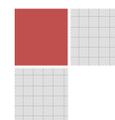


SCRIPTURE UNION
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

Morey Nee Buck & Oswald LLC
Certified Public Accountants and Advisors



SCRIPTURE UNION
JUNE 30, 2017

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
SCRIPTURE UNION
Valley Forge, Pennsylvania

We have audited the accompanying financial statements of Scripture Union (a non-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Scripture Union as of June 30, 2017, 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 Scripture Union's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

Morey, Nee, Buck & Oswald, LLC
Spring House, Pennsylvania
October 6, 2017

SCRIPTURE UNION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
<u>Assets:</u>		
Cash and cash equivalents	\$ 318,933	\$ 155,196
Restricted cash	119,289	74,577
Accounts receivable	14,223	8,978
Promises to give	187,667	207,670
Employee loan	-	4,012
Prepaid expenses	42,250	46,068
Inventory	57,578	68,599
Property and equipment, net	<u>26,887</u>	<u>16,560</u>
 Total assets	 <u>\$ 766,827</u>	 <u>\$ 581,660</u>
<u>Liabilities and net assets:</u>		
Accounts payable and accrued expenses	\$ 58,369	\$ 180,226
Accrued payroll and payroll taxes	31	1,294
Deferred revenue	4,363	5,685
Due to Foundation	200,000	-
Line of credit	75,730	74,944
Loan payable	<u>12,500</u>	<u>25,000</u>
 Total liabilities	 <u>350,993</u>	 <u>287,149</u>
<u>Net assets:</u>		
Unrestricted	266,575	186,934
Temporarily restricted	<u>149,259</u>	<u>107,577</u>
 Total net assets	 <u>415,834</u>	 <u>294,511</u>
 Total liabilities and net assets	 <u>\$ 766,827</u>	 <u>\$ 581,660</u>

The accompanying notes are an integral part of these financial statements.

SCRIPTURE UNION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Totals <u>2017</u>	Totals <u>2016</u>
<u>Revenues, gains and other support:</u>				
Members' contributions	\$ 605,831	\$ 607,422	\$ 1,213,253	\$ 1,143,023
Foundations and grants	96,564	-	96,564	74,653
Legacies and bequests	9,293	-	9,293	15,740
Staff support	<u>418,835</u>	<u>-</u>	<u>418,835</u>	<u>466,126</u>
Total support	1,130,523	607,422	1,737,945	1,699,542
Sale of Bible reading guides	202,188	-	202,188	263,193
Investment earnings	119	-	119	-
Other income	38,924	-	38,924	49,128
Net assets released from restrictions:				
Satisfaction of restrictions	<u>565,740</u>	<u>(565,740)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,937,494</u>	<u>41,682</u>	<u>1,979,176</u>	<u>2,011,863</u>
<u>Expenses:</u>				
Bible reading ministry	499,592	-	499,592	515,845
Children's ministry	360,164	-	364,739	571,433
International ministry	688,597	-	688,597	861,235
Management and general	140,510	-	140,510	147,008
Fund raising	<u>168,990</u>	<u>-</u>	<u>164,415</u>	<u>179,613</u>
Total expenses	<u>1,857,853</u>	<u>-</u>	<u>1,857,853</u>	<u>2,275,134</u>
Change in net assets	79,641	41,682	121,323	(263,271)
Net assets, beginning of year	<u>186,934</u>	<u>107,577</u>	<u>294,511</u>	<u>557,782</u>
Net assets, end of year	<u>\$ 266,575</u>	<u>\$ 149,259</u>	<u>\$ 415,834</u>	<u>\$ 294,511</u>

The accompanying notes are an integral part of these financial statements.

SCRIPTURE UNION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	Bible Reading <u>Ministry</u>	Children's International <u>Ministry</u>	<u>Ministry</u>	Management <u>and General</u>	Fund <u>Raising</u>	2017 <u>Totals</u>	2016 <u>Totals</u>
Salaries and housing	\$ 132,585	\$ 212,494	\$ 87,616	\$ 50,819	\$ 88,581	\$ 572,095	\$ 760,158
Benefits	34,067	46,475	19,317	15,954	11,410	127,223	198,146
Professional services	50	437	-	13,030	3,341	16,858	31,477
Bible guides and materials, net	156,792	-	-	-	-	156,792	86,226
Books and undated guides	27,369	-	-	-	-	27,369	57,530
Postage and shipping	14,347	4,626	2,199	2,478	3,135	26,785	54,009
Printing and mailing	10,886	2,079	-	2,796	35,565	51,326	25,174
Promotion and marketing	21,713	620	-	-	1,563	23,896	3,619
Regional fundraisers	-	-	-	-	4,575	4,575	1,603
Grants made to related Organizations	-	-	565,740	-	-	565,740	702,395
Rent	16,470	6,452	3,160	2,956	3,466	32,504	58,223
Telephone	3,260	2,075	520	1,241	520	7,616	9,944
Equipment and furniture	507	100	100	573	2,558	3,838	3,604
Equipment maintenance	-	2,066	-	-	-	2,066	-
Leased equipment	5,295	1,918	1,033	1,164	1,033	10,443	10,090
Computer maintenance	4,752	3,676	919	919	919	11,185	9,448
Computer software	33,947	4,116	1,726	2,037	2,130	43,956	23,593
Insurance	6,700	-	1,957	1,656	1,946	12,259	12,590
Travel and conferences	6,579	33,025	1,794	4,339	4,906	50,643	88,141
Office	4,250	2,579	694	8,681	991	17,195	15,426
Payroll Fees	1,080	-	1,080	1,080	1,080	4,320	2,513
Royalties	5,539	-	-	-	-	5,539	7,128
Broker / Pay Pal fees	1,587	144	144	9,910	411	12,196	7,242
IATS fee	-	-	-	1,377	-	1,377	4,138
FOBA expense	-	-	-	7,756	-	7,756	8,466
Program materials	-	36,684	-	-	-	36,684	61,954
Social media expense	10,959	-	-	-	-	10,959	20,285
Bad debt expense	-	-	-	300	-	300	-
Depreciation	-	-	-	10,844	-	10,844	10,429
Interest expense	<u>858</u>	<u>598</u>	<u>598</u>	<u>600</u>	<u>860</u>	<u>3,514</u>	<u>1,583</u>
Totals	<u>\$ 499,592</u>	<u>\$ 360,164</u>	<u>\$ 688,597</u>	<u>\$ 140,510</u>	<u>\$ 168,990</u>	<u>\$ 1,857,853</u>	
Prior Year Totals	<u>\$ 515,845</u>	<u>\$ 571,433</u>	<u>\$ 861,235</u>	<u>\$ 147,008</u>	<u>\$ 179,613</u>		<u>\$ 2,275,134</u>

The accompanying notes are an integral part of these financial statements.

SCRIPTURE UNION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:

	<u>2017</u>	<u>2016</u>
Cash provided by operating activities:		
Receipts from donors (support)	\$ 1,945,448	\$ 1,955,832
Receipts from sales of publications	195,621	262,673
Receipts from interest and dividends	119	-
Receipts from other sources	<u>38,924</u>	<u>53,356</u>
 Total receipts	 <u>2,180,112</u>	 <u>2,271,861</u>
 Payments to vendors for goods and services	 (685,455)	 (734,185)
Payments to employees	(696,569)	(959,208)
Payments made to special funds	(565,740)	(688,084)
Income tax paid	-	-
Interest paid	<u>(3,514)</u>	<u>(1,583)</u>
 Total payments	 <u>(1,951,278)</u>	 <u>(2,383,060)</u>
 Net cash provided (used) by operating activities	 <u>228,834</u>	 <u>(111,199)</u>

Cash flows from investing activities:

Capital expenditures	<u>(21,171)</u>	<u>(2,532)</u>
 Net cash provided (used) by investing activities	 <u>(21,171)</u>	 <u>(2,532)</u>

Cash flows from financing activities

Proceeds from line of credit	75,730	74,944
Payments on line of credit	(74,944)	-
Increase in loans payable	<u>-</u>	<u>25,000</u>
 Net cash provided (used) by financing activities	 <u>786</u>	 <u>99,944</u>
 Net increase (decrease) in cash and cash equivalents	 208,449	 (13,787)
Cash and cash equivalents, beginning of year	<u>229,773</u>	<u>243,560</u>
 Cash and cash equivalents, end of year	 <u>\$ 438,222</u>	 <u>\$ 229,773</u>

The accompanying notes are an integral part of these financial statements.

SCRIPTURE UNION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 121,323	\$ (263,271)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	10,844	10,429
Bad debt expense	(300)	-
Partial forgiveness of loan balance	(12,500)	-
(Increase) decrease in accounts receivable	(4,945)	(520)
(Increase) decrease in promises to give	20,003	253,825
(Increase) decrease in employee loans receivable	4,012	4,228
(Increase) decrease in prepaid expenses	3,818	14,729
(Increase) decrease in inventory	11,021	25,271
Increase (decrease) in accounts payable	(121,857)	(157,451)
Increase (decrease) in deferred revenue	(1,322)	2,465
Increase (decrease) in due to foundation	200,000	-
Increase (decrease) in accrued payroll and taxes	<u>(1,263)</u>	<u>(904)</u>
Total adjustments	<u>107,511</u>	<u>152,072</u>
Net cash provided (used) by operating activities	<u>\$ 228,834</u>	<u>\$ (111,199)</u>
 Supplementary data:		
Noncash financing transactions:		
Forgiveness of debt	<u>\$ (12,500)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

SCRIPTURE UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Scripture Union is a Christian Organization committed to helping children, young people and their families know God's love, follow Jesus and meet God daily in His Word. Their mission is to assist churches in making God's good news known to children, young people and families through evangelism and discipleship programs; and to encourage people of all ages to meet God daily through Bible Study and prayer programs. It also supports and oversees Scripture Union ministry activities in many countries throughout the world.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of Scripture Union are as follows:

BASIS OF ACCOUNTING

The financial statements of Scripture Union have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its statement, *Financial Statements of Not-for-Profit Organizations*. Under the standard, the Organization 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days.

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

DONATED MATERIALS AND SERVICES

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

EXPENSE ALLOCATION

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

SCRIPTURE UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

INVENTORIES

Inventories are stated at the lower of cost (which approximates actual cost) or market value as determined by management.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the useful lives of the assets. The Organization's capitalization policy is to capitalize property and equipment when the cost exceeds \$1,000.

SCRIPTURE UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

Cash available for unrestricted purposes	\$ 318,933
Restricted cash and cash equivalents unspent for the following:	
International Ministry funds	<u>119,289</u>
Total	<u>\$ 438,222</u>

3. ACCOUNTS RECEIVABLE

Trade accounts receivable includes all unpaid charges made from sales of publications and other materials. The Organization considers receivables past due when invoices are open for more than 90 days. At year-end there was roughly \$3,754 in past due receivables. Based on historical averages, an allowance for doubtful accounts was accrued in the amount of \$800. Scripture Union will consider to write-off a past due accounts receivables once it becomes more than 120 days past due.

4. PROMISES TO GIVE

During the fiscal year ended June 30, 2015, the Organization was notified they were the beneficiary of a bequest. The amount due Scripture Union was estimated to be \$390,000 based on correspondence with the executor of the estate; accordingly, the Organization recorded contribution income and a promise to give in the amount of \$390,000. At June 30, 2017, the Organization was still owed the \$156,667 from the estate. However, as of the date of this report, Scripture Union collected the balance of all pledges, including from the estate that were due at June 30, 2017.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Furniture and equipment	\$ 163,257
Less accumulated depreciation	<u>(136,370)</u>
Property and equipment, net	<u>\$ 26,887</u>

Depreciation charged to expense for the year totaled \$10,844.

6. INVENTORY

Inventory consists of materials held for resale and are stated at average cost. The value of the unsold inventory- which consists of pamphlets, Bible guides and other publications was \$57,578.

SCRIPTURE UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

7. DUE TO FOUNDATION

During FYE 6/30/17, Scripture Union was awarded a project-specific grant in the amount of \$200,000. As significant components of the project changed unexpectedly, funds were held in reserve while the project viability was reviewed. The \$200,000 grant was returned to the foundation upon a final decision to alter the focus of the project in the subsequent year. An updated grant request has been submitted to the foundation for consideration.

8. LINE OF CREDIT

During the year, the existing line of credit agreement with Univest that had a borrowing capacity of \$75,000 and an outstanding balance of \$74,944 was paid off. A line of credit with The Victory Bank was initiated during the year. The Victory line of credit provides for borrowing up to a maximum of \$150,000, which is unsecured and payable on demand with interest at the bank's prime interest rate. At year-end \$75,730 was outstanding under this borrowing facility.

Per the agreement with Victory Bank, the line of credit was paid off in full in August 2017, when the Organization collected all of the promises to give due them at June 30, 2017 (see note 4). Interest paid and charged to interest expense between the two lines of credit was \$3,514.

9. LOAN PAYABLE

During the prior fiscal year Scripture Union entered into a loan agreement with a board member lending the organization \$25,000. During the current fiscal year, the lender forgave \$12,500 of the loan, leaving a balance of \$12,500 at June 30, 2017. The loan is unsecured with a five year term and a stated interest rate of 0%.

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

International Ministry Support	<u>\$ 565,740</u>
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11. TOTAL NET ASSETS

Temporarily restricted net assets are available for the following purposes:

International Ministry Support	<u>\$ 149,259</u>
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12. PENSION PLAN AND RETIREMENT BENEFITS

Scripture Union has a defined contribution retirement plan covering substantially all full-time salaried employees with at least two years of service and who have reached the age of 21.

SCRIPTURE UNION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

12. PENSION PLAN AND RETIREMENT BENEFITS, CONTINUED

Under the plan, each employee is provided with a retirement benefit as permitted by section 403(b)7 of the Internal Revenue Code. Scripture Union contributed 2% to the plan for every eligible employee and an additional match up to 2% of the employee's contribution to the plan. Pension expense under this plan totaled \$9,805.

13. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Scripture Union maintains all cash balances in a financial institution located in Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. There are times throughout the year when the Organization's cash balances exceed the insured amount. The Organization has not incurred any losses due to its cash balance exceeding insured amounts and believes they are not exposed to any significant credit risk.

14. OPERATING LEASE COMMITMENT: OFFICE SPACE

The Organization entered into an agreement with the National Christian Conference Center in December 2012 to lease office space at 1485 Valley Forge Road, Valley Forge, PA. The term of the lease is 61 months, ending on December 31, 2017. Under the terms of the lease, the lessor is responsible for paying all utility bills relating to its space, with the exception of telephone and internet services. The amount of rent paid for the fiscal year ended June 30, 2017 was \$32,504.

Future lease payments are as follows:

Fiscal year ending June 30:	
2018	\$ <u>15,898</u>
Total	\$ <u>15,898</u>

The owner of the property has indicated that the organization will be able to stay in the office space at least until August 31, 2018 and most likely through the end of the 2018, calendar year. Terms of a lease extension have not been discussed.

15. SHIPPING AND HANDLING COSTS

All shipping and handling costs are expensed when incurred and are presented in the statement of activities as a component of expenses. During the current year, the Organization incurred shipping and handling costs of \$26,785.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through October 6, 2017, which is the date on which the financial statements were available to be issued. No events or transactions that require disclosure or recognition were identified.