

OFFICERS' CHRISTIAN FELLOWSHIP  
OF THE UNITED STATES  
OF AMERICA

FINANCIAL STATEMENTS

December 31, 2013



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, 2013 and 2012, 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, 2013 and 2012, 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***

*Prior Year's Financial Statements*

The 2012 financial statements were audited by other auditors and their report thereon, dated January 29, 2013, expressed an unmodified opinion on the financial statements.

*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 5, 2014

## FINANCIAL STATEMENTS

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 1,322,025	\$ 669,812
Pledges Receivable - Current Portion	404,310	511,640
Accounts Receivable	5,908	759
Inventory	32,503	30,959
Prepaid Expenses	28,535	21,855
Total Current Assets	<u>1,793,281</u>	<u>1,235,025</u>
Non-current Assets		
Investments	837,783	1,708,346
Pledges Receivable	193,365	259,948
Property and Equipment, Net of Accumulated Depreciation	12,245,248	11,432,137
Construction in Process	605,457	516,049
Other Assets	153,864	146,009
Total Non-current Assets	<u>14,035,717</u>	<u>14,062,489</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,828,998</u></b>	<b><u>\$ 15,297,514</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current Liabilities		
Accounts and Retainage Payable	\$ 81,485	\$ 42,672
Accrued Liabilities	28,744	27,887
Deferred Revenue	4,644	5,762
Accrued Vacation	125,319	119,005
Accrued Interest Payable	1,137	1,137
Note Payable - Current Portion	244,307	189,041
Total Current Liabilities	<u>485,636</u>	<u>385,504</u>
Long Term Liabilities		
Note Payable	937,091	703,044
Annuities Due	67,336	76,843
Total Long Term Liabilities	<u>1,004,427</u>	<u>779,887</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,490,063</u></b>	<b><u>1,165,391</u></b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	13,236,235	12,268,553
Governing Council Designated	-	226,787
	<u>13,236,235</u>	<u>12,495,340</u>
Temporarily Restricted	453,500	987,583
Permanently Restricted	649,200	649,200
<b>TOTAL NET ASSETS</b>	<b><u>14,338,935</u></b>	<b><u>14,132,123</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,828,998</u></b>	<b><u>\$ 15,297,514</u></b>

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, 2013 and 2012

	<b>2013</b>			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 2,009,067	\$ 1,436,280	\$ -	\$ 3,445,347
Conference Centers	866,110	-	-	866,110
Regional Ministries	7,753	96,325	-	104,078
Investment Income	1,922	76,899	-	78,821
Change in Value of Split Interest Agreements	1,559	-	-	1,559
Other Revenue	1,554	-	-	1,554
Net Assets Released from Restrictions	2,143,587	(2,143,587)	-	-
<b>TOTAL OPERATING REVENUE</b>	<b>5,031,552</b>	<b>(534,083)</b>	<b>-</b>	<b>4,497,469</b>
<b>EXPENSES</b>				
<b>PROGRAM SERVICES</b>				
Field Ministries	448,641	-	-	448,641
Communications	297,094	-	-	297,094
Conference Centers	1,921,530	-	-	1,921,530
Education Centers	263,175	-	-	263,175
Academies and ROTC	525,139	-	-	525,139
<b>TOTAL PROGRAM SERVICES</b>	<b>3,455,579</b>	<b>-</b>	<b>-</b>	<b>3,455,579</b>
<b>SUPPORTING SERVICES</b>				
General and Administration	432,738	-	-	432,738
Fundraising	402,340	-	-	402,340
<b>TOTAL SUPPORTING SERVICES</b>	<b>835,078</b>	<b>-</b>	<b>-</b>	<b>835,078</b>
<b>TOTAL EXPENSES</b>	<b>4,290,657</b>	<b>-</b>	<b>-</b>	<b>4,290,657</b>
<b>CHANGE IN NET ASSETS</b>	<b>740,895</b>	<b>(534,083)</b>	<b>-</b>	<b>206,812</b>
<b>NET ASSETS, Beginning</b>	<b>12,495,340</b>	<b>987,583</b>	<b>649,200</b>	<b>14,132,123</b>
<b>NET ASSETS, Ending</b>	<b>\$ 13,236,235</b>	<b>\$ 453,500</b>	<b>\$ 649,200</b>	<b>\$ 14,338,935</b>

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

**2012**

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,887,847	\$ 1,535,027	\$ 101,000	\$ 3,523,874
828,965	-	-	828,965
5,648	-	-	5,648
8,479	41,541	-	50,020
3,650	-	-	3,650
70,209	-	-	70,209
1,493,843	(1,493,843)	-	-
<u>4,298,641</u>	<u>82,725</u>	<u>101,000</u>	<u>4,482,366</u>
422,161	-	-	422,161
216,757	-	-	216,757
1,761,066	-	-	1,761,066
230,063	-	-	230,063
545,168	-	-	545,168
<u>3,175,215</u>	<u>-</u>	<u>-</u>	<u>3,175,215</u>
478,630	-	-	478,630
339,045	-	-	339,045
<u>817,675</u>	<u>-</u>	<u>-</u>	<u>817,675</u>
<u>3,992,890</u>	<u>-</u>	<u>-</u>	<u>3,992,890</u>
305,751	82,725	101,000	489,476
<b>12,189,589</b>	<b>904,858</b>	<b>548,200</b>	<b>13,642,647</b>
<b><u>\$ 12,495,340</u></b>	<b><u>\$ 987,583</u></b>	<b><u>\$ 649,200</u></b>	<b><u>\$ 14,132,123</u></b>



OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributions	\$ 2,762,233	\$ 2,427,033
Cash Received from Conference Centers	859,843	907,903
Cash Received from Regional Ministries	104,078	-
Interest Received	4,985	23,262
Other Cash Received	1,554	-
Payments to Suppliers	(2,202,902)	(1,825,968)
Payments to Employees	(1,646,794)	(1,720,840)
Interest Paid	(43,847)	(33,670)
Net Cash Provided (Used) by Operating Activities	(160,850)	(222,280)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(1,269,728)	(550,316)
Proceeds from Sale (Purchases) of Investments, Net	870,702	(451,721)
Net Cash Used by Investing Activities	(399,026)	(1,002,037)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Note Payable	1,300,000	1,000,000
Payments to Annuitants	(6,600)	(6,600)
Principal Payments on Note Payable	(1,010,687)	(681,342)
Cash Contributions Received for Long-term Purposes	862,793	875,040
Decrease in Pledges Receivable - Noncurrent	66,583	-
Net Cash Provided by Financing Activities	1,212,089	1,187,098
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>652,213</b>	<b>(37,219)</b>
<b>CASH, Beginning</b>	<b>669,812</b>	<b>707,031</b>
<b>CASH, Ending</b>	<b>\$ 1,322,025</b>	<b>\$ 669,812</b>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net Income	\$ 206,812	\$ 489,476
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities		
Loss on Sale of Property and Equipment	1,526	-
Depreciation	389,187	316,289
Donated Stock	(105,085)	(103,227)
Pledges Receivable Present Value Adjustment	177,434	-
Gain on Investments	(73,836)	(26,758)
Increase in Other Assets	(7,855)	-
Change in Value of Split Interest Agreements	7,948	(10,353)
Change in Value of Annuity Investments	(9,507)	14,529
Cash Contributions Received for Long-term Purposes	(862,793)	(875,040)
Changes in Assets and Liabilities		
Pledges Receivable - Current Portion	107,330	(16,819)
Accounts Receivable	(5,149)	3,024
Inventory and Prepaid Expenses	(8,224)	(9,216)
Accounts Payable	15,309	(8,256)
Accrued Liabilities	857	(1,721)
Deferred Revenue	(1,118)	57
Accrued Vacation	6,314	5,735
Accrued Interest Payable	-	-
Total Adjustments	(367,662)	(711,756)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (160,850)</b>	<b>\$ (222,280)</b>

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, 2013 and 2012

### **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, 2013 and 2012

**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.

# OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### **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 2013 and 2012. The Fellowship's tax filings are subject to audit by various taxing authorities. The Fellowship's ending open audit periods are December 31, 2010, 2011, 2012 and 2013. The Fellowship believes it has no significant uncertain tax provisions for the periods ended December 31, 2013 and 2012.

#### **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 evaluated events subsequent to the year ended December 31, 2013 through March 5, 2014, 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% and 25% as of December 31, 2013 and 2012, 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 2% as of December 31, 2013 and 2012, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

**NOTE 2: PLEDGES RECEIVABLE (Continued)**

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

	<u>2013</u>	<u>2012</u>
Combined Federal Campaign	\$ 101,531	\$ 95,482
Capital Campaign	561,287	748,768
Unconditional Pledges Due	662,818	844,250
Less:		
Allowance for Uncollectible Pledges Receivable	(51,398)	(48,871)
Unamortized Discount	(13,745)	(23,791)
Net Pledges Receivable	597,675	771,588
Less:		
Current Portion	(404,310)	(511,640)
 Non-current Pledges Receivable	 <b><u>\$ 193,365</u></b>	 <b><u>\$ 259,948</u></b>
 Pledges are as follows:		
Less Than One Year	\$ 404,310	\$ 511,640
One to Five Years	182,666	259,948
Six to Ten Years	10,699	-
 Total Pledges Receivable	 <b><u>\$ 597,675</u></b>	 <b><u>\$ 771,588</u></b>

The CFC pledges received in the Fall of 2013 have not been determined or communicated to the Fellowship as of December 31, 2013, and therefore, are not reported in the financial statements.

**NOTE 3: INVESTMENTS**

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

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents (Level 1)	\$ 245,937	\$ 977,225
Mutual Funds - Equity (Level 1)	51,073	38,699
Mutual Funds - Bonds (Level 1)	50,300	313,739
Stock (Level 1)	342,588	252,574
Bonds (Level 1)	91,124	61,400
Life Insurance Annuities (Level 3)	56,761	64,709
 Total Investments	 <b><u>\$ 837,783</u></b>	 <b><u>\$ 1,708,346</u></b>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

**NOTE 3: INVESTMENTS** (Continued)

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

	<u>2013</u>	<u>2012</u>
Interest Income	\$ 4,985	\$ 23,262
Unrealized/Realized Gain on Investments	<u>73,836</u>	<u>26,758</u>
Total Investments	<u><u>\$ 78,821</u></u>	<u><u>\$ 50,020</u></u>

The following present information about the Fellowship's investments that are measured at fair value on recurring basis as of December 31, 2013 and 2012, 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>2013</u>	<u>2012</u>
Land	\$ 1,127,655	\$ 1,127,655
Building and Improvements	13,471,955	12,314,718
Equipment	<u>949,675</u>	<u>955,111</u>
	15,549,285	14,397,484
Less: Accumulated Depreciation	<u>(3,304,037)</u>	<u>(2,965,347)</u>
Total Property and Equipment	<u><u>\$12,245,248</u></u>	<u><u>\$11,432,137</u></u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

**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, 2013 and 2012, was \$153,864 and \$146,009, respectively.

**NOTE 6: NOTE PAYABLE**

	<u>2013</u>	<u>2012</u>
Mortgage dated May 2012, for \$1,000,000 with monthly payments of \$18,444. The note has an interest rate of 4% per annum, maturing May 2017, and is collateralized by real property located in Bedford County, Commonwealth of Pennsylvania.	\$ -	\$ 892,085
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.	<u>1,181,398</u>	<u>-</u>
	1,181,398	892,085
Less: Current Portion	<u>(244,307)</u>	<u>(189,041)</u>
	<u><b>\$ 937,091</b></u>	<u><b>\$ 703,044</b></u>

Annual debt service requirements for the outstanding note at December 31, 2013 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 244,307	\$ 43,405	\$ 287,712
2015	254,402	33,311	287,713
2016	264,840	22,873	287,713
2017	275,856	11,857	287,713
2018	<u>141,993</u>	<u>1,682</u>	<u>143,675</u>
Total	<u><b>\$ 1,181,398</b></u>	<u><b>\$ 113,128</b></u>	<u><b>\$ 1,294,526</b></u>

Interest expense for the years ended December 31, 2013 and 2012, was \$43,847 and \$33,670, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

**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.

**NOTE 8: TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2013</u>	<u>2012</u>
Coffman/Waldrop WSS	\$ 8,336	\$ 8,004
Harrison House WSS	22,400	30,303
Home Office	8,400	17,309
Staff Association, Regional	55,228	50,889
2014 World Conference	135	-
USAFA Scholarships	522	928
USAFA General	81,997	81,397
USAFA Facilities	522	-
USCGA General	86,900	72,131
USMA Scholarships	33,339	25,583
USMA Missions	46,666	23,286
USMA Facilities	17,127	13,682
USMA General	135,357	138,640
USNA Facility fund	3,197	-
USNA Scholarships	21,809	3,323
USNA General	-	85,066
ROTC	3,286	3,407
ROTC Ministry and Scholarship	2,422	3,513
Capital Campaign		
Spring Canyon	664,892	460,792
White Sulphur Springs	12,500	19,750
Other	793,143	413,366
WSS Facility Maintenance		-
WSS Facility Development	31,313	38,744
Leavenworth General	109,906	-
Scholarship Endowment	4,000	-
Enlisted Ministry	190	3,730
	<u>190</u>	<u>3,730</u>
Total	<u>\$ 2,143,587</u>	<u>\$ 1,493,843</u>



OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

**NOTE 8: TEMPORARILY RESTRICTED NET ASSETS** (Continued)

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Coffman/Waldrop WSS	\$ 13,506	\$ 12,937
Harrison House WSS	38,934	9,217
Home Office	3,002	2,141
Staff Association, Regional	53,886	52,210
2014 World Conference	1,815	-
USAFA Scholarships	-	476
USAFA General	42,443	21,770
USAFA Facilities	2,900	2,900
USCGA General	46,297	25,701
USCGA Facilities	20,353	20,875
USMA Scholarships	14,918	20,521
USMA Missions	14,461	20,712
USMA Facilities	10,789	7,968
USMA General	73,859	24,502
USNA Facility fund	453	500
USNA Scholarships	4,647	11
ROTC	842	881
ROTC Ministry and Scholarship	518	-
Capital Campaign		
Spring Canyon	-	60,302
Other	-	699,976
WSS Facility Development	97,945	-
Leavenworth General	2,813	-
Scholarship Endowment	7,249	1,923
Enlisted Ministry	1,870	2,060
	<u>\$ 453,500</u>	<u>\$ 987,583</u>
Total		

**NOTE 9: PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 101,000	\$ 101,000
White Sulphur Springs Harrison House Maintenance	548,200	548,200
	<u>\$ 649,200</u>	<u>\$ 649,200</u>
Total		

# OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### **NOTE 10: LEASE COMMITMENTS**

The Fellowship has operating leases which expire April 2014. Lease expense for the years ended December 31, 2013 and 2012, was \$22,140 and \$28,863. Future required payments for the year ending December 31, 2014 are \$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, 2013 and 2012. The Fellowship contributed \$90,441 and \$85,463, respectively, to the Plan for the years ended December 31, 2013 and 2012.

### **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.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

**NOTE 12: ENDOWMENTS** (Continued)

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, 2013 and 2012:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, as of December 31, 2011	\$ 218,560	\$ 147,689	\$ 544,403	\$ 910,652
Contributions and Other Gains	4,982	1,414,226	101,000	1,520,208
Investment Income	3,245	26,605	14,936	44,786
Net Appropriations for expenditure and fund value preservation	-	(1,300,913)	-	(1,300,913)
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	52,197	35,044	111,943
Net Appropriations for expenditure and fund value preservation	(251,685)	(1,418,713)	-	(1,670,398)
Endowment Net Assets, as of December 31, 2013	<u>\$ -</u>	<u>\$ 453,500</u>	<u>\$ 695,383</u>	<u>\$ 1,148,883</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.

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

In May 2013, the Fellowship entered into a contract in the amount of \$791,168 for construction of the new lodge, Fort Shine, for the Spring Canyon conference center. As of December 31, 2013, the remaining commitment on the contract is approximately \$321,000.

## **SUPPLEMENTARY INFORMATION**

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

SCHEDULES OF SUPPORT AND REVENUE  
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>SUPPORT</b>		
Contributions		
General	\$ 1,332,580	\$ 1,260,776
Executive Ministries	6,155	-
Publications	91,801	4,743
Spring Canyon	838,633	262,547
White Sulphur Springs - Capital Contributions	158,673	996,357
White Sulphur Springs	210,410	249,120
Director of Field Outreach	371	1,092
U.S. Army Command and General Staff College	67,885	74,310
U.s. Air Force Air University	66,786	73,040
U.S. Air Force Academy	102,739	93,559
U.S. Coast Guard Academy	99,891	78,615
U.S. Military Academy	240,907	227,042
U.S. Naval Academy	109,856	80,963
U.S. ROTC	6,187	4,390
Director of Schools Ministries	18,552	9,536
Regional Ministries	93,920	107,784
Total Support	<u>\$ 3,445,346</u>	<u>\$ 3,523,874</u>
<b>REVENUE</b>		
Conference Centers		
Spring Canyon	\$ 270,353	\$ 220,966
White Sulphur Springs	595,757	607,999
Total Conference Centers	<u>\$ 866,110</u>	<u>\$ 828,965</u>
Regional Ministries		
Local Fellowship Support	<u>\$ 104,078</u>	<u>\$ 5,648</u>

See the accompanying Independent Auditors' Report.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

SCHEDULES OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2013 and 2012

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	5,821	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	420,039	-	49,654	505,219
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
Depreciation	2,337	2,231	261,755	-	20,094	286,417
Total Non-Personnel	<u>128,634</u>	<u>146,610</u>	<u>1,200,524</u>	<u>80,238</u>	<u>301,064</u>	<u>1,857,070</u>
<b>TOTAL EXPENSES</b>	<b>\$ 448,641</b>	<b>\$ 297,094</b>	<b>\$ 1,921,530</b>	<b>\$ 263,175</b>	<b>\$ 525,139</b>	<b>\$ 3,455,579</b>

2012						
Program Services						
	Field Ministries	Communications	Conference Centers	Education Centers	Academies & ROTC	Total Program Services
Salaries	\$ 262,356	\$ 103,755	\$ 547,898	\$ 148,268	\$ 217,838	\$ 1,280,115
Payroll Taxes	13,171	8,705	42,217	7,196	9,750	81,039
Employee Benefits	24,035	32,689	84,608	18,457	15,798	175,587
Pension Plan	8,521	5,696	27,884	7,105	14,122	63,328
Total Personnel	<u>308,083</u>	<u>150,845</u>	<u>702,607</u>	<u>181,026</u>	<u>257,508</u>	<u>1,600,069</u>
Auto and Truck	5,579	-	34,651	-	4,405	44,635
Conference, Conventions and Meetings	1,443	1,784	3,773	3,170	29,462	39,632
Contract Services	556	3,315	72,337	614	3,884	80,706
Dues and Subscriptions	-	354	5,925	-	-	6,279
Equipment Rental and Maintenance	663	-	5,712	-	3,162	9,537
General Ministry	12,893	36	11,090	3,049	100,321	127,389
Occupancy	15,380	14,718	310,274	-	51,531	391,903
Postage and Shipping	4,827	18,528	5,710	485	734	30,284
Printing and Publications	941	19,120	4,708	-	869	25,638
Professional Fees	366	-	-	-	-	366
Promotion	2,508	200	1,321	-	1,762	5,791
Supplies	5,715	3,988	279,787	25,876	32,373	347,739
Telephone	11,214	691	10,516	730	3,763	26,914
Travel	50,120	1,281	26,686	15,113	35,042	128,242
Depreciation	1,873	1,897	285,969	-	20,352	310,091
Total Non-Personnel	<u>114,078</u>	<u>65,912</u>	<u>1,058,459</u>	<u>49,037</u>	<u>287,660</u>	<u>1,575,146</u>
<b>TOTAL EXPENSES</b>	<b>\$ 422,161</b>	<b>\$ 216,757</b>	<b>\$ 1,761,066</b>	<b>\$ 230,063</b>	<b>\$ 545,168</b>	<b>\$ 3,175,215</b>

See the accompanying Independent Auditors' Report.

**2013**

<b>Supporting Services</b>			
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)	504,458
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
6,976	95,794	102,770	389,187
<u>178,831</u>	<u>216,137</u>	<u>394,968</u>	<u>2,252,038</u>
<b>\$ 432,738</b>	<b>\$ 402,340</b>	<b>\$ 835,078</b>	<b>\$ 4,290,657</b>

**2012**

<b>Supporting Services</b>			
General Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 246,491	\$ 194,234	\$ 440,725	\$ 1,720,840
25,786	12,307	38,093	119,132
28,532	9,798	38,330	213,917
14,398	7,736	22,134	85,462
<u>315,207</u>	<u>224,075</u>	<u>539,282</u>	<u>2,139,351</u>
-	-	-	44,635
3,206	721	3,927	43,559
33,434	45,816	79,250	159,956
1,679	4,085	5,764	12,043
15,891	-	15,891	25,428
772	5,256	6,028	133,417
12,102	377	12,479	404,382
9,004	13,984	22,988	53,272
(76)	14,231	14,155	39,793
10,488	-	10,488	10,854
2,260	6,622	8,882	14,673
35,930	9,788	45,718	393,457
1,687	2,195	3,882	30,796
30,848	11,895	42,743	170,985
6,198	-	6,198	316,289
<u>163,423</u>	<u>114,970</u>	<u>278,393</u>	<u>1,853,539</u>
<b>\$ 478,630</b>	<b>\$ 339,045</b>	<b>\$ 817,675</b>	<b>\$ 3,992,890</b>