

OFFICERS' CHRISTIAN FELLOWSHIP
OF THE UNITED STATES
OF AMERICA

FINANCIAL STATEMENTS

December 31, 2015



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, 2015 and 2014, 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, 2015 and 2014, 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 21, 2016

FINANCIAL STATEMENTS

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,256,172	\$ 1,106,339
Pledges Receivable - Current Portion	383,756	344,270
Accounts Receivable	16,812	5,901
Inventory	45,641	33,008
Prepaid Expenses	27,348	30,388
Total Current Assets	<u>1,729,729</u>	<u>1,519,906</u>
Non-current Assets		
Investments	843,063	858,080
Pledges Receivable	231,142	301,412
Property and Equipment, Net of Accumulated Depreciation	13,359,397	12,998,820
Other Assets	168,434	164,866
Total Non-current Assets	<u>14,602,036</u>	<u>14,323,178</u>
TOTAL ASSETS	<u>\$ 16,331,765</u>	<u>\$ 15,843,084</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts and Retainage Payable	\$ 53,261	\$ 47,608
Accrued Liabilities	29,018	29,949
Deferred Revenue	15,445	35,387
Accrued Vacation	128,388	120,325
Accrued Interest Payable	1,137	1,137
Note Payable - Current Portion	264,840	254,402
Total Current Liabilities	<u>492,089</u>	<u>488,808</u>
Long Term Liabilities		
Note Payable	636,120	677,158
Annuities Due	62,085	62,085
Total Long Term Liabilities	<u>698,205</u>	<u>739,243</u>
TOTAL LIABILITIES	<u>1,190,294</u>	<u>1,228,051</u>
NET ASSETS		
Unrestricted		
Undesignated	13,770,127	13,553,233
Temporarily Restricted	722,144	412,600
Permanently Restricted	649,200	649,200
TOTAL NET ASSETS	<u>15,141,471</u>	<u>14,615,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,331,765</u>	<u>\$ 15,843,084</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, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 1,862,476	\$ 1,632,838	\$ -	\$ 3,495,314
Conference Centers	1,404,916	-	-	1,404,916
Regional Ministries	7,160	47,953	-	55,113
Investment Income	3,119	7,536	-	10,655
Change in Value of Split Interest Agreements	-	-	-	-
Other Revenue	963	-	-	963
Net Assets Released from Restrictions	1,378,783	(1,378,783)	-	-
TOTAL OPERATING REVENUE	4,657,417	309,544	-	4,966,961
EXPENSES				
PROGRAM SERVICES				
Field Ministries	408,815	-	-	408,815
Communications	308,954	-	-	308,954
Conference Centers	2,346,214	-	-	2,346,214
Education Centers	126,816	-	-	126,816
Academies and ROTC	522,888	-	-	522,888
TOTAL PROGRAM SERVICES	3,713,687	-	-	3,713,687
SUPPORTING SERVICES				
General and Administration	441,411	-	-	441,411
Fundraising	285,425	-	-	285,425
TOTAL SUPPORTING SERVICES	726,836	-	-	726,836
TOTAL EXPENSES	4,440,523	-	-	4,440,523
CHANGE IN NET ASSETS	216,894	309,544	-	526,438
NET ASSETS, Beginning	13,553,233	412,600	649,200	14,615,033
NET ASSETS, Ending	\$ 13,770,127	\$ 722,144	\$ 649,200	\$ 15,141,471

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

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,981,444	\$ 1,483,128	\$ -	\$ 3,464,572
1,105,683	-	-	1,105,683
5,249	74,439	-	79,688
1,449	70,528	-	71,977
788	-	-	788
1,367	-	-	1,367
1,668,995	(1,668,995)	-	-
4,764,975	(40,900)	-	4,724,075
433,258	-	-	433,258
280,727	-	-	280,727
2,323,971	-	-	2,323,971
202,986	-	-	202,986
467,823	-	-	467,823
3,708,765	-	-	3,708,765
416,776	-	-	416,776
322,436	-	-	322,436
739,212	-	-	739,212
4,447,977	-	-	4,447,977
316,998	(40,900)	-	276,098
13,236,235	453,500	649,200	14,338,935
\$ 13,553,233	\$ 412,600	\$ 649,200	\$ 14,615,033

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	\$ 2,971,672	\$ 3,298,270
Cash Received from Conference Centers	1,373,955	1,145,165
Cash Received from Regional Ministries	55,113	79,688
Interest Received	4,607	3,372
Other Cash Received	963	1,367
Payments to Suppliers	(2,257,456)	(2,261,889)
Payments to Employees	(1,693,609)	(1,752,072)
Interest Paid	(38,029)	(41,875)
Net Cash Provided (Used) by Operating Activities	<u>417,216</u>	<u>472,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(508,473)	(600,014)
Proceeds from Sale (Purchases) of Investments, Net	15,017	41,245
Net Cash Used by Investing Activities	<u>(493,456)</u>	<u>(558,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to Annuitants	(6,600)	(6,600)
Principal Payments on Note Payable	(254,600)	(249,838)
Cash Contributions Received for Long-term Purposes	417,003	235,542
(Increase) Decrease in Pledges Receivable - Noncurrent	70,270	(108,047)
Net Cash Provided (Used) by Financing Activities	<u>226,073</u>	<u>(128,943)</u>
NET INCREASE (DECREASE) IN CASH	149,833	(215,686)
CASH, Beginning	<u>1,106,339</u>	<u>1,322,025</u>
CASH, Ending	<u>\$ 1,256,172</u>	<u>\$ 1,106,339</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Income	\$ 526,438	\$ 276,098
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities		
Loss on Sale of Property and Equipment	(108)	8,732
Depreciation	451,805	419,663
Donated Stock	(14,486)	(50,647)
Pledges Receivable Present Value Adjustment	(52,667)	59,847
Gain on Investments	(6,048)	(68,605)
Increase in Other Assets	(3,568)	(11,002)
Change in Value of Split Interest Agreements	-	4,463
Change in Value of Annuity Investments	-	(5,251)
Cash Contributions Received for Long-term Purposes	(417,003)	(235,542)
Changes in Assets and Liabilities		
Pledges Receivable - Current Portion	(39,486)	60,040
Accounts Receivable	(10,911)	7
Inventory and Prepaid Expenses	(9,593)	(2,358)
Accounts Payable	5,653	(10,373)
Accrued Liabilities	(931)	1,205
Deferred Revenue	(19,942)	30,743
Accrued Vacation	8,063	(4,994)
Total Adjustments	<u>(109,222)</u>	<u>195,928</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 417,216</u>	<u>\$ 472,026</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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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 2015 and 2014. The Fellowship's tax filings are subject to audit by various taxing authorities. The Fellowship's ending open audit periods are December 31, 2012, 2013, 2014 and 2015. The Fellowship believes it has no significant uncertain tax provisions for the periods ended December 31, 2015 and 2014.

Subsequent Events

The Fellowship has evaluated events subsequent to the year ended December 31, 2015 through March 21, 2016, 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% and 26% as of December 31, 2015 and 2014, 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 .5% and 1.5% as of December 31, 2015 and 2014, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2: PLEDGES RECEIVABLE (Continued)

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

	<u>2015</u>	<u>2014</u>
Combined Federal Campaign	\$ 73,915	\$ 85,831
Capital Campaign	593,318	625,570
Unconditional Pledges Due	667,233	711,401
Less:		
Allowance for Uncollectible Pledges Receivable	(47,174)	(47,538)
Unamortized Discount	(5,161)	(18,181)
Net Pledges Receivable	614,898	645,682
Less:		
Current Portion	(383,756)	(344,270)
Non-current Pledges Receivable	<u>\$ 231,142</u>	<u>\$ 301,412</u>
Pledges are as follows:		
Less Than One Year	\$ 383,756	\$ 344,270
One to Five Years	216,669	291,250
Six to Ten Years	14,473	10,162
Total Pledges Receivable	<u>\$ 614,898</u>	<u>\$ 645,682</u>

The CFC pledges received in the Fall of 2015 have not been determined or communicated to the Fellowship as of December 31, 2015, and therefore, are not reported in the financial statements.

NOTE 3: INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents (Level 1)	\$ 265,950	\$ 241,700
Mutual Funds - Equity (Level 1)	61,764	73,954
Mutual Funds - Bonds (Level 1)	30,074	29,779
Stock (Level 1)	344,407	371,048
Bonds (Level 1)	88,570	89,301
Life Insurance Annuities (Level 3)	52,298	52,298
Total Investments	<u>\$ 843,063</u>	<u>\$ 858,080</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 3: INVESTMENTS (Continued)

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

	<u>2015</u>	<u>2014</u>
Interest Income	\$ 4,607	\$ 3,372
Unrealized/Realized Gain on Investments	<u>6,048</u>	<u>68,605</u>
Total Investments	<u>\$ 10,655</u>	<u>\$ 71,977</u>

The following present information about the Fellowship's investments that are measured at fair value on recurring basis as of December 31, 2015 and 2014, 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>2015</u>	<u>2014</u>
Land	\$ 1,229,515	\$ 1,127,655
Building and Improvements	15,147,837	14,520,558
Equipment	<u>1,015,626</u>	<u>953,212</u>
	17,392,978	16,601,425
Less: Accumulated Depreciation	<u>(4,033,581)</u>	<u>(3,602,605)</u>
Total Property and Equipment	<u>\$ 13,359,397</u>	<u>\$ 12,998,820</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014, was \$168,434 and \$164,866, respectively.

NOTE 6: NOTE PAYABLE

	<u>2015</u>	<u>2014</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	\$ -
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.	\$ 676,960	\$ 931,560
	900,960	931,560
Less: Current Portion	(264,840)	(254,402)
	<u><u>\$ 636,120</u></u>	<u><u>\$ 677,158</u></u>

Annual debt service requirements for the outstanding note at December 31, 2015 were as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 264,840	\$ 30,712	\$ 295,552
2017	275,856	19,696	295,552
2018	360,264	15,432	375,696
Total	<u><u>\$ 900,960</u></u>	<u><u>\$ 65,840</u></u>	<u><u>\$ 966,800</u></u>

Interest expense for the years ended December 31, 2015 and 2014, was \$38,029 and \$41,875, respectively.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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>2015</u>	<u>2014</u>
Coffman/Waldrop WSS	\$ 815	\$ 4,254
Harrison House WSS	27,169	137,318
Home Office	2,114	2,984
Staff Association, Regional	18,660	50,919
2014 World Conference	-	2,681
USAFA Scholarships	-	2,501
USAFA General	98,580	144,503
USCGA General	125,735	117,179
USCGA Facilities	259,358	-
USMA Scholarships	26,862	25,223
USMA Missions	31,834	24,686
USMA Facilities	9,707	13,917
USMA General	165,187	259,543
USNA Facility fund	34,626	829
USNA Scholarships	7,491	8,770
ROTC	5,556	1,685
ROTC Ministry and Scholarship	-	4,183
Capital Campaign		
Spring Canyon	213,208	473,553
White Sulphur Springs	-	1,200
Other	-	230,895
WSS Facility Development	206,117	61,617
Leavenworth General	54,213	95,206
Quantico General	5,817	-
Maxwell/Gunter General	80,598	-
Scholarship Endowment	5,136	5,349
	<u>\$ 1,378,783</u>	<u>\$ 1,668,995</u>
Total	<u>\$ 1,378,783</u>	<u>\$ 1,668,995</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Coffman/Waldrop WSS	\$ 20,791	\$ 21,302
Andrew Baer WSS	26,740	-
Home Office	7,004	4,218
Staff Association, Regional	59,656	57,952
USAFA General	6,491	4,869
USAFA Facilities	2,900	2,900
USCGA General	-	27,595
USCGA Facilities	81,932	137,220
USMA Scholarships	100	12,483
USMA Missions	28,255	11,766
USMA Facilities	6,957	7,167
USMA General	26,099	9,982
USNA Facility fund	2,993	12,769
USNA Scholarships	3,371	4,192
ROTC	1,313	1,442
WSS Facility Development	9,617	82,533
Capital Campaign		
Spring Canyon	314,220	-
Spring Canyon HHL Remodel	102,783	-
Leavenworth General	2,896	-
Quantico General	2,172	-
Maxwell/Gunter General	622	-
Scholarship Endowment	13,362	12,340
Enlisted Ministry	1,870	1,870
	<u> </u>	<u> </u>
Total	<u><u>\$ 722,144</u></u>	<u><u>\$ 412,600</u></u>

NOTE 9: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 101,000	\$ 101,000
White Sulphur Springs Harrison House Maintenance	548,200	548,200
	<u> </u>	<u> </u>
Total	<u><u>\$ 649,200</u></u>	<u><u>\$ 649,200</u></u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014, was \$32,045 and \$29,995.

Future lease payments for the outstanding leases at December 31, 2015 were as follows:

<u>Year Ended December 31,</u>	<u>Total</u>
2016	\$ 32,685
2017	32,685
2018	32,685
2019	32,685
2020	32,685
Total	<u>\$ 163,425</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, 2015 and 2014. The Fellowship contributed \$92,194 and \$93,863, respectively, to the Plan for the years ended December 31, 2015 and 2014.

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.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 12: ENDOWMENTS (Continued)

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, 2015 and 2014

NOTE 12: ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2015 and 2014:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, as of December 31, 2013	\$ -	\$ 453,500	\$ 649,200	\$ 1,148,883
Contributions and Other Gains	-	1,557,567	-	1,557,567
Investment Income	-	52,855	-	70,528
Net Appropriations for expenditure and fund value preservation	-	(1,651,322)	-	(1,651,322)
Endowment Net Assets, as of December 31, 2014	-	412,600	649,200	1,125,656
Contributions and Other Gains	431	1,680,792	-	1,681,223
Investment Income	-	7,535	-	7,535
Net Appropriations for expenditure and fund value preservation	-	(1,378,783)	-	(1,378,783)
Endowment Net Assets, as of December 31, 2015	<u>\$ 431</u>	<u>\$ 722,144</u>	<u>\$ 649,200</u>	<u>\$ 1,435,631</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
SUPPORT		
Contributions		
General	\$ 1,010,359	\$ 1,089,413
Capital Campaign	633,711	712,446
Executive Ministries	5,230	46,862
Communications	101,679	74,569
Spring Canyon	313,450	292,089
Spring Canyon - Capital Contributions	-	58,759
White Sulphur Springs - Capital Contributions	185,934	114,824
White Sulphur Springs	230,839	209,766
Director of Field Outreach	2,675	1,480
Leavenworth	53,924	58,765
Maxwell/Gunter	81,220	59,380
Quantico	7,989	12,019
U.S. Air Force Academy	100,202	109,429
U.S. Coast Guard Academy	327,970	208,354
U.S. Military Academy	224,591	215,453
U.S. Naval Academy	107,948	89,856
U.S. ROTC	9,085	5,840
Regional Ministries	98,508	105,268
Total Support	<u>\$ 3,495,314</u>	<u>\$ 3,464,572</u>
REVENUE		
Conference Centers		
Spring Canyon	\$ 570,116	\$ 454,529
White Sulphur Springs	834,800	651,154
Total Conference Centers	<u>\$ 1,404,916</u>	<u>\$ 1,105,683</u>
Regional Ministries		
Local Fellowship Support	<u>\$ 55,113</u>	<u>\$ 79,688</u>

See the accompanying Independent Auditors' Report.

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA

SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended December 31, 2015 and 2014

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	309,568	158,373	811,931	94,877	213,453	1,588,202
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	99,247	150,581	1,534,283	31,939	309,435	2,125,485
TOTAL EXPENSES	\$ 408,815	\$ 308,954	\$ 2,346,214	\$ 126,816	\$ 522,888	\$ 3,713,687

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	314,366	162,730	811,191	144,520	214,575	1,647,382
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	118,892	117,997	1,512,780	58,466	253,248	2,061,383
TOTAL EXPENSES	\$ 433,258	\$ 280,727	\$ 2,323,971	\$ 202,986	\$ 467,823	\$ 3,708,765

See the accompanying Independent Auditors' Report.

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

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