

Council For Christian Colleges & Universities

Consolidated Financial Report
June 30, 2007

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheet of the Council for Christian Colleges & Universities and affiliates (collectively, the Council) as of June 30, 2007, and the related consolidated statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Council's 2006 consolidated financial statements and, in our report, dated September 14, 2006, we expressed an unqualified opinion on those statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council for Christian Colleges & Universities and affiliates as of June 30, 2007, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
December 4, 2007

Council For Christian Colleges & Universities And Affiliates

Consolidated Balance Sheet

June 30, 2007

(With Comparative Totals For 2006)

Assets	2007	2006
Cash and Cash Equivalents	\$ 634,567	\$ 882,520
Investments	3,675,058	3,282,230
Accounts Receivable	269,553	203,156
Prepaid Expenses	382,155	292,160
Promises to Give, net	115,000	309,500
Deposits and Other Assets	82,553	94,814
Cash Surrender Value of Life Insurance Policies	35,431	30,994
Property and Equipment, net	4,766,329	4,375,140
	\$ 9,960,646	\$ 9,470,514
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 292,680	\$ 233,776
Deferred revenue	306,158	348,315
Notes payable	1,457,623	1,503,367
Other liabilities	11,500	30,279
Total liabilities	2,067,961	2,115,737
Commitments (Notes 10 and 11)		
Net Assets		
Unrestricted:		
Undesignated	1,891,281	1,579,602
Designated		
Net investment in plant	2,950,430	2,888,445
Board designated	1,398,092	1,341,739
	6,239,803	5,809,786
Temporarily restricted	530,735	431,494
Permanently restricted	1,122,147	1,113,497
	7,892,685	7,354,777
	\$ 9,960,646	\$ 9,470,514

See Notes To Consolidated Financial Statements.

Council For Christian Colleges & Universities And Affiliates

Consolidated Statement Of Activities
 Year Ended June 30, 2007
 (With Comparative Totals For 2006)

	2007				Total 2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and Revenue:					
Student programs	\$ 8,087,636	\$ 171,866	\$ -	\$ 8,259,502	\$ 8,015,545
Membership dues	1,106,052	-	-	1,106,052	1,045,319
Conferences	253,837	109,222	-	363,059	714,645
Investment income	249,276	-	-	249,276	153,567
Other programs	73,683	152,659	-	226,342	261,950
Grants and special initiatives	49,011	158,000	-	207,011	167,022
Business partnerships	166,610	-	-	166,610	176,793
Communication and publications	121,717	-	-	121,717	126,484
Other	329,723	-	8,650	338,373	704,143
Net assets released from restrictions	492,506	(492,506)	-	-	-
Total support and revenue	10,930,051	99,241	8,650	11,037,942	11,365,468
Expenses:					
Student programs	7,713,957	-	-	7,713,957	7,401,947
Other programs	458,057	-	-	458,057	570,638
Conferences	325,803	-	-	325,803	601,508
Communication and publications	182,176	-	-	182,176	256,551
Grants and special initiatives	129,923	-	-	129,923	509,945
Business partnerships	8,305	-	-	8,305	9,374
Development	3,700	-	-	3,700	14,615
Administration and other	1,678,113	-	-	1,678,113	1,754,122
Total expenses	10,500,034	-	-	10,500,034	11,118,700
Change in net assets	430,017	99,241	8,650	537,908	246,768
Net Assets:					
Beginning	5,809,786	431,494	1,113,497	7,354,777	7,108,009
Ending	<u>\$ 6,239,803</u>	<u>\$ 530,735</u>	<u>\$ 1,122,147</u>	<u>\$ 7,892,685</u>	<u>\$ 7,354,777</u>

See Notes To Consolidated Financial Statements.

Council For Christian Colleges & Universities And Affiliates

Consolidated Statement Of Cash Flows
 Year Ended June 30, 2007
 (With Comparative Totals For 2006)

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 537,908	\$ 246,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	511,471	476,634
Contributions restricted for investment in perpetuity	(8,650)	(97,497)
Realized and unrealized (gain) on investments	(79,355)	(43,118)
(Decrease) in discount on promises to give	-	(13,800)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(66,397)	(36,959)
Promises to give	194,500	338,500
Prepaid expenses	(89,995)	85,748
Increase (decrease) in:		
Accounts payable and accrued expenses	58,904	66,972
Deferred revenue	(42,157)	(26,748)
Other liabilities	(18,779)	22,829
Net cash provided by operating activities	997,450	1,019,329
Cash Flows From Investing Activities		
Purchases of investments	(3,688,097)	(2,834,078)
Proceeds from sale of investments	3,374,624	2,115,843
Purchases of property and equipment	(902,660)	(430,368)
Decrease in deposits and other assets	12,261	8,282
(Increase) decrease in cash surrender value of life insurance policies	(4,437)	3,641
Net cash (used in) investing activities	(1,208,309)	(1,136,680)
Cash Flows From Financing Activities		
Principal payments on notes payable	(45,744)	(43,671)
Contributions restricted to investment in perpetuity	8,650	97,497
Net cash (used in) provided by financing activities	(37,094)	53,826
Net (decrease) in cash and cash equivalents	(247,953)	(63,525)
Cash And Cash Equivalents		
Beginning	882,520	946,045
Ending	\$ 634,567	\$ 882,520
Supplemental Disclosure Of Cash Flow Information		
Cash payments for interest	\$ 71,880	\$ 73,953

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: The Council for Christian Colleges & Universities (the Council) is a not-for-profit corporation based in Washington, D.C., and represents over 170 colleges and universities in the United States 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 services to biblical truth.

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 as a development effort of the Council and its mission is to transform society through strategic investments in students, faculty and the leadership of intentionally Christian higher education worldwide.

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

Basis of accounting: The accompanying 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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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-UK, MESP, Inc., 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 3 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 financial statements.

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 are fully collectible and no provision for doubtful accounts is 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 on the Statement 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.

In accordance with Financial Accounting Standards Board Statement No. 116, promises to give, which are to be received in a future period, are discounted to their net present value at the time the revenue is recorded. The Council's promises to give are discounted at a rate of 6%. Management believes that promises to give are fully collectible and no provision for doubtful accounts is 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 use 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: The Council accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be 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 represent amounts received in advance for student programs 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.

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 described below.

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 used 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 the Council actions.

Expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement 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.

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 no unrelated business income for the year ended June 30, 2007.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 2. Investments

Investments at June 30, 2007, consisted of the following:

Cash and cash equivalents	\$	1,524,270
Equities		1,511,943
Fixed income		438,845
Investment in real estate, at cost		200,000
	\$	<u>3,675,058</u>

Investment income for the year ended June 30, 2007, consisted of the following:

Interest and dividends	\$	169,921
Unrealized gains on investments		28,802
Realized gains on sale of investments		50,553
	\$	<u>249,276</u>

Note 3. Promises To Give

At June 30, 2007, promises to give total \$115,000. Certain donors have placed restrictions on their promises to give to be used for certain programs. The anticipated receipt of promises to give at June 30, 2007 of \$115,000 are due within 1 year.

Note 4. Property And Equipment

Property and equipment at June 30, 2007, and depreciation expense for the year then ended, consisted of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Land	-	\$ 546,368	\$ -	\$ 546,368	\$ -
Construction in Process	-	371,738	-	371,738	-
Buildings and improvements	5 to 30 years	5,354,989	2,373,202	2,981,787	199,158
Furniture and equipment	3 to 10 years	2,564,337	1,697,901	866,436	312,313
		<u>\$ 8,837,432</u>	<u>\$ 4,071,103</u>	<u>\$ 4,766,329</u>	<u>\$ 511,471</u>

Note 5. Notes Payable

The Council entered into a loan agreement with The University Financing Foundation, Inc., with a maximum borrowing amount of \$1,200,000. The loan is collateralized by real estate. Minimum payments of \$6,738 are due monthly at a rate of 4.4%. The loan matures on September 1, 2009, and the unpaid balance of approximately \$886,743 is due. At June 30, 2007, the balance on the loan was \$969,895.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 5. Notes Payable (Continued)

The Council has a loan agreement with The University Financing Foundation, Inc., with a maximum borrowing amount of \$525,000. The loan is collateralized by real estate. Minimum payments of \$3,064 are due monthly at a rate of 5.75%. The loan matures on July 31, 2012, when the unpaid balance of approximately \$436,381 is due. At June 30, 2007, the balance on the loan was \$487,728.

Maturities of long-term debt at June 30, 2007, are due in future years as follows:

Years Ending June 30,	
2008	\$ 47,777
2009	50,047
2010	900,551
2011	10,635
2012	11,264
2013	437,349
	\$ 1,457,623

Interest expense was \$71,880 for the year ended June 30, 2007.

Note 6. Board Designated Net Assets

Board designated net assets at June 30, 2007, are available for the following purposes:

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

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2007, are available for the following purposes:

	Balance June 30, 2006	Additions	Released	Balance June 30, 2007
Grants and special initiatives	\$ 431,494	\$ 591,747	\$ (492,506)	\$ 530,735

Note 8. Permanently Restricted Net Assets

Permanently restricted net assets in the amount of \$1,122,147 are restricted to investment in perpetuity, the income from which is expendable to support faculty development.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 9. Retirement Plan

The Council has a defined contribution retirement plan. Contributions are made on a monthly basis at the rate of 6% of base salary. 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 predetermined minimum percentage of their gross salary each year. The minimum required contribution for employees was 3% in the year ending June 30, 2007 will increase to 4% in the year ending June 30, 2008. For the year ended June 30, 2007, the Council contributed \$191,418 to the plan.

All United States employees who work a minimum of 1,020 hours annually are eligible to participate, except any employee whose employment is incidental to their educational programs at their institution. Participation in the retirement 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 this case, an employee may begin participating upon employment with the Council.

Note 10. Operating Lease

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 which expires on June 30, 2012. Rent of \$1,050 is due monthly with annual increases of \$50 per month.

The Council has an agreement to lease office and student facilities in Massachusetts, which expires May 4, 2008. Rent payments of \$151,595 are due semi-annually.

On April 15, 2005 and on March 21, 2006 the Council entered into agreements to lease 6,381 square feet of office space in Los Angeles, California. Both leases expire on July 31, 2008. Rent of \$10,573 is due monthly.

The Council entered into a lease which provides for a student facility in Oxford, England. The lease expires on June 30, 2011, and calls for quarterly lease payments of approximately \$49,750 (based on current exchange rates).

The Council entered into a lease in Oxford, England, effective upon execution. The 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).

Future minimum lease payments are as follows:

Years Ending June 30,	
2008	\$ 555,624
2009	302,632
2010	293,395
2011	294,535
2012	29,195
	<u>\$ 1,475,381</u>

The Council also leases apartments on a monthly basis. Rent expense for the year ended June 30, 2007, was \$1,384,970.

Council For Christian Colleges & Universities And Affiliates

Notes To Consolidated Financial Statements

Note 11. Commitment

Hotel Contract

The Council has entered into contracts for hotel rooms for future conferences and meetings through 2010. 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 Executive Director, which provides for severance payments, under certain circumstances, equal to twelve months salary.

Construction-in-process: The Council has begun construction for their website and database development with a total estimated cost of approximately \$655,000. The Council has incurred costs of approximately \$371,000 at June 30, 2007.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On The Supplementary Information

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

Our audit was 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 purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information for 2007 has been subjected to the auditing procedures applied in the audit 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. The comparative information was derived from the Council's basic consolidated financial statements for the year ended June 30, 2006. Our report, dated September 14, 2006, expressed an unqualified opinion on such information in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
December 4, 2007

Council For Christian Colleges & Universities And Affiliates

Consolidated Schedule Of Expenses
Year Ended June 30, 2007
(With Comparative Totals For 2006)

	2007	2,006
Salaries and wages	\$ 3,284,611	\$ 3,279,832
Travel and entertainment	1,937,909	2,237,750
Occupancy	1,682,930	1,622,091
Professional services	1,104,856	1,212,118
Employee benefits and payroll taxes	796,219	870,915
Depreciation	511,471	476,634
Printing and publications	222,312	379,621
Supplies, postage, and telecommunications	292,452	335,724
Grants	2,270	132,262
Other	665,004	571,753
Total expenses	\$ 10,500,034	\$ 11,118,700