

**OFFICERS' CHRISTIAN FELLOWSHIP
OF
THE UNITED STATES OF AMERICA
FINANCIAL STATEMENTS
MAY 31, 2022**



CONTENTS

Independent Auditor's Report	2 - 3
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 16



Independent Auditor's Report

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

Opinion

I have audited the accompanying financial statements of Officers' Christian Fellowship of the United States of America (a District of Columbia nonprofit corporation), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Officers' Christian Fellowship of the United States of America and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Officers' Christian Fellowship of the United States of America's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Officers' Christian Fellowship of the United States of America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Officers' Christian Fellowship of the United States of America's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



October 20, 2022
Denver, Colorado

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

May 31,	2022	2021
<u>Assets</u>		
Cash and cash equivalents	\$ 4,316,690	\$ 2,732,929
Accounts receivable	586	10,226
Promises to give	1,600,000	45,347
Inventory	122,661	81,891
Prepaid expense	23,187	17,112
Investments	1,340,739	1,526,869
Property and equipment, net	14,887,917	14,148,623
Other assets	<u>252,995</u>	<u>234,779</u>
Total Assets	<u>\$ 22,544,775</u>	<u>\$ 18,797,776</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 365,624	\$ 96,005
Deferred revenue	231,632	149,113
Accrued vacation	195,534	195,534
Note payable	<u>617,963</u>	<u>650,194</u>
Total liabilities	<u>1,410,753</u>	<u>1,090,846</u>
Net assets		
Without donor restrictions	15,245,121	14,921,030
With donor restrictions	<u>5,888,901</u>	<u>2,785,900</u>
Total net assets	<u>21,134,022</u>	<u>17,706,930</u>
Total Liabilities and Net Assets	<u>\$ 22,544,775</u>	<u>\$ 18,797,776</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>For the Year Ended May 31, 2022:</u>			
<u>Revenue, gains and other support</u>			
Contributions	\$ 2,034,007	\$ 3,589,765	\$ 5,623,772
Contributions – non-cash	100,003	1,600,000	1,700,003
Conference Centers Revenues	1,922,670	0	1,922,670
Investment income	17,343	(91,450)	(74,107)
Other revenue	17,292	0	17,292
Net assets released from restrictions	<u>1,995,314</u>	<u>(1,995,314)</u>	<u>0</u>
Total revenue, gains and other support	<u>6,086,629</u>	<u>3,103,001</u>	<u>9,189,630</u>
<u>Expenses</u>			
Program services	4,994,414		4,994,414
General and administrative	421,141		421,141
Fundraising	<u>346,983</u>		<u>346,983</u>
Total expenses	<u>5,762,538</u>		<u>5,762,538</u>
Change in net assets	324,091	3,103,001	3,427,092
Net assets at beginning of year	<u>14,921,030</u>	<u>2,785,900</u>	<u>17,706,930</u>
Net assets at end of year	<u>\$ 15,245,121</u>	<u>\$ 5,888,901</u>	<u>\$ 21,134,022</u>
<u>For the Year Ended May 31, 2021:</u>			
<u>Revenue, gains and other support</u>			
Contributions	\$ 2,482,076	\$ 1,807,605	\$ 4,289,681
Contributions – non-cash	145,520	0	145,520
Conference Centers Revenues	644,291	0	644,291
Investment income	18,179	278,613	296,792
Other revenue	12,064	0	12,064
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>4,397,042</u>	<u>991,306</u>	<u>5,388,348</u>
<u>Expenses</u>			
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	(253,909)	991,306	737,397
Net assets at beginning of year	<u>15,174,939</u>	<u>1,794,594</u>	<u>16,969,533</u>
Net assets at end of year	<u>\$ 14,921,030</u>	<u>\$ 2,785,900</u>	<u>\$ 17,706,930</u>

See Notes to Financial Statements

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2022

	<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>White Sulfur Springs</u>	<u>Spring Canyon</u>		<u>General Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 826,958	\$ 457,427	\$ 313,535	\$ 1,597,920	\$ 243,838	\$ 166,000	\$ 409,838	\$ 2,007,758
Employee benefits	145,170	65,481	40,205	250,856	47,372	32,061	79,433	330,289
Payroll taxes	<u>57,022</u>	<u>54,389</u>	<u>46,652</u>	<u>158,063</u>	<u>17,650</u>	<u>12,164</u>	<u>29,814</u>	<u>187,877</u>
Total compensation	1,029,150	577,297	400,392	2,006,839	308,860	210,225	519,085	2,525,924
Conferences, conventions and meetings	33,583	0	1,448	35,031	102	102	204	35,235
Contract services	99,308	18,584	48,609	166,501	36,064	32,873	68,937	235,438
General ministry	111,327	21,995	37,055	170,377	0	0	0	170,377
Information technology	15,413	10,858	15,696	41,967	26,182	16,550	42,732	84,699
Occupancy	332,860	347,425	305,558	985,843	16,071	12,954	29,025	1,014,868
Office expense	92,905	79,163	46,966	219,034	16,218	51,668	67,886	286,920
Promotion	17,270	5,173	8,173	30,616	42	42	84	30,700
Supplies	55,774	352,270	233,801	641,845	619	2,251	2,870	644,715
Travel	<u>67,198</u>	<u>38,105</u>	<u>49,616</u>	<u>154,919</u>	<u>7,755</u>	<u>12,357</u>	<u>20,112</u>	<u>175,031</u>
Total expense before depreciation	1,854,788	1,450,870	1,147,314	4,452,972	411,913	339,022	750,935	5,203,907
Depreciation	<u>69,491</u>	<u>302,371</u>	<u>169,580</u>	<u>541,442</u>	<u>9,228</u>	<u>7,961</u>	<u>17,189</u>	<u>558,631</u>
Total	<u>\$ 1,924,279</u>	<u>\$ 1,753,241</u>	<u>\$ 1,316,894</u>	<u>\$ 4,994,414</u>	<u>\$ 421,141</u>	<u>\$ 346,983</u>	<u>\$ 768,124</u>	<u>\$ 5,762,538</u>

See Notes to Financial Statements

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>White Sulfur Springs</u>	<u>Spring Canyon</u>		<u>General Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 992,410	\$ 374,252	\$ 367,019	\$ 1,733,681	\$ 149,313	\$ 132,983	\$ 282,296	\$ 2,015,977
Employee benefits	116,285	54,657	46,533	217,475	16,407	14,326	30,733	248,208
Payroll taxes	70,617	48,404	47,782	166,803	10,916	9,773	20,689	187,492
Total compensation	1,179,312	477,313	461,334	2,117,959	176,636	157,082	333,718	2,451,677
Conferences, conventions and meetings	39,864	0	466	40,330	456	597	1,053	41,383
Contract services	46,468	7,275	5,740	59,483	17,900	40,176	58,076	117,559
General ministry	185,062	31,567	12,489	229,118	0	0	0	229,118
Information technology	24,651	2,158	10,325	37,134	27,186	16,450	43,636	80,770
Occupancy	89,638	270,421	185,240	545,299	10,333	9,923	20,256	565,555
Office expense	62,870	22,770	18,806	104,446	19,103	65,610	84,713	189,159
Promotion	15,774	2,134	2,030	19,938	137	4,742	4,879	24,817
Supplies	7,578	121,613	131,637	260,828	1,371	1,185	2,556	263,384
Travel	52,889	21,662	28,768	103,319	842	1,790	2,632	105,951
Total expense before depreciation	1,704,106	956,913	856,835	3,517,854	253,964	297,555	551,519	4,069,373
Depreciation	66,121	331,364	168,908	566,393	7,712	7,473	15,185	581,578
Total	<u>\$ 1,770,227</u>	<u>\$ 1,288,277</u>	<u>\$ 1,025,743</u>	<u>\$ 4,084,247</u>	<u>\$ 261,676</u>	<u>\$ 305,028</u>	<u>\$ 566,704</u>	<u>\$ 4,650,951</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>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Received from contributions	\$ 3,072,387	\$ 3,398,322
Received from conference centers and other	2,032,121	476,751
Interest received	61,849	67,980
Paid to suppliers, employees and others	(5,035,691)	(3,902,544)
Interest paid	<u>(25,731)</u>	<u>(28,223)</u>
Net cash provided by operating activities	<u>104,935</u>	<u>12,286</u>
Cash flows from investing activities:		
Net investment activity	50,174	1,456,699
Purchase of fixed assets	<u>(1,135,849)</u>	<u>(447,121)</u>
Net cash provided by (used in) investing activities	<u>(1,085,675)</u>	<u>1,009,578</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	2,596,732	951,509
Principal payments on long term debt	<u>(32,231)</u>	<u>(29,738)</u>
Net cash provided by financing activities	<u>2,564,501</u>	<u>921,771</u>
Net change in cash and cash equivalents	1,583,761	1,943,635
Cash and cash equivalents at beginning of year	<u>2,732,929</u>	<u>789,294</u>
Cash and cash equivalents at end of year	<u>\$ 4,316,690</u>	<u>\$ 2,732,929</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 and at the U.S. Military, Naval, Air Force and Coast Guard 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 \$5,000 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, 2022 and 2021.

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

The Fellowship is organized as a District of Columbia nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Fellowship is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. Management has determined that the Fellowship is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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 October 20, 2022, and this is the date through which subsequent events were evaluated.

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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,316,690	\$ 2,732,929
Accounts receivable	586	10,226
Operating investments	<u>207,255</u>	<u>393,385</u>
	<u>\$ 4,524,531</u>	<u>\$ 3,136,540</u>

NOTE 3 - PROMISES TO GIVE

Promises to give as of May 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Harrison House	\$ 1,600,000	\$ 0
Maranatha Mansion	0	43,572
Capital Campaign, net of discount	0	17,575
Shepherd's Fold	0	2,800
USMA Fellowship House	<u>0</u>	<u>1,400</u>
	1,600,000	65,347
Less:		
Allowance for uncollectible pledges	<u>(0)</u>	<u>(20,000)</u>
Total Pledges Receivable	<u>\$ 1,600,000</u>	<u>\$ 45,347</u>

Unconditional promises to give are estimated to all be collected within one year.

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

NOTE 4 - INVESTMENTS

Investments held as of May 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents (Level 1)	\$ 25,112	\$ 719,762
Corporate bonds (Level 1)	734,461	431,052
Corporate mutual funds (Level 1)	<u>581,166</u>	<u>376,055</u>
	<u>\$ 1,340,739</u>	<u>\$ 1,526,869</u>
Composition of investment return:		
Interest and dividends	\$ 61,849	\$ 56,642
Realized and unrealized gains (losses)	<u>(135,956)</u>	<u>240,150</u>
	<u>\$ (74,107)</u>	<u>\$ 296,792</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.

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.

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

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and land improvements	\$ 17,804,986	\$ 17,702,621
Furniture and equipment	<u>1,625,309</u>	<u>1,608,044</u>
	19,430,295	19,310,665
Less: accumulated depreciation	<u>(6,977,980)</u>	<u>(6,558,591)</u>
	12,452,315	12,752,074
Land	1,229,515	1,229,515
Construction in progress	<u>1,206,087</u>	<u>167,034</u>
	<u>\$ 14,887,917</u>	<u>\$ 14,148,623</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, 2022 and 2021, was \$252,995 and \$234,779, respectively.

NOTE 7 - NOTE PAYABLE

	<u>2022</u>	<u>2021</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>\$ 617,963</u>	<u>\$ 650,194</u>

Interest expense for the years ended May 31, 2022 and 2021, was \$25,731 and \$28,223, respectively.

Maturities of long-term debt for each of the five years succeeding May 31, 2022 are as follows:

2023	\$ 33,857
2024	35,237
2025	36,672
2026	38,167
2027	39,722

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

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 Council establishes and can change the contribution percentage, which was 7.5% for the years ended May 31, 2022 and 2021. The Fellowship contributed \$90,814 and \$95,942 to the Plan for the years ended May 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
White Sulphur Springs (WSS)	\$ 81,012	\$ 30,955
WSS Sustain and Expand campaign	1,147,594	52,524
Academies and Field Ministries	500,180	662,114
Scholarships	32,092	18,883
Facilities	174,264	133,893
Spring Canyon (SC)	43,795	30,000
Other	<u>16,377</u>	<u>166,543</u>
	<u>\$ 1,995,314</u>	<u>\$ 1,094,912</u>

Net assets with donor restrictions available for future use:

	<u>2022</u>	<u>2021</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
White Sulphur Springs (WSS)	\$ 21,339	\$ 32,884
WSS Sustain and Expand campaign	4,080,368	914,605
Academies and Field Ministries	79,287	39,485
Scholarships	92,055	81,724
Facilities	230,154	199,939
Spring Canyon (SC)	60,529	2,000
Other	34,788	41,007
Accumulated earnings on endowments	<u>156,897</u>	<u>340,772</u>
	<u>4,755,417</u>	<u>1,652,416</u>
Perpetual in nature, earnings being subject to appropriation and expenditure:		
Scholarships	584,284	584,284
White Sulphur Springs Harrison House Maintenance	<u>549,200</u>	<u>549,200</u>
	<u>1,133,484</u>	<u>1,133,484</u>
	<u>\$ 5,888,901</u>	<u>\$ 2,785,900</u>

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

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.

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 Scholarships endowment and a fixed annual distribution of \$24,000 for the Harrison House maintenance endowment. The Fellowship annually appropriates these amounts and make them available for expenditure by classifying them 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 THE FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended May 31, 2022 and 2021, are as follows:

	Term- Endowments	Endowments	Total
Endowment net assets as of May 31, 2020	\$ 661,110	\$ 1,133,484	\$ 1,794,594
Contributions and other gains	1,807,605	0	1,807,605
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	1,652,416	1,133,484	2,785,900
Contributions and other gains	5,189,765	0	5,189,765
Investment income	(91,450)	0	(91,450)
Net appropriations for expenditure and fund preservation	<u>(1,995,314)</u>	<u>0</u>	<u>(1,995,314)</u>
Endowment net assets as of May 31, 2022	<u>\$ 4,755,417</u>	<u>\$ 1,133,484</u>	<u>\$ 5,888,901</u>

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, 2022 and 2021, was \$9,230 and \$9,022, respectively. Future minimum lease commitments for the years succeeding May 31, 2022, are as follows:

2023	\$ 3,156
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NOTE 12 - PRIOR PERIOD ADJUSTMENT

Net assets without donor restrictions as of May 31, 2020 have been adjusted for accumulated investment gains on endowments, which previously had been accounted for in error as released from donor restrictions. The correction has no effect on the results of current year's activities; however, the cumulative effect decreases ending net assets without donor restrictions as of May 31, 2021 and 2020 by \$340,772 and \$93,868, respectively. The effect of the correction was to decrease the change in net assets without donor restrictions for the year ended May 31, 2021 by \$246,904.