exchange contracts	245,226	-	-	245,226
	873,765	53,546	-	927,311
Change in net assets	683,954	164,003	2,500	850,457
Net assets:				
Beginning	5,375,330	424,566	1,133,147	6,933,043
Ending	\$ 6,059,284	\$ 588,569	\$ 1,135,647	\$ 7,783,500

See Notes To Consolidated Financial Statements.

Council For Christian Colleges & Universities And Affiliates

**Consolidated Statement Of Activities
Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Student programs	\$ 9,353,589	\$ 12,550	\$ -	\$ 9,366,139
Professional development:				
Grants, special initiatives and other programs	445,921	199,032	-	644,953
Conferences	843,737	16,233	-	859,970
Communications	152,143	50,000	-	202,143
Membership and affiliate dues	1,268,493	-	-	1,268,493
Interest income	75,463	-	-	75,463
Administrative and support	107,747	-	-	107,747
Net assets released from restrictions	314,629	(314,629)	-	-
Total support and revenue	12,561,722	(36,814)	-	12,524,908
Expenses:				
Student programs	8,784,717	-	-	8,784,717
Professional development:				
Grants, special initiatives and other programs	1,002,776	-	-	1,002,776
Conferences	826,865	-	-	826,865
Communications	313,835	-	-	313,835
Development	77,682	-	-	77,682
Administrative and support	1,601,295	-	-	1,601,295
Total expenses	12,607,170	-	-	12,607,170
Change in net assets before other gains and losses	(45,448)	(36,814)	-	(82,262)
Other gains and losses:				
Realized and unrealized gain on investments	112,428	-	-	112,428
Loss on currency fluctuations	(121,728)	-	-	(121,728)
Gain on foreign exchange contracts	33,184	-	-	33,184
	23,884	-	-	23,884
Change in net assets	(21,564)	(36,814)	-	(58,378)
Net assets:				
Beginning	5,396,894	461,380	1,133,147	6,991,421
Ending	\$ 5,375,330	\$ 424,566	\$ 1,133,147	\$ 6,933,043

See Notes To Consolidated Financial Statements.

Council For Christian Colleges & Universities And Affiliates

**Consolidated Statements Of Cash Flows
Years Ended June 30, 2011 And 2010**

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ 850,457	\$ (58,378)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	599,083	617,651
Contributions restricted for investment in perpetuity	(2,500)	-
(Gain) loss on disposal of assets	(29,082)	3,994
Gain on foreign exchange contracts	(245,226)	(33,184)
Realized and unrealized gain on investments	(393,435)	(112,428)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	111,266	(86,722)
Promises to give	67,000	178,000
Prepaid expenses	(55,621)	192,818
Increase (decrease) in:		
Accounts payable and accrued expenses	120,171	34,208
Deferred revenue	27,693	(69,781)
Other liabilities	10,840	(395)
Net cash provided by operating activities	1,060,646	665,783
Cash Flows From Investing Activities		
Purchases of investments	(361,673)	(939,836)
Proceeds from sale of investments	329,173	1,207,925
Purchases of property and equipment	(361,120)	(383,606)
Proceeds from sale of property and equipment	40,000	-
Decrease (Increase) in deposits and other assets	9,320	(22,554)
Decrease in cash surrender value of life insurance policies	1,243	977
Net cash used in investing activities	(343,057)	(137,094)
Cash Flows From Financing Activities		
Principal payments on notes payable	(42,683)	(1,383,974)
Proceeds from notes payable	-	1,350,000
Contributions restricted to investment in perpetuity	2,500	-
Net cash used in financing activities	(40,183)	(33,974)
Net increase in cash and cash equivalents	677,406	494,715
Cash And Cash Equivalents:		
Beginning	1,905,396	1,410,681
Ending	\$ 2,582,802	\$ 1,905,396
Supplemental Disclosure Of Cash Flow Information		
Cash payments for interest	\$ 77,819	\$ 64,554

See Notes To Consolidated Financial Statements.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Council for Christian Colleges & Universities and Affiliates (the Council) is a not-for-profit corporation based in Washington, D.C., representing over 180 colleges and universities in the U.S. and around the world. Its mission is to advance the cause of Christ-centered higher education and help its institutions transform lives by faithfully relating scholarship and service to biblical truth.

CCCU-Australia is a registered Australian corporation. Through CCCU-Australia, the Council is able to maintain its legal status and conduct activities in Australia.

CCCU-UK is a registered English charity established by the Council. Its mission is to manage an educational center in Oxford, England for U.S. students of the Council's member institutions.

MESP, Inc., a wholly owned subsidiary, is a for-profit corporation. It serves as the corporate entity that allows the Council to be registered and legally conduct activities in Egypt.

The United Christian College Fund (UCCF) was incorporated to assist the Council with its development efforts. Currently, UCCF is inactive, as the development work is being managed directly through the Council rather than a separate entity.

Best Semester India Studies Private Limited (BSIS) is a registered Indian corporation. Through BSIS, the Council is able to maintain its legal status and conduct activities in India.

A summary of the Council's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, *Financial Statements of Not-for-Profit Organizations*, the Council is required to report 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.

Principles of consolidation: The consolidated financial statements include the account balances and transactions of the Council; CCCU-Australia, CCCU-UK, MESP, Inc., BSIS and UCCF. All significant inter-company balances and transactions have been eliminated in the consolidation.

Cash and cash equivalents: The Council considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Financial risk: The Council maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Council has not experienced any losses in such accounts. The Council believes it is not exposed to any significant financial risk on cash.

The Council invests in a professionally managed portfolio that contains common stock, mutual funds, and certificates of deposit. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements. The Council also entered into foreign currency forwards to manage its foreign currency exchange rate risk. Forward contracts present credit risk that the counter-party might fail to fulfill its performance under the derivative contract.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Management believes that receivables were fully collectible and no provision for doubtful accounts was necessary.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is recorded as a component of investment income in the consolidated statements of activities. Investment in real estate is carried at the lower of cost or market.

Promises to give: Unconditional promises to give are recognized as revenue in the period received and as assets, decreases in liabilities, or expenses, depending on the form of benefit received. Conditional promises to give are only recognized when the conditions on which they depend are substantially met and the promise becomes unconditional. Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. Promises to give are generally receivable over subsequent periods and are discounted at a rate of six percent per annum. Management believes that promises to give were fully collectible and no provision for doubtful accounts was necessary.

Property and equipment: Property and equipment are recorded at cost and depreciated on the straight-line basis over estimated useful lives, ranging from 3 to 30 years. Leasehold improvements are recorded at cost and amortized over the shorter of the asset's useful life or the term of the lease. The Council capitalizes all property and equipment purchased with a cost of \$500 or more.

Valuation of long-lived assets: As required by the FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred revenue: Deferred revenue represents amounts received in advance for student programs, conferences and membership dues, which are applicable to subsequent periods.

Revenue recognition: Revenue from student programs is recognized over the semester for which the fees are applicable. Membership dues are recognized ratably over the fiscal year.

Derivative financial instruments: All derivative financial instruments are recognized as either assets or liabilities at their fair value in the consolidated balance sheets, with the changes in the fair value reported as a component of the change in net assets in the consolidated statements of activities. These instruments are classified in the consolidated balance sheets as investments in foreign exchange contracts, and the change in the fair value is recorded in the consolidated statements of activities as gain (loss) on foreign exchange contracts.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Net assets: The Council is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Net investment in plant net assets primarily represents the equity in property and equipment, less outstanding debt, and is presented as a means of showing the non-liquid portion of unrestricted net assets.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Council pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by Council actions.

Expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Council.

Foreign currency translations: Foreign currency translations are recorded in U.S. dollars at the actual exchange rate in effect at the date of the transactions. In accordance with the provisions of the Foreign Currency Matters Topic of the FASB ASC, the local currencies of each Council's foreign operations are considered to be the functional currencies of those operations.

Income taxes: The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Council qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. However, income from certain activities not directly related to the Council's tax-exempt purpose is subject to taxation as unrelated business income. The Council had an insignificant amount of unrelated business income for the years ended June 30, 2011 and 2010; therefore, no provision has been made in these consolidated financial statements.

Deferred taxes are provided on a liability method, whereby, deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Management evaluated the Council's tax positions and concluded that the Council had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Council is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting standards: In January 2010, the Financial Accounting Standards Board (FASB) released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provides accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Level 1 and 2 and reasons for transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The Council adopted ASU 2010-06 during the year ended June 30, 2011.

Reclassifications: Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation. These reclassifications had no effect on the previously reported change in net assets.

Subsequent events: The Council evaluated subsequent events for potential required disclosures through November 3, 2011, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

Investments at June 30, 2011 and 2010, consist of the following:

	2011	2010
Mutual funds	\$ 1,697,205	\$ 1,272,177
Certificates of deposit	658,775	806,649
Investment in real estate, at cost	200,000	200,000
U.S. Government obligations	153,842	11,091
Preferred stock	23,610	17,580
	<u>\$ 2,733,432</u>	<u>\$ 2,307,497</u>

Investment income for the years ended June 30, 2011 and 2010, consists of the following:

	2011	2010
Interest and dividends	\$ 72,828	\$ 75,463
Unrealized gains on investments	375,547	101,753
Realized gains on sale of investments	17,888	10,675
	<u>\$ 466,263</u>	<u>\$ 187,891</u>

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 3. Investments In Foreign Exchange Contracts

The Council mitigates its foreign exchange currency risk by entering into several foreign exchange contracts to sell U.S. Dollars and to purchase Australian Dollars and British Pounds. The contracts have various expiration dates from July 1, 2010 to December 3, 2012. These contracts are utilized as risk management tools and are not used for trading or speculative purposes. None of these derivatives are designated as hedges.

At June 30, 2011 and 2010, the Council had the following purchase commitments:

Currency	2011		2010	
	Buy Foreign Exchange Contracts (Notional Amounts)	Sell U.S. Dollars	Buy Foreign Exchange Contracts (Notional Amounts)	Sell U.S. Dollars
Australian Dollar	1,012,114	900,000	1,312,690	1,080,000
British Pounds	1,821,801	2,892,181	1,480,676	2,270,421

At June 30, 2011 and 2010, the aggregate fair value of these contracts was \$182,105 and \$(63,121), respectively, and is included in the accompanying consolidated balance sheets as "Investment in foreign exchange contracts." For the years ended June 30, 2011 and 2010, the Council recognized a gain on foreign exchange contracts of \$245,226 and \$33,184, respectively, included in the accompanying consolidated statements of activities.

Note 4. Promises To Give

There was no promise to give at June 30, 2011. At June 30, 2010, promises to give totaled \$67,000. Certain donors have placed restrictions on their promises to give to be used for certain programs.

Anticipated receipt of promises to give at June 30, 2011 and 2010, is as follows:

	2011	2010
Less than one year	\$ -	\$ 67,000
One to five years	-	-
	<u>\$ -</u>	<u>\$ 67,000</u>

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 5. Property And Equipment

Property and equipment at June 30, 2011 and 2010, and depreciation expense for the years then ended, consist of the following:

Asset Category	Estimated Useful Lives	2011			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Land	–	\$ 353,805	\$ -	\$ 353,805	\$ -
Buildings and improvements	5 to 30 years	5,161,215	3,085,356	2,075,859	201,403
Furniture and equipment	3 to 10 years	4,113,112	3,031,279	1,081,833	384,418
Land and building, held for sale	–	590,418	113,866	476,552	13,262
Website in development	–	35,775	-	35,775	-
		<u>\$ 10,254,325</u>	<u>\$ 6,230,501</u>	<u>\$ 4,023,824</u>	<u>\$ 599,083</u>

Asset Category	Estimated Useful Lives	2010			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Land	–	\$ 546,368	\$ -	\$ 546,368	\$ -
Buildings and improvements	5 to 30 years	5,474,851	3,012,341	2,462,510	214,358
Furniture and equipment	3 to 10 years	3,914,799	2,650,972	1,263,827	403,293
		<u>\$ 9,936,018</u>	<u>\$ 5,663,313</u>	<u>\$ 4,272,705</u>	<u>\$ 617,651</u>

Note 6. Notes Payable

The Council entered into a new note payable with Calvin College. The note is in the amount of \$1,350,000 at an interest rate of 5.5 percent. Effective December 1, 2009, monthly payments of principal and interest are due in the amount of \$9,269, based on a 20-year amortization. A final balloon payment is due on December 1, 2016. The note is secured by the Council's real property located in Washington, D.C.

Maturities of long-term debt at June 30, 2011, are due in future years as follows:

Years Ending June 30,	
2012	\$ 41,524
2013	43,866
2014	46,341
2015	48,955
2016	51,716
Thereafter	1,050,450
	<u>\$ 1,282,852</u>

Interest expense was \$77,819 and \$64,554 for the years ended June 30, 2011 and 2010, respectively.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 7. Financial Instruments

The methods and significant assumptions used to estimate the fair values of financial instruments are as follows:

- Cash equivalents, accounts receivable, accounts payable, accrued liabilities and short-term borrowings approximate fair value due to the short maturity of these instruments.
- The Council's investments are reflected at fair value based on quoted market prices.

The recorded value of the notes payable is the amount outstanding at June 30, 2011 and 2010. The estimated fair value of the Council's notes payable at June 30, 2011 and 2010, based on prevailing market rates for similar issues and remaining maturities, was approximately \$1,282,852 and \$1,400,000, respectively.

Note 8. Board Designated Net Assets

Board designated net assets at June 30, 2011 and 2010, are available for the following purposes:

Los Angeles Studies Film Center	\$ 1,198,092
Contemporary Music Center	200,000
	<u>\$ 1,398,092</u>

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010, are available for the following purposes:

	Balance June 30, 2010	Additions	Released	Balance June 30, 2011
Grants and special initiatives	\$ 424,504	\$ 319,803	\$ (209,346)	\$ 534,961
Permanently restricted endowment earnings	62	53,546	-	53,608
	<u>\$ 424,566</u>	<u>\$ 373,349</u>	<u>\$ (209,346)</u>	<u>\$ 588,569</u>

	Balance June 30, 2009	Additions	Released	Balance June 30, 2010
Grants and special initiatives	\$ 461,380	\$ 277,753	\$ (314,629)	\$ 424,504
Permanently restricted endowment earnings	-	62	-	62
	<u>461,380</u>	<u>277,815</u>	<u>(314,629)</u>	<u>424,566</u>

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 10. Permanently Restricted Net Assets

The Board of Directors of the Council has interpreted the District of Columbia-enacted version of the Uniform Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Council and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Council
- The investment policies of the Council

Investment policy: Assets should be invested in a balanced portfolio consisting of domestic equities, domestic fixed income, international equities, international fixed income, real estate, and cash. The following table defines the target asset allocation for long-term funds, the minimum and maximum allocation limits of each asset class, and the representative index against which the performance will be compared. The investment policy is regularly reviewed by the Finance Committee.

Asset Class	Minimum	Target	Maximum	Representative Index
Equities – domestic	55%	60%	70%	S&P 500
Fixed income – domestic	25%	30%	35%	Barclay Aggregate Bond
Cash and equivalents	0%	5%	10%	3-month Treasury Bill
Other securities (international, real estate, etc.)	0%	5%	10%	Other indices

Spending policy: The long-term funds' pay-out rate for each fiscal year shall be up to five percent of the immediately preceding 12-quarter average of the funds' market value on January 1. If a designated fund has been fully funded for less than three years, the pay-out rate will be based on the average market value for only those quarters in which it has been fully funded. New gifts received between January 1 and June 30 is eligible for distribution after July 1, at half of the applicable pay-out rate. Any income not awarded or distributed during the year, and any income in excess of the five percent spending percentage shall be reinvested as part of the principle.

All earnings for the endowment are reflected as temporarily restricted net assets, until appropriated for expenditure by the Board of Directors.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 10. Permanently Restricted Net Assets (Continued)

Permanently restricted net assets at June 30, 2011 and 2010, in the amount of \$1,135,647 and \$1,133,147, respectively, are restricted to investment in perpetuity, the income for which is expendable to support faculty development.

The endowment net asset composition by type of fund as of June 30, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 53,608	\$ 1,135,647	\$ 1,189,255

For the year ended June 30, 2011, the Council had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (58,473)	\$ 62	\$ 1,133,147	\$ 1,074,736
Investment income	58,473	53,546	-	112,019
Contributions	-	-	2,500	2,500
Appropriation of endowment assets for the expenditure	-	-	-	-
Endowment net assets, end of year	\$ -	\$ 53,608	\$ 1,135,647	\$ 1,189,255

The endowment net asset composition by type of fund as of June 30, 2010, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (58,473)	\$ 62	\$ 1,133,147	\$ 1,074,736

For the year ended June 30, 2010, the Council had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (145,378)	\$ -	\$ 1,133,147	\$ 987,769
Investment income	86,905	62	-	86,967
Contributions	-	-	-	-
Appropriation of endowment assets for the expenditure	-	-	-	-
Endowment net assets, end of year	\$ (58,473)	\$ 62	\$ 1,133,147	\$ 1,074,736

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 11. Retirement Plan

The Council has a defined contribution retirement plan (the Plan). Contributions are made on a monthly basis at the rate of eight percent of base salary during the years ended June 30, 2011 and 2010. These contributions are applied to individual annuities issued to each participant by the Teachers Insurance and Annuity Association and/or College Retirement Equities Fund, as elected by participants. All participating employees are required to contribute a pre-determined minimum percentage of their gross salary each year. The minimum required contribution for employees was five percent for the years ended June 30, 2011 and 2010. For the years ended June 30, 2011 and 2010, the Council contributed \$247,567 and \$232,825, respectively, to the Plan.

All U.S. employees who work a minimum of 1,020 hours annually are eligible to participate, except for employees whose employment is incidental to educational programs at their institutions. Participation in the Plan begins after completing one year of service at the Council and attaining age 21, unless an eligible employee already owns a fully-vested, fully-funded retirement annuity contract issued under the plan of a previous employer. In that case, an employee may begin participating upon employment with the Council.

Note 12. Operating Leases

The Council had a five-year agreement to lease office facilities in Cairo, Egypt, which expired on June 30, 2007. Rent of \$920 was due monthly. On July 1, 2007, this lease was extended, expiring on June 30, 2012. Rent of \$1,050 is due monthly, with annual increase of \$50 per month.

The Council had a five-year agreement to lease office facilities in Los Angeles, California, which expires on July 30, 2011. On January 19, 2011, this lease was extended. The lease commences on August 1, 2011 and expires on July 30, 2016. The rent of \$15,979 is due monthly, with an annual increase of three percent

The Council entered into two leases which provide for student facilities in Oxford, England. The first lease expires on August 15, 2011, and calls for quarterly lease payments of approximately \$49,750 (based on current exchange rates). The second lease expires on July 6, 2015, but can be cancelled without penalty after July 2011. Rent of approximately \$28,975 is due quarterly (based on current exchange rates).

The Council has a lease for the facilities of the Washington Journalism Center in Washington, D.C. These facilities were purchased and renovated specifically for the journalism program and are adjacent to the Council headquarters buildings. The lease is currently on a monthly basis with rental payments of \$2,000 per month.

During the year ended June 30, 2010, the Council leased a building in Brentwood, Tennessee. The three-year lease commences on August 1, 2010, with monthly rent of \$12,000.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 12. Operating Leases (Continued)

Future minimum lease payments are as follows:

Years Ending June 30,	
2012	\$ 413,459
2013	395,711
2014	269,622
2015	263,710
2016	215,294
2017	17,985
	<u>\$ 1,078,792</u>

The Council also leases apartments on a monthly basis. Rent expense for the years ended June 30, 2011 and 2010, was \$1,740,062 and \$1,767,105, respectively.

Note 13. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This Topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The Topic requires new disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Council's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by hierarchy level:

	2011			
	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Large Growth	\$ 581,964	\$ 581,964	\$ -	\$ -
Large Value	368,094	368,094	-	-
Foreign Large Blend	322,170	322,170	-	-
Small Growth	147,373	147,373	-	-
Diversified Emerging Mkts	111,336	111,336	-	-
Small Value	93,283	93,283	-	-
Intermediate-Term Bond	36,777	36,777	-	-
Short-Term Bond	36,208	36,208	-	-
U.S. Government obligations	153,842	-	153,842	-
Preferred Stock	23,610	-	23,610	-
	<u>\$ 1,874,657</u>	<u>\$ 1,697,205</u>	<u>\$ 177,452</u>	<u>\$ -</u>
Foreign exchange contracts	<u>\$ 182,105</u>	<u>\$ -</u>	<u>\$ 182,105</u>	<u>\$ -</u>
	2010			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual Funds:				
Large Growth	\$ 414,150	\$ 414,150	\$ -	\$ -
Large Value	299,251	299,251	-	-
Foreign Large Blend	272,921	272,921	-	-
Small Growth	101,239	101,239	-	-
Diversified Emerging Mkts	93,337	93,337	-	-
Small Value	59,899	59,899	-	-
Intermediate-Term Bond	15,795	15,795	-	-
Short-Term Bond	15,585	15,585	-	-
Preferred Stock	17,580	-	17,580	-
U.S. Government obligations	11,091	-	11,091	-
	<u>\$ 1,300,848</u>	<u>\$ 1,272,177</u>	<u>\$ 28,671</u>	<u>\$ -</u>
Liabilities:				
Foreign exchange contracts	<u>\$ (63,121)</u>	<u>\$ -</u>	<u>\$ (63,121)</u>	<u>\$ -</u>

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

The table below shows the reconciliation of investments to the balance sheets at June 30, 2011 and 2010:

	2011	2010
Total investments at fair value	\$ 1,874,657	\$ 1,300,848
Investment in real estate, at cost	200,000	200,000
Certificates of deposit, at cost	658,775	806,649
	<u>\$ 2,733,432</u>	<u>\$ 2,307,497</u>

The Council's mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. U.S. Government obligations and corporate notes are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items. The fair value of foreign exchange contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles and therefore, considered Level 2 items.

Note 14. Commitments

Hotel contract: The Council has entered into contracts for hotel rooms for future conferences and meetings through 2014. In the event of cancellation, the Council may be required to pay cancellation fees, as stipulated in the contracts.

Employment contract: The Council has entered into an employment contract with the President, which provides for severance payments under certain circumstances equal to 12 months of salary.

Cooperative agreement: The Council entered into a cooperative agreement with Wesley Institute (Wesley) to operate the Australia Studies Centre. Under this agreement, Wesley agrees to serve as host institution for the program, provide administrative support and enroll student in Wesley classes. Wesley will receive a guaranteed annual minimum payment of approximately \$140,000 (based on current exchange rates) by June 30, 2011, plus additional revenue if enrollment exceeds certain minimum levels.

Note 15. Subsequent events

Subsequent to June 30, 2011, the Council sold a property, 2 Frewin Court, in Oxford, England for approximately \$690,270 (based on exchange rates on date of closing).

The Council also acquired The Vines, a property in Oxford, England for approximately \$3,385,452 (based on exchange rates on date of closing). This property is financed by a loan from Svenska Handelsbanken bank in Oxford. The new loan is in the amount of \$2,369,816 (based on exchange rates on the date of the loan agreement) at an interest rate of 6.25 percent. Quarterly payments of principal and interest are due in the amount of \$52,132, based on a 20-year amortization. The loan is secured by the property and a guarantee by the Council for the principal sum of the loan together with interest and costs.



Independent Auditor's Report On The Supplementary Information

To the Board of Directors
Council for Christian Colleges & Universities
Washington, D.C.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information which follows is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
November 3, 2011

Council For Christian Colleges & Universities And Affiliates

**Consolidated Schedules Of Expenses
Years Ended June 30, 2011 And 2010**

	2011	2010
Salaries and wages	\$ 3,924,331	\$ 4,018,095
Professional services	1,328,898	1,929,116
Occupancy	1,732,917	1,752,726
Travel and entertainment	1,771,540	1,720,274
Employee benefits and payroll taxes	1,009,630	1,032,560
Other	1,132,957	832,533
Depreciation	599,083	617,651
Supplies, postage, and telecommunications	355,619	330,862
Printing and publications	304,137	324,059
Grants	7,357	45,300
Loss on disposal of property and equipment	-	3,994
Total expenses	\$ 12,166,469	\$ 12,607,170