

OFFICERS' CHRISTIAN FELLOWSHIP
OF THE UNITED STATES
OF AMERICA

FINANCIAL STATEMENTS

December 31, 2014



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014 and 2013, 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, 2014 and 2013, 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 14 and 15 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 4, 2015

FINANCIAL STATEMENTS

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,106,339	\$ 1,322,025
Pledges Receivable - Current Portion	344,270	404,310
Accounts Receivable	5,901	5,908
Inventory	33,008	32,503
Prepaid Expenses	30,388	28,535
Total Current Assets	<u>1,519,906</u>	<u>1,793,281</u>
Non-current Assets		
Investments	858,080	837,783
Pledges Receivable	301,412	193,365
Property and Equipment, Net of Accumulated Depreciation	12,998,820	12,245,248
Construction in Process	-	605,457
Other Assets	164,866	153,864
Total Non-current Assets	<u>14,323,178</u>	<u>14,035,717</u>
TOTAL ASSETS	<u>\$ 15,843,084</u>	<u>\$ 15,828,998</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts and Retainage Payable	\$ 47,608	\$ 81,485
Accrued Liabilities	29,949	28,744
Deferred Revenue	35,387	4,644
Accrued Vacation	120,325	125,319
Accrued Interest Payable	1,137	1,137
Note Payable - Current Portion	254,402	244,307
Total Current Liabilities	<u>488,808</u>	<u>485,636</u>
Long Term Liabilities		
Note Payable	677,158	937,091
Annuities Due	62,085	67,336
Total Long Term Liabilities	<u>739,243</u>	<u>1,004,427</u>
TOTAL LIABILITIES	<u>1,228,051</u>	<u>1,490,063</u>
NET ASSETS		
Unrestricted		
Undesignated	13,553,233	13,236,235
Temporarily Restricted	412,600	453,500
Permanently Restricted	649,200	649,200
TOTAL NET ASSETS	<u>14,615,033</u>	<u>14,338,935</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,843,084</u>	<u>\$ 15,828,998</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, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 1,981,444	\$ 1,483,128	\$ -	\$ 3,464,572
Conference Centers	1,105,683	-	-	1,105,683
Regional Ministries	5,249	74,439	-	79,688
Investment Income	1,449	70,528	-	71,977
Change in Value of Split Interest Agreements	788	-	-	788
Other Revenue	1,367	-	-	1,367
Net Assets Released from Restrictions	1,668,995	(1,668,995)	-	-
TOTAL OPERATING REVENUE	4,764,975	(40,900)	-	4,724,075
EXPENSES				
PROGRAM SERVICES				
Field Ministries	433,258	-	-	433,258
Communications	280,727	-	-	280,727
Conference Centers	2,323,971	-	-	2,323,971
Education Centers	202,986	-	-	202,986
Academies and ROTC	467,823	-	-	467,823
TOTAL PROGRAM SERVICES	3,708,765	-	-	3,708,765
SUPPORTING SERVICES				
General and Administration	416,776	-	-	416,776
Fundraising	322,436	-	-	322,436
TOTAL SUPPORTING SERVICES	739,212	-	-	739,212
TOTAL EXPENSES	4,447,977	-	-	4,447,977
CHANGE IN NET ASSETS	316,998	(40,900)	-	276,098
NET ASSETS, Beginning	13,236,235	453,500	649,200	14,338,935
NET ASSETS, Ending	\$ 13,553,233	\$ 412,600	\$ 649,200	\$ 14,615,033

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

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,009,067	\$ 1,436,280	\$ -	\$ 3,445,347
866,110	-	-	866,110
7,753	96,325	-	104,078
1,922	76,899	-	78,821
1,559	-	-	1,559
1,554	-	-	1,554
2,143,587	(2,143,587)	-	-
<u>5,031,552</u>	<u>(534,083)</u>	<u>-</u>	<u>4,497,469</u>
448,641	-	-	448,641
297,094	-	-	297,094
2,017,324	-	-	2,017,324
263,175	-	-	263,175
525,139	-	-	525,139
<u>3,551,373</u>	<u>-</u>	<u>-</u>	<u>3,551,373</u>
432,738	-	-	432,738
306,546	-	-	306,546
<u>739,284</u>	<u>-</u>	<u>-</u>	<u>739,284</u>
4,290,657	-	-	4,290,657
740,895	(534,083)	-	206,812
12,495,340	987,583	649,200	14,132,123
<u>\$ 13,236,235</u>	<u>\$ 453,500</u>	<u>\$ 649,200</u>	<u>\$ 14,338,935</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	\$ 3,298,270	\$ 2,762,233
Cash Received from Conference Centers	1,145,165	859,843
Cash Received from Regional Ministries	79,688	104,078
Interest Received	3,372	4,985
Other Cash Received	1,367	1,554
Payments to Suppliers	(2,261,889)	(2,202,902)
Payments to Employees	(1,752,072)	(1,646,794)
Interest Paid	(41,875)	(43,847)
Net Cash Provided (Used) by Operating Activities	472,026	(160,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(600,014)	(1,269,728)
Proceeds from Sale (Purchases) of Investments, Net	41,245	870,702
Net Cash Used by Investing Activities	(558,769)	(399,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Note Payable	-	1,300,000
Payments to Annuitants	(6,600)	(6,600)
Principal Payments on Note Payable	(249,838)	(1,010,687)
Cash Contributions Received for Long-term Purposes	235,542	862,793
(Increase) Decrease in Pledges Receivable - Noncurrent	(108,047)	66,583
Net Cash Provided (Used) by Financing Activities	(128,943)	1,212,089
NET INCREASE (DECREASE) IN CASH	(215,686)	652,213
CASH, Beginning	1,322,025	669,812
CASH, Ending	\$ 1,106,339	\$ 1,322,025
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Income	\$ 276,098	\$ 206,812
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities		
Loss on Sale of Property and Equipment	8,732	1,526
Depreciation	419,663	389,187
Donated Stock	(50,647)	(105,085)
Pledges Receivable Present Value Adjustment	59,847	177,434
Gain on Investments	(68,605)	(73,836)
Increase in Other Assets	(11,002)	(7,855)
Change in Value of Split Interest Agreements	4,463	7,948
Change in Value of Annuity Investments	(5,251)	(9,507)
Cash Contributions Received for Long-term Purposes	(235,542)	(862,793)
Changes in Assets and Liabilities		
Pledges Receivable - Current Portion	60,040	107,330
Accounts Receivable	7	(5,149)
Inventory and Prepaid Expenses	(2,358)	(8,224)
Accounts Payable	(10,373)	15,309
Accrued Liabilities	1,205	857
Deferred Revenue	30,743	(1,118)
Accrued Vacation	(4,994)	6,314
Total Adjustments	195,928	(367,662)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 472,026	\$ (160,850)

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, 2014 and 2013

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, 2014 and 2013

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.

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.

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.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014 and 2013. The Fellowship's tax filings are subject to audit by various taxing authorities. The Fellowship's ending open audit periods are December 31, 2011, 2012, 2013 and 2014. The Fellowship believes it has no significant uncertain tax provisions for the periods ended December 31, 2014 and 2013.

Reclassifications

For comparability purposes, certain 2013 amounts have been reclassified where appropriate to conform with the 2014 financial statements presentation.

Subsequent Events

The Fellowship has evaluated events subsequent to the year ended December 31, 2014 through March 4, 2015, 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 26% as of December 31, 2014 and 2013.

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% as of December 31, 2014 and 2013.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 2: PLEDGES RECEIVABLE (Continued)

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

	<u>2014</u>	<u>2013</u>
Combined Federal Campaign	\$ 85,831	\$ 101,531
Capital Campaign	625,570	561,287
Unconditional Pledges Due	711,401	662,818
Less:		
Allowance for Uncollectible Pledges Receivable	(47,538)	(51,398)
Unamortized Discount	(18,181)	(13,745)
Net Pledges Receivable	645,682	597,675
Less:		
Current Portion	(344,270)	(404,310)
Non-current Pledges Receivable	<u>\$ 301,412</u>	<u>\$ 193,365</u>
Pledges are as follows:		
Less Than One Year	\$ 344,270	\$ 404,310
One to Five Years	291,250	182,666
Six to Ten Years	10,162	10,699
Total Pledges Receivable	<u>\$ 645,682</u>	<u>\$ 597,675</u>

The CFC pledges received in the Fall of 2014 have not been determined or communicated to the Fellowship as of December 31, 2014, and therefore, are not reported in the financial statements.

NOTE 3: INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents (Level 1)	\$ 241,700	\$ 245,937
Mutual Funds - Equity (Level 1)	73,954	51,073
Mutual Funds - Bonds (Level 1)	29,779	50,300
Stock (Level 1)	371,048	342,588
Bonds (Level 1)	89,301	91,124
Life Insurance Annuities (Level 3)	52,298	56,761
Total Investments	<u>\$ 858,080</u>	<u>\$ 837,783</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 3: INVESTMENTS (Continued)

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

	<u>2014</u>	<u>2013</u>
Interest Income	\$ 3,372	\$ 4,985
Unrealized/Realized Gain on Investments	<u>68,605</u>	<u>73,836</u>
Total Investments	<u><u>\$ 71,977</u></u>	<u><u>\$ 78,821</u></u>

The following present information about the Fellowship's investments that are measured at fair value on recurring basis as of December 31, 2014 and 2013, 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>2014</u>	<u>2013</u>
Land	\$ 1,127,655	\$ 1,127,655
Building and Improvements	14,520,558	13,471,955
Equipment	<u>953,212</u>	<u>949,675</u>
	16,601,425	15,549,285
Less: Accumulated Depreciation	<u>(3,602,605)</u>	<u>(3,304,037)</u>
Total Property and Equipment	<u><u>\$ 12,998,820</u></u>	<u><u>\$ 12,245,248</u></u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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, 2014 and 2013, was \$164,866 and \$153,864, respectively.

NOTE 6: NOTE PAYABLE

	<u>2014</u>	<u>2013</u>
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.	\$ 931,560	\$ 1,181,398
	931,560	1,181,398
Less: Current Portion	<u>(254,402)</u>	<u>(244,307)</u>
	<u><u>\$ 677,158</u></u>	<u><u>\$ 937,091</u></u>

Annual debt service requirements for the outstanding note at December 31, 2014 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 254,402	\$ 33,311	\$ 287,713
2016	264,840	22,873	287,713
2017	275,856	11,857	287,713
2018	<u>136,462</u>	<u>1,682</u>	<u>138,144</u>
Total	<u><u>\$ 931,560</u></u>	<u><u>\$ 69,723</u></u>	<u><u>\$ 1,001,283</u></u>

Interest expense for the years ended December 31, 2014 and 2013, was \$41,875 and \$43,847, respectively.

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, 2014 and 2013

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Coffman/Waldrop WSS	\$ 4,254	\$ 8,336
Harrison House WSS	137,318	22,400
Home Office	2,984	8,400
Staff Association, Regional	50,919	55,228
2014 World Conference	2,681	135
USAFA Scholarships	2,501	522
USAFA General	144,503	81,997
USAFA Facilities	-	522
USCGA General	117,179	86,900
USMA Scholarships	25,223	33,339
USMA Missions	24,686	46,666
USMA Facilities	13,917	17,127
USMA General	259,543	135,357
USNA Facility fund	829	3,197
USNA Scholarships	8,770	21,809
ROTC	1,685	3,286
ROTC Ministry and Scholarship	4,183	2,422
Capital Campaign		
Spring Canyon	473,553	664,892
White Sulphur Springs	1,200	12,500
Other	230,895	793,143
WSS Facility Development	61,617	31,313
Leavenworth General	95,206	109,906
Scholarship Endowment	5,349	4,000
Enlisted Ministry	-	190
	<u> </u>	<u> </u>
Total	<u><u>\$ 1,668,995</u></u>	<u><u>\$ 2,143,587</u></u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Coffman/Waldrop WSS	\$ 21,302	\$ 13,506
Harrison House WSS	-	38,934
Home Office	4,218	3,002
Staff Association, Regional	57,952	53,886
2014 World Conference	-	1,815
USAFA General	4,869	42,443
USAFA Facilities	2,900	2,900
USCGA General	27,595	46,297
USCGA Facilities	137,220	20,353
USMA Scholarships	12,483	14,918
USMA Missions	11,766	14,461
USMA Facilities	7,167	10,789
USMA General	9,982	73,859
USNA Facility fund	12,769	453
USNA Scholarships	4,192	4,647
ROTC	1,442	842
ROTC Ministry and Scholarship	-	518
WSS Facility Development	82,533	97,945
Leavenworth General	-	2,813
Scholarship Endowment	12,340	7,249
Enlisted Ministry	1,870	1,870
Total	<u>\$ 412,600</u>	<u>\$ 453,500</u>

NOTE 9: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Scholarships	\$ 101,000	\$ 101,000
White Sulphur Springs Harrison House Maintenance	548,200	548,200
Total	<u>\$ 649,200</u>	<u>\$ 649,200</u>

NOTE 10: LEASE COMMITMENTS

The Fellowship has operating leases for equipment which were renewed during 2014 with expiration in 2019. Lease expense for the years ended December 31, 2014 and 2013, was \$29,995 and \$22,140.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 10: LEASE COMMITMENTS (Continued)

Future lease payments for the outstanding leases at December 31, 2014 were as follows:

<u>Year Ended December 31,</u>	<u>Total</u>
2015	\$ 32,045
2016	32,045
2017	32,045
2018	32,045
2019	32,045
Total	<u>\$ 160,225</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, 2014 and 2013. The Fellowship contributed \$93,863 and \$90,441, respectively, to the Plan for the years ended December 31, 2014 and 2013.

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

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 12: ENDOWMENTS (Continued)

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.

Changes in endowment net assets for the years ended December 31, 2014 and 2013:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, as of December 31, 2012	\$ 226,787	\$ 287,607	\$ 660,339	\$ 1,174,733
Contributions and Other Gains	196	1,532,409	-	1,532,605
Investment Income	24,702	17,153	35,044	76,899
Net Appropriations for expenditure and fund value preservation	(251,685)	(1,383,669)	-	(1,635,354)
Endowment Net Assets, as of December 31, 2013	-	453,500	695,383	1,148,883
Contributions and Other Gains	-	1,557,567	-	1,557,567
Investment Income	-	52,855	17,673	70,528
Net Appropriations for expenditure and fund value preservation	-	(1,651,322)	-	(1,651,322)
Endowment Net Assets, as of December 31, 2014	<u>\$ -</u>	<u>\$ 412,600</u>	<u>\$ 713,056</u>	<u>\$ 1,125,656</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
SUPPORT		
Contributions		
General	\$ 1,089,413	\$ 1,264,311
Capital Campaign	712,446	594,786
Executive Ministries	46,862	6,155
Communications	74,569	91,801
Spring Canyon	292,089	201,308
Spring Canyon - Capital Contributions	58,759	123,058
White Sulphur Springs - Capital Contributions	114,824	146,423
White Sulphur Springs	209,766	210,410
Director of Field Outreach	1,480	371
Leavenworth	58,765	67,885
Maxwell/Gunter	59,380	66,786
Quantico	12,019	18,552
U.S. Air Force Academy	109,429	102,739
U.S. Coast Guard Academy	208,354	99,891
U.S. Military Academy	215,453	240,907
U.S. Naval Academy	89,856	109,856
U.S. ROTC	5,840	6,187
Regional Ministries	105,268	93,920
Total Support	<u>\$ 3,464,572</u>	<u>\$ 3,445,346</u>
REVENUE		
Conference Centers		
Spring Canyon	\$ 454,529	\$ 270,353
White Sulphur Springs	651,154	595,757
Total Conference Centers	<u>\$ 1,105,683</u>	<u>\$ 866,110</u>
Regional Ministries		
Local Fellowship Support	<u>\$ 79,688</u>	<u>\$ 104,078</u>

See the accompanying Independent Auditors' Report.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended December 31, 2014 and 2013

2014						
Program Services						
	Field Ministries	Communications	Conference Centers	Education Centers	Academies & ROTC	Total Program Services
Salaries	\$ 289,847	\$ 109,565	\$ 696,594	\$ 119,413	\$ 184,819	\$ 1,400,238
Payroll Taxes	12,497	8,911	49,285	9,370	9,751	89,814
Employee Benefits	3,026	35,517	42,038	10,300	6,076	96,957
Pension Plan	8,996	8,737	23,274	5,437	13,929	60,373
Total Personnel	<u>314,366</u>	<u>162,730</u>	<u>811,191</u>	<u>144,520</u>	<u>214,575</u>	<u>1,647,382</u>
Auto and Truck	-	-	35,993	-	4,955	40,948
Conference, Conventions and Meetings	12,032	1,055	6,904	230	8,900	29,121
Contract Services	-	4,919	41,347	50	4,525	50,841
Dues and Subscriptions	144	301	26,790	-	-	27,235
Equipment Rental and Maintenance	669	699	14,946	-	73	16,387
General Ministry	17,575	291	94,735	39,226	129,202	281,029
Occupancy	13,959	10,650	406,490	-	42,536	473,635
Postage and Shipping	4,553	13,376	5,081	671	817	24,498
Printing and Publications	3,965	12,411	2,942	760	16,563	36,641
Professional Fees	-	-	7,955	-	-	7,955
Promotion	3,716	67,624	9,371	-	638	81,349
Supplies	3,009	1,762	379,022	1,712	10,371	395,876
Telephone	1,249	1,039	14,281	484	3,391	20,444
Travel	55,047	1,033	36,921	15,333	11,479	119,813
Interest	-	-	41,875	-	-	41,875
Depreciation	2,974	2,837	388,127	-	19,798	413,736
Total Non-Personnel	<u>118,892</u>	<u>117,997</u>	<u>1,512,780</u>	<u>58,466</u>	<u>253,248</u>	<u>2,061,383</u>
TOTAL EXPENSES	\$ 433,258	\$ 280,727	\$ 2,323,971	\$ 202,986	\$ 467,823	\$ 3,708,765

2013						
Program Services						
	Field Ministries	Communications	Conference Centers	Education Centers	Academies & ROTC	Total Program Services
Salaries	\$ 283,696	\$ 104,571	\$ 578,639	\$ 154,664	\$ 194,629	\$ 1,316,199
Payroll Taxes	15,492	8,633	42,419	7,515	9,751	83,810
Employee Benefits	12,368	31,459	74,364	13,815	5,441	137,447
Pension Plan	8,451	8,821	25,584	6,943	14,254	61,053
Total Personnel	<u>320,007</u>	<u>150,484</u>	<u>721,006</u>	<u>182,937</u>	<u>224,075</u>	<u>1,598,509</u>
Auto and Truck	-	-	30,502	-	4,987	35,489
Conference, Conventions and Meetings	14,696	699	8,039	723	25,019	49,176
Contract Services	116	8,240	33,546	166	4,100	46,168
Dues and Subscriptions	8	494	20,057	-	-	20,559
Equipment Rental and Maintenance	250	303	7,925	-	101	8,579
General Ministry	17,636	-	23,541	48,517	157,833	247,527
Occupancy	20,118	15,408	376,192	-	49,654	461,372
Postage and Shipping	4,302	10,028	6,173	548	782	21,833
Printing and Publications	3,884	13,267	3,511	298	12,530	33,490
Professional Fees	-	-	2,015	-	-	2,015
Promotion	2,635	88,938	5,907	-	688	98,168
Supplies	3,719	4,655	341,687	1,409	6,446	357,916
Telephone	2,553	852	9,540	660	3,332	16,937
Travel	56,380	1,495	26,287	27,917	15,498	127,577
Interest	-	-	43,847	-	-	43,847
Depreciation	2,337	2,231	357,549	-	20,094	382,211
Total Non-Personnel	<u>128,634</u>	<u>146,610</u>	<u>1,296,318</u>	<u>80,238</u>	<u>301,064</u>	<u>1,952,864</u>
TOTAL EXPENSES	\$ 448,641	\$ 297,094	\$ 2,017,324	\$ 263,175	\$ 525,139	\$ 3,551,373

See the accompanying Independent Auditors' Report.

2014

Supporting Services			
General Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 177,795	\$ 169,045	\$ 346,840	\$ 1,747,078
22,933	7,058	29,991	119,805
33,692	8,900	42,592	139,549
22,081	11,409	33,490	93,863
<u>256,501</u>	<u>196,412</u>	<u>452,913</u>	<u>2,100,295</u>
-	-	-	40,948
2,766	238	3,004	32,125
21,584	325	21,909	72,750
15,781	3,540	19,321	46,556
-	-	-	-
37,992	1,079	39,071	55,458
(1,303)	9,603	8,300	289,329
(834)	-	(834)	472,801
10,171	16,672	26,843	51,341
493	12,557	13,050	49,691
8,500	54,918	63,418	71,373
-	5,610	5,610	86,959
17,884	6,688	24,572	420,448
3,230	839	4,069	24,513
38,084	13,955	52,039	171,852
-	-	-	41,875
5,927	-	5,927	419,663
<u>160,275</u>	<u>126,024</u>	<u>286,299</u>	<u>2,347,682</u>
\$ 416,776	\$ 322,436	\$ 739,212	\$ 4,447,977

2013

Supporting Services			
General Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 185,194	\$ 151,715	\$ 336,909	\$ 1,653,108
23,015	5,850	28,865	112,675
26,532	18,416	44,948	182,395
19,166	10,222	29,388	90,441
<u>253,907</u>	<u>186,203</u>	<u>440,110</u>	<u>2,038,619</u>
-	-	-	35,489
3,876	1,121	4,997	54,173
30,499	-	30,499	76,667
18,250	4,498	22,748	43,307
-	-	-	-
30,006	490	30,496	39,075
3,933	16,966	20,899	268,426
(761)	-	(761)	460,611
11,926	12,485	24,411	46,244
1,344	11,975	13,319	46,809
14,990	26,968	41,958	43,973
-	6,153	6,153	104,321
17,578	14,336	31,914	389,830
1,975	1,397	3,372	20,309
38,239	23,954	62,193	189,770
-	-	-	43,847
6,976	-	6,976	389,187
<u>178,831</u>	<u>120,343</u>	<u>299,174</u>	<u>2,252,038</u>
\$ 432,738	\$ 306,546	\$ 739,284	\$ 4,290,657