

**OFFICERS' CHRISTIAN FELLOWSHIP
OF THE UNITED STATES
OF AMERICA, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2010

CONTENTS

Independent Auditor's Report	2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-14
Supplementary Information	
Schedules of Support and Revenue	15
Schedules of Functional Expenses	16-17



Independent Auditor's Report

Governing Council
Officers' Christian Fellowship
of the United States of America, Inc.
Englewood, Colorado

We have audited the accompanying statements of financial position of Officers' Christian Fellowship of the United States of America, Inc. as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Officers' Christian Fellowship of the United States of America, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flow for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of support and revenue and schedules of functional expenses on page 15-17 for the years ended December 31, 2010 and 2009, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 26, 2011

400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246
303 733-3796 • FAX 303 733-6230 • www.pnacpa.com

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION

December 31,	2010	2009
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 1,218,164	\$ 1,073,669
Pledges receivable (current portion)	648,468	1,222,443
Other receivable	1,068	1,072
Prepaid expenses	40,141	47,232
Total current assets	<u>1,907,841</u>	<u>2,344,416</u>
Non-current assets		
Investments	2,394,063	5,550,088
Pledges receivable	177,749	247,990
Property and equipment, net of accumulated depreciation	3,845,774	3,778,163
Construction in process	5,370,426	773,356
Other assets	147,016	137,778
Total non-current assets	<u>11,935,028</u>	<u>10,487,375</u>
Total Assets	<u>\$ 13,842,869</u>	<u>\$ 12,831,791</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 268,074	\$ 209,124
Accrued liabilities	30,781	25,866
Deferred revenue	12,454	8,930
Accrued vacation	87,968	84,160
Notes payable (current portion)	122,534	34,949
Total current liabilities	<u>521,811</u>	<u>363,029</u>
Long-term liabilities		
Notes payable	5,437	156,658
Annuities due	77,034	76,302
Total long-term liabilities	<u>82,471</u>	<u>232,960</u>
Total Liabilities	<u>604,282</u>	<u>595,989</u>
Net assets		
Unrestricted		
Undesignated	9,882,765	5,161,174
Board designated	567,209	527,396
	<u>10,449,974</u>	<u>5,688,570</u>
Temporarily restricted	2,240,413	6,041,032
Permanently restricted	548,200	506,200
Total net assets	<u>13,238,587</u>	<u>12,235,802</u>
Total Liabilities and Net Assets	<u>\$ 13,842,869</u>	<u>\$ 12,831,791</u>

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

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support</u>				
Contributions	\$ 2,110,424	\$ 1,383,333	\$ 42,000	\$ 3,535,757
Conference centers	598,047	0	0	598,047
Regional ministries	11,882	0	0	11,882
Investment income	40,824	7,478	0	48,302
Change in value of split interest agreements	3,603	0	0	3,603
Other revenue	97,150	0	0	97,150
Net assets released from restrictions	<u>5,191,430</u>	<u>(5,191,430)</u>	<u>0</u>	<u>0</u>
Total revenues, gains and other support	<u>8,053,360</u>	<u>(3,800,619)</u>	<u>42,000</u>	<u>4,294,741</u>
<u>Expenses</u>				
<u>Program Services</u>				
Field ministries	315,705			315,705
Publications	234,125			234,125
Conference centers	1,346,747			1,346,747
Education centers	149,942			149,942
Academies and ROTC	450,925			450,925
Total program service	<u>2,497,444</u>			<u>2,497,444</u>
<u>Supporting Services</u>				
General and administration	586,510			586,510
Fundraising	208,002			208,002
Total supporting services	<u>794,512</u>			<u>794,512</u>
Total expenses	<u>3,291,956</u>			<u>3,291,956</u>
Change in net assets	4,761,404	(3,800,619)	42,000	1,002,785
Net assets, beginning	<u>5,688,570</u>	<u>6,041,032</u>	<u>506,200</u>	<u>12,235,802</u>
Net assets, ending	<u>\$10,449,974</u>	<u>\$ 2,240,413</u>	<u>\$ 548,200</u>	<u>\$13,238,587</u>

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

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support</u>				
Contributions	\$ 2,348,872	\$ 1,423,103	\$ 0	\$ 3,771,975
Conference centers	611,748	0	0	611,748
Regional ministries	15,207	0	0	15,207
Investment income	146,298	19,132	0	165,430
Change in value of split interest agreements	5,857	0	0	5,857
Other revenue	43,146	0	0	43,146
Net assets released from restrictions	<u>1,456,161</u>	<u>(1,456,161)</u>	<u>0</u>	<u>0</u>
Total revenues, gains and other support	<u>4,627,289</u>	<u>(13,926)</u>	<u>0</u>	<u>4,613,363</u>
 <u>Expenses</u>				
<u>Program Services</u>				
Field ministries	470,304			470,304
Publications	228,683			228,683
Conference centers	1,349,281			1,349,281
Education centers	160,107			160,107
Academies and ROTC	433,544			433,544
Total program service	<u>2,641,919</u>			<u>2,641,919</u>
 <u>Supporting Services</u>				
General and administration	482,085			482,085
Fundraising	235,332			235,332
Total supporting services	<u>717,417</u>			<u>717,417</u>
 Total expenses	<u>3,359,336</u>			<u>3,359,336</u>
 Change in net assets	1,267,953	(13,926)	0	1,254,027
Net assets, beginning	<u>4,420,617</u>	<u>6,054,958</u>	<u>506,200</u>	<u>10,981,775</u>
Net assets, ending	<u>\$ 5,688,570</u>	<u>\$ 6,041,032</u>	<u>\$ 506,200</u>	<u>\$12,235,802</u>

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

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
STATEMENTS OF CASH FLOWS

<u>For the Years Ended December 31,</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from		
Contributions	\$ 2,255,590	\$ 2,430,736
Sales and activities	708,975	675,220
Interest	43,337	157,131
Paid to employees and supplies	(3,149,521)	(3,086,674)
Interest paid	<u>(10,865)</u>	<u>(13,696)</u>
Net cash provided by (used in) operating activities	<u>(152,484)</u>	<u>162,717</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment	2,600	0
Purchase of property and equipment	(4,598,704)	(837,265)
Proceeds from sale of investments	4,187,942	370,904
Purchases of investments	<u>(743,898)</u>	<u>(1,148,900)</u>
Net cash used in investing activities	<u>(1,152,060)</u>	<u>(1,615,261)</u>
Cash flows from financing activities		
Payments to annuitants	(6,600)	(6,600)
Note payable principal payments	(63,636)	(78,600)
Cash contributions received for long-term purposes	<u>1,519,275</u>	<u>1,151,130</u>
Net cash provided by financing activities	<u>1,449,039</u>	<u>1,065,930</u>
Net increase (decrease) in cash and cash equivalents	144,495	(386,614)
Cash and cash equivalents at beginning of year	<u>1,073,669</u>	<u>1,460,283</u>
Cash and cash equivalents at end of year	<u>\$ 1,218,164</u>	<u>\$ 1,073,669</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities:		
Changes in net assets	\$ 1,002,785	\$ 1,254,027
Adjustments		
Depreciation	150,112	143,558
Donated stock	(283,054)	(14,319)
Gain on investments	(4,965)	(8,299)
(Gain) loss on disposal of furniture and equipment	(1,632)	254
Change in value of split interest agreements	(10,338)	(13,426)
Change in value of annuity investments	732	(3,738)
Payments to annuitants	6,600	6,600
Cash contributions received for long-term purposes	(1,519,275)	(1,151,130)
Changes in assets and liabilities		
Increase (decrease) in current assets	652,411	(46,894)
Decrease in current liabilities	<u>(145,860)</u>	<u>(3,916)</u>
Net cash provided by (used in) operating activities	<u>\$ (152,484)</u>	<u>\$ 162,717</u>

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

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Officers' Christian Fellowship of the United States of America, Inc. (the "Fellowship"), was established in 1943, to provide encouragement and equip Christian officers of the United States military for biblical fellowship and outreach in ministering to the military society. The Fellowship accomplishes its purpose through staffing in key center of the military population throughout the world, publications, retreats and conferences. The Fellowship owns and operates two conference centers located near Buena Vista, Colorado, and Mann's Choice, Pennsylvania, and locates staff members near military academies and other areas in the United States having a high concentration of military personnel. The Fellowship's support comes primarily from individual donor contributions.

Basis of Accounting

The Fellowship follows the standards of accounting and financial reporting for not-for-profit organizations as prescribed by the Financial Accounting Standards Board (FASB). The following significant accounting policies are in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash equivalents include highly liquid investments with an original maturity of ninety days or less.

Pledges Receivable – Unconditional promises to give are recognized as revenues and receivables in the year the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and those to be collected in more than one year are recorded at present value of the estimated future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment – Property and equipment is recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. The Fellowship capitalizes all property and equipment with a useful life of more than one year, and a unit cost of \$1,000 or greater. Depreciation is recorded using the straight-line method over estimated useful lives.

Building and improvements	5-60 years
Equipment	3-20 years

Deferred Revenue – The Fellowship's conference centers receive registration fees for conferences, retreats and camps scheduled in the following year. These fees are deferred and recognized as revenue in the year the conference is held.

Support and Revenue – The Fellowship receives support primarily from contributions from individuals in the military society. The Fellowship also receives conference center revenues from conferences and camps held at the two conference centers. Public support and other revenues are recognized when the rights of ownership have been transferred to the Fellowship.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-Kind Donations – Certain individuals and employees donate supplies and travel-related costs to the Fellowship. These donations are recorded as noncash contributions at the donor's cost or their estimated market values at the date of donation.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Income Taxes

The Fellowship is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. The Fellowship did not have any material unrelated business income tax liability for the years ended December 31, 2010 and 2009. The Fellowship had no significant uncertain tax positions for the years ended December 31, 2010 and 2009.

Concentration of Credit Risk

The Fellowship has determined that current operational cash needs will occasionally result in cash and money market accounts balance in excess of insured limits.

Subsequent Events

The Fellowship has adopted the provisions of FASB ASC 855 *Subsequent Events*. This statement requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Fellowship's financial statements were available to be issued on January 31, 2011, and this is the date through which subsequent events were evaluated. The Fellowship did not identify any subsequent events requiring disclosure.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - PLEDGES RECEIVABLE

The Fellowship participates in the Combined Federal Campaign (CFC) administered by Christian Service Charities in the Fall of each year. These pledges are made one to two years prior to receipt of the final amounts. Promises to give are unconditional and have been recorded net of an allowance for uncollectible pledges and administrative costs of 26% and 25% at December 31, 2010 and 2009, respectively.

During the year ended December 31, 2005, the Fellowship initiated and administered the Capital Campaign. Promises to give are unconditional and the pledges due in more than one year were discounted at a rate of 3% at December 31, 2010 and 2009.

Pledges receivable at December 31, consisted of the following:

	<u>2010</u>	<u>2009</u>
Combined federal campaign	\$ 125,372	\$ 127,733
Unrestricted contributions	0	86,000
Capital campaign	<u>785,194</u>	<u>1,342,175</u>
Unconditional pledges due	910,566	1,555,908
Less: Allowance for uncollectible pledges receivable	(57,597)	(31,933)
Less: Unamortized discount	<u>(26,752)</u>	<u>(53,542)</u>
Net pledges receivable	826,217	1,470,433
Less: Current portion	<u>(648,468)</u>	<u>(1,222,443)</u>
Non-current pledges receivable	<u>\$ 177,749</u>	<u>\$ 247,990</u>

Pledges are due as follows:

In one year or less	\$ 648,468
In one to five years	<u>177,749</u>
Total pledges receivable	<u>\$ 826,217</u>

The CFC pledges received in the Fall of 2010 have not been determined or communicated to the Fellowship at December 31, 2010, and therefore, are not reported in the financial statements.

NOTE 3 - INVESTMENTS

	<u>2010</u>	<u>2009</u>
Certificates of deposit (Level 1)	\$ 16,732	\$ 639,183
Cash and cash equivalents (Level 1)	2,292,145	4,829,492
Mutual fund-equity (Level 1)	20,258	17,049
Life insurance annuities (Level 3)	<u>64,928</u>	<u>64,364</u>
	<u>\$ 2,394,063</u>	<u>\$ 5,550,088</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (CONTINUED)

Reconciliation of investment return to amounts reported in the statement of activities:

	<u>2010</u>	<u>2009</u>
Interest Income	\$ 43,337	\$ 157,131
Unrealized/ realized gain on investment	<u>4,965</u>	<u>8,299</u>
	<u>\$ 48,302</u>	<u>\$ 165,430</u>

The following table presents information about the Fellowship's investments that are measured at fair value on a recurring basis as of December 31, 2010 and 2009, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Fair value for the contribution receivable from a beneficial interest in a charitable remainder trust is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables. There have been no changes in valuation techniques and related inputs.

NOTE 4 - PROPERTY AND EQUIPMENT

	<u>2010</u>	<u>2009</u>
Land	\$ 1,127,655	\$ 1,127,655
Building and improvements	4,556,576	4,372,715
Equipment	<u>705,751</u>	<u>696,956</u>
	6,389,982	6,197,326
Accumulated depreciation	<u>(2,544,208)</u>	<u>(2,419,163)</u>
Total	<u>\$ 3,845,774</u>	<u>\$ 3,778,163</u>

NOTE 5 - OTHER ASSETS

The Fellowship is the owner and beneficiary of several individual life insurance policies. The estimated cash surrender value of the life insurance policies at December 31, 2010 and 2009, was \$147,016 and \$137,778, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NOTES PAYABLE

	2010	2009
Mortgage dated November 1999, for \$290,000 with 300 monthly principal and interest payments of \$1,695. The note has an interest rate of 6.5% matures December, 2024, and is collateralized by the Fellowship house in Highland Falls, New York.	\$ 24,871	\$ 67,134
Note dated June 2006, for \$193,200 with 60 monthly payments of \$2,092. The note has an interest rate of 5.5%, matures July 2011, and is collateralized by the Spring Canyon Conference Center in Buena Vista, Colorado.	<u>103,100</u>	<u>124,473</u>
	<u>127,971</u>	<u>191,607</u>
Less current portion	<u>(122,534)</u>	<u>(34,949)</u>
	<u>\$ 5,437</u>	<u>\$ 156,658</u>

Maturities of long-term debt for each of the years succeeding December 31, 2010 are as follows:

2011	\$ 122,534
2012	5,437

Interest expense for the years ended December 31, 2010 and 2009 was \$10,865 and \$13,696.

In October 2009 the Fellowship took out a line of credit with a borrowing base of \$1,300,000 to be used to finance some of the construction costs associated with the new Heritage House project. The line of credit matures April 2011, and is secured by a deed of trust on real property. No balance was outstanding on the line of credit as of December 31, 2010.

NOTE 7 - ANNUITIES

The Fellowship established a gift annuity plan that allowed donors to contribute assets in exchange for the right to receive a fixed dollar amount annually during their lifetimes. The annuity liability is revalued annually based upon computed present values, and the resulting gain or loss is recorded as a change in value of split interest agreements in the Statement of Activities. At December 31, 2010 and 2009, the value of the annuities was \$77,034 and \$76,302, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2010</u>	<u>2009</u>
Coffman/Waldrop WSS	\$ 5,406	\$ 6,114
Harrison House WSS	14,309	4,823
Home Office	1,599	30,260
Staff assoc, regional	39,438	39,198
USAFA scholarships	769	2,807
USMA scholarships	29,472	28,707
USMA missions and general	2,650	7,129
USMA New Fellows general	0	63,221
USMC Operations Veritas	0	2,615
USMC Quantico	7,884	0
USNA facility fund	1,000	0
USNA missions and general	72,279	80,643
USNA scholarships	12,125	5,411
ROTC	2,695	1,000
Capital campaign		
Spring Canyon	103,415	237,501
White Sulphur Springs	41,525	0
Other	4,725,353	943,462
WSS facility maintenance	26,669	0
WSS facility development	103,742	0
Enlisted ministry	1,100	3,270
	<u>\$ 5,191,430</u>	<u>\$ 1,456,161</u>

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Coffman/Waldrop WSS	\$ 16,184	\$ 11,889
Harrison House WSS	81,846	88,744
Home Office	3,256	0
Staff associates, regional	48,789	18,259
USAFA facilities	2,900	2,900
USCGA facilities	20,875	20,875
USAFA scholarships	2,028	2,647
USMA scholarships	16,307	1,120
USMA missions and general	6,337	2,237
USNA facility fund	4,975	325
USMC Quantico	2,488	0
USNA missions and general	7,512	1,000
USNA scholarships	950	0
ROTC	1,255	0
Capital campaign		
Spring Canyon	129,116	155,946
White Sulphur Springs	121,481	110,134
Other	1,753,165	5,621,391
WSS facility maintenance	3,781	0
WSS facility development	7,003	0
Enlisted ministry	10,165	3,565
	<u>\$ 2,240,413</u>	<u>\$ 6,041,032</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2010 and 2009, permanently restricted net assets of \$548,200 and \$506,200, respectively, consisted of endowment fund contributions to be held indefinitely for the Harrison House maintenance at White Sulphur Springs.

NOTE 10 - LEASE COMMITMENTS

The Fellowship has two operating leases that expire through April 2015. Lease expense for the years ended December 2010 and 2009, was \$27,359 and \$32,245. Future required payments for the years ending December 31, are as follows:

2011	\$	27,470
2012		23,446
2013		22,140
2014		5,535

NOTE 11 - RETIREMENT

The Fellowship has established a simplified employee pension plan (SEP) under Internal Revenue Code Section 408(k)(6) covering all eligible employees who meet the minimum age and service requirements. Only the Fellowship can contribute to the Plan.

The Governing Council establishes and can change the contribution percentage, which was 7.5% for the years ended December 31, 2010 and 2009. The Fellowship contributed \$81,967 and \$93,215, respectively, to the Plan for the years ended December 31, 2010 and 2009.

NOTE 12 - ENDOWMENTS

The Fellowship's endowment consists of a donor-restricted fund established to support operating maintenance of the Harrison House. As required by the generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Fellowship has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the original value of the 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 Fellowship 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. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' original value, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until budgetary appropriations by the Fellowship for expenditure. In accordance with UPMIFA, the Fellowship considers the following factors in making a determination to appropriate or accumulate term and quasi-endowment funds:

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - ENDOWMENTS (CONTINUED)

1. The duration and preservation of the fund.
2. The purpose of the Fellowship and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Fellowship.
7. The investment policies of the Fellowship.

Changes in endowment net assets for the years ended December 31, 2010 and 2009:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, as of December 31, 2008	\$ 289,304	\$ 4,745,652	\$ 506,200	\$ 5,541,156
Contributions and other gains	104,584	1,369,676	0	1,474,260
Investment income	0	138	18,994	19,132
Net appropriations for expenditure and fund value preservation	<u>133,508</u>	<u>(1,449,067)</u>	<u>(18,994)</u>	<u>(1,334,553)</u>
Endowment net assets, as of December 31, 2009	527,396	4,666,399	506,200	5,699,995
Contributions and other gains	5,358	2,027,549	42,000	2,074,907
Investment income	34,455	67	7,411	41,933
Net appropriations for expenditure and fund value preservation	<u>0</u>	<u>(5,187,044)</u>	<u>(7,411)</u>	<u>(5,194,455)</u>
Endowment net assets, as of December 31, 2010	<u>\$ 567,209</u>	<u>\$ 1,506,971</u>	<u>\$ 548,200</u>	<u>\$ 2,622,380</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

In October 2009, the Fellowship signed a contract for construction of a new Heritage House. The contract limits the cost of construction on the Heritage House to \$6,079,256. As of December 31, 2010, the remaining commitment on the contract is \$1,622,268, with an estimated completion date of May 2011.

In July 2010, the Fellowship signed a contract for construction of a new wastewater treatment plant for White Sulfur Springs. The contract limits the cost of construction on the wastewater treatment plant to \$329,490. As of December 31, 2010, the remaining commitment on the contract is \$247,550, with an estimated completion date of July 2011.

SUPPLEMENTARY INFORMATION

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
SCHEDULES OF SUPPORT AND REVENUE

For the Years Ended December 31,	2010	2009
<u>Support</u>		
<u>Contributions</u>		
General	\$ 1,288,683	\$ 1,325,604
Executive ministries	7,961	5,365
Publications	15,939	3,956
Spring Canyon	258,332	292,937
White Sulphur Springs – capital contributions	986,584	1,298,627
White Sulphur Springs	278,476	166,952
Director of Field Outreach	224	7,909
U.S. Army Command and General Staff College	64,994	72,009
U.S. Air Force Air University	45,248	53,691
U.S. Air Force Academy	87,181	66,520
U.S. Coast Guard Academy	56,098	58,684
U.S. Military Academy	198,731	213,135
U.S. Naval Academy	95,775	65,216
U.S. ROTC	8,433	4,915
Director of Schools Ministries	1,447	4,932
Regional ministries	99,651	131,523
Harrison House	42,000	0
Total	\$ 3,535,757	\$ 3,771,975
<u>Revenue</u>		
<u>Conference centers</u>		
Spring Canyon	\$ 218,884	\$ 214,936
White Sulphur Springs	379,163	396,812
Total	\$ 598,047	\$ 611,748
<u>Regional ministries</u>		
Local fellowship support	\$ 11,882	\$ 15,207

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2010

	<u>Program Services</u>					Total Program Services	<u>Supporting Services</u>		Total Supporting Services	Total Expenses
	<u>Field Ministries</u>	<u>Publications</u>	<u>Conference Centers</u>	<u>Education Centers</u>	<u>Academics & ROTC</u>		<u>General Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 204,761	\$ 94,815	\$ 492,519	\$ 96,243	\$ 179,387	\$ 1,067,725	\$ 300,608	\$ 140,370	\$ 440,978	\$ 1,508,703
Payroll taxes	8,967	7,843	40,054	3,307	9,665	69,836	27,619	9,917	37,536	107,372
Employee benefits	3,799	36,266	75,043	12,249	20,590	147,947	45,382	5,953	51,335	199,282
Pension plan	<u>11,582</u>	<u>7,689</u>	<u>29,739</u>	<u>6,932</u>	<u>6,536</u>	<u>62,478</u>	<u>17,137</u>	<u>2,352</u>	<u>19,489</u>	<u>81,967</u>
Total Compensation	229,109	146,613	637,355	118,731	216,178	1,347,986	390,746	158,592	549,338	1,897,324
Auto and truck	4,258	0	24,511	0	3,051	31,820	0	0	0	31,820
Conferences, conventions and meetings	40	350	4,896	1,627	18,875	25,788	9,270	94	9,364	35,152
Contract services	4,564	9,672	34,450	0	3,479	52,165	28,295	12,800	41,095	93,260
Dues and subscriptions	0	361	3,265	0	303	3,929	2,064	2,422	4,486	8,415
Equipment rental and maintenance	975	0	8,995	0	916	10,886	13,012	0	13,012	23,898
General ministry	7,131	130	20,068	1,157	86,159	114,645	6,553	254	6,807	121,452
Occupancy	10,734	11,998	192,707	75	46,053	261,567	23,477	0	23,477	285,044
Postage and shipping	5,578	20,079	7,803	400	1,981	35,841	9,448	11,148	20,596	56,437
Printing and publications	4,067	39,477	19,005	0	157	62,706	553	8,607	9,160	71,866
Professional fees	1,099	0	0	0	0	1,099	10,616	0	10,616	11,715
Promotion	0	226	2,646	81	634	3,587	3,033	1,764	4,797	8,384
Supplies	3,677	1,148	230,379	13,698	25,951	274,853	41,423	6,452	47,875	322,728
Telephone	9,988	517	9,588	600	2,837	23,530	3,175	1,175	4,350	27,880
Travel	32,788	1,956	30,967	13,461	26,485	105,657	36,118	4,694	40,812	146,469
Depreciation	<u>1,697</u>	<u>1,598</u>	<u>120,112</u>	<u>112</u>	<u>17,866</u>	<u>141,385</u>	<u>8,727</u>	<u>0</u>	<u>8,727</u>	<u>150,112</u>
Total	<u>\$ 315,705</u>	<u>\$ 234,125</u>	<u>\$ 1,346,747</u>	<u>\$ 149,942</u>	<u>\$ 450,925</u>	<u>\$ 2,497,444</u>	<u>\$ 586,510</u>	<u>\$ 208,002</u>	<u>\$ 794,512</u>	<u>\$ 3,291,956</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2009

	<u>Program Services</u>					Total Program Services	<u>Supporting Services</u>		Total Supporting Services	Total Expenses
	<u>Field Ministries</u>	<u>Publications</u>	<u>Conference Centers</u>	<u>Education Centers</u>	<u>Academics & ROTC</u>		<u>General Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 276,905	\$ 96,954	\$ 510,831	\$ 116,707	\$ 190,426	\$ 1,191,823	\$ 213,033	\$ 139,661	\$ 352,694	\$ 1,544,517
Payroll taxes	15,155	7,930	40,455	3,278	9,324	76,142	23,719	9,377	33,096	109,238
Employee benefits	9,848	33,315	83,757	11,740	8,613	147,273	33,523	2,939	36,462	183,735
Pension plan	<u>17,615</u>	<u>7,774</u>	<u>27,854</u>	<u>9,055</u>	<u>9,248</u>	<u>71,546</u>	<u>19,165</u>	<u>2,504</u>	<u>21,669</u>	<u>93,215</u>
Total Compensation	319,523	145,973	662,897	140,780	217,611	1,486,784	289,440	154,481	443,921	1,930,705
Auto and truck	3,053	0	23,700	0	2,592	29,345	0	0	0	29,345
Conferences, conventions and meetings	21,977	1,501	6,873	1,172	27,938	59,461	3,185	595	3,780	63,241
Contract services	29,088	11,181	33,863	0	3,798	77,930	22,167	11,219	33,386	111,316
Dues and subscriptions	0	461	3,128	0	276	3,865	1,959	2,235	4,194	8,059
Equipment rental and maintenance	796	0	8,188	0	2,397	11,381	12,395	0	12,395	23,776
General ministry	11,680	159	40,808	3,912	69,226	125,785	1,031	13,007	14,038	139,823
Occupancy	8,155	7,756	180,749	0	45,102	241,762	30,085	0	30,085	271,847
Postage and shipping	7,055	30,893	5,671	202	741	44,562	10,090	16,474	26,564	71,126
Printing and publications	2,977	22,505	3,256	110	120	28,968	1,840	12,325	14,165	43,133
Professional fees	725	0	2,427	0	0	3,152	10,565	0	10,565	13,717
Promotion	1,335	349	3,854	292	1,298	7,128	3,327	2,914	6,241	13,369
Supplies	5,150	3,587	224,976	2,198	18,226	254,137	31,706	9,760	41,466	295,603
Telephone	9,157	512	8,096	807	2,027	20,599	3,151	2,056	5,207	25,806
Travel	47,521	1,350	30,077	10,010	25,218	114,176	50,470	10,266	60,736	174,912
Depreciation	<u>2,112</u>	<u>2,456</u>	<u>110,718</u>	<u>624</u>	<u>16,974</u>	<u>132,884</u>	<u>10,674</u>	<u>0</u>	<u>10,674</u>	<u>143,558</u>
Total	<u>\$ 470,304</u>	<u>\$ 228,683</u>	<u>\$ 1,349,281</u>	<u>\$ 160,107</u>	<u>\$ 433,544</u>	<u>\$ 2,641,919</u>	<u>\$ 482,085</u>	<u>\$ 235,332</u>	<u>\$ 717,417</u>	<u>\$ 3,359,336</u>