

FELLOWSHIP OF CHRISTIAN ATHLETES
FINANCIAL STATEMENTS

Year Ended August 31, 2020
with
Independent Auditors' Report

FELLOWSHIP OF CHRISTIAN ATHLETES

FINANCIAL STATEMENTS

August 31, 2020

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 – 22



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, 2020, 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

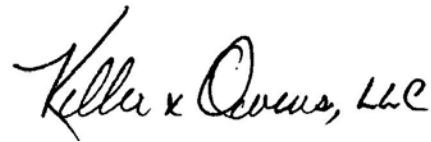
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fellowship of Christian Athletes** as of August 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2020, **Fellowship of Christian Athletes** adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. 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, 2020. 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 black ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
March 10, 2021

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FINANCIAL POSITION

August 31, 2020

(With comparative totals as of August 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 14,217,300	\$ 960,203	\$ 15,177,503	\$ 10,378,079
Short-term operating investments	27,624,560	-	27,624,560	21,603,182
Prepaid expenses and receivables	459,271	-	459,271	606,101
Merchandise held for resale, at cost	1,211,336	-	1,211,336	532,649
Total Current Assets	43,512,467	960,203	44,472,670	33,120,011
Property and Equipment, net	9,962,439	-	9,962,439	10,688,097
Other Assets:				
Investments:				
Long-term operating investments	18,920,905	-	18,920,905	20,986,773
Other long-term investments	14,445,285	493,359	14,938,644	15,457,462
Accumulated cash surrender value of life insurance policies	493,357	-	493,357	398,857
Intangible asset, net	175,000	-	175,000	275,000
Total Other Assets	34,034,547	493,359	34,527,906	37,118,092
Total Assets	\$ 87,509,453	\$ 1,453,562	\$ 88,963,015	\$ 80,926,200
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 1,262,334	\$ -	\$ 1,262,334	\$ 2,092,717
Accrued payroll taxes and benefits	2,787,460	-	2,787,460	1,859,795
Current portion of post-retirement obligation	39,984	-	39,984	39,984
Total Current Liabilities	4,089,778	-	4,089,778	3,992,496
Post-retirement obligation	183,162	-	183,162	212,548
Total Liabilities	4,272,940	-	4,272,940	4,205,044
Net Assets	83,236,513	1,453,562	84,690,075	76,721,156
Total Liabilities and Net Assets	\$ 87,509,453	\$ 1,453,562	\$ 88,963,015	\$ 80,926,200

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF ACTIVITIES

Year Ended August 31, 2020

(With comparative totals for the year ended August 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Contributions	\$ 130,710,612	\$ 1,523,992	\$ 132,234,604	\$ 132,036,054
Camps/conferences	978,583	-	978,583	6,315,607
Membership, subscriptions, and chartering fees	2,389	-	2,389	28,178
Sale of merchandise	92,768	-	92,768	171,734
Special events fees	7,483,428	37,050	7,520,478	10,091,776
Other non-contribution revenue	5,068,907	-	5,068,907	5,772,041
Investment return	2,531,441	41,839	2,573,280	1,360,808
Gain on sale of property and equipment	57,639	-	57,639	5,142
Net assets released from restrictions	<u>1,390,381</u>	<u>(1,390,381)</u>	<u>-</u>	<u>-</u>
 Total Support and Revenue	 <u>148,316,148</u>	 <u>212,500</u>	 <u>148,528,648</u>	 <u>155,781,340</u>
Expenses:				
Program services	104,982,300	-	104,982,300	109,076,656
Cost of direct benefits to donors	9,661,802	-	9,661,802	13,096,190
General and administration	16,449,590	-	16,449,590	15,413,011
Fundraising	<u>9,466,037</u>	<u>-</u>	<u>9,466,037</u>	<u>9,069,082</u>
 Total Expenses	 <u>140,559,729</u>	 <u>-</u>	 <u>140,559,729</u>	 <u>146,654,939</u>
 Change in Net Assets	 7,756,419	 212,500	 7,968,919	 9,126,401
 Net Assets at Beginning of Year	 <u>75,480,094</u>	 <u>1,241,062</u>	 <u>76,721,156</u>	 <u>67,594,755</u>
 Net Assets at End of Year	 <u>\$ 83,236,513</u>	 <u>\$ 1,453,562</u>	 <u>\$ 84,690,075</u>	 <u>\$ 76,721,156</u>

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2020

(With comparative totals for the year ended August 31, 2019)

	2020					2019
	Program Services	General and Administration	Fundraising	Cost of Direct Benefits to Donors	Total	Total
Salaries	\$ 67,642,138	\$ 9,378,065	\$ 6,665,542	\$ -	\$ 83,685,745	\$ 76,230,848
Camp site expense	748,078	-	-	-	748,078	5,793,503
Camps/conferences	412,597	-	-	-	412,597	1,765,623
League and club sports	61,127	-	-	-	61,127	-
Travel	2,888,619	421,202	256,829	-	3,566,650	5,854,854
Supplies	2,395,863	246,665	224,884	-	2,867,412	3,439,647
Payroll taxes	2,745,014	460,996	270,563	-	3,476,573	3,235,260
Cost of merchandise sold	134,810	-	-	-	134,810	57,964
Public relations and direct mail	1,395,622	241,767	151,958	-	1,789,347	2,136,240
Honorariums	1,783,074	16,074	-	-	1,799,148	2,775,268
International grants	954,221	-	-	-	954,221	1,050,514
Golf tournaments	-	-	-	1,774,703	1,774,703	2,693,218
Banquets	-	-	-	1,685,896	1,685,896	3,007,295
Program events and staff training	2,715,859	66,580	12,401	6,201,203	8,996,043	11,104,887
Communications	990,269	164,033	95,673	-	1,249,975	1,205,387
Employee insurance	8,138,758	1,469,892	743,196	-	10,351,846	9,281,461
Postage	471,735	127,476	39,760	-	638,971	526,612
Taxes, commissions, and fees	1,508,730	212,992	151,207	-	1,872,929	1,821,386
Insurance	860,549	165,978	85,166	-	1,111,693	1,417,921
Printing/publications	452,191	125,580	30,562	-	608,333	718,843
Utilities	242,198	119,095	23,301	-	384,594	362,144
Food	1,006,633	107,159	91,220	-	1,205,012	1,627,471
Rent/leases	1,692,845	245,153	168,145	-	2,106,143	2,035,296
Maintenance	313,211	102,780	30,604	-	446,595	463,274
Professional fees	1,636,841	782,763	105,075	-	2,524,679	2,506,618
Retirement plan	1,656,954	235,764	163,819	-	2,056,537	1,858,393
Technology	231,410	1,497,546	5,005	-	1,733,961	1,421,844
Miscellaneous	289,299	17,779	14,495	-	321,573	250,141
Depreciation	1,513,655	244,251	136,632	-	1,894,538	1,913,027
Amortization	100,000	-	-	-	100,000	100,000
Total Expenses	\$ 104,982,300	\$ 16,449,590	\$ 9,466,037	\$ 9,661,802	\$ 140,559,729	\$ 146,654,939

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

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF CASH FLOWS

Year Ended August 31, 2020

(With comparative totals for the year ended August 31, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 7,968,919	\$ 9,126,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,994,538	2,013,027
Gain on sale of property and equipment	(57,639)	(5,142)
Net gain on sale of investments	(227,256)	(708,628)
Unrealized (gain) loss on investments	(1,007,464)	707,139
Donated property and equipment	(237,325)	-
Donated securities	(1,107,998)	(1,138,877)
(Increase) decrease in assets:		
Prepaid expenses and receivables	146,830	(165,206)
Merchandise held for resale, at cost	(678,687)	93,647
Promises to give	-	3,190
(Decrease) increase in liabilities:		
Accounts payable	(830,383)	(836,916)
Accrued payroll taxes and benefits	927,665	106,370
Post-retirement obligation	(29,386)	(27,986)
 Net Cash Provided by Operating Activities	 6,861,814	 9,167,019
 Cash Flows from Investing Activities:		
Net purchases of investments	(1,093,974)	(6,671,129)
(Increase) decrease in cash surrender value of life insurance	(94,500)	17,298
Purchase of property and equipment	(1,020,450)	(1,214,288)
Proceeds from sale of property and equipment	146,534	92,991
 Net Cash Used by Investing Activities	 (2,062,390)	 (7,775,128)
 Net Change in Cash and Cash Equivalents	 4,799,424	 1,391,891
 Cash and Cash Equivalents at Beginning of Year	 10,378,079	 8,986,188
 Cash and Cash Equivalents at End of Year	 \$ 15,177,503	 \$ 10,378,079

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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. FCA’s mission is “to lead every coach and athlete into a growing relationship with Jesus Christ and His 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 – As of August 31, 2020, the Organization adopted the accounting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Comparative financial information – The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended August 31, 2019 from which the summarized information was 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, 2020

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Contributions – The Organization reports contributions in accordance with FASB Accounting Standards Codification (“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 that are preferenced to support the ministry of staff, ministry in a specified location, or a specified project are reported as without donor restrictions. Management internally identifies and accounts for preferenced contributions, making every effort to apply the contribution to the indicated preference, while still maintaining discretion and control over the use of the donated funds.

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 \$1,107,998 and \$1,138,877 are included in cash flows from operating activities for the years ended August 31, 2020 and 2019, 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, 2020

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, payroll taxes, employee insurance, and retirement plan 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 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, 2020 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, 2020

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 all operations of FCA. The Support Center provides receipting of funds, disbursement controls, centralized accounting, and other operational services for approximately 2,200 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.

Revenue recognition – Revenue for camps are recognized at the completion of each camp session. Revenue from special events are recognized when the event occurs. Revenue for special events includes event registrations and sponsorships. The Organization recognizes contributions when cash, securities, or other assets are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the conditions on which they depend have been substantially met.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Subsequent events – Management has evaluated events and transactions that have occurred since August 31, 2020 and reflected their effects, if any, in these financial statements through March 10, 2021, 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.

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 date of the statement of financial position, are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,177,503	\$ 10,378,079
Investments	61,484,109	58,047,417
Receivables	<u>204,405</u>	<u>331,764</u>
	76,866,017	68,757,260
Less amounts with donor restrictions	<u>(1,453,562)</u>	<u>(1,241,062)</u>
 Total Financial Assets Available for General Expenditures within One Year	 <u>\$ 75,412,455</u>	 <u>\$ 67,516,198</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.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

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.

Fair values of assets measured on a recurring basis at August 31, 2020 are as follows:

		Quoted Prices In		
	Fair Value	Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 465,752	\$ 465,752	\$ -	\$ -
Common stock	183,142	183,142	-	-
Domestic stock funds	6,771,809	6,771,809	-	-
International stock funds	1,414,433	1,414,433	-	-
Bond funds	6,046,173	6,046,173	-	-
Other mutual funds	20,582	20,582	-	-
US Government obligations	11,835,988	15,940	11,820,048	-
Corporate bonds	250,000	-	250,000	-
Certificates of deposit	34,496,230	-	34,496,230	-
Sweep account*	<u>5,919,144</u>	<u>-</u>	<u>5,919,144</u>	<u>-</u>
Total Assets	<u>\$ 67,403,253</u>	<u>\$ 14,917,831</u>	<u>\$ 52,485,422</u>	<u>\$ -</u>

A significant portion of our portfolio is invested in government obligations, corporate bonds, and certificates of deposit that are listed as level 2. These investments are valued by custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market assumptions.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

3. FAIR VALUE MEASUREMENTS (continued)

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

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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	-
	<u>\$ 63,199,516</u>	<u>\$ 15,412,328</u>	<u>\$ 47,787,188</u>	<u>\$ -</u>

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

4. PREPAID EXPENSES AND RECEIVABLES

Included in prepaid expenses and receivables is interest receivable in the amount of \$109,562 and \$176,004 for the years ended August 31, 2020 and 2019, respectively. Also included are amounts due from employees for travel advances. All amounts are considered collectible and no collateral is required.

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following at August 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,147,040	\$ 1,147,040
Land improvements	205,188	205,188
Buildings	11,730,535	11,730,535
Building improvements	1,958,002	1,646,125
Furniture and equipment	<u>11,841,718</u>	<u>11,336,061</u>
	26,882,483	26,064,949
Less accumulated depreciation	<u>16,920,044</u>	<u>15,376,852</u>
Net Property and Equipment	<u>\$ 9,962,439</u>	<u>\$ 10,688,097</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

6. 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, 2020:

Amortized intangible asset:	
Movie rights	\$ 700,000
Accumulated amortization	<u>(525,000)</u>
Net carrying value	<u>\$ 175,000</u>
Amortization expense-current year	<u>\$ 100,000</u>

Future annual amortization expense will be as follows:

<u>Year Ending August 31:</u>	
2021	100,000
2022	<u>75,000</u>
Total Future Amortization Expenses	<u>\$ 175,000</u>

7. INVESTMENTS

Operating investments consists of the following at August 31:

	<u>2020</u>	<u>2019</u>
Short-term operating investments:		
Certificates of deposit	\$ 17,628,504	\$ 14,636,510
Bonds and US Government obligations	<u>9,996,056</u>	<u>6,966,672</u>
Total Short-term Operating Investments	27,624,560	21,603,182
Long-term operating investments:		
Certificates of deposit	13,099,678	13,179,462
Bonds and US Government obligations	<u>5,821,227</u>	<u>7,807,311</u>
Total Long-term Operating Investments	<u>18,920,905</u>	<u>20,986,773</u>
Total Operating Investments	<u>\$ 46,545,465</u>	<u>\$ 42,589,955</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

7. INVESTMENTS (continued)

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

	2020	2019
Cash and cash equivalents	\$ 465,752	\$ 704,924
Certificates of deposit	20,813	45,134
US Government obligations	15,940	13,339
Bond funds and other investments	6,066,754	8,095,717
Common stock and stock funds	8,369,385	6,598,348
Total Other Long-term Investments	\$ 14,938,644	\$ 15,457,462

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

Support Center Building Fund	\$ 10,703	\$ 11,220
National Camp Scholarship Fund	1,558,382	1,343,660
National Ministry Fund	78,160	75,483
John Erickson Presidential Fund	151,185	140,427
Golf Ministry Fund	726,163	675,650
Jeffrey/Lane Fund	473,505	421,760
Legacy Fund	57,834	128,435
Support Center Fund	1,786,524	2,590,668
State and Local Chapter Funds	10,096,188	10,070,159
Total Managed Investments	\$ 14,938,644	\$ 15,457,462

Income from investments is summarized as follows:

Interest and dividends	\$ 1,338,560	\$ 1,359,319
Net realized gains	227,256	708,628
Net unrealized gains (losses)	1,007,464	(707,139)
Total Investment Return	\$ 2,573,280	\$ 1,360,808

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

8. 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, 2020 was \$1,792,581. The accumulated cash surrender value of all policies held is recorded in the financial statements as temporarily restricted assets.

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Programs and ministry	\$ 1,018,037	\$ 805,537
Held in Perpetuity:		
Permanent endowments	<u>435,525</u>	<u>435,525</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,453,562</u>	<u>\$ 1,241,062</u>

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:

Field ministries	\$ 891,507	\$ 2,332,395
Support Center	<u>498,874</u>	<u>953,500</u>
Net Assets Released from Restrictions	<u>\$ 1,390,381</u>	<u>\$ 3,285,895</u>

10. 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, 2020, FCA's uninsured balances totaled \$5,717,161. 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, 2020

11. LEASES

FCA leases certain office space and equipment under operating lease agreements. Rental expenses for the years ended August 31, 2020 and 2019 were \$2,106,143 and \$2,035,296, respectively, which included \$946,150 of donated rent. The minimum annual rental commitment under these leases is as follows:

<u>Year Ending August 31:</u>	
2021	\$ 714,529
2022	<u>247,818</u>
Total Operating Lease Commitments	<u>\$ 962,347</u>

12. 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 \$2,056,537 and \$1,858,393 for the years ended August 31, 2020 and 2019, respectively.

13. CONDITIONAL PROMISES RECEIVED

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional pledges at August 31, 2020 and 2019 were \$3,621,124 and \$6,537,025, respectively. 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, 2020

14. ENDOWMENTS

The Organization's endowment consists of a perpetual endowment fund whose interest is to fund the on-going general operations of the Organization. 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, 2020 and 2019, 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, 2020

14. ENDOWMENTS (continued)

Changes in Endowment Net Assets

	<u>With Donor Restrictions</u>
Net assets, beginning of year 2019	\$ 435,525
Investment return	14,403
Released from restrictions	<u>(14,403)</u>
Net assets, end of year 2019	435,525
Investment return	42,270
Released from restrictions	<u>(42,270)</u>
Net assets, end of year 2020	<u>\$ 435,525</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 2021 fiscal year, the Organization has not appropriated any endowment assets.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

15. 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, 2020, calculated over the remaining payment period and using a discount rate of 5%, is \$223,146. 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>	
2021	\$ 39,984
2022	38,094
2023	36,288
2024	34,566
2025	32,928
Thereafter	<u>41,286</u>
Total Post-Retirement Obligation	<u>\$ 223,146</u>

16. 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.

17. 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 is 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 2020, the Organization incurred \$9,661,802 of direct benefits to donors for these events. In 2020, the Organization generated \$20,033,846 (including contributions) in revenues from these events.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

18. RISKS AND UNCERTAINTIES

The COVID-19 outbreak is causing serious health and financial risks globally. In addition, this crisis has the potential to negatively affect the Organization by reducing investment values, reducing the ability to access capital, causing event and camp cancellations, reducing contributions due to financial uncertainties, reducing investment income, and increasing inventory obsolescence. While management is considering the current and future effects of the pandemic on the Organization, an estimate of any negative impacts and the means of mitigation are not known at this time.

19. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which required an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

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 June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date for certain entities to fiscal years beginning after December 15, 2021 for the lease standard and December 15, 2019 for the revenue standard. Early application continues to be allowed.

The Organization is evaluating the effect that these standards will have on its financial statements and related disclosures.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2020

19. NEW ACCOUNTING PRONOUNCEMENTS (continued)

ASU 2016-13, Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires application of the current expected credit loss (“CECL”) methodology for the measurement of credit losses on financial assets measured at amortized cost. The CECL methodology replaces the previous incurred loss methodology. It also modifies the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. This standard is effective for annual reporting periods beginning after December 15, 2020. The standard is applied on 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): Effective Dates*, which deferred the effective date of the new CECL standard. The new standard is effective for fiscal years beginning after December 15, 2022.

20. PRIOR PERIOD RESTATEMENTS

At August 31, 2019, the Organization reevaluated its treatment of field office net assets and determined, based on disclosures provided to donors, these net assets should be recorded as net assets without donor restrictions. Therefore, these balances as of August 31, 2019 have been restated. The effects of these restatements on the financial statements at August 31, 2019 were as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Net Assets:			
Without Donor Restrictions	\$ 12,410,455	\$ 63,069,639	\$ 75,480,094
With Donor Restrictions	\$ 64,310,701	\$ (63,069,639)	\$ 1,241,062