

OFFICERS' CHRISTIAN FELLOWSHIP
OF THE UNITED STATES
OF AMERICA

FINANCIAL STATEMENTS

December 31, 2016



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditors' Report	a - b
Financial Statements	
Statements of Financial Position	1
Statements of Activities	2
Statements of Cash Flows	3
Notes to Financial Statements	4 - 15
Supplementary Information	
Schedules of Support and Revenue	16
Schedules of Functional Expenses	17



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Officers' Christian Fellowship of the United States of America (the "Fellowship") which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 the 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 Fellowship'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 Fellowship'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 reasonable 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 Officers' Christian Fellowship of the United States of America as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of support and revenue, and schedules of functional expenses on pages 16 and 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Logan and Associates, LLC

Aurora, Colorado
March 15, 2017

FINANCIAL STATEMENTS

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,524,275	\$ 1,256,172
Pledges Receivable - Current Portion	761,417	383,756
Accounts Receivable	12,544	16,812
Inventory	56,473	45,641
Prepaid Expenses	59,309	27,348
Total Current Assets	<u>2,414,018</u>	<u>1,729,729</u>
Non-current Assets		
Investments	1,023,349	843,063
Pledges Receivable	101,696	231,142
Property and Equipment, Net of Accumulated Depreciation	13,481,880	13,359,397
Other Assets	165,999	168,434
Total Non-current Assets	<u>14,772,924</u>	<u>14,602,036</u>
TOTAL ASSETS	<u>\$ 17,186,942</u>	<u>\$ 16,331,765</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts and Retainage Payable	\$ 85,813	\$ 53,261
Accrued Liabilities	29,171	29,018
Deferred Revenue	33,355	15,445
Accrued Vacation	147,074	128,388
Accrued Interest Payable	-	1,137
Note Payable - Current Portion	26,889	264,840
Total Current Liabilities	<u>322,302</u>	<u>492,089</u>
Long Term Liabilities		
Note Payable	975,001	636,120
Annuities Due	57,261	62,085
Total Long Term Liabilities	<u>1,032,262</u>	<u>698,205</u>
TOTAL LIABILITIES	<u>1,354,564</u>	<u>1,190,294</u>
NET ASSETS		
Unrestricted	13,974,890	13,770,127
Temporarily Restricted	1,207,288	722,144
Permanently Restricted	650,200	649,200
TOTAL NET ASSETS	<u>15,832,378</u>	<u>15,141,471</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,186,942</u>	<u>\$ 16,331,765</u>

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

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF ACTIVITIES
 Years Ended December 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 1,813,921	\$ 1,764,498	\$ 1,000	\$ 3,579,419
Conference Centers	1,380,625	-	-	1,380,625
Regional Ministries	16,857	65,198	-	82,055
Investment Income	7,682	61,947	-	69,629
Change in Value of Split Interest Agreements	804	-	-	804
Other Revenue	4,940	-	-	4,940
Net Assets Released from Restrictions	1,406,499	(1,406,499)	-	-
TOTAL OPERATING REVENUE	4,631,328	485,144	1,000	5,117,472
EXPENSES				
PROGRAM SERVICES				
Field Ministries	398,405	-	-	398,405
Communications	340,857	-	-	340,857
Conference Centers	2,396,358	-	-	2,396,358
Education Centers	133,680	-	-	133,680
Academies and ROTC	464,459	-	-	464,459
TOTAL PROGRAM SERVICES	3,733,759	-	-	3,733,759
SUPPORTING SERVICES				
General and Administration	509,861	-	-	509,861
Fundraising	182,945	-	-	182,945
TOTAL SUPPORTING SERVICES	692,806	-	-	692,806
TOTAL EXPENSES	4,426,565	-	-	4,426,565
CHANGE IN NET ASSETS	204,763	485,144	1,000	690,907
NET ASSETS, Beginning	13,770,127	722,144	649,200	15,141,471
NET ASSETS, Ending	\$ 13,974,890	\$ 1,207,288	\$ 650,200	\$ 15,832,378

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

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,862,476	\$ 1,632,838	\$ -	\$ 3,495,314
1,404,916	-	-	1,404,916
7,160	47,953	-	55,113
3,119	7,536	-	10,655
-	-	-	-
963	-	-	963
1,378,783	(1,378,783)	-	-
<u>4,657,417</u>	<u>309,544</u>	<u>-</u>	<u>4,966,961</u>
408,815	-	-	408,815
308,954	-	-	308,954
2,346,214	-	-	2,346,214
126,816	-	-	126,816
522,888	-	-	522,888
<u>3,713,687</u>	<u>-</u>	<u>-</u>	<u>3,713,687</u>
441,411	-	-	441,411
285,425	-	-	285,425
<u>726,836</u>	<u>-</u>	<u>-</u>	<u>726,836</u>
<u>4,440,523</u>	<u>-</u>	<u>-</u>	<u>4,440,523</u>
216,894	309,544	-	526,438
13,553,233	412,600	649,200	14,615,033
<u>\$ 13,770,127</u>	<u>\$ 722,144</u>	<u>\$ 649,200</u>	<u>\$ 15,141,471</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	\$ 2,925,277	\$ 2,971,672
Cash Received from Conference Centers	1,402,337	1,373,955
Cash Received from Regional Ministries	82,055	55,113
Interest Received	2,862	4,607
Other Cash Received	4,940	963
Payments to Suppliers	(2,300,289)	(2,257,456)
Payments to Employees	(1,615,536)	(1,693,609)
Interest Paid	(36,948)	(38,029)
Net Cash Provided by Operating Activities	<u>464,698</u>	<u>417,216</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(570,496)	(508,473)
Proceeds/Payments from Sale/(Purchases) of Investments, Net	(180,286)	15,017
Net Cash Used by Investing Activities	<u>(750,782)</u>	<u>(493,456)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to Annuitants	(6,600)	(6,600)
Proceeds from Issuance of Debt	793,000	-
Principal Payments on Note Payable	(692,070)	(254,600)
(Decrease) in Accrued Interest Payable	(1,137)	-
Cash Contributions Received for Long-term Purposes	331,548	417,003
(Increase) Decrease in Pledges Receivable - Noncurrent	129,446	70,270
Net Cash Provided by Financing Activities	<u>554,187</u>	<u>226,073</u>
NET INCREASE IN CASH	268,103	149,833
CASH, Beginning	<u>1,256,172</u>	<u>1,106,339</u>
CASH, Ending	<u><u>\$ 1,524,275</u></u>	<u><u>\$ 1,256,172</u></u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	\$ 690,907	\$ 526,438
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
(Gain)Loss on Sale of Property and Equipment	(466)	(108)
Depreciation	469,881	451,805
Donated Stock	(225,698)	(14,486)
Pledges Receivable Present Value Adjustment	280,765	(52,667)
Gain on Investments	(66,767)	(6,048)
Increase in Other Assets	2,435	(3,568)
Change in Value of Split Interest Agreements	4,020	-
Change in Value of Annuity Investments	(4,824)	-
Cash Contributions Received for Long-term Purposes	(331,548)	(417,003)
Changes in Assets and Liabilities		
Pledges Receivable - Current Portion	(377,661)	(39,486)
Accounts Receivable	4,268	(10,911)
Inventory and Prepaid Expenses	(42,793)	(9,593)
Accounts Payable	25,430	5,653
Accrued Liabilities	153	(931)
Deferred Revenue	17,910	(19,942)
Accrued Vacation	18,686	8,063
Total Adjustments	<u>(226,209)</u>	<u>(109,222)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 464,698</u></u>	<u><u>\$ 417,216</u></u>

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

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Officers' Christian Fellowship of the United States of America (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 centers 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 is primarily from individual donor contributions.

Basis of Accounting

The accounting policies and financial reporting of the Fellowship conform to generally accepted accounting principles as applicable to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. A summary of the Fellowship's more significant policies follows.

Financial Statement Presentation

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash equivalents include highly liquid investments with original maturities of three months or less. Investments are reported at fair value.

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.

Inventory – Inventory is valued at cost using the first-in, first-out method. The cost of inventory is expensed when consumed rather than when purchased.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 following estimated useful lives.

Buildings 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 years. These fees are deferred and recognized as revenue in the year the conference is held.

Accrued Vacation - Employees of the Fellowship are allowed to accumulate unused vacation time. Employees will be paid for all accrued vacation time upon separation of employment. The accrued vacation is recognized as current salary costs when earned and is reported as a current liability in the financial statements.

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.

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. Restricted contributions received by the Fellowship, in which the restrictions are met in the same year are reported as unrestricted.

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.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

The preparation of the basic 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.

Income Taxes

The Fellowship is exempt from income tax under Sections 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 2016 and 2015. The Fellowship's tax filings are subject to audit by various taxing authorities. The Fellowship's ending open audit periods are December 31, 2013, 2014, 2015 and 2016. The Fellowship believes it has no significant uncertain tax provisions for the periods ended December 31, 2016 and 2015.

Subsequent Events

The Fellowship has evaluated events subsequent to the year ended December 31, 2016 through March 15, 2017, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: PLEDGES RECEIVABLE

The Fellowship participates in the Combined Federal Campaign (CFC) as part of 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 30% as of December 31, 2016 and 2015, 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 1.5% and .5% as of December 31, 2016 and 2015, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: PLEDGES RECEIVABLE (Continued)

Pledges receivable as of December 31, consisted of the following:

	<u>2016</u>	<u>2015</u>
Combined Federal Campaign	\$ 63,130	\$ 73,915
Capital Campaign	885,038	593,318
Unconditional Pledges Due	<u>948,168</u>	<u>667,233</u>
Less:		
Allowance for Uncollectible Pledges Receivable	(68,939)	(47,174)
Unamortized Discount	<u>(16,116)</u>	<u>(5,161)</u>
Net Pledges Receivable	863,113	614,898
Less:		
Current Portion	<u>(761,417)</u>	<u>(383,756)</u>
Non-current Pledges Receivable	<u>\$ 101,696</u>	<u>\$ 231,142</u>
Pledges are as follows:		
Less Than One Year	\$ 761,417	\$ 383,756
One to Five Years	96,286	216,669
Six to Ten Years	<u>5,410</u>	<u>14,473</u>
Total Pledges Receivable	<u>\$ 863,113</u>	<u>\$ 614,898</u>

The CFC pledges received in the Fall of 2016 have not been determined or communicated to the Fellowship as of December 31, 2016, and therefore, are not reported in the financial statements.

NOTE 3: INVESTMENTS

Investments of the Fellowship at December 31, were as follows:

	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents (Level 1)	\$ 53,060	\$ 265,950
Mutual Funds - Equity (Level 1)	112,045	61,764
Mutual Funds - Bonds (Level 1)	245,505	30,074
Stock (Level 1)	564,461	344,407
Bonds (Level 1)	-	88,570
Life Insurance Annuities (Level 3)	<u>48,278</u>	<u>52,298</u>
Total Investments	<u>\$ 1,023,349</u>	<u>\$ 843,063</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3: INVESTMENTS (Continued)

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

	<u>2016</u>	<u>2015</u>
Interest Income	\$ 2,862	\$ 4,607
Unrealized/Realized Gain on Investments	<u>66,767</u>	<u>6,048</u>
Total Investment Income	<u><u>\$ 69,629</u></u>	<u><u>\$ 10,655</u></u>

The following present information about the Fellowship's investments that are measured at fair value on recurring basis as of December 31, 2016 and 2015, 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>2016</u>	<u>2015</u>
Land	\$ 1,229,515	\$ 1,229,515
Building and Improvements	15,667,626	15,147,837
Equipment	<u>1,049,524</u>	<u>1,015,626</u>
	17,946,665	17,392,978
Less: Accumulated Depreciation	<u>(4,464,785)</u>	<u>(4,033,581)</u>
Total Property and Equipment	<u><u>\$ 13,481,880</u></u>	<u><u>\$ 13,359,397</u></u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 as of December 31, 2016 and 2015, was \$165,999 and \$168,434, respectively.

NOTE 6: NOTE PAYABLE

	<u>2016</u>	<u>2015</u>
Note payable dated May 15, 2015, for \$244,000 with annual interest payments of \$7,870 and the principal balloon payment due December 31, 2018. The note has an interest rate of 3.5% per annum, and is collateralized by real property located in Quaker Hill, Connecticut.	\$ 224,000	\$ 224,000
Mortgage dated June 2013, for \$1,300,000 with monthly payments of \$23,976. The note has an interest rate of 4% per annum, maturing June 2018, and is collateralized by real property located in Bedford County, Commonwealth of Pennsylvania. This note was paid in full in 2016.	\$ -	\$ 676,960
Mortgage dated May 2016, for \$793,000 with monthly payments of \$4,830. The note has an interest rate of 4% per annum, maturing May 27, 2036, and is collateralized by real property located in Bedford County, Commonwealth of Pennsylvania.	\$ 777,890	\$ -
	1,001,890	900,960
Less: Current Portion	<u>(26,889)</u>	<u>(264,840)</u>
	<u>\$ 975,001</u>	<u>\$ 636,120</u>

Interest expense for the years ended December 31, 2016 and 2015, was \$36,948 and \$38,029, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Annual debt service requirements for the outstanding note at December 31, 2016 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 26,889	\$ 46,752	\$ 73,641
2018	251,984	45,657	297,641
2019	29,124	28,837	57,961
2020	30,311	27,650	57,961
2021	31,546	26,415	57,961
2022 - 2026	178,089	111,716	289,805
2027 - 2031	217,446	72,359	289,805
2032 - 2036	236,501	24,101	260,602
Total	<u>\$ 1,001,890</u>	<u>\$ 383,487</u>	<u>\$ 1,385,377</u>

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.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Coffman/Waldrop WSS	\$ -	\$ 815
Harrison House WSS	28,817	27,169
Harrison House Maintenance Fund WSS	184,331	-
Home Office	500	2,114
Staff Association, Regional	14,419	18,660
USAFA General	107,280	98,580
USCGA General	96,032	125,735
USCGA Facilities	7,923	259,358
USMA Scholarships	22,413	26,862
USMA Missions	41,385	31,834
USMA Facilities	9,888	9,707
USMA General	179,226	165,187
USNA Facility fund	810	34,626
USNA Scholarships	1,652	7,491
ROTC Ministry	11,168	5,556
Capital Campaign		
Spring Canyon	416,023	213,208
Spring Canyon HHL Remodel	103,761	-
WSS Facility Development	31,662	206,117
Leavenworth General	59,546	54,213
Quantico General	2,290	5,817
Maxwell/Gunter General	81,740	80,598
Scholarship Endowment	5,633	5,136
	<u> </u>	<u> </u>
Total	<u>\$ 1,406,499</u>	<u>\$ 1,378,783</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Coffman/Waldrop WSS	\$ 21,086	\$ 20,791
Andrew Baer WSS	44,786	26,740
Home Office	9,705	7,004
Staff Association, Regional	67,421	59,656
USAFA General	10,544	6,491
USAFA Facilities	2,900	2,900
USCGA General	7,832	-
USCGA Facilities	124,234	81,932
USMA Scholarships	-	100
USMA Missions	51,547	28,255
USMA Facilities	14,985	6,957
USMA General	24,543	26,099
USNA Facility fund	13,733	2,993
USNA Scholarships	2,140	3,371
ROTC	2,205	1,313
WSS Facility Development	-	9,617
WSS Harrison House Maintenance Endowment	25,531	-
WSS Harrison House Maintenance Fund	93,653	-
Capital Campaign		
Spring Canyon	645,768	314,220
Spring Canyon HHL Remodel	-	102,783
Leavenworth General	-	2,896
Quantico General	8,024	2,172
Maxwell/Gunter General	3,706	622
Scholarship Endowment	15,075	13,362
Enlisted Ministry	1,870	1,870
Benevolence	16,000	-
	<u> </u>	<u> </u>
Total	<u><u>\$ 1,207,288</u></u>	<u><u>\$ 722,144</u></u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 9: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 101,000	\$ 101,000
White Sulphur Springs Harrison House Maintenance	549,200	548,200
Total	<u>\$ 650,200</u>	<u>\$ 649,200</u>

NOTE 10: LEASE COMMITMENTS

The Fellowship has operating leases for equipment which were renewed during 2016 with expiration in 2021. Lease expense for the years ended December 31, 2016 and 2015, was \$34,747 and \$32,045.

Future lease payments for the outstanding leases at December 31, 2016 were as follows:

<u>Year Ended December 31,</u>	<u>Total</u>
2017	\$ 33,648
2018	33,648
2019	33,648
2020	33,648
2021	33,648
Total	<u>\$ 168,240</u>

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, 2016 and 2015. The Fellowship contributed \$79,960 and \$92,194, respectively, to the Plan for the years ended December 31, 2016 and 2015.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 12: ENDOWMENTS

The Fellowship's endowment consists of a donor-restricted fund established to support operating maintenance of the Harrison House and scholarships. 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. In accordance with the Modern Portfolio Theory, the Fellowship has established an annual spending amount of 4% of the value of the endowment. The Fellowship will annually appropriate this 4% and make it available for expenditure by classifying it as temporarily restricted net assets until budgetary appropriations are made 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:

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.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 12: ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2016 and 2015:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, as of December 31, 2014	\$ -	\$ 412,600	\$ 649,200	\$ 1,148,883
Contributions and Other Gains	431	1,680,792	-	1,557,567
Investment Income	-	7,535	-	70,528
Net Appropriations for expenditure and fund value preservation	-	(1,378,783)	-	(1,651,322)
Endowment Net Assets, as of December 31, 2015	431	722,144	649,200	1,125,656
Contributions and Other Gains	-	1,829,696	1,000	1,830,696
Investment Income	6,782	61,947	-	68,729
Net Appropriations for expenditure and fund value preservation	-	(1,406,499)	-	(1,406,499)
Endowment Net Assets, as of December 31, 2016	<u>\$ 7,213</u>	<u>\$ 1,207,288</u>	<u>\$ 650,200</u>	<u>\$ 1,618,582</u>

Endowments with deficiencies – From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the endowment. These deficiencies result primarily from unfavorable market fluctuations.

SUPPLEMENTARY INFORMATION

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

SCHEDULES OF SUPPORT AND REVENUE
 Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
SUPPORT		
Contributions		
General	\$ 980,029	\$ 1,010,359
Capital Campaign	743,809	633,711
Executive Ministries	41,127	5,230
Communications	122,491	101,679
Spring Canyon	314,771	313,450
White Sulphur Springs - Capital Contributions	299,973	185,934
White Sulphur Springs	261,960	230,839
White Sulphur Springs - Harrison House Maintenance Endowment	1,000	-
Director of Field Outreach	-	2,675
Leavenworth	50,556	53,924
Maxwell/Gunter	84,825	81,220
Quantico	8,142	7,989
U.S. Air Force Academy	103,127	100,202
U.S. Coast Guard Academy	143,872	327,970
U.S. Military Academy	235,989	224,591
U.S. Naval Academy	75,263	107,948
U.S. ROTC	8,449	9,085
Regional Ministries	104,036	98,508
Total Support	<u>\$ 3,579,419</u>	<u>\$ 3,495,314</u>
REVENUE		
Conference Centers		
Spring Canyon	\$ 519,665	\$ 570,116
White Sulphur Springs	860,960	834,800
Total Conference Centers	<u>\$ 1,380,625</u>	<u>\$ 1,404,916</u>
Regional Ministries		
Local Fellowship Support	<u>\$ 82,055</u>	<u>\$ 55,113</u>

See the accompanying Independent Auditors' Report.

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OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

2016						
Program Services						
	Field Ministries	Communications	Conference Centers	Education Centers	Academies & ROTC	Total Program Services
Salaries	\$ 269,090	\$ 112,522	\$ 640,878	\$ 88,030	\$ 182,672	\$ 1,293,192
Payroll Taxes	10,007	9,208	48,480	6,558	8,844	83,097
Employee Benefits	22,120	35,247	112,113	2,072	9,516	181,068
Pension Plan	10,193	9,028	20,145	3,026	10,511	52,903
Total Personnel	<u>311,410</u>	<u>166,005</u>	<u>821,616</u>	<u>99,686</u>	<u>211,543</u>	<u>1,610,260</u>
Auto and Truck	-	-	51,650	-	3,430	55,080
Conference, Conventions and Meetings	1,998	365	11,430	830	3,958	18,581
Contract Services	-	5,858	29,419	-	4,390	39,667
Dues and Subscriptions	-	466	25,413	-	-	25,879
Equipment Rental and Maintenance	669	878	36,746	-	251	38,544
General Ministry	15,652	194	93,098	8,348	105,852	223,144
Occupancy	8,563	10,794	323,658	-	47,664	390,679
Postage and Shipping	3,631	12,387	2,885	174	1,010	20,087
Printing and Publications	1,975	24,022	6,258	2,030	9,486	43,771
Professional Fees	-	-	11,376	-	-	11,376
Promotion	1,201	111,234	6,311	-	580	119,326
Supplies	3,156	3,317	489,655	1,522	9,953	507,603
Telephone	1,463	1,396	10,499	598	5,657	19,613
Travel	46,302	1,048	24,877	20,492	17,930	110,649
Interest	-	-	29,108	-	7,840	36,948
Depreciation	2,385	2,893	422,359	-	34,915	462,552
Total Non-Personnel	<u>86,995</u>	<u>174,852</u>	<u>1,574,742</u>	<u>33,994</u>	<u>252,916</u>	<u>2,123,499</u>
TOTAL EXPENSES	\$ 398,405	\$ 340,857	\$ 2,396,358	\$ 133,680	\$ 464,459	\$ 3,733,759

2015						
Program Services						
	Field Ministries	Communications	Conference Centers	Education Centers	Academies & ROTC	Total Program Services
Salaries	\$ 283,989	\$ 106,870	\$ 664,801	\$ 84,336	\$ 186,411	\$ 1,326,407
Payroll Taxes	9,072	9,125	50,625	7,497	9,959	86,278
Employee Benefits	6,257	33,432	70,885	2,266	4,284	117,124
Pension Plan	10,250	8,946	25,620	778	12,799	58,393
Total Personnel	<u>309,568</u>	<u>158,373</u>	<u>811,931</u>	<u>94,877</u>	<u>213,453</u>	<u>1,588,202</u>
Auto and Truck	-	-	30,775	-	5,420	36,195
Conference, Conventions and Meetings	1,543	1,288	8,967	160	19,126	31,084
Contract Services	-	6,637	30,963	50	5,863	43,513
Dues and Subscriptions	949	603	23,119	87	99	24,857
Equipment Rental and Maintenance	374	1,146	21,623	-	292	23,435
General Ministry	16,418	152	121,865	6,458	116,286	261,179
Occupancy	11,238	11,139	359,105	-	59,198	440,680
Postage and Shipping	4,384	12,429	2,544	168	960	20,485
Printing and Publications	4,744	10,457	1,967	859	5,351	23,378
Professional Fees	-	-	7,814	-	-	7,814
Promotion	1,329	96,092	13,314	45	838	111,618
Supplies	5,290	4,413	416,983	289	40,930	467,905
Telephone	1,476	1,148	14,206	863	4,484	22,177
Travel	48,904	2,478	35,891	22,960	17,837	128,070
Interest	-	-	33,153	-	4,876	38,029
Depreciation	2,598	2,599	411,994	-	27,875	445,066
Total Non-Personnel	<u>99,247</u>	<u>150,581</u>	<u>1,534,283</u>	<u>31,939</u>	<u>309,435</u>	<u>2,125,485</u>
TOTAL EXPENSES	\$ 408,815	\$ 308,954	\$ 2,346,214	\$ 126,816	\$ 522,888	\$ 3,713,687

See the accompanying Independent Auditors' Report.

2016

Supporting Services			
General Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 252,759	\$ 88,271	\$ 341,030	\$ 1,634,222
25,126	7,232	32,358	115,455
43,888	17,003	60,891	241,959
22,189	4,868	27,057	79,960
<u>343,962</u>	<u>117,374</u>	<u>461,336</u>	<u>2,071,596</u>
-	-	-	55,080
2,271	-	2,271	20,852
35,912	1,465	37,377	77,044
20,594	2,576	23,170	49,049
43,383	2,271	45,654	84,198
2,890	6,104	8,994	232,138
(5,730)	-	(5,730)	384,949
9,000	6,669	15,669	35,756
1,274	9,119	10,393	54,164
9,800	27,083	36,883	48,259
64	(182)	(118)	119,208
6,847	4,923	11,770	519,373
4,059	559	4,618	24,231
28,211	4,979	33,190	143,839
-	-	-	36,948
7,324	5	7,329	469,881
<u>165,899</u>	<u>65,571</u>	<u>231,470</u>	<u>2,354,969</u>
\$ 509,861	\$ 182,945	\$ 692,806	\$ 4,426,565

2015

Supporting Services			
General Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 199,837	\$ 175,428	\$ 375,265	\$ 1,701,672
23,760	11,208	34,968	121,246
22,476	2,270	24,746	141,870
22,952	11,012	33,964	92,357
<u>269,025</u>	<u>199,918</u>	<u>468,943</u>	<u>2,057,145</u>
-	-	-	36,195
2,979	120	3,099	34,183
35,480	33	35,513	79,026
16,214	2,407	18,621	43,478
34,910	1,492	36,402	59,837
1,618	4,146	5,764	266,943
1,132	3,395	4,527	445,207
9,507	11,763	21,270	41,755
248	15,463	15,711	39,089
9,800	26,336	36,136	43,950
-	1,828	1,828	113,446
13,369	5,950	19,319	487,224
4,334	743	5,077	27,254
36,056	11,831	47,887	175,957
-	-	-	38,029
6,739	-	6,739	451,805
<u>172,386</u>	<u>85,507</u>	<u>257,893</u>	<u>2,383,378</u>
\$ 441,411	\$ 285,425	\$ 726,836	\$ 4,440,523