

FELLOWSHIP OF CHRISTIAN ATHLETES

FINANCIAL STATEMENTS

**Year Ended August 31, 2022
with
Independent Auditors' Report**

FELLOWSHIP OF CHRISTIAN ATHLETES

FINANCIAL STATEMENTS

August 31, 2022

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fellowship of Christian Athletes

Opinion

We have audited the accompanying financial statements of **Fellowship of Christian Athletes**, which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Fellowship of Christian Athletes**, as of August 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Fellowship of Christian Athletes**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the entity adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

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.

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 **Fellowship of Christian Athletes'** ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are 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 our 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 GAAS 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 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 GAAS, we:

- 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 **Fellowship of Christian Athletes'** 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 **Fellowship of Christian Athletes'** ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Report on Summarized Comparative Information

We have previously audited **Fellowship of Christian Athletes'** August 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, 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
February 6, 2023

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FINANCIAL POSITION

August 31, 2022

(With comparative totals as of August 31, 2021)

<u>ASSETS</u>	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Current Assets:				
Cash and cash equivalents	\$ 25,058,285	\$ 750,769	\$ 25,809,054	\$ 25,245,694
Short-term operating investments, at fair value	30,878,271	-	30,878,271	15,579,905
Accounts receivable, net	310,191	-	310,191	287,472
Prepaid expenses	383,572	-	383,572	388,592
Merchandise held for resale	680,792	-	680,792	690,483
Total Current Assets	57,311,111	750,769	58,061,880	42,192,146
Property and Equipment, net	8,992,060	-	8,992,060	9,423,571
Other Assets:				
Investments:				
Long-term operating investments, at fair value	42,987,183	-	42,987,183	43,908,280
Other long-term investments, at fair value	14,249,655	435,525	14,685,180	17,130,664
Accumulated cash surrender value of life insurance policies	483,371	-	483,371	483,371
Intangible asset, net	-	-	-	75,000
Total Other Assets	57,720,209	435,525	58,155,734	61,597,315
Total Assets	\$ 124,023,380	\$ 1,186,294	\$ 125,209,674	\$ 113,213,032
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 3,210,654	\$ -	\$ 3,210,654	\$ 1,761,717
Accrued payroll taxes and benefits	3,120,660	-	3,120,660	2,221,612
Current portion of post-retirement obligation	39,984	-	39,984	39,984
Total Current Liabilities	6,371,298	-	6,371,298	4,023,313
Post-retirement obligation	119,924	-	119,924	152,320
Total Liabilities	6,491,222	-	6,491,222	4,175,633
Net Assets	117,532,158	1,186,294	118,718,452	109,037,399
Total Liabilities and Net Assets	\$ 124,023,380	\$ 1,186,294	\$ 125,209,674	\$ 113,213,032

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF ACTIVITIES

Year Ended August 31, 2022

(With comparative totals for the year ended August 31, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Contributions of cash and other financial assets	\$ 179,269,909	\$ 3,997,598	\$ 183,267,507	\$ 155,283,183
Donated nonfinancial assets	4,478,746	-	4,478,746	3,821,088
Camps/conferences	5,935,677	-	5,935,677	3,956,165
Sales of merchandise	220,255	-	220,255	193,390
Special events	9,718,041	-	9,718,041	8,073,115
FCA Sports	2,927,601	-	2,927,601	2,071,283
Other non-contribution revenue	3,834,143	-	3,834,143	3,509,556
Investment return	(3,733,292)	-	(3,733,292)	3,119,581
Gain on sale of property and equipment	96,348	-	96,348	76,585
Net assets released from restrictions	4,655,744	(4,655,744)	-	-
Total Support and Revenue	<u>207,403,172</u>	<u>(658,146)</u>	<u>206,745,026</u>	<u>180,103,946</u>
Expenses:				
Program services	151,066,413	-	151,066,413	118,870,025
Fundraising	12,325,180	-	12,325,180	10,350,271
General and administration	20,592,671	-	20,592,671	17,369,098
Cost of direct benefits to donors	13,079,709	-	13,079,709	9,167,228
Total Expenses	<u>197,063,973</u>	<u>-</u>	<u>197,063,973</u>	<u>155,756,622</u>
Change in Net Assets	<u>10,339,199</u>	<u>(658,146)</u>	<u>9,681,053</u>	<u>24,347,324</u>
Net Assets at Beginning of Year	<u>107,192,959</u>	<u>1,844,440</u>	<u>109,037,399</u>	<u>84,690,075</u>
Net Assets at End of Year	<u>\$ 117,532,158</u>	<u>\$ 1,186,294</u>	<u>\$ 118,718,452</u>	<u>\$ 109,037,399</u>

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FUNCTIONAL EXPENSES Year Ended August 31, 2022

(With comparative totals for the year ended August 31, 2021)

	2022					2021 Total
	Program Services	General and Administration	Fundraising	Cost of Direct Benefits to Donors	Total	
Salaries	\$ 83,941,974	\$ 11,272,938	\$ 8,211,521	\$ -	\$ 103,426,433	\$ 90,397,175
Camp venue expense	6,198,253	-	-	-	6,198,253	2,966,039
Camps/conferences operating expenses	1,945,513	-	-	-	1,945,513	1,141,095
League and club sports	3,105,583	-	-	-	3,105,583	1,623,388
Travel	7,828,642	716,263	508,477	-	9,053,382	3,205,824
Supplies	4,148,880	487,416	398,520	-	5,034,816	3,685,393
Payroll taxes	3,319,698	503,454	326,268	-	4,149,420	3,749,897
Cost of merchandise sold	124,847	-	-	-	124,847	200,879
Public relations and direct mail	2,444,012	320,688	262,024	-	3,026,724	2,222,188
Honorariums	2,373,560	5,205	-	-	2,378,765	1,597,967
International grants to others	2,397,851	-	-	-	2,397,851	1,445,261
Green fees and food costs for golf events	-	-	-	3,011,505	3,011,505	2,842,484
Banquet venue, food, and speaker fees	-	-	-	2,075,342	2,075,342	1,056,830
Program events and staff training	4,753,558	40,628	22,388	7,992,862	12,809,436	8,525,812
Communications	979,823	177,103	94,284	-	1,251,210	1,252,270
Employee insurance	9,603,758	1,704,697	924,416	-	12,232,871	11,282,231
Postage	526,703	114,515	43,159	-	684,377	569,293
Taxes, commissions, and fees	1,738,575	258,374	170,042	-	2,166,991	2,160,071
Insurance	1,523,816	326,747	150,371	-	2,000,934	2,194,062
Printing/publications	641,275	129,864	48,526	-	819,665	637,333
Utilities	257,165	112,567	26,883	-	396,615	396,273
Food	2,089,138	262,967	196,407	-	2,548,512	1,337,763
Rent	4,189,404	479,723	412,351	-	5,081,478	2,285,862
Maintenance	390,308	302,022	41,297	-	733,627	498,518
Professional fees	2,676,404	1,440,177	178,962	-	4,295,543	2,722,665
Retirement plan	2,135,625	299,095	209,546	-	2,644,266	2,351,128
Technology	327,210	1,413,929	4,737	-	1,745,876	1,567,662
Miscellaneous	363,014	89,555	16,177	-	468,746	190,596
Depreciation	966,824	134,744	78,824	-	1,180,392	1,550,663
Amortization	75,000	-	-	-	75,000	100,000
Total Expenses	<u>\$ 151,066,413</u>	<u>\$ 20,592,671</u>	<u>\$ 12,325,180</u>	<u>\$ 13,079,709</u>	<u>\$ 197,063,973</u>	<u>\$ 155,756,622</u>

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

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF CASH FLOWS

Year Ended August 31, 2022

(With comparative totals for the year ended August 31, 2021)

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 9,681,053	\$ 24,347,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,255,392	1,650,663
Gain on sale of property and equipment	(96,348)	(76,585)
Net realized gains on sale of investments	(381,782)	(566,466)
Net unrealized loss (gain) on investments	4,853,877	(1,836,116)
Donated property and equipment	(138,613)	(125,852)
Donated securities	(1,450,440)	(1,479,115)
(Increase) decrease in assets:		
Accounts receivable	(22,719)	(83,068)
Prepaid expenses	5,020	(84,670)
Merchandise held for resale	9,691	520,853
Increase (decrease) in liabilities:		
Accounts payable	1,448,937	499,383
Accrued payroll taxes and benefits	899,048	(565,848)
Post-retirement obligation	(32,396)	(30,842)
Net Cash Provided by Operating Activities	16,030,720	22,169,661
Cash Flows from Investing Activities:		
Net purchases of investments	(14,953,440)	(11,253,043)
Decrease in cash surrender value of life insurance	-	9,986
Purchases of property and equipment	(679,579)	(992,059)
Proceeds from sale of property and equipment	165,659	133,646
Net Cash Used by Investing Activities	(15,467,360)	(12,101,470)
Net Change in Cash and Cash Equivalents	563,360	10,068,191
Cash and Cash Equivalents at Beginning of Year	25,245,694	15,177,503
Cash and Cash Equivalents at End of Year	\$ 25,809,054	\$ 25,245,694

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

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’s Support Center (national headquarters) was moved to Kansas City, Missouri, where it continues to be based. FCA is supported primarily through donor contributions and fees charged for camps, and other ministry activities. The donor base of FCA consists predominately of citizens of the United States of America.

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 2,500 staff.

Advertising – The Organization incurs costs to promote their programs and activities through various media types. Marketing and public relations costs for the years ended August 31, 2022 and 2021 totaled \$3,026,724 and \$2,222,188 respectively.

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 (“U.S. GAAP”).

Change in accounting principle – During the year ended August 31, 2022, the Organization adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU improves GAAP by increasing the transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in the ASU address certain stakeholders’ concerns about the lack of transparency, about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in NFP’s programs and other activities. The amendments in this update should be applied on a retrospective basis. There was no effect on net assets in connection with the Organization’s implementation of ASU 2020-07.

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, 2021 from which the summarized information was derived.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Cash and cash equivalents – For purposes of the statement of cash flows, cash and equivalents include cash in banks, cash on hand, and highly liquid investments with original maturities of three months or less.

Donated nonfinancial assets – 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 Accounting Services Codification (“ASC”) 958-605. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Functional 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 or supporting function. Therefore expenses require allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes, employee insurance, retirement plan and other functional expenses are allocated on the basis of time and effort.

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’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, 2022 and, accordingly, no liability has been accrued.

Investments – We record 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.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

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. According, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Trustees.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When the donor restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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
Furniture and equipment	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. There was no impact on previously-reported net income.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue recognition – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest in received. Conditional promises to give, that is, those with measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met; funds collected prior to meeting such conditions are treated as refundable advances. Conditional promises to give at August 31, 2022 and 2021 were \$0 and \$1,810,050 respectively.

Revenue for camps are comprised of exchange transaction elements based on the benefits of attending the camp and they are therefore recognized at the completion of each camp session.

Revenue from FCA Sports are comprised of exchange transactions for athletes' participation in league and team sports. Fees for these sports clubs are recognized over the season.

Revenue from special events contain sponsorships. Sponsorships are comprised of an exchange element based on the benefits received, and a contribution element for the difference. As sponsorships do not include an explicit waiver of sponsors' rights to refunds if an event were not to take place, the exchange and contribution elements are both recognized when the underlying events occur. Payments are required at the time of commitment.

Other non-contribution revenue is made up of several different activities that do not include donations. These revenues are exchange transactions and revenues would be recognized at the time the nonrefundable fees are collected.

Subsequent events – Management has evaluated events and transactions that have occurred since August 31, 2022 and reflected their effects, if any, in these financial statements through February 6, 2023, the date the financial statements were available to be issued.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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 at August 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 25,809,054	\$ 25,245,694
Investments	88,550,634	76,618,849
Receivables	<u>310,191</u>	<u>287,472</u>
	114,669,879	102,152,015
Less amounts with donor restrictions	<u>(1,186,294)</u>	<u>(1,844,440)</u>
 Total Financial Assets Available for General Expenditures within One Year	 <u>\$ 113,483,585</u>	 <u>\$ 100,307,575</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.

3. DONATED NONFINANCIAL ASSETS

For the years ended August 31, contributed nonfinancial assets recognized within the statement of activities included:

Gifted rent	\$ 3,752,580	\$ 3,535,236
Gifted auto leases	160,000	160,000
Gifted vehicles	138,613	125,852
Donated services	34,964	-
Donated goods and equipment	<u>392,607</u>	<u>-</u>
 Total donated nonfinancial assets	 <u>\$ 4,478,746</u>	 <u>\$ 3,821,088</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed rent, vehicles and vehicle leases, services, and goods and equipment. None of the gifted items have any donor restrictions. Although the items could be sold at fair market value or below, they are normally retained and utilized for primarily carrying out program activities.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

3. DONATED NONFINANCIAL ASSETS (continued)

Gifted rent is mainly for the office space for field staff personnel. In addition to this a small amount is gifted for special event activities. The gifted office space was estimated based on the number of active personnel within the organization. Each one of these individuals was allocated an estimated square footage of utilized space. A class C commercial property rate in a large Midwestern city was used for the rental value.

Gifted auto leases are for vehicles for staff personnel to use during the duration of the lease. The values of the gifted leases are calculated based on a discounted fair market value of the car that is acquired from required valuations to insure the vehicle.

Gifted vehicles are for staff personnel to use as needed. They can be sold or traded in for other vehicles at the time of gift. They are valued at the time of gift using Kelly Blue Book estimates.

Donated services comprise the donors' time in their professional capacity when volunteering for the Organization. Their time is valued and reported at its estimated fair value in the financial statements based on current rates for similar services they would provide. The estimates for the professional services are often provided by the donor.

Contributed goods and equipment are valued at their estimated fair market value at the time of donation. Often, the value of the gift is provided by the donor when the item is gifted. When this is not the case, the Organization uses a variety of pricing methods to record the gift at its fair estimated value.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

4. 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.

Investments in U.S. government obligations, marketable certificates of deposit (CDs), and sweep account are considered Level 2 valuations because the Organization has access to quoted prices but does not have visibility to the volume and frequency of trading for all these investments. For the Organization’s investments a market approach is used for recurring fair value measurements, and the valuation techniques use inputs that are observable, or can be corroborated by observable data, in an active marketplace. The sweep account is invested overnight in collateral-based U.S. Treasury bills. Inputs to the pricing models by the custodians of the U.S. government obligations, certificates of deposit, and U.S. Treasury bills include credit quality, time to maturity, stated interest rates, and market-rate assumptions.

Fair values of assets measured on a recurring basis at August 31, 2022 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	\$ 532,160	\$ 532,160	\$ -	\$ -
Common stock	44,879	44,879	-	-
Domestic stock funds	6,039,091	6,039,091	-	-
International stock funds	1,782,668	1,782,668	-	-
Bond funds	4,231,669	4,231,669	-	-
U.S. government obligations	50,922,563	2,054,713	48,867,850	-
Certificates of deposit	24,997,604	-	24,997,604	-
Sweep account*	18,874,559	-	18,874,559	-
Total Assets	<u>\$ 107,425,193</u>	<u>\$ 14,685,180</u>	<u>\$ 92,740,013</u>	<u>\$ -</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

4. FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at August 31, 2021 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	\$ 410,394	\$ 410,394	\$ -	\$ -
Common stock	114,438	114,438	-	-
Domestic stock funds	7,777,545	7,777,545	-	-
International stock funds	2,001,393	2,001,393	-	-
Bond funds	4,787,558	4,787,558	-	-
U.S. government obligations	30,160,718	2,019,039	28,141,679	-
Corporate bonds	250,000	-	250,000	-
Certificates of deposit	31,116,803	-	31,116,803	-
Sweep account*	<u>21,422,536</u>	<u>-</u>	<u>21,422,536</u>	<u>-</u>
 Total Assets	 <u>\$ 98,041,385</u>	 <u>\$ 17,110,367</u>	 <u>\$ 80,931,018</u>	 <u>\$ -</u>

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

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following at August 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,193,633	\$ 1,193,633
Land improvements	205,188	205,188
Construction in progress	85,334	37,156
Buildings	11,784,357	11,784,357
Building improvements	2,250,351	2,104,801
Furniture and equipment	<u>10,086,837</u>	<u>9,808,919</u>
	25,605,700	25,134,054
 Less accumulated depreciation	 <u>(16,613,640)</u>	 <u>(15,710,483)</u>
 Net Property and Equipment	 <u>\$ 8,992,060</u>	 <u>\$ 9,423,571</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

6. INVESTMENTS

Operating investments consist of the following at August 31:

	<u>2022</u>	<u>2021</u>
Short-term operating investments:		
Certificates of deposit	\$ 12,700,775	\$ 12,208,678
Bonds and US Government obligations	<u>18,177,496</u>	<u>3,371,227</u>
Total Short-term Operating Investments	30,878,271	15,579,905
Long-term operating investments:		
Certificates of deposit	12,296,829	23,543,322
Bonds and US Government obligations	<u>30,690,354</u>	<u>20,364,958</u>
Total Long-term Operating Investments	<u>42,987,183</u>	<u>43,908,280</u>
Total Operating Investments	<u>\$ 73,865,454</u>	<u>\$ 59,488,185</u>

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

Cash and cash equivalents	\$ 532,160	\$ 410,394
Certificates of deposit	-	20,391
U.S. government obligations	2,054,713	2,019,039
Bond funds and other investments	4,231,669	4,787,558
Common stock and stock funds	<u>7,866,638</u>	<u>9,893,382</u>
Total Other Long-term Investments	<u>\$ 14,685,180</u>	<u>\$ 17,130,764</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

6. INVESTMENTS (continued)

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

	<u>2022</u>	<u>2021</u>
Support Center Building Fund	\$ 9,812	\$ 11,929
National Camp Scholarship Fund	1,563,612	1,826,023
National Ministry Fund	73,700	89,187
John Erickson Presidential Fund	142,688	172,606
Golf Ministry Fund	659,648	805,293
Jeffrey/Lane Fund	361,735	521,073
Support Center Fund	1,837,250	2,125,382
State and Local Chapter Funds	<u>10,036,735</u>	<u>11,579,171</u>
Total Managed Investments	<u>\$ 14,685,180</u>	<u>\$ 17,130,664</u>

Income from investments is summarized as follows:

Interest and dividends	\$ 738,803	\$ 716,999
Net realized gains	381,782	566,466
Net unrealized (losses) gains	<u>(4,853,877)</u>	<u>1,836,116</u>
Total Investment Return	<u>\$ (3,733,292)</u>	<u>\$ 3,119,581</u>

7. 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 were 1,752,581 and \$1,832,373 for the years ended August 31, 2022 and 2021, respectively.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Other programs and ministries	\$ 159,852	\$ 149,315
Staff conference	113,190	854,175
Technology	271,952	405,425
Bible book/projects	141,430	-
League and club resources	64,345	-
Held in perpetuity:		
Permanent endowments	<u>435,525</u>	<u>435,525</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,186,294</u>	<u>\$ 1,844,440</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	\$ 2,410,446	\$ 1,686,063
Support Center	<u>2,245,298</u>	<u>519,390</u>
Net Assets Released from Restrictions	<u>\$ 4,655,744</u>	<u>\$ 2,205,453</u>

9. CONCENTRATION OF CREDIT 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, 2022, FCA's uninsured balances totaled \$18,755,335. 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, 2022

10. LEASE COMMITMENTS

FCA leases certain office space and equipment under operating lease agreements. Rental expenses for the years ended August 31, 2022 and 2021 were \$1,328,898 and \$1,247,666 respectively. The minimum annual rental commitment under these leases is as follows:

<u>Year Ending August 31:</u>	
2023	\$ 957,735
2024	<u>218,360</u>
Total Operating Lease Commitments	<u>\$ 1,176,095</u>

11. RETIREMENT PLAN

FCA offers 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. Employer contributions made at the sole discretion of the Board of Trustees.

FCA's retirement plan expense was \$2,644,266 and \$2,351,128 for the years ended August 31, 2022 and 2021, respectively.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

12. 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 State of Missouri's Uniform Prudent Management of Institutional Funds Act ("SUPMIFA") as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At August 31, 2022 and 2021, 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 SUPMIFA. The Organization considers 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, 2022

12. ENDOWMENTS (continued)

Changes in Endowment Net Assets

	<u>With Donor Restrictions</u>
Net assets, beginning of year 2021	\$ 435,525
Investment return	37,284
Released from restrictions	<u>(37,284)</u>
Net assets, end of year 2021	435,525
Investment return	-
Released from restrictions	<u>-</u>
Net assets, end of year 2022	<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 2023 fiscal year, the Organization has not appropriated any endowment assets.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

13. 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, 2022, calculated over the remaining payment period and using a discount rate of 5%, is \$159,908. 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>	
2023	\$ 39,984
2024	38,094
2025	36,288
2026	34,566
2027	<u>10,976</u>
Total Post-Retirement Obligation	<u>\$ 159,908</u>

14. 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.

15. 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 2022, the Organization incurred \$13,079,709 of direct benefits to donors for these events. In 2022, the Organization generated \$27,312,538 (including contributions) in revenues from these events.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

16. NEW ACCOUNTING PRONOUNCEMENTS

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. Subsequent ASUs have allowed for an option for organizations to initially adopt the standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption.

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.

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.

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