

FELLOWSHIP OF CHRISTIAN ATHLETES
FINANCIAL STATEMENTS

Year Ended August 31, 2019
with
Independent Auditors' Report

FELLOWSHIP OF CHRISTIAN ATHLETES

FINANCIAL STATEMENTS

August 31, 2019

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fellowship of Christian Athletes

We have audited the accompanying financial statements of **Fellowship of Christian Athletes** (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

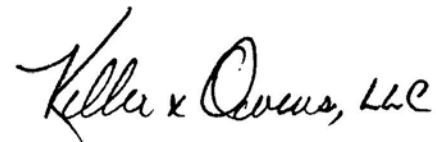
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fellowship of Christian Athletes** as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Fellowship of Christian Athletes has adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Updated (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial statements for Not-for Profit Entities*, as described in Note 1. This has had a material effect on the presentation of the financial statements for the year ended August 31, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the **Fellowship of Christian Athletes’** 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owens, LLC".

Overland Park, Kansas
February 8, 2020

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FINANCIAL POSITION

August 31, 2019

(With comparative totals as of August 31, 2018)

<u>ASSETS</u>	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Current Assets:				
Cash and cash equivalents	\$ 1,921,434	\$ 8,456,645	\$ 10,378,079	\$ 8,986,188
Short-term operating investments	-	21,603,182	21,603,182	13,468,455
Prepaid expenses and receivables	606,101	-	606,101	440,895
Promises to give	-	-	-	3,190
Merchandise held for resale, at cost	532,649	-	532,649	626,296
Total Current Assets	3,060,184	30,059,827	33,120,011	23,525,024
Property and Equipment, net	10,688,097	-	10,688,097	11,474,685
Other Assets:				
Investments:				
Long-term operating investments	-	20,986,773	20,986,773	21,001,086
Other long-term investments	2,592,218	12,865,244	15,457,462	15,766,381
Accumulated cash surrender value of life insurance policies	-	398,857	398,857	416,155
Intangible asset, net	275,000	-	275,000	375,000
Total Other Assets	2,867,218	34,250,874	37,118,092	37,558,622
Total Assets	\$ 16,615,499	\$ 64,310,701	\$ 80,926,200	\$ 72,558,331
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 2,092,717	\$ -	\$ 2,092,717	\$ 2,929,633
Accrued payroll taxes and benefits	1,859,795	-	1,859,795	1,753,425
Current portion of post-retirement obligation	39,984	-	39,984	39,984
Total Current Liabilities	3,992,496	-	3,992,496	4,723,042
Post-retirement obligation	212,548	-	212,548	240,534
Total Liabilities	4,205,044	-	4,205,044	4,963,576
Net Assets	12,410,455	64,310,701	76,721,156	67,594,755
Total Liabilities and Net Assets	\$ 16,615,499	\$ 64,310,701	\$ 80,926,200	\$ 72,558,331

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF ACTIVITIES

Year Ended August 31, 2019

(With comparative totals for the year ended August 31, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Contributions	\$ 93,059	\$ 131,942,995	\$ 132,036,054	\$ 117,954,858
Camps/conferences	6,315,607	-	6,315,607	5,934,004
Membership, subscriptions, and chartering fees	28,178	-	28,178	69,709
Sale of merchandise	171,734	-	171,734	169,774
Special events fees	146,312	9,945,464	10,091,776	10,042,946
Other non-contribution revenue	5,772,041	-	5,772,041	5,642,189
Investment return	1,018,854	341,954	1,360,808	1,275,460
Gain on sale of property and equipment	5,142	-	5,142	54,370
Net assets released from restrictions	<u>133,006,533</u>	<u>(133,006,533)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>146,557,460</u>	<u>9,223,880</u>	<u>155,781,340</u>	<u>141,143,310</u>
Expenses:				
Program services	109,076,656	-	109,076,656	103,243,150
Cost of direct benefits to donors	13,096,190	-	13,096,190	12,836,504
General and administration	15,413,011	-	15,413,011	14,279,731
Fundraising	<u>9,069,082</u>	<u>-</u>	<u>9,069,082</u>	<u>8,399,918</u>
Total Expenses	<u>146,654,939</u>	<u>-</u>	<u>146,654,939</u>	<u>138,759,303</u>
Change in Net Assets	(97,479)	9,223,880	9,126,401	2,384,007
Net Assets at Beginning of Year	<u>12,507,934</u>	<u>55,086,821</u>	<u>67,594,755</u>	<u>65,210,748</u>
Net Assets at End of Year	<u>\$ 12,410,455</u>	<u>\$ 64,310,701</u>	<u>\$ 76,721,156</u>	<u>\$ 67,594,755</u>

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2019

(With comparative totals for the year ended August 31, 2018)

	2019				2018 Total	
	Program Services	General and Administration	Fundraising	Cost of Direct Benefits to Donors		Total
Salaries	\$ 61,638,806	\$ 8,517,516	\$ 6,074,526	\$ -	\$ 76,230,848	\$ 68,995,174
Camp site expense	5,793,503	-	-	-	5,793,503	5,739,179
Camps/conferences	1,762,634	2,309	680	-	1,765,623	1,674,819
Travel	4,751,568	690,709	412,577	-	5,854,854	6,949,220
Supplies	2,794,519	375,205	269,923	-	3,439,647	3,505,155
Payroll taxes	2,570,566	414,360	250,334	-	3,235,260	2,983,604
Cost of merchandise sold	57,964	-	-	-	57,964	57,757
Public relations and direct mail	1,722,330	226,224	187,686	-	2,136,240	1,650,655
Honorariums	2,740,688	34,580	-	-	2,775,268	3,376,655
International grants	1,044,187	6,327	-	-	1,050,514	848,124
Golf tournaments	-	-	-	2,693,218	2,693,218	2,631,958
Banquets	-	-	-	3,007,295	3,007,295	2,901,244
Program events and staff training	3,668,599	18,102	22,509	7,395,677	11,104,887	11,099,696
Communications	960,219	151,174	93,994	-	1,205,387	1,220,086
Employee insurance	7,299,281	1,270,182	711,998	-	9,281,461	9,246,779
Postage	395,799	99,775	31,038	-	526,612	693,021
Taxes, commissions and fees	1,460,417	215,145	145,824	-	1,821,386	1,702,118
Insurance	1,120,089	187,120	110,712	-	1,417,921	1,149,191
Printing/publications	544,858	138,671	35,314	-	718,843	634,109
Utilities	211,094	130,187	20,863	-	362,144	348,906
Food	1,377,962	131,318	118,191	-	1,627,471	1,621,881
Rent/leases	1,642,814	231,417	161,065	-	2,035,296	1,961,447
Maintenance	353,768	74,247	35,259	-	463,274	485,895
Professional fees	1,661,911	756,144	88,563	-	2,506,618	2,069,830
Retirement plan	1,486,621	223,545	148,227	-	1,858,393	1,662,004
Technology	143,872	1,274,874	3,098	-	1,421,844	1,620,264
Miscellaneous	214,674	18,348	17,119	-	250,141	206,991
Depreciation	1,557,913	225,532	129,582	-	1,913,027	1,623,541
Amortization	100,000	-	-	-	100,000	100,000
Total Expenses	<u>\$ 109,076,656</u>	<u>\$ 15,413,011</u>	<u>\$ 9,069,082</u>	<u>\$ 13,096,190</u>	<u>\$ 146,654,939</u>	<u>\$ 138,759,303</u>

See note 17 for an explanation of direct benefits to donors column.

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF CASH FLOWS

Year Ended August 31, 2019

(With comparative totals for the year ended August 31, 2018)

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 9,126,401	\$ 2,384,007
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,013,027	1,723,541
Gain on sale of property and equipment	(5,142)	(54,370)
Net gain on sale of investments	(708,628)	(294,452)
Unrealized loss on investments	707,139	35,061
Donated securities	(1,138,877)	(1,249,398)
(Increase) decrease in assets:		
Prepaid expenses and receivables	(165,206)	(94,330)
Merchandise held for resale, at cost	93,647	(111,814)
Promises to give	3,190	61,145
(Decrease) increase in liabilities:		
Accounts payable	(836,916)	137,360
Accrued payroll taxes and benefits	106,370	545,459
Post-retirement obligation	(27,986)	(26,656)
Net Cash Provided by Operating Activities	9,167,019	3,055,553
Cash Flows from Investing Activities:		
Net purchases of investments	(6,671,129)	(1,736,702)
Decrease in cash surrender value of life insurance	17,298	65,126
Purchase of property and equipment	(1,214,288)	(1,676,400)
Proceeds from sale of property and equipment	92,991	130,444
Net cash used by investing activities	(7,775,128)	(3,217,532)
Net Change in Cash and Cash Equivalents	1,391,891	(161,979)
Cash and Cash Equivalents at Beginning of Year	8,986,188	9,148,167
Cash and Cash Equivalents at End of Year	\$ 10,378,079	\$ 8,986,188

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization - The **Fellowship of Christian Athletes** (FCA) or (the "Organization") was founded and incorporated in Oklahoma in 1954, with a stated purpose "to present to athletes and coaches, and all whom they influence, the challenge and adventure of receiving Jesus Christ as Savior and Lord, serving Him in their relationships and in the fellowship of the Church." In 1956, FCA Support Center was moved to Kansas City, Missouri, where it continues to be based. FCA is supported primarily through donor contributions and fees charged for camps, conferences and memberships.

The donor base of FCA consists primarily of citizens of the United States of America.

Advertising - Advertising costs are expensed as incurred.

Basis of accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Change in accounting principle – In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial statements of Not-for-Profit Entities*. **Fellowship of Christian Athletes** adopted the provisions of this new standard during the year ended August 31, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (note 2), and the methodology and allocation information related to the functional allocation of expenses was expanded. The basic financial statements were further affected by adding a statement of functional expenses in order to present expenses by both their natural and functional classifications.

Comparative financial information - The financial statements include certain prior year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2018 from which the summarized information is derived.

Cash and cash equivalents - For purposes of the statement of cash flows, cash and equivalents includes cash in banks, cash on hand, and highly liquid investments with maturities of three months or less, when purchased.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Contributions – The Organization reports contributions in accordance with FASB ASC 958-605. Accordingly, contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released and reclassified to net assets without donor restrictions.

Contributions of land, buildings, equipment and other long-lived assets are recorded at fair value at the date of donation. These donations are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as net assets with donor restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are reported at the present value of estimated cash flows.

Contributed property and equipment - Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without restrictions.

Contributed use of facilities and vehicles - Contributed use of facilities and vehicles are recorded at fair value for the time made available to FCA during the year.

Donated securities - Donated securities with a fair value at the date of contribution in the amount of \$1,138,877 and \$1,249,398 are included in cash flows from operating activities for the years ended August 31, 2019 and 2018, respectively.

Donated services - A substantial number of volunteers donate significant time to FCA. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under FASB ASC 958-605.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Expense allocation – The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program supporting function. Therefore expenses require allocation on a reasonable basis that is consistently applied. Salaries, benefits and taxes are allocated on the basis of time and effort. The remaining functional expenses are classified based on the actual result that is calculated using factors of time and effort and square footage.

Income taxes - FCA has been declared a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. In addition, FCA has been classified as a publicly supported organization, which is not a private foundation within the meaning of Section 509(a)(1) of the code.

The Organization has adopted the provisions of the FASB ASC 740-10 as it might apply to the Organization's financial transactions. The Organization's policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of August 31, 2019 and, accordingly, no liability has been accrued.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value. Unrealized gains and losses are included in investment return in the accompanying statement of activities. Nonmarketable investments are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts.

Merchandise held for resale – Merchandise held for resale is stated at the lower of cost (first-in, first-out) or market.

Net assets – Net assets, revenue, 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 restrictions. They also include any designations by the governing board.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Net assets (continued)

Net assets with donor restrictions – Net assets subject to donor-or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Operations - The accompanying financial statements include the operations of the national, state and local offices of FCA. The National Support Center provides receipting of funds, disbursement controls, centralized accounting and other operational services for those offices for approximately 1,950 staff.

Property and equipment - Land, buildings, and equipment additions over a nominal amount are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation is provided over the estimated useful lives of the respective assets primarily on a straight-line basis. Useful lives for depreciation are as follows:

Land improvements	20 years
Buildings and improvements	20 - 50 years
Equipment and furnishings	3 - 8 years

Reclassifications – Certain accounts in the prior-year comparative financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Subsequent events – Management has evaluated events and transactions that have occurred since August 31, 2019 and reflected their effects, if any, in these financial statements through February 8, 2020, the date the financial statements were available to be issued.

Use of estimates - The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

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 statement of financial position at August 31, 2019, are as follows:

Cash and cash equivalents	\$ 10,378,079
Investments	58,047,417
Receivables	<u>331,764</u>
	68,757,260
Less amounts with donor restrictions	<u>(13,946,911)</u>
Total Financial Assets Available for General Expenditures within One Year	<u>\$ 54,810,349</u>

As part of its liquidity management plan, **Fellowship of Christian Athletes** structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources.

Financial assets available for general expenditures includes \$50,363,790 of field offices cash restricted for operations.

3. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels that follow:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

3. FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at August 31, 2019 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 704,925	\$ 704,925	\$ -	\$ -
Common stock	235,963	235,963	-	-
Domestic stock funds	4,975,167	4,975,167	-	-
International stock funds	1,387,218	1,387,218	-	-
Bond funds	8,055,046	8,055,046	-	-
Commodities	5,816	5,816	-	-
Other mutual funds	34,854	34,854	-	-
US Government obligations	13,041,287	13,339	13,027,948	-
Corporate bonds	748,770	-	748,770	-
Certificates of deposit	28,858,371	-	28,858,371	-
Sweep account*	5,152,099	-	5,152,099	-
Total Assets	\$ 63,199,516	\$ 15,412,328	\$ 47,787,188	\$ -

Fair values of assets measured on a recurring basis at August 31, 2018 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 840,192	\$ 840,192	\$ -	\$ -
Common stock	175,229	175,229	-	-
Domestic stock funds	4,306,782	4,306,782	-	-
International stock funds	1,958,412	1,958,412	-	-
Bond funds	7,109,145	7,109,145	-	-
Commodities	338,547	338,547	-	-
Other mutual funds	202,741	202,741	-	-
US Government obligations	9,793,128	135,266	9,657,862	-
Corporate bonds	1,059,925	309,925	750,000	-
Certificates of deposit	24,451,821	-	24,451,821	-
Sweep account*	4,197,636	-	4,197,636	-
Total Assets	\$ 54,433,558	\$ 15,376,239	\$ 39,057,319	\$ -

* Included in Cash and cash equivalents in the Statement of Financial Position.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

4. PREPAID EXPENSES AND RECEIVABLES

Included in prepaid expenses and receivables is interest receivable in the amount of \$176,004 and \$130,073 for the years ended August 31, 2019 and 2018, respectively. Also included are amounts due from employees for travel advances. All amounts are considered collectible and no collateral is required.

5. PROMISES TO GIVE

Unconditional promises to give are \$0 and \$3,190, respectively, at August 31, 2019 and 2018. These amounts are expected to be collected in full within twelve months.

6. PROPERTY AND EQUIPMENT

Property and equipment includes the following at August 31:

	2019	2018
Land	\$ 1,147,040	\$ 1,147,040
Land improvements	205,188	179,196
Buildings	11,730,535	11,730,535
Building improvements	1,646,125	1,196,135
Furniture and equipment	11,336,061	13,451,172
	26,064,949	27,704,078
Less accumulated depreciation	15,376,852	16,229,393
Net Property and Equipment	\$ 10,688,097	\$ 11,474,685

7. INTANGIBLE ASSET

In 2015, the Organization acquired the rights to use, produce and show a movie for a seven year term. The cost is being amortized ratably over the seven year term. Intangible asset consists of the following at August 31, 2019:

Amortized intangible asset:	
Movie rights	\$ 700,000
Accumulated amortization	(425,000)
Net carrying value	\$ 275,000
Amortization expense-current year	\$ 100,000

Future annual amortization expense will be as follows:

Year Ending August 31:	
2020	\$ 100,000
2021	100,000
2022	75,000
Total Future Amortization Expenses	\$ 275,000

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

8. INVESTMENTS

Operating investments consists of the following at August 31:

	2019	2018
Short-term operating investments:		
Certificates of deposit	\$ 15,633,774	\$ 8,836,777
Bonds and US Government obligations	5,969,408	4,631,678
Total Short-term Operating Investments	21,603,182	13,468,455
Long-term operating investments:		
Certificates of deposit	13,179,462	15,474,364
Bonds and US Government obligations	7,807,311	5,526,722
Total Long-term Operating Investments	20,986,773	21,001,086
Total Operating Investments	\$ 42,589,955	\$ 34,469,541

Other long-term investments consist of the following at August 31:

Cash and cash equivalents	\$ 704,924	\$ 840,192
Certificates of deposit	45,134	390,142
US Government obligations	13,339	135,266
Bond funds and other investments	8,095,717	7,960,358
Common stock and stock funds	6,598,348	6,440,423
Total Other Long-term Investments	\$ 15,457,462	\$ 15,766,381

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

8. INVESTMENTS (continued)

The managed investments by fund are as follows at August 31:

	<u>2019</u>	<u>2018</u>
Support Center Building Fund	\$ 11,220	\$ 11,547
National Camp Scholarship Fund	1,343,660	1,434,860
National Ministry Endowment Fund	75,483	78,400
John Erickson Presidential Endowment Fund	140,427	145,637
Golf Ministry Endowment Fund	675,650	669,921
Jeffrey/Lane Endowment Fund	421,760	400,669
Legacy Fund	128,435	212,238
Support Center Fund	2,590,668	2,447,006
State and Local Chapter Endowment Funds	<u>10,070,159</u>	<u>10,366,103</u>
Total Managed Investments	<u>\$ 15,457,462</u>	<u>\$ 15,766,381</u>

Income from investments is summarized as follows:

Interest and dividends	\$ 1,359,319	\$ 1,016,069
Net realized gains	708,628	294,452
Net unrealized losses	<u>(707,139)</u>	<u>(35,061)</u>
Total Investment Return	<u>\$ 1,360,808</u>	<u>\$ 1,275,460</u>

9. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

FCA has a contribution plan whereby donors purchase life insurance policies and name FCA as the policy owner and beneficiary. Total face value of all policies in force at August 31, 2019 was \$1,688,056. The accumulated cash surrender value of all policies held is recorded in the financial statements as temporarily restricted assets.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at August 31:

	2019	2018
Purpose restrictions:		
Programs and ministry	\$ 64,060,701	\$ 54,836,821
Held in Perpetuity:		
Permanent endowments	250,000	250,000
Total Net Assets with Donor Restrictions	\$ 64,310,701	\$ 54,836,821

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows:

State and local, and sports specific ministries	\$131,526,354	\$ 123,254,445
National Support Center	1,480,179	2,146,142
Net Assets Released from Restrictions	\$ 133,006,533	\$ 125,400,587

11. CONCENTRATION OF RISK

FCA maintains cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2019, FCA's uninsured balances totaled \$5,983,923. However, the uninsured balances were collateralized by Repurchase Agreements. FCA holds other funds in other money market accounts maintained by national investment companies. These funds are not insured by the FDIC but are invested in government and commercial debt obligations. The investments not insured by the FDIC are subject to market risk, including loss of principal.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

12. LEASES

FCA leases certain office space and equipment under operating lease agreements. Rental expenses for the years ended August 31, 2019 and 2018 were \$2,035,296 and \$1,947,447, respectively, which included \$852,800 of donated rent. The minimum annual rental commitment under these leases is as follows:

<u>Year Ending August 31:</u>	
2020	\$ 743,863
2021	<u>311,100</u>
Total Operating Lease Commitments	<u>\$ 1,054,963</u>

13. RETIREMENT PLAN

Effective July 1, 1984, FCA instituted a retirement plan for all qualified employees. The plan covers all employees of FCA who have completed one year of service and work a minimum of 1,000 hours during the plan year. The plan is a contributory plan with all employer contributions made at the sole discretion of the Board of Trustees. FCA has received a favorable determination letter as to the tax-exempt status of the plan from the Internal Revenue Service.

Effective January 1, 2001, FCA started offering a 401(k) plan for all eligible employees. The plan covers all regular employees that have completed one year of continuous service and work a minimum of 1,000 hours during the plan year. Eligible employees are fully vested in employee contributions immediately and in employer contributions after three years of service.

FCA's retirement plan expense was \$1,858,393 and \$1,662,004 for the years ended August 31, 2019 and 2018, respectively.

14. CONDITIONAL PROMISES RECEIVED

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional pledges at August 31, 2019 were \$6,537,025. FCA is also the owner and beneficiary of several life insurance policies; see Note 9.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

15. ENDOWMENTS

The Organization's endowment consists of approximately sixty long-term investment funds, a majority of which were established for program expenses. Its endowment consists of term endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Missouri-enacted version of Uniform State Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At August 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment, and (b) any accumulations to the endowment made in accordance of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

15. ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund As of August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$12,742,516	\$12,742,516
Total Funds	<u>\$ -</u>	<u>\$12,742,516</u>	<u>\$12,742,516</u>

Changes in Endowment Net Assets For the Year Ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$13,112,101	\$13,112,101
Contributions	-	619,995	619,995
Investment return	-	208,252	208,252
Released from restrictions	-	(1,197,832)	(1,197,832)
Net assets, end of year	<u>\$ -</u>	<u>\$12,742,516</u>	<u>\$12,742,516</u>

Endowment Net Asset Composition by Type of Fund As of August 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$13,112,101	\$13,112,101
Total Funds	<u>\$ -</u>	<u>\$13,112,101</u>	<u>\$13,112,101</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

15. ENDOWMENTS (continued)

Changes in Endowment Net Assets For the Year Ended August 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$13,337,380	\$13,337,380
Contributions	-	592,636	592,636
Investment return	-	682,258	682,258
Released from restrictions	<u>-</u>	<u>(1,500,173)</u>	<u>(1,500,173)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$13,112,101</u>	<u>\$13,112,101</u>

Return Objectives and Risk Parameters

The Organization has adopted endowment investment and spending policies that attempt to achieve the maximum annual income from growth, interest, and dividends while preserving and enhancing the capital and the purchasing power of the underlying assets in inflation-adjusted real terms.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization diversifies its portfolio by security selection and asset allocation, and that could include any combination of large capitalization, mid-capitalization and small capitalization stocks as well as international securities, real estate investment trusts and fixed income securities.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's spending policy specifies a payout of interest and dividends. The Board has adopted a Statement of Investment Policies, Objectives and Guidelines for the purpose of outlining a philosophy and policies which will guide the investment management of the assets.

Appropriation of Endowment Assets for Next Fiscal Year

For the 2019 fiscal year, the Organization has not appropriated any endowment assets.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

16. POST-RETIREMENT OBLIGATION

The board authorized retirement payments to a retired executive beginning January 2017. The payments shall be paid in 120 monthly installments in the amount of \$3,500. The present value of the benefits at August 31, 2019, calculated over the remaining payment period and using a discount rate of 5%, is \$252,532. The plan is unfunded and there are no expected employer contributions. However, general funds are allocated to pay the future obligations of this plan. The unamortized post-employment liability and annual principal maturities at August 31, are as follows:

<u>August 31:</u>	
2020	\$ 39,984
2021	38,094
2022	36,288
2023	34,566
2024	32,928
Thereafter	<u>70,672</u>
Total Post-Retirement Obligation	<u>\$ 252,532</u>

17. LITIGATION

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Organization. Events could occur that would change this estimate materially in the future.

18. COST OF DIRECT BENEFITS TO DONORS

Fellowship of Christian Athletes field offices across the country put on special events to raise money for the Organization. The direct benefit to donors are the actual costs (not the fair value required by the IRS to be reported to donors) of the event, including the cost of the items and services provided to the attendees as a benefit of attending the special event. These costs include meals, facility rental, decorations, entertainment, refreshments, and raffle prizes. In 2019 the Organization incurred \$13,096,190 of direct benefits to donors for these events. In 2019 the Organization generated \$26,485,588 in revenues from these events.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2019

19. NEW ACCOUNT PRONOUNCEMENTS

ASU 2018-08, Not-for-Profit Entities

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU are to be applied on a modified prospective basis. Retrospective application is permitted. For transactions in which the entity serves as the resource recipient, the amendments should be applied for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, the amendments should be applied for fiscal years beginning after December 15, 2019. Early adoption is permitted.

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which deferred the effective date of the new lease standard for one year for non-public entities. The new standard is effective for fiscal years beginning after December 15, 2020. Early application continues to be allowed.