

**OFFICERS' CHRISTIAN FELLOWSHIP  
OF  
THE UNITED STATES OF AMERICA  
FINANCIAL STATEMENTS  
MAY 31, 2023**



## 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 - 17



## Independent Auditor's Report

The Council  
Officers' Christian Fellowship of the United States of America  
Colorado Springs, 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, 2023 and 2022, 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, 2023 and 2022, 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.

September 15, 2023  
Denver, Colorado



*Heidi & Associates, LLC*

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

May 31,	2023	2022
<u>Assets</u>		
Cash and cash equivalents	\$ 1,153,091	\$ 4,316,690
Accounts receivable	1,677	586
Promises to give	0	1,600,000
Inventory	130,680	122,661
Prepaid expense	46,423	23,187
Right of use leased assets	343,307	0
Investments	2,773,203	1,340,739
Property and equipment, net	18,392,467	14,887,917
Other assets	<u>256,973</u>	<u>252,995</u>
Total Assets	<u>\$ 23,097,821</u>	<u>\$ 22,544,775</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 498,911	\$ 365,624
Deferred revenue	112,968	231,632
Accrued vacation	215,967	195,534
Right of use lease liabilities	343,307	0
Note payable	<u>584,440</u>	<u>617,963</u>
Total liabilities	<u>1,755,593</u>	<u>1,410,753</u>
Net assets		
Without donor restrictions	19,220,084	15,245,121
With donor restrictions	<u>2,122,144</u>	<u>5,888,901</u>
Total net assets	<u>21,342,228</u>	<u>21,134,022</u>
Total Liabilities and Net Assets	<u>\$ 23,097,821</u>	<u>\$ 22,544,775</u>

See Notes to Financial Statements

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, 2023:</u>			
<u>Revenue, gains and other support</u>			
Contributions	\$ 2,736,466	\$ 779,524	\$ 3,515,990
Conference Centers Revenues	2,227,850	0	2,227,850
Investment income	93,041	(67,732)	25,309
Other revenue	585,575	0	585,575
Net assets released from restrictions	<u>4,478,549</u>	<u>(4,478,549)</u>	<u>0</u>
Total revenue, gains and other support	<u>10,121,481</u>	<u>(3,766,757)</u>	<u>6,354,724</u>
<u>Expenses</u>			
Program services	5,293,369		5,293,369
General and administrative	432,187		432,187
Fundraising	<u>420,962</u>		<u>420,962</u>
Total expenses	<u>6,146,518</u>		<u>6,146,518</u>
Change in net assets	3,974,963	(3,766,757)	208,206
Net assets at beginning of year	<u>15,245,121</u>	<u>5,888,901</u>	<u>21,134,022</u>
Net assets at end of year	<u>\$ 19,220,084</u>	<u>\$ 2,122,144</u>	<u>\$ 21,342,228</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>

OFFICERS' CHRISTIAN FELLOWSHIP OF THE UNITED STATES OF AMERICA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended May 31, 2023

	<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	\$ 979,589	\$ 534,208	\$ 340,999	\$ 1,854,796	\$ 258,397	\$ 191,385	\$ 449,782	\$ 2,304,578
Employee benefits	131,839	108,817	43,107	283,763	33,837	29,621	63,458	347,221
Payroll taxes	66,815	54,047	48,712	169,574	17,541	13,118	30,659	200,233
Total compensation	1,178,243	697,072	432,818	2,308,133	309,775	234,124	543,899	2,852,032
Conferences, conventions and meetings	78,378	0	1,884	80,262	2,130	1,702	3,832	84,094
Contract services	44,282	74,748	69,999	189,029	39,321	60,632	99,953	288,982
General ministry	308,067	730	32,942	341,739	1,254	1,254	2,508	344,247
Information technology	38,642	7,136	19,583	65,361	17,970	16,705	34,675	100,036
Occupancy	128,522	255,347	254,093	637,962	22,944	10,904	33,848	671,810
Office expense	96,282	58,539	52,281	207,102	23,944	77,839	101,783	308,885
Promotion	9,665	14,273	12,553	36,491	42	4,989	5,031	41,522
Supplies	15,176	427,357	293,585	736,118	662	693	1,355	737,473
Travel	86,920	59,430	46,709	193,059	5,319	4,342	9,661	202,720
Total expense before depreciation	1,984,177	1,594,632	1,216,447	4,795,256	423,361	413,184	836,545	5,631,801
Depreciation	72,214	260,708	165,191	498,113	8,826	7,778	16,604	514,717
Total	<u>\$ 2,056,391</u>	<u>\$ 1,855,340</u>	<u>\$ 1,381,638</u>	<u>\$ 5,293,369</u>	<u>\$ 432,187</u>	<u>\$ 420,962</u>	<u>\$ 853,149</u>	<u>\$ 6,146,518</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	57,022	54,389	46,652	158,063	17,650	12,164	29,814	187,877
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	67,198	38,105	49,616	154,919	7,755	12,357	20,112	175,031
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	69,491	302,371	169,580	541,442	9,228	7,961	17,189	558,631
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  
STATEMENTS OF CASH FLOWS

For the Years Ended May 31,	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Received from contributions	\$ 3,074,080	\$ 3,072,387
Received from conference centers and other	2,115,120	2,032,121
Interest received	62,907	61,849
Paid to suppliers, employees and others	(5,655,024)	(5,035,691)
Interest paid	<u>(24,438)</u>	<u>(25,731)</u>
Net cash provided by (used in) operating activities	<u>(427,355)</u>	<u>104,935</u>
Cash flows from investing activities:		
Net investment activity	(1,470,062)	50,174
Proceeds from sale of fixed assets	895,000	0
Purchase of fixed assets	<u>(4,169,569)</u>	<u>(1,135,849)</u>
Net cash used in investing activities	<u>(4,744,631)</u>	<u>(1,085,675)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	2,041,910	2,596,732
Principal payments on long term debt	<u>(33,523)</u>	<u>(32,231)</u>
Net cash provided by financing activities	<u>2,008,387</u>	<u>2,564,501</u>
Net change in cash and cash equivalents	(3,163,599)	1,583,761
Cash and cash equivalents at beginning of year	<u>4,316,690</u>	<u>2,732,929</u>
Cash and cash equivalents at end of year	<u>\$ 1,153,091</u>	<u>\$ 4,316,690</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, 2023 and 2022.

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.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. Subsequently, the FASB issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2020-05, Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments; and ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. Under Topic 842, a lessor records a lease as sales-type, direct-financing, or operating. A lease is a sales-type lease if any one of five criteria are met indicating that the lease effectively transfers control of the underlying asset to the lessee. If those five criteria are not met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee, the lease is a direct-financing lease. All leases that are not sales-type or direct-financing leases are operating leases.

The Fellowship adopted Topic 842 effective June 1, 2022 using a modified retrospective transition method with the effective date as the date of initial application. Management elected the practical expedient that permitted it to not reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs and the practical expedient to not separate lease and non-lease components for underlying equipment assets. This allows the Fellowship to continue to recognize equipment lease and the related maintenance services as one combined operating lease component.

Subsequent Events

The Fellowship's financial statements were available to be issued on September 15, 2023, and this is the date through which subsequent events were evaluated.

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

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:

	2023	2022
Cash and cash equivalents	\$ 1,153,091	\$ 4,316,690
Accounts receivable	1,677	586
Operating investments	1,639,719	207,255
	\$ 2,794,487	\$ 4,524,531

NOTE 3 - INVESTMENTS

Investments held as of May 31, 2023 and 2022, are as follows:

	2023	2022
Cash and cash equivalents (Level 1)	\$ 18,536	\$ 25,112
Corporate bonds (Level 1)	1,964,390	734,461
Corporate mutual funds (Level 1)	790,277	581,166
	\$ 2,773,203	\$ 1,340,739
Composition of investment return:		
Interest and dividends	\$ 62,907	\$ 61,849
Realized and unrealized losses	(37,598)	(135,956)
	\$ 25,309	\$ (74,107)

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 3 - 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 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of May 31, 2023 and 2022:

	2023	2022
Buildings and land improvements	\$ 17,470,461	\$ 17,804,986
Furniture and equipment	1,552,222	1,625,309
	19,022,683	19,430,295
Less: accumulated depreciation	(7,157,760)	(6,977,980)
	11,864,923	12,452,315
Land	1,129,515	1,229,515
Construction in progress	5,398,029	1,206,087
	\$ 18,392,467	\$ 14,887,917

NOTE 5 - OTHER ASSETS

The Fellowship is the owner and beneficiary of several individual life insurance policies. The estimated cash surrender value of the life insurance policies as of May 31, 2023 and 2022, was \$256,973 and \$252,995, respectively.

NOTE 6 - NOTE PAYABLE

	2023	2022
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.	\$ 584,440	\$ 617,963

Interest expense for the years ended May 31, 2023 and 2022, was \$24,438 and \$25,731, respectively.

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

NOTE 6 - NOTE PAYABLE (CONTINUED)

Maturities of long-term debt for each of the five years succeeding May 31, 2023 are as follows:

2024	\$	35,224
2025		36,659
2026		38,153
2027		39,707
2028		41,325

NOTE 7 - 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, 2023 and 2022. The Fellowship contributed \$104,743 and \$90,814 to the Plan for the years ended May 31, 2023 and 2022, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
White Sulphur Springs (WSS)	\$ 7,697	\$ 81,012
WSS Sustain and Expand campaign	4,287,765	1,147,594
Academies and Field Ministries	8,124	500,180
Scholarships	24,352	32,092
Facilities	50,780	174,264
Spring Canyon (SC)	31,090	43,795
Other	<u>68,741</u>	<u>16,377</u>
	<u>\$ 4,478,549</u>	<u>\$ 1,995,314</u>

Net assets with donor restrictions available for future use:

	<u>2023</u>	<u>2022</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
White Sulphur Springs (WSS)	\$ 14,317	\$ 21,339
WSS Sustain and Expand campaign	234,513	4,080,368
Academies and Field Ministries	123,876	79,287
Scholarships	86,026	92,055
Facilities	314,604	230,154
Spring Canyon (SC)	97,553	60,529
Other	28,606	34,788
Accumulated earnings on endowments	<u>89,165</u>	<u>156,897</u>
	<u>988,660</u>	<u>4,755,417</u>

(continued)

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

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2023	2022
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
	1,133,484	1,133,484
	\$ 2,122,144	\$ 5,888,901

NOTE 9 - 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 9 - ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended May 31, 2023 and 2022, are as follows:

	<u>Term- Endowments</u>	<u>Endowments</u>	<u>Total</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	4,755,417	1,133,484	5,888,901
Contributions and other gains	779,524	0	779,524
Investment income	(67,732)	0	(67,732)
Net appropriations for expenditure and fund preservation	<u>(4,478,549)</u>	<u>0</u>	<u>(4,478,549)</u>
Endowment net assets as of May 31, 2023	<u>\$ 988,660</u>	<u>\$ 1,133,484</u>	<u>\$ 2,122,144</u>

NOTE 10 - LEASES

The Fellowship leases office space under a long-term non-cancelable operating lease agreement. The lease expires in August 2028. Management includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The weighted-average discount rate used was 5%.

Management has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Management has elected the practical expedient to not separate lease and non-lease components for the lease.

Total right-of-use assets and lease liabilities as of May 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<u>Leased Assets</u>		
Right of use assets	<u>\$ 343,307</u>	<u>\$ 0</u>
<u>Lease Liabilities</u>		
Right of use liabilities	<u>\$ 343,307</u>	<u>\$ 0</u>

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

NOTE 10 - LEASES (CONTINUED)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of May 31, 2023:

2024	\$ 60,015
2025	73,980
2026	76,680
2027	80,280
2028	81,180
2029	<u>20,295</u>
Total lease payments	392,430
Less interest	<u>(49,123)</u>
Present value of lease liabilities	<u>\$ 343,307</u>

NOTE 11 - OTHER COMMITMENTS

The Fellowship has contracted with a general contractor to provide renovation services on the Harrison House, located in Bedford County, Pennsylvania. The total contracted amount is \$4,884,000, with the total completed amount as of May 31, 2023 being \$4,628,882. The project was substantially complete as of September 14, 2023, pending receipt of the certificate of occupancy. A 5% retainage is still outstanding as of September 14, 2023.