

**OFFICERS' CHRISTIAN FELLOWSHIP
OF
THE UNITED STATES OF AMERICA
FINANCIAL STATEMENTS
MAY 31, 2021**



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POYSTI & ASSOCIATES, LLC

Independent Auditor's Report

The Council
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 statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses, 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 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



July 27, 2021
Denver, Colorado

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

| May 31, | 2021 | 2020 |
|--|----------------------|----------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 2,732,929 | \$ 789,294 |
| Accounts receivable | 10,226 | 3,750 |
| Promises to give | 45,347 | 105,497 |
| Inventory | 81,891 | 72,943 |
| Prepaid expense | 17,112 | 18,494 |
| Investments | 1,526,869 | 2,754,756 |
| Property and equipment, net | 14,148,623 | 14,338,349 |
| Other assets | <u>234,779</u> | <u>226,454</u> |
| Total Assets | <u>\$ 18,797,776</u> | <u>\$ 18,309,537</u> |
| <u>Liabilities and Net Assets</u> | | |
| Accounts payable and accrued liabilities | \$ 96,005 | \$ 165,546 |
| Deferred revenue | 149,113 | 322,241 |
| Accrued vacation | 195,534 | 172,285 |
| Note payable | 650,194 | 679,932 |
| Total liabilities | <u>1,090,846</u> | <u>1,340,004</u> |
| Net assets | | |
| Without donor restrictions | 15,261,802 | 15,268,807 |
| With donor restrictions | <u>2,445,128</u> | <u>1,700,726</u> |
| Total net assets | <u>17,706,930</u> | <u>16,969,533</u> |
| Total Liabilities and Net Assets | <u>\$ 18,797,776</u> | <u>\$ 18,309,537</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, 2021:</u> | | | |
| <u>Revenue, gains and other support</u> | | | |
| Contributions | \$ 2,728,980 | \$ 1,560,701 | \$ 4,289,681 |
| Contributions – donations in-kind | 145,520 | 0 | 145,520 |
| Conference Centers Revenues | | | |
| White Sulfur Springs | 334,127 | 0 | 334,127 |
| Spring Canyon | 310,164 | 0 | 310,164 |
| Regional ministries | 7,047 | 0 | 7,047 |
| Investment income | 18,179 | 278,613 | 296,792 |
| Other revenue | 5,017 | 0 | 5,017 |
| Net assets released from restrictions | <u>1,094,912</u> | <u>(1,094,912)</u> | <u>0</u> |
| Total revenue, gains and other support | <u>4,643,946</u> | <u>744,402</u> | <u>5,388,348</u> |
| <u>Expenses</u> | | | |
| <u>Program Services</u> | | | |
| Field ministries, education centers and academies | 920,636 | | 920,636 |
| General ministry | 849,591 | | 849,591 |
| White Sulfur Springs Conference Center | 1,288,277 | | 1,288,277 |
| Spring Canyon Conference Center | <u>1,025,743</u> | | <u>1,025,743</u> |
| Total program services | 4,084,247 | | 4,084,247 |
| General and administrative | 261,676 | | 261,676 |
| Fundraising | <u>305,028</u> | | <u>305,028</u> |
| Total expenses | <u>4,650,951</u> | | <u>4,650,951</u> |
| Change in net assets | (7,005) | 744,402 | 737,397 |
| Net assets at beginning of year | <u>15,268,807</u> | <u>1,700,726</u> | <u>16,969,533</u> |
| Net assets at end of year | <u>\$ 15,261,802</u> | <u>\$ 2,445,128</u> | <u>\$ 17,706,930</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, 2020:</u> | | | |
| <u>Revenue, gains and other support</u> | | | |
| Contributions | \$ 2,166,740 | \$ 1,314,075 | \$ 3,480,815 |
| Contributions – donations in-kind | 290,936 | 0 | 290,936 |
| Conference Centers Revenues | | | |
| White Sulfur Springs | 728,643 | 0 | 728,643 |
| Spring Canyon | 575,968 | 0 | 575,968 |
| Regional ministries | 50,462 | 0 | 50,462 |
| Investment income | 54,385 | 57,714 | 112,099 |
| Other revenue | 10,570 | 0 | 10,570 |
| Net assets released from restrictions | <u>824,783</u> | <u>(824,783)</u> | <u>0</u> |
| Total revenue, gains and other support | <u>4,702,487</u> | <u>547,006</u> | <u>5,249,493</u> |
| <u>Expenses</u> | | | |
| <u>Program Services</u> | | | |
| Field ministries, education centers and academies | 739,574 | | 739,574 |
| General ministry | 1,109,433 | | 1,109,433 |
| White Sulfur Springs Conference Center | 1,520,089 | | 1,520,089 |
| Spring Canyon Conference Center | <u>1,053,210</u> | | <u>1,053,210</u> |
| Total program services | 4,422,306 | | 4,422,306 |
| General and administrative | 285,863 | | 285,863 |
| Fundraising | <u>302,304</u> | | <u>302,304</u> |
| Total expenses | <u>5,010,473</u> | | <u>5,010,473</u> |
| Change in net assets | (307,986) | 547,006 | 239,020 |
| Net assets at beginning of year | <u>15,576,793</u> | <u>1,153,720</u> | <u>16,730,513</u> |
| Net assets at end of year | <u>\$ 15,268,807</u> | <u>\$ 1,700,726</u> | <u>\$ 16,969,533</u> |

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2021

| | <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 | \$ 424,059 | \$ 568,351 | \$ 374,252 | \$ 367,019 | \$ 1,733,681 | \$ 149,313 | \$ 132,983 | \$ 282,296 | \$ 2,015,977 |
| Employee benefits | 51,073 | 65,212 | 54,657 | 46,533 | 217,475 | 16,407 | 14,326 | 30,733 | 248,208 |
| Payroll taxes | 30,835 | 39,782 | 48,404 | 47,782 | 166,803 | 10,916 | 9,773 | 20,689 | 187,492 |
| Total compensation | 505,967 | 673,345 | 477,313 | 461,334 | 2,117,959 | 176,636 | 157,082 | 333,718 | 2,451,677 |
| Conferences, conventions and meetings | 17,220 | 22,644 | 0 | 466 | 40,330 | 456 | 597 | 1,053 | 41,383 |
| Contract services | 13,497 | 32,971 | 7,275 | 5,740 | 59,483 | 17,900 | 40,176 | 58,076 | 117,559 |
| General ministry | 171,559 | 13,503 | 31,567 | 12,489 | 229,118 | 0 | 0 | 0 | 229,118 |
| Information technology | 5,285 | 19,366 | 2,158 | 10,325 | 37,134 | 27,186 | 16,450 | 43,636 | 80,770 |
| Occupancy | 82,164 | 7,474 | 270,421 | 185,240 | 545,299 | 10,333 | 9,923 | 20,256 | 565,555 |
| Office expense | 11,230 | 51,640 | 22,770 | 18,806 | 104,446 | 19,103 | 65,610 | 84,713 | 189,159 |
| Promotion | 6,023 | 9,751 | 2,134 | 2,030 | 19,938 | 137 | 4,742 | 4,879 | 24,817 |
| Supplies | 5,875 | 1,703 | 121,613 | 131,637 | 260,828 | 1,371 | 1,185 | 2,556 | 263,384 |
| Travel | 43,933 | 8,956 | 21,662 | 28,768 | 103,319 | 842 | 1,790 | 2,632 | 105,951 |
| Total expense before depreciation | 862,753 | 841,353 | 956,913 | 856,835 | 3,517,854 | 253,964 | 297,555 | 551,519 | 4,069,373 |
| Depreciation | 57,883 | 8,238 | 331,364 | 168,908 | 566,393 | 7,712 | 7,473 | 15,185 | 581,578 |
| Total | \$ 920,636 | \$ 849,591 | \$ 1,288,277 | \$ 1,025,743 | \$ 4,084,247 | \$ 261,676 | \$ 305,028 | \$ 566,704 | \$ 4,650,951 |

See Notes to Financial Statements

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2020

| | <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 | \$ 380,381 | \$ 562,446 | \$ 418,112 | \$ 372,759 | \$ 1,733,698 | \$ 173,392 | \$ 129,680 | \$ 303,072 | \$ 2,036,770 |
| Employee benefits | 33,081 | 71,183 | 48,819 | 34,822 | 187,905 | 25,152 | 18,169 | 43,321 | 231,226 |
| Payroll taxes | <u>21,615</u> | <u>41,077</u> | <u>48,285</u> | <u>40,460</u> | <u>151,437</u> | <u>12,918</u> | <u>9,725</u> | <u>22,643</u> | <u>174,080</u> |
| Total compensation | 435,077 | 674,706 | 515,216 | 448,041 | 2,073,040 | 211,462 | 157,574 | 369,036 | 2,442,076 |
| Conferences, conventions and meetings | 20,824 | 28,175 | 1,460 | 795 | 51,254 | 379 | 3,341 | 3,720 | 54,974 |
| Contract services | 1,450 | 49,743 | 32,019 | 8,000 | 91,212 | 17,324 | 38,908 | 56,232 | 147,444 |
| General ministry | 96,584 | 129,668 | 21,300 | 25,117 | 272,669 | 0 | 0 | 0 | 272,669 |
| Information technology | 5,094 | 25,167 | 8,241 | 6,117 | 44,619 | 13,349 | 10,705 | 24,054 | 68,673 |
| Occupancy | 76,058 | 78,416 | 284,349 | 164,784 | 603,607 | 12,089 | 10,019 | 22,108 | 625,715 |
| Office expense | 11,678 | 44,778 | 30,056 | 21,140 | 107,652 | 22,483 | 52,044 | 74,527 | 182,179 |
| Promotion | 1,854 | 23,242 | 6,965 | 4,877 | 36,938 | 0 | 7,402 | 7,402 | 44,340 |
| Supplies | 1,853 | 4,617 | 261,640 | 185,044 | 453,154 | 127 | 2,147 | 2,274 | 455,428 |
| Travel | <u>37,674</u> | <u>43,067</u> | <u>36,238</u> | <u>47,612</u> | <u>164,591</u> | <u>1,133</u> | <u>13,258</u> | <u>14,391</u> | <u>178,982</u> |
| Total expense before depreciation | 688,146 | 1,101,579 | 1,197,484 | 911,527 | 3,898,736 | 278,346 | 295,398 | 573,744 | 4,472,480 |
| Depreciation | <u>51,428</u> | <u>7,854</u> | <u>322,605</u> | <u>141,683</u> | <u>523,570</u> | <u>7,517</u> | <u>6,906</u> | <u>14,423</u> | <u>537,993</u> |
| Total | <u>\$ 739,574</u> | <u>\$ 1,109,433</u> | <u>\$ 1,520,089</u> | <u>\$ 1,053,210</u> | <u>\$ 4,422,306</u> | <u>\$ 285,863</u> | <u>\$ 302,304</u> | <u>\$ 588,167</u> | <u>\$ 5,010,473</u> |

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>2021</u> | <u>2020</u> |
|---|---------------------|-------------------|
| Cash flows from operating activities: | | |
| Received from contributions | \$ 3,398,322 | \$ 2,953,040 |
| Received from conference centers and other | 476,751 | 1,577,424 |
| Interest received | 67,980 | 65,125 |
| Paid to suppliers, employees and others | (3,902,544) | (4,201,787) |
| Interest paid | <u>(28,223)</u> | <u>(28,410)</u> |
| Net cash provided by operating activities | <u>12,286</u> | <u>365,392</u> |
| Cash flows from investing activities: | | |
| Net investment activity | 1,456,699 | 178,672 |
| Purchase of fixed assets | <u>(447,121)</u> | <u>(919,863)</u> |
| Net cash used in investing activities | <u>1,009,578</u> | <u>(741,191)</u> |
| Cash flows from financing activities: | | |
| Payments to annuitants | | 0 |
| Contributions restricted for long-term purposes | 951,509 | 631,635 |
| Principal payments on long term debt | <u>(29,738)</u> | <u>(29,550)</u> |
| Net cash provided by (used in) financing activities | <u>921,771</u> | <u>602,085</u> |
| Net change in cash and cash equivalents | 1,943,635 | 226,286 |
| Cash and cash equivalents at beginning of year | <u>789,294</u> | <u>563,008</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,732,929</u> | <u>\$ 789,294</u> |

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 spiritual growth opportunities 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 at 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, 2021 and 2020.

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, 2018 through May 31, 2021. The Fellowship believes it has no material unrelated business income tax liability or significant uncertain tax positions for the years ended May 31, 2021 and 2020.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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)

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.

Subsequent Events

The Fellowship's financial statements were available to be issued on July 27, 2021, and this is the date through which subsequent events were evaluated.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease Covid-19, as a pandemic. The Fellowship has adjusted certain aspects of its operations to protect both employees and members while still meeting their needs. The situation continues to be closely monitored and it is possible that further measures we will implemented. In light of the uncertainty as to the severity and duration of the pandemic, the impact on our revenues, profitability and financial position is uncertain at this time.

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:

| | 2021 | 2020 |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 2,732,929 | \$ 789,294 |
| Accounts receivable | 10,226 | 3,750 |
| Operating investments | 393,385 | 1,621,272 |
| | \$ 3,136,540 | \$ 2,414,316 |

NOTE 3 - PROMISES TO GIVE

Promises to give as of May 31, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|-------------------------------------|-----------|------------|
| Capital Campaign, net of discount | \$ 17,575 | \$ 27,025 |
| Maranatha Mansion | 43,572 | 91,072 |
| Shepherd's Fold | 2,800 | 2,800 |
| USMA Fellowship House | 1,400 | 4,600 |
| | 65,347 | 125,497 |
| Less: | | |
| Allowance for uncollectible pledges | (20,000) | (20,000) |
| Total Pledges Receivable | \$ 45,347 | \$ 105,497 |

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

NOTE 3 - PROMISES TO GIVE (CONTINUED)

| | 2021 | 2020 |
|---|-----------|------------|
| Unconditional promises to give are estimated to be collected as follows as of May 31, 2021: | | |
| Less than one year | \$ 45,347 | \$ 46,543 |
| One to five years | 0 | 58,954 |
| | \$ 45,347 | \$ 105,497 |

NOTE 4 - INVESTMENTS

Investments held as of May 31, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| Cash and cash equivalents (Level 1) | \$ 719,762 | \$ 41,945 |
| Accrued interest | 0 | 11,338 |
| Certificates of deposit (Level 1) | 0 | 1,456,909 |
| Corporate stocks (Level 1) | 0 | 1,095,378 |
| Corporate bonds (Level 1) | 431,052 | 85,138 |
| Corporate mutual funds (Level 1) | 376,055 | 56,128 |
| REIT (Level 1) | 0 | 4,173 |
| Life insurance annuities (Level 3) | 0 | 3,747 |
| | \$ 1,526,869 | \$ 2,754,756 |
| Composition of investment return: | | |
| Interest and dividends | \$ 56,642 | \$ 62,316 |
| Realized and unrealized gains | 240,150 | 49,783 |
| | \$ 296,792 | \$ 112,099 |

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 (CONINUED)

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, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|----------------------|----------------------|
| Buildings and land improvements | \$ 17,702,621 | \$ 17,078,271 |
| Furniture and equipment | <u>1,608,044</u> | <u>1,492,649</u> |
| | 19,310,665 | 18,570,920 |
| Less: accumulated depreciation | <u>(6,558,591)</u> | <u>(6,136,696)</u> |
| | 12,752,074 | 12,434,224 |
| Land | 1,229,515 | 1,229,515 |
| Construction in progress | <u>167,034</u> | <u>674,610</u> |
| | <u>\$ 14,148,623</u> | <u>\$ 14,338,349</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, 2021 and 2020, was \$234,779 and \$226,454, respectively.

NOTE 7 - NOTE PAYABLE

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| 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>\$ 650,194</u> | <u>\$ 679,932</u> |

Interest expense for the years ended May 31, 2021 and 2020, was \$28,223 and \$28,410, respectively.

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

NOTE 7 - NOTE PAYABLE (CONTINUED)

Maturities of long-term debt for each of the five years succeeding May 31, 2021 are as follows:

| | | |
|------|----|--------|
| 2022 | \$ | 32,545 |
| 2023 | | 33,871 |
| 2024 | | 35,251 |
| 2025 | | 36,688 |
| 2026 | | 38,182 |

NOTE 8 - 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, 2021 and 2020. The Fellowship contributed \$95,942 and \$88,963 to the Plan for the years ended May 31, 2021 and 2020, respectively.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|---------------------|-------------------|
| Scholarships | \$ 18,884 | \$ 87,873 |
| Coffman/Waldrop WSS | 8,155 | 6,330 |
| Home office | 0 | 28,691 |
| Staff Association, Regional | 42,818 | 2,772 |
| USAFA Facilities | 2,900 | 0 |
| USAFA General | 190,947 | 100,109 |
| USCGA General | 177,963 | 78,482 |
| USCGA Maintenance Fund | 6,961 | 10,599 |
| USCGA Facilities | 2,703 | 1,014 |
| USMA Missions | 27,995 | 33,322 |
| USMA Facilities | 22,309 | 57,906 |
| USMA General | 174,884 | 122,290 |
| USNA Facilities | 79,931 | 37,164 |
| USNA General | 78,693 | 0 |
| ROTC | 2,307 | 612 |
| WSS Harrison House Maintenance | 191,349 | 69,707 |
| Facility Development Fund | 0 | 97,214 |
| Harvard Kitchen Renovation | 0 | 12,969 |
| Spring Canyon Antero capital project | 4,000 | 0 |
| Quantico General | 120 | 0 |
| Maxwell/Gunter General | 61,993 | 71,719 |
| Benevolence | 0 | 6,010 |
| | <u>\$ 1,094,912</u> | <u>\$ 824,783</u> |

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

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

| Net assets with donor restrictions available for future use: | 2021 | 2020 |
|--|---------------------|---------------------|
| Endowments: | | |
| Subject to appropriation and expenditure when a specified event occurs: | | |
| Scholarships | \$ 81,723 | \$ 36,173 |
| Coffman/Waldrop WSS | 15,000 | 23,000 |
| Staff Association, Regional | 12,867 | 46,963 |
| USAFA General | 25,632 | 79,434 |
| USAFA Facilities | 0 | 2,900 |
| USCGA General | 7,235 | 72,293 |
| USCGA Maintenance Fund | 15,302 | 15,058 |
| USCGA Facilities | 157,871 | 114,011 |
| USMA Missions | 0 | 27,995 |
| USMA Facilities | 16,447 | 0 |
| USMA General | 3,745 | 46,311 |
| USMMA General | 885 | 0 |
| USNA General | 1,988 | 0 |
| USNA Facilities | 10,319 | 26,332 |
| ROTC | 1,000 | 3,307 |
| White Sulphur Springs capital projects | 934,489 | 41,110 |
| Spring Canyon Antero capital project | 0 | 4,000 |
| Quantico General | 20,850 | 14,989 |
| Maxwell/Gunter General | 0 | 7,075 |
| Benevolence | 6,291 | 6,291 |
| | <u>1,311,644</u> | <u>567,242</u> |
| Perpetual in nature, earnings being subject to appropriation and expenditure: | | |
| Scholarships | 584,284 | 584,284 |
| White Sulphur Springs Harrison House Maintenance | 549,200 | 549,200 |
| | <u>1,133,484</u> | <u>1,133,484</u> |
| | <u>\$ 2,445,128</u> | <u>\$ 1,700,726</u> |

NOTE 10 - ENDOWMENTS

The Fellowship's endowment consists of donor-restricted funds 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 Council 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 THE FINANCIAL STATEMENTS

NOTE 10 - 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.

Changes in endowment net assets for the years ended May 31, 2021 and 2020, are as follows:

| | <u>Term-</u> <u>Endowments</u> | <u>Endowments</u> | <u>Total</u> |
|--|-----------------------------------|---------------------|---------------------|
| Endowment net assets as of May 31, 2019 | \$ 489,995 | \$ 663,725 | \$ 1,153,720 |
| Contributions and other gains | 844,316 | 469,759 | 1,314,075 |
| Investment income | 57,714 | 0 | 57,714 |
| Net appropriations for expenditure and fund preservation | <u>(824,783)</u> | <u>0</u> | <u>(824,783)</u> |
| Endowment net assets as of May 31, 2020 | 567,242 | 1,133,484 | 1,700,726 |
| Contributions and other gains | 1,560,701 | 0 | 1,560,701 |
| Investment income | 278,613 | 0 | 278,613 |
| Net appropriations for expenditure and fund preservation | <u>(1,094,912)</u> | <u>0</u> | <u>(1,094,912)</u> |
| Endowment net assets as of May 31, 2021 | <u>\$ 1,311,644</u> | <u>\$ 1,133,484</u> | <u>\$ 2,445,128</u> |

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA
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NOTE 11 - COMMITMENTS

Operating Leases

The Fellowship has operating lease commitments for office equipment expiring through September 2022. Lease expense for the years ended May 31, 2021 and 2020, was \$9,022 and \$53,353, respectively. Future minimum lease commitments for the years succeeding May 31, 2021, are as follows:

| | |
|------|-----------|
| 2022 | \$ 14,482 |
| 2023 | 3,156 |