

The Christophers, Inc.

Financial Statements

December 31, 2016



Independent Auditors' Report

Board of Directors The Christophers, Inc.

We have audited the accompanying financial statements of The Christophers, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expense 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Christophers, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Christophers, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 26, 2017

The Christophers, Inc.

Statement of Financial Position

December 31, 2016

(with comparative amounts for December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	78,771	175,086
Accounts receivable, net of allowance for doubtful accounts of \$17,500 and \$-0-	616,924	491,474
Other assets	11,643	10,369
Investments	6,367,525	6,726,432
Security deposit	39,900	39,900
Restricted beneficial interest in a trust	52,507	53,104
Property and equipment, net	21,295	25,152
Deferred lease costs	<u>361,485</u>	<u>437,588</u>
	<u>\$ 7,550,050</u>	<u>\$ 7,959,105</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	138,296	164,534
Deferred rent	<u>207,453</u>	<u>233,907</u>
Total Liabilities	<u>345,749</u>	<u>398,441</u>
 Net Assets		
Unrestricted	7,151,794	7,507,560
Permanently restricted	<u>52,507</u>	<u>53,104</u>
Total Net Assets	<u>7,204,301</u>	<u>7,560,664</u>
	<u>\$ 7,550,050</u>	<u>\$ 7,959,105</u>

See notes to financial statements

The Christophers, Inc.

Statement of Activities
 Year Ended December 31, 2016
 (with summarized comparative totals for the year ended December 31, 2015)

	2016			2015 Total
	Unrestricted	Permanently Restricted	Total	
SUPPORT				
Contributions and gifts	\$ 570,876	\$ -	\$ 570,876	\$ 567,494
In-kind contributions	46,553	-	46,553	59,330
Legacies and bequests	390,656	-	390,656	730,083
Foundations	11,500	-	11,500	12,000
Total Support	<u>1,019,585</u>	<u>-</u>	<u>1,019,585</u>	<u>1,368,907</u>
REVENUE				
Books, calendars, news notes and other	72,800	-	72,800	86,488
Dividend and interest income, net	100,073	-	100,073	69,865
Gain (loss) on investments	81,260	-	81,260	(122,909)
Total Revenue	<u>254,133</u>	<u>-</u>	<u>254,133</u>	<u>33,444</u>
Total Support and Revenue	<u>1,273,718</u>	<u>-</u>	<u>1,273,718</u>	<u>1,402,351</u>
EXPENSES				
Program services	1,357,329	-	1,357,329	1,715,495
Management and general	209,595	-	209,595	160,481
Fundraising	62,560	-	62,560	69,909
Total Operating Expenses	<u>1,629,484</u>	<u>-</u>	<u>1,629,484</u>	<u>1,945,885</u>
Change in Net Assets Before Change in Beneficial Interests in Trusts	(355,766)	-	(355,766)	(543,534)
Change in beneficial interests in trusts	-	(597)	(597)	(1,019)
Change in Net Assets	<u>(355,766)</u>	<u>(597)</u>	<u>(356,363)</u>	<u>(544,553)</u>
NET ASSETS				
Beginning of year	<u>7,507,560</u>	<u>53,104</u>	<u>7,560,664</u>	<u>8,105,217</u>
End of year	<u>\$ 7,151,794</u>	<u>\$ 52,507</u>	<u>\$ 7,204,301</u>	<u>\$ 7,560,664</u>

See notes to financial statements

The Christophers, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016
(with summarized totals for the year ended December 31, 2015)

	Program Services						Supporting Services			Total		
	Inspirational Literature	Media	Awards	Youth and Ministries	Leadership and Seminars	Bequest	Total	Management and General	Fund Raising	Total	2016	2015
Salaries	121,498	56,554	109,131	59,563	63,418	28,920	\$ 439,084	57,927	4,821	\$ 62,748	\$ 501,832	\$ 674,664
Fringe benefits	25,559	8,577	18,100	8,475	11,513	2,023	74,247	10,024	462	10,486	84,733	92,696
Payroll taxes	11,997	4,229	8,519	4,428	4,945	2,089	36,207	2,149	364	2,513	38,720	44,124
Pension expense	<u>16,167</u>	<u>5,609</u>	<u>12,026</u>	<u>5,669</u>	<u>7,719</u>	<u>2,247</u>	<u>49,437</u>	<u>8,879</u>	<u>444</u>	<u>9,323</u>	<u>58,760</u>	<u>58,135</u>
Total Salaries and Related Expenses	<u>175,221</u>	<u>74,969</u>	<u>147,776</u>	<u>78,135</u>	<u>87,595</u>	<u>35,279</u>	<u>\$ 598,975</u>	<u>78,979</u>	<u>6,091</u>	<u>\$ 85,070</u>	<u>\$ 684,045</u>	<u>\$ 869,619</u>
Computer Systems and Service	5,767	5,182	5,272	5,385	5,085	4,520	\$ 31,211	4,541	4,343	\$ 8,884	\$ 40,095	\$ 47,385
Equipment Rental and Maintenance	418	238	418	238	395	283	1,990	238	126	364	2,354	2,681
General Insurance	1,957	1,087	1,957	3,101	1,849	1,305	11,256	1,087	544	1,631	12,887	12,425
Marketing and Public Relations	2,558	1,124	8,624	1,124	1,124	1,124	15,678	4	961	965	16,643	9,543
Meals entertainment and travel	1,037	572	620	552	1,319	546	4,646	1,736	347	2,083	6,729	9,046
Media Recording and Production	243	31,346	63	63	-	-	31,715	-	-	-	31,715	36,779
Occupancy	20,554	11,419	20,554	11,419	19,412	13,703	97,061	11,419	5,709	17,128	114,189	111,843
Outside mailing services and list rentals	27,043	87	1,963	87	90	90	29,360	17	9,557	9,574	38,934	44,582
Printing and Publications	68,858	130	252	130	130	130	69,630	145	7,058	7,203	76,833	100,865
Prizes and Donations	-	-	-	6,350	-	-	6,350	-	-	-	6,350	6,065
Professional Fees	19,001	42,753	9,501	2,850	16,151	-	90,256	41,338	-	41,338	131,594	173,983
Program consultants and contributors	77,033	9,535	15,936	11,335	13,331	6,013	133,183	7,904	4,402	12,306	145,489	192,718
Shipping and Postage	45,483	7,351	7,189	5,567	5,628	5,587	76,805	6,172	17,842	24,014	100,819	120,641
Supplies	3,957	1,356	11,657	1,356	1,555	1,353	21,234	2,767	814	3,581	24,815	24,211
Telephone	446	446	446	446	446	446	2,676	446	446	892	3,568	3,242
Miscellaneous Expense	4,838	3,285	3,285	3,285	3,285	3,285	21,263	44,328	322	44,650	65,913	38,679
Inkind Contribution	<u>1,911</u>	<u>4,299</u>	<u>37,955</u>	<u>287</u>	<u>1,624</u>	<u>-</u>	<u>46,076</u>	<u>478</u>	<u>-</u>	<u>478</u>	<u>46,554</u>	<u>59,330</u>
Total Expenses Before Depreciation and Amortization	<u>456,325</u>	<u>195,179</u>	<u>273,468</u>	<u>131,710</u>	<u>159,019</u>	<u>73,664</u>	<u>\$ 1,289,365</u>	<u>201,599</u>	<u>58,562</u>	<u>\$ 260,161</u>	<u>\$ 1,549,526</u>	<u>\$ 1,863,637</u>
Depreciation and amortization	694	386	694	386	656	463	\$ 3,279	386	193	\$ 579	\$ 3,858	\$ 6,146
Amortization of deferred lease cost	<u>13,698</u>	<u>7,610</u>	<u>13,698</u>	<u>7,610</u>	<u>12,937</u>	<u>9,132</u>	<u>64,685</u>	<u>7,610</u>	<u>3,805</u>	<u>11,415</u>	<u>76,100</u>	<u>76,102</u>
Total Expenses	<u>\$ 470,717</u>	<u>\$ 203,175</u>	<u>\$ 287,860</u>	<u>\$ 139,706</u>	<u>\$ 172,612</u>	<u>\$ 83,259</u>	<u>\$ 1,357,329</u>	<u>\$ 209,595</u>	<u>\$ 62,560</u>	<u>\$ 272,155</u>	<u>\$ 1,629,484</u>	<u>\$ 1,945,885</u>

The Christophers, Inc.

Statement of Cash Flows

Year Ended December 31, 2016

(with comparative amounts for the year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (356,363)	\$ (544,553)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized loss/(gain) on investment	(81,260)	122,909
Depreciation and amortization	3,858	6,146
Amortization of deferred lease costs	76,102	76,102
Amortization of deferred rent	(26,454)	(20,942)
Changes in operating assets and liabilities		
Accounts receivable	(125,450)	(338,098)
Due from trustee	-	254,327
Other assets	(1,274)	8,881
Accounts payable and accrued expenses	<u>(26,238)</u>	<u>35,732</u>
Net Cash from Operating Activities	<u>(537,079)</u>	<u>(399,496)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in beneficial interests in trusts	597	1,019
Net change in cash investments	(59,833)	(574,020)
Proceeds from investment transactions	<u>500,000</u>	<u>915,194</u>
Net Cash from Investing Activities	<u>440,764</u>	<u>342,193</u>
Net Change in Cash	(96,315)	(57,303)
 CASH		
Beginning of year	<u>175,086</u>	<u>232,389</u>
End of year	<u>\$ 78,771</u>	<u>\$ 175,086</u>

See notes to financial statements

The Christophers, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

1. Organization

The Christophers, Inc. (the “Christophers”) is a New York not-for-profit membership corporation. The objective of the Christophers is to enlist the services of all persons of goodwill to show personal responsibility by word and action for the promotion of humanistic ideals, which are congruent with the Judeo-Christian tradition. This objective is achieved primarily through the use of mass media.

The Christophers is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, under a group exemption covering all agencies and instrumentalities and all educational, charitable and religious institutions operated, supervised or controlled by or in connection with The Roman Catholic Church in the United States, its territories and possessions. The Christophers has been classified as an organization that is not a private foundation. Accordingly, all contributions to the Christophers are fully deductible to the extent permitted under IRS regulations.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Flows

Cash for purposes of the statements of financial position and cash flows includes all short-term highly liquid investments with a maturity of ninety days or less at the time of purchase which are not intended for investment purposes.

Contributions

Contributions are recorded when the unconditional promises to give are made. All contributions are available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Christophers, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions and Donated Services

In-kind contributions are recorded as income and expenses at the time the items are received, which is also the time they are placed into service. Donated services are reported as income at their fair value if such services create value or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. In-kind contributions and donated services amounted to \$46,553 and \$59,330 for the year ended December 31, 2016 and 2015, respectively.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management believes the majority of all promises to give will be collected within the expected time frame of one year.

Fair Value Measurements

The Christophers follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation

Investments are stated at fair value.

Investment Income Recognition

Purchases and sales of securities are recognized on a trade-date basis. Interest income is recognized on the accrual basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property and Equipment

The Christophers capitalizes expenditures for property and equipment with a cost in excess of \$1,000. Costs for repairs and maintenance are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful life of 3 to 10 years. Leasehold improvements are amortized on the straight-line method over the term of the lease or useful life, whichever is shorter.

The Christophers, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies *(continued)*

Concentrations of Credit Risk

Financial instruments which potentially subject the Christophers to concentrations of credit risk consist of money market accounts, accounts receivable and investment securities. The Christophers places its temporary cash and money market accounts with financial institutions and at times a portion of the funds may not be insured by the Federal Deposit Insurance Corporation.

Allocation of Functional Expenses

Expenses are charged directly to each program when incurred. Expenditures, which benefit multiple functions and are not easily identifiable to a particular function, are allocated to those several functions based on the relative attribution of employee efforts and/or in some instances based on the proportion of office space used.

Accounting for Uncertainty in Income Taxes

The Christophers recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Christophers had no uncertain tax positions that would require financial statement recognition. The Christophers is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2013.

Deferred Rent

Rent expense is amortized ratably over the lease term. Deferred rent represents the difference between the cash payments for the office lease and the amounts expensed in the financial statements which, pursuant to U.S. GAAP is computed on a straight-line basis over the lease term.

Deferred Lease Costs

Deferred lease costs represent lease modification costs incurred in connection with the extension of The Christophers' office lease which is being amortized on a straight-line basis over the lease term.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 20, 2017.

Reclassifications

Certain prior period information has been reclassified to conform to current year presentation.

The Christophers, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

3. Investments and Fair Value Measurements

The following are the major categories of financial instruments measured at fair value based on inputs at December 31:

	2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Total
Investments in common stock	\$ 1,331,224	\$ -	\$ -	\$1,331,224
Mutual Funds	1,073,214	-	-	1,073,214
Government and agency bonds	-	815,923	-	815,923
Corporate bonds	-	705,906	-	705,906
Beneficial interests in trust	-	-	52,507	52,507
Total at Fair Value	<u>\$ 2,404,438</u>	<u>\$ 1,521,829</u>	<u>\$ 52,507</u>	<u>3,978,774</u>
Money Market Investments				<u>2,441,258</u>
Total Investments and Value of Beneficial Interest in Trust				<u>\$6,420,032</u>
	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Total
Investments in common stock	\$ 1,080,378	-	\$ -	\$1,080,378
Mutual Funds	1,209,250	-	-	1,209,250
Government and agency bonds	-	804,428	-	804,428
Corporate bonds	-	716,445	-	716,445
Beneficial interests in trust	-	-	53,104	53,104
Total at Fair Value	<u>\$ 2,289,628</u>	<u>\$ 1,520,873</u>	<u>\$ 53,104</u>	<u>3,863,605</u>
Money Market Investments				<u>2,915,931</u>
Total Investments and Value of Beneficial Interest in Trust				<u>\$6,779,536</u>

The Christophers, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

The following table summarizes the investment return for the year ending December 31:

	2016	2015
Dividend and interest income	100,073	69,865
Realized and unrealized gain (loss) on investments	81,260	(122,909)
	181,333	(53,044)
Less investment fees	(39,988)	(29,859)
	\$ 141,345	\$ (82,903)

4. Beneficial Interests in Trust

The Christophers was also a beneficiary of a charitable trust during the year. The Christophers receives annual distributions which are included in unrestricted income. Future distributions from the trusts are subject to the Christophers' continuing to exist and function. The trust was held and managed by independent corporate trustees. The remaining permanently restricted trust amounts to \$52,507 and \$53,104 at December 31, 2016 and 2015, respectively.

The trusts are invested in marketable equity and debt securities. The following is a reconciliation of the beginning and ending balances of beneficial interests, at December 31:

	2016	2015
Total beginning balance	\$ 53,104	54,123
Changes in beneficial interests included in change in net assets	(597)	(1,019)
Total ending balance	\$ 52,507	\$ 53,104

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2016	2015
Leasehold improvements	37,580	37,580
Equipment	115,258	115,258
	152,838	152,838
Less accumulated depreciation and amortization	(131,543)	(127,686)
	\$ 21,295	\$ 25,152

The Christophers, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

6. Endowment Funds

The Christophers is a beneficiary of a permanently restricted beneficial interest in a trust which is a donor-restricted fund whose purpose is to provide long term support to the Christophers. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board looks to explicit directions of the donor where applicable and the applicable provisions the New York State Prudent Management of Funds Act (“NYPMIFA”).

7. Pension Plans

The Christophers participates in the Archdiocesan Pension Plan, a multi-employer defined benefit plan that is limited to eligible employees meeting the age and years of service requirements of the plan. Pension expense approximated \$58,761 and \$58,135 for the years ended December 31, 2016 and 2015. The Archdiocesan Plan is currently under funded by an undetermined amount. The Christophers’ management has not evaluated the effect of such under funding on future contributions but believes that any increased contributions will not materially affect the Christophers’ financial condition or liquidity in the near term.

8. Commitments and Contingencies

The Christophers is obligated under an operating lease which includes escalations for its executive and administrative offices. The lease expires on September 11, 2021.

Minimum future obligations under the lease are as follows:

2017	137,656
2018	141,181
2019	144,804
2020	148,526
Thereafter	<u>113,531</u>
	<u>\$ 685,698</u>

Rent expense net of deferred rent amounted to \$114,189 and \$111,843 for the year ending December 31, 2016 and 2015.

9. Related Party Transactions

The Christophers incurred legal fees and related disbursements of \$90,000 and \$132,383 in 2016 and 2015, respectively for services rendered by a firm in which two members are board members and officers of the Christophers. The Christophers incurred \$17,000 and \$22,500 in 2016 and 2015, respectively for consulting services from a board member. One employee is a board member, who receives a salary compensation of \$120,327 and \$124,962 in 2016 and 2015, respectively.

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