

**OFFICERS' CHRISTIAN FELLOWSHIP  
OF  
THE UNITED STATES OF AMERICA  
FINANCIAL STATEMENTS  
MAY 31, 2019**



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# POYSTI & ASSOCIATES, LLC

## Independent Auditor's Report

The Session of Elders  
Officers' Christian Fellowship of the United States of America  
Englewood, Colorado

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of Officers' Christian Fellowship of the United States of America (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my 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 May 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Prior Period Financial Statements***

The financial statements of Officers' Christian Fellowship of the United States of America as of May 31, 2018, were audited by another auditor whose report dated April 25, 2017, expressed an unmodified opinion on those statements

August 5, 2019  
Denver, Colorado



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

May 31,	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 563,008	\$ 2,738,189
Accounts receivable	27,225	840
Promises to give	209,357	283,287
Inventory	72,995	70,795
Prepaid expense	52,263	36,007
Investments	2,816,101	924,046
Property and equipment, net	13,875,821	13,799,821
Other assets	<u>208,756</u>	<u>186,435</u>
Total Assets	<u>\$ 17,825,526</u>	<u>\$ 18,039,420</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 101,447	\$ 93,026
Deferred revenue	133,935	130,631
Accrued vacation	150,149	123,337
Annuities due	0	49,563
Notes payable	<u>709,482</u>	<u>963,353</u>
Total liabilities	<u>1,095,013</u>	<u>1,359,910</u>
Net assets		
Without donor restrictions	15,576,793	15,170,495
With donor restrictions	<u>1,153,720</u>	<u>1,509,015</u>
Total net assets	<u>16,730,513</u>	<u>16,679,510</u>
Total Liabilities and Net Assets	<u>\$ 17,825,526</u>	<u>\$ 18,039,420</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA  
STATEMENT OF ACTIVITIES

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>For the Year Ended May 31, 2019:</u>			
<u>Revenue, gains and other support</u>			
Contributions	\$ 2,011,821	\$ 1,091,256	\$ 3,103,077
Conference Centers Revenues			
White Sulfur Springs	978,960	0	978,960
Spring Canyon	632,583	0	632,583
Regional ministries	79,308	0	79,308
Investment income	40,267	35,742	76,009
Other revenue	19,341	0	19,341
Net assets released from restrictions	<u>1,482,293</u>	<u>(1,482,293)</u>	<u>0</u>
 Total revenue, gains and other support	 <u>5,244,573</u>	 <u>(355,295)</u>	 <u>4,889,278</u>
 <u>Expenses</u>			
<u>Program Services</u>			
Field ministries, education centers and academies	794,729		794,729
General ministry	942,803		942,803
White Sulfur Springs Conference Center	1,536,159		1,536,159
Spring Canyon Conference Center	<u>1,038,861</u>		<u>1,038,861</u>
Total program services	4,312,552		4,312,552
 General and administrative	 226,085		 226,085
Fundraising	<u>299,638</u>		<u>299,638</u>
 Total expenses	 <u>4,838,275</u>		 <u>4,838,275</u>
 Change in net assets	 406,298	 (355,295)	 51,003
Net assets at beginning of year	<u>15,170,495</u>	<u>1,509,015</u>	<u>16,679,510</u>
Net assets at end of year	<u>\$ 15,576,793</u>	<u>\$ 1,153,720</u>	<u>\$ 16,730,513</u>

See Notes to Financial Statements

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA  
STATEMENT OF ACTIVITIES

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>For the Year Ended May 31, 2018:</u>			
<u>Revenue, gains and other support</u>			
Contributions	\$ 3,099,667	\$ 1,203,886	\$ 4,303,553
Conference Centers Revenues			
White Sulfur Springs	918,122	0	918,122
Spring Canyon	611,827	0	611,827
Regional ministries	26,239	59,456	85,695
Investment income	17,319	56,529	73,848
Change in value of split interest agreements	775	0	775
Other revenue	25,125	0	25,125
Net assets released from restrictions	<u>1,226,833</u>	<u>(1,226,833)</u>	<u>0</u>
 Total revenue, gains and other support	 <u>5,925,907</u>	 <u>93,038</u>	 <u>6,018,945</u>
 <u>Expenses</u>			
<u>Program Services</u>			
Field ministries, education centers and academies	1,094,734		1,094,734
General ministry	646,736		646,736
White Sulfur Springs Conference Center	1,513,362		1,513,362
Spring Canyon Conference Center	<u>1,015,725</u>		<u>1,015,725</u>
Total program services	4,270,557		4,270,557
 General and administrative	 343,299		 343,299
Fundraising	<u>263,015</u>		<u>263,015</u>
 Total expenses	 <u>4,876,871</u>		 <u>4,876,871</u>
 Change in net assets	 1,049,036	 93,038	 1,142,074
Net assets at beginning of year	<u>14,121,459</u>	<u>1,415,977</u>	<u>15,537,436</u>
Net assets at end of year	<u>\$ 15,170,495</u>	<u>\$ 1,509,015</u>	<u>\$ 16,679,510</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended May 31, 2019

	<u>Program Services</u>				<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Field Ministries</u>	<u>General Ministry</u>	<u>White Sulfur Springs</u>	<u>Spring Canyon</u>		<u>General Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 315,784	\$ 411,394	\$ 397,673	\$ 331,463	\$ 1,456,314	\$ 140,243	\$ 141,225	\$ 281,468	\$ 1,737,782
Employee benefits	29,905	55,695	58,629	64,444	208,673	19,670	19,243	38,913	247,586
Payroll taxes	22,286	30,773	29,707	24,775	107,541	10,484	10,557	21,041	128,582
Total Compensation	367,975	497,862	486,009	420,682	1,772,528	170,397	171,025	341,422	2,113,950
Conferences, conventions and meetings	47,817	12,994	3,707	2,539	67,057	3,693	1,466	5,159	72,216
Contract services	84	34,447	33,978	0	68,509	28,931	30,072	59,003	127,512
General ministry	188,029	148,765	24,685	36,159	397,638	0	0	0	397,638
Information technology	6,979	30,345	9,078	6,479	52,881	9,189	14,946	24,135	77,016
Occupancy	72,381	104,604	285,501	154,977	617,463	3,525	3,552	7,077	624,540
Office expense	9,614	36,709	60,881	30,848	138,052	7,677	69,540	77,217	215,269
Promotion	5,042	10,857	76	3,284	19,259	0	2,234	2,234	21,493
Supplies	2,728	1,488	269,300	196,392	469,908	65	63	128	470,036
Travel	87,981	19,221	55,070	45,460	207,732	2,608	6,740	9,348	217,080
Total expense before depreciation	788,630	897,292	1,228,285	896,820	3,811,027	226,085	299,638	525,723	4,336,750
Depreciation	6,099	45,511	307,874	142,041	501,525	0	0	0	501,525
<b>Total</b>	<b>\$ 794,729</b>	<b>\$ 942,803</b>	<b>\$ 1,536,159</b>	<b>\$ 1,038,861</b>	<b>\$ 4,312,552</b>	<b>\$ 226,085</b>	<b>\$ 299,638</b>	<b>\$ 525,723</b>	<b>\$ 4,838,275</b>

See Notes to Financial Statements

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended May 31, 2018

	<u>Program Services</u>				<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Field Ministries</u>	<u>General Ministry</u>	<u>White Sulfur Springs</u>	<u>Spring Canyon</u>		<u>General Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 387,409	\$ 342,758	\$ 363,820	\$ 307,481	\$ 1,401,468	\$ 209,009	\$ 121,637	\$ 330,646	\$ 1,732,114
Employee benefits	87,478	86,837	57,029	49,281	280,625	35,829	20,407	56,236	336,861
Payroll taxes	22,833	27,100	27,912	23,032	100,877	16,181	9,366	25,547	126,424
Total Compensation	497,720	456,695	448,761	379,794	1,782,970	261,019	151,410	412,429	2,195,399
Conferences, conventions and meetings	18,943	3,037	6,884	2,812	31,676	360	225	585	32,261
Contract services	24,849	31,355	28,386	30	84,620	30,771	31,960	62,731	147,351
General ministry	163,240	4,094	33,345	40,649	241,328	0	3,773	3,773	245,101
Information technology	6,443	3,524	6,410	7,903	24,280	1,594	996	2,590	26,870
Occupancy	123,767	34,951	307,550	179,766	646,034	15,809	9,876	25,685	671,719
Office expense	27,531	28,891	8,374	4,328	69,124	11,327	53,136	64,463	133,587
Promotion	91,852	2,136	2,048	5,697	101,733	0	0	0	101,733
Supplies	34,988	12,579	324,756	203,996	576,319	7,281	2,183	9,464	585,783
Travel	103,957	37,471	38,326	44,932	224,686	663	414	1,077	225,763
Total expense before depreciation	1,093,290	614,733	1,204,840	869,907	3,782,770	328,824	253,973	582,797	4,365,567
Depreciation	1,444	32,003	308,522	145,818	487,787	14,475	9,042	23,517	511,304
Total	\$ 1,094,734	\$ 646,736	\$ 1,513,362	\$ 1,015,725	\$ 4,270,557	\$ 343,299	\$ 263,015	\$ 606,314	\$ 4,876,871

See Notes to Financial Statements



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

For the Years Ended May 31,	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Received from contributions	\$ 2,885,716	\$ 4,513,445
Received from conference centers and other	1,688,607	1,635,168
Interest received	39,543	73,848
Paid to suppliers, employees and others	(4,140,970)	(4,362,865)
Interest paid	<u>(36,904)</u>	<u>(38,441)</u>
Net cash provided by operating activities	<u>435,992</u>	<u>1,821,155</u>
Cash flows from investing activities:		
Net investment activity	(1,851,009)	(12,496)
Purchase of fixed assets	<u>(570,905)</u>	<u>(441,513)</u>
Net cash used in investing activities	<u>(2,421,914)</u>	<u>(454,009)</u>
Cash flows from financing activities:		
Payments to annuitants	(1,496)	(6,600)
Received from donor restricted contributions	66,108	0
Net change in pledges receivable	0	(213,887)
Principal payments on long term debt	<u>(253,871)</u>	<u>(27,361)</u>
Net cash used in financing activities	<u>(189,259)</u>	<u>(247,848)</u>
Net change in cash and cash equivalents	(2,175,181)	1,119,298
Cash and cash equivalents at beginning of year	<u>2,738,189</u>	<u>1,618,891</u>
Cash and cash equivalents at end of year	<u>\$ 563,008</u>	<u>\$ 2,738,189</u>

See Notes to Financial Statements

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

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Officers' Christian Fellowship of the United States of America (the "Fellowship") was established in 1943 to provide biblical fellowship and growth to military leaders for Christlike service at the intersection of faith, family, and profession. The Fellowship accomplishes its purpose through small-group, Bible-based fellowships, a variety of publications, an online presence, retreats, and staffing at strategic locations with a high concentration of military personnel and the four U.S. Military Academies. The Fellowship owns and operates two conference centers located near Buena Vista, Colorado, and Manns Choice, Pennsylvania.

Cash and Cash Equivalents

The Fellowship considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Property and Equipment

The Fellowship records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 60 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

The Fellowship records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Fellowship records donated professional services at the respective fair values of the services received.

Receivables

Accounts receivable consist primarily of amounts due for conference fees. The allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. No allowance was considered necessary as of May 31, 2019 and 2018.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements. The Fellowship is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Colorado state law, and contributions are tax deductible within the limitations prescribed by the Code. The Fellowship's tax filings are subject to audit by various taxing authorities. The Fellowship's ending open audit periods are May 31, 2015 through 2019. The Fellowship believes it has no material unrelated business income tax liability or significant uncertain tax positions for the years ended May 31, 2019 and 2018.

Financial Instruments and Credit Risk

The Fellowship manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions that are believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Fellowship has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

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

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Fellowship's financial statements were available to be issued on August 5, 2019, and this is the date through which subsequent events were evaluated. With the exception of the construction contract described in Note 12, the Fellowship did not identify any subsequent events requiring disclosure.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and available resources, and the lack of consistency in the type of information provided about expenses and investment return. The Fellowship has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 563,008	\$ 2,738,189
Promises to give	48,262	49,511
Accounts receivable	27,225	840
Operating investments	2,152,376	269,246
	\$ 2,790,871	\$ 3,057,786

NOTE 3 - PROMISES TO GIVE

The Fellowship participates in the Combined Federal Campaign (CFC) as part of Christian Service Charities in the Fall of each year. These promises to give are made one to two years prior to receipt of the final amounts.

	2019	2018
Combined Federal Campaign	\$ 48,262	\$ 49,511
Capital Campaign, net of discount	181,095	283,776
	229,357	333,287
Less:		
Allowance for uncollectible pledges	(20,000)	(50,000)
Total Pledges Receivable	\$ 209,357	\$ 283,287

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

NOTE 3 - PROMISES TO GIVE (CONTINUED)

	<u>2019</u>	<u>2018</u>
Unconditional promises to give are estimated to be collected as follows as of May 31, 2019:		
Less than one year	\$ 120,755	\$ 49,511
One to five years	<u>88,602</u>	<u>233,776</u>
	<u>\$ 209,357</u>	<u>\$ 283,287</u>

NOTE 4 - INVESTMENTS

Investments held as of May 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Level 1)	\$ 9,527	\$ 58,600
Accrued interest	14,147	0
Certificates of deposit (Level 1)	1,991,332	0
Corporate stocks (Level 1)	636,622	616,103
Corporate bonds (Level 1)	80,804	132,151
Corporate mutual funds (Level 1)	75,462	75,417
REIT (Level 1)	5,373	0
Life insurance annuities (Level 3)	<u>2,834</u>	<u>41,775</u>
	<u>\$ 2,816,101</u>	<u>\$ 924,046</u>
Composition of investment return:		
Interest and dividends	\$ 53,690	\$ 12,747
Realized and unrealized gains	<u>22,319</u>	<u>61,101</u>
	<u>\$ 76,009</u>	<u>\$ 73,848</u>

The Fellowship reports investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

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

NOTE 4 - INVESTMENTS (CONTINUED)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of May 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings and land improvements	\$ 16,844,894	\$ 16,441,205
Furniture and equipment	1,328,425	1,169,607
	<u>18,173,319</u>	<u>17,610,812</u>
Less: accumulated depreciation	(5,607,195)	(5,168,972)
	<u>12,566,124</u>	<u>12,441,840</u>
Land	1,229,515	1,229,515
Construction in progress	80,182	128,466
	<u>\$ 13,875,821</u>	<u>\$ 13,799,821</u>

NOTE 6 - 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 May 31, 2019 and 2018, was \$208,756 and \$186,435, respectively.

NOTE 7 - NOTES PAYABLE

	<u>2019</u>	<u>2018</u>
Mortgage dated May 2015, in the original amount of \$244,000. Annual interest payments of 3.50%. The note matured December 2018, and was secured with real property in Quaker Hill, Connecticut.	\$ 0	\$ 224,000
Mortgage dated May 2015, in the original amount of \$793,000. Monthly required payments of \$4,830 include principal and interest at 4.00%. The note matures in May 2036, and is secured with a deed of trust on real property in Bedford County, Commonwealth of Pennsylvania.	<u>709,482</u>	<u>739,353</u>
	<u>\$ 709,482</u>	<u>\$ 963,353</u>

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

NOTE 7 - NOTES PAYABLE (CONTINUED)

Maturities of long-term debt for each of the five years succeeding May 31, 2019 are as follows:

2020	\$	30,129
2021		31,357
2022		32,634
2023		33,964
2024		35,347

Interest expense for the years ended May 31, 2019 and 2018, was \$36,904 and \$38,441, respectively.

NOTE 8 - 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 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 29,399	\$ 61,256
Coffman/Waldrop WSS	3,320	6,683
Home office	0	2,541
Staff Association, Regional	18,253	40,569
USAFA General	151,791	142,336
USCGA General	105,980	111,476
USCGA Facilities	269,141	7,840
USCGA Van Fund	24,539	0
USMA Missions	45,082	0
USMA Facilities	75,482	21,440
USMA General	152,503	207,677
USNA Facilities	236,818	134,210
ROTC	531	1,805
WSS Harrison House Maintenance	132,760	132,926
Facility Development Fund	86,097	82,381
Capital Campaign Spring Canyon	101,861	173,758
Spring Canyon Veterans Memorial Lodge	360	0
Quantico General	6,952	11,132
Maxwell/Gunter General	29,243	77,054
Enlisted Ministry	0	1,870
Benevolence	12,181	9,879
	<u>\$ 1,482,293</u>	<u>\$ 1,226,833</u>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA  
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NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions available for future use:

	<u>2019</u>	<u>2018</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Scholarships	\$ 101,151	\$ 91,049
Coffman/Waldrop WSS	28,900	17,225
Home office	15,289	11,789
Staff Association, Regional	41,628	54,678
USAFA General	21,392	13,582
USAFA Facilities	2,900	2,900
USCGA General	27,158	6,869
USCGA Facilities	67,982	254,792
USCGA Van Fund	0	24,539
USCGA Maintenance Fund	10,915	5,250
USMA Missions	27,291	21,808
USMA Facilities	2,716	7,835
USMA General	49,939	23,223
USNA Facilities	46,609	198,730
ROTC	2,949	836
WSS Harrison House Maintenance	0	27,684
Facility Development Fund	0	27,054
Capital Campaign Spring Canyon	0	35,753
Spring Canyon Veterans Memorial Lodge	0	360
Quantico General	5,600	6,452
Maxwell/Gunter General	28,035	9,085
Benevolence	<u>9,541</u>	<u>12,722</u>
	<u>489,995</u>	<u>854,215</u>
Perpetual in nature, earnings being subject to appropriation and expenditure:		
Scholarships	114,525	105,600
White Sulphur Springs Harrison House Maintenance	<u>549,200</u>	<u>549,200</u>
	<u>663,725</u>	<u>654,800</u>
	<u>\$ 1,153,720</u>	<u>\$ 1,509,015</u>

NOTE 10 - RETIREMENT BENEFITS

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 May 31, 2019 and 2018. The Fellowship contributed \$70,543 and \$83,510 to the Plan for the years ended May 31, 2019 and 2018, respectively.



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NOTE 11 - 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.

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 May 31, 2019 and 2018, are as follows:

	<u>Term- Endowments</u>	<u>Endowments</u>	<u>Total</u>
Endowment net assets as of May 31, 2017	\$ 765,777	\$ 650,200	\$ 1,415,977
Contributions and other gains	1,243,874	4,600	1,248,474
Investment income	56,529	0	56,529
Net appropriations for expenditure and fund preservation	<u>(1,211,965)</u>	<u>0</u>	<u>(1,211,965)</u>
Endowment net assets as of May 31, 2018	\$ 854,215	\$ 654,800	\$ 1,509,015
Contributions and other gains	1,082,331	8,925	1,091,256
Investment income	35,742	0	35,742
Net appropriations for expenditure and fund preservation	<u>(1,482,293)</u>	<u>0</u>	<u>(1,482,293)</u>
Endowment net assets as of May 31, 2019	<u>\$ 489,995</u>	<u>\$ 663,725</u>	<u>\$ 1,153,720</u>

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NOTE 12 - COMMITMENTS

Operating Leases

The Fellowship has operating lease commitments for office equipment expiring through September 2022. Lease expense for the years ended May 31, 2019 and 2018, was \$53,353 and \$22,318, respectively. Future minimum lease commitments for the years succeeding May 31, 2019, are as follows:

2020	\$	18,063
2021		18,063
2022		14,482
2023		3,156

Construction contract

The Fellowship has entered into a construction contract in the amount of \$475,602 for certain capital improvement to the conference center in Spring Canyon. Construction began in June 2019.