

**FELLOWSHIP OF CHRISTIAN ATHLETES**  
**FINANCIAL STATEMENTS**

**Year Ended August 31, 2012**  
**with**  
**Independent Auditors' Report**

# FELLOWSHIP OF CHRISTIAN ATHLETES

## FINANCIAL STATEMENTS

August 31, 2012

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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 statement of financial position of **Fellowship of Christian Athletes** (FCA) as of August 31, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of FCA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the **Fellowship of Christian Athletes'** 2011 financial statements and, in our report dated January 18, 2012, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 19 to the financial statements, the Organization has corrected errors discovered in the 2011 financial statements, therefore the 2011 financial statements have been restated.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fellowship of Christian Athletes** at August 31, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

January 23, 2013

## FELLOWSHIP OF CHRISTIAN ATHLETES

### STATEMENT OF FINANCIAL POSITION

August 31, 2012

(With comparative totals as of August 31, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b><u>ASSETS</u></b>					
Current Assets:					
Cash and cash equivalents	\$ 626,494	\$ 3,141,739	\$ -	\$ 3,768,233	\$ 7,265,698
Certificates of deposit	-	16,195,846	-	16,195,846	11,615,603
Prepaid expenses and receivables	398,241	-	-	398,241	456,393
Promises to give	-	85,445	-	85,445	72,273
Note receivable	188,466	-	-	188,466	236,411
Merchandise held for resale, at cost	746,125	-	-	746,125	764,402
<b>Total Current Assets</b>	<b>1,959,326</b>	<b>19,423,030</b>	<b>-</b>	<b>21,382,356</b>	<b>20,410,780</b>
Assets Held for Sale	675,000	-	-	675,000	-
Property and Equipment	11,063,078	-	-	11,063,078	11,607,350
Other Assets:					
Investments	-	11,498,301	250,000	11,748,301	11,034,046
Note receivable	1,825,123	-	-	1,825,123	2,013,589
Accumulated cash surrender value of life insurance policies	-	424,081	-	424,081	424,081
Life income gifts	-	35,324	-	35,324	35,324
<b>Total Other Assets</b>	<b>1,825,123</b>	<b>11,957,706</b>	<b>250,000</b>	<b>14,032,829</b>	<b>13,507,040</b>
<b>Total Assets</b>	<b>\$ 15,522,527</b>	<b>\$ 31,380,736</b>	<b>\$ 250,000</b>	<b>\$ 47,153,263</b>	<b>\$ 45,525,170</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
Current Liabilities:					
Accounts payable	\$ 1,744,368	\$ -	\$ -	\$ 1,744,368	\$ 1,497,083
Accrued payroll taxes and benefits	1,177,611	-	-	1,177,611	1,147,184
Current portion of notes payable	35,052	-	-	35,052	471,193
<b>Total Current Liabilities</b>	<b>2,957,031</b>	<b>-</b>	<b>-</b>	<b>2,957,031</b>	<b>3,115,460</b>
Long-Term Debt:					
Notes payable	-	-	-	-	38,722
Charitable trust	-	22,791	-	22,791	22,791
<b>Total Long-Term Debt</b>	<b>-</b>	<b>22,791</b>	<b>-</b>	<b>22,791</b>	<b>61,513</b>
<b>Total Liabilities</b>	<b>2,957,031</b>	<b>22,791</b>	<b>-</b>	<b>2,979,822</b>	<b>3,176,973</b>
<b>Net Assets</b>	<b>12,565,496</b>	<b>31,357,945</b>	<b>250,000</b>	<b>44,173,441</b>	<b>42,348,197</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,522,527</b>	<b>\$ 31,380,736</b>	<b>\$ 250,000</b>	<b>\$ 47,153,263</b>	<b>\$ 45,525,170</b>

*See accompanying notes*

## FELLOWSHIP OF CHRISTIAN ATHLETES

### STATEMENT OF ACTIVITIES

Year Ended August 31, 2012

(With comparative totals for the year ended August 31, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and Revenue:</b>					
Contributions	\$ 103,711	\$ 64,377,697	\$ -	\$ 64,481,408	\$ 60,371,731
Camps/conferences	3,838,892	-	-	3,838,892	3,296,166
Membership, subscriptions, and chartering fees	129,287	-	-	129,287	232,560
Sale of merchandise	332,790	-	-	332,790	360,832
Special events fees	7,024,487	-	-	7,024,487	6,874,624
Other non-contribution revenue	2,964,106	-	-	2,964,106	2,652,477
Investment return	1,003,635	-	-	1,003,635	1,697,045
(Loss) gain on sale of property and equipment	(37,313)	-	-	(37,313)	42,441
Increase in cash surrender value of life insurance policies	-	-	-	-	4,389
Net assets released from restrictions	62,807,021	(62,807,021)	-	-	-
<b>Total Support and Revenue</b>	<b>78,166,616</b>	<b>1,570,676</b>	<b>-</b>	<b>79,737,292</b>	<b>75,532,265</b>
<b>Expenses:</b>					
Program services	55,682,152	-	-	55,682,152	50,880,705
Cost of direct benefits to donors	9,853,554	-	-	9,853,554	9,761,272
General and administration	7,784,406	-	-	7,784,406	7,257,631
Fund-raising	4,591,936	-	-	4,591,936	4,197,722
<b>Total Expenses</b>	<b>77,912,048</b>	<b>-</b>	<b>-</b>	<b>77,912,048</b>	<b>72,097,330</b>
<b>Change in Net Assets</b>	<b>254,568</b>	<b>1,570,676</b>	<b>-</b>	<b>1,825,244</b>	<b>3,434,935</b>
<b>Net Assets at Beginning of Year</b>	<b>12,310,928</b>	<b>29,787,269</b>	<b>250,000</b>	<b>42,348,197</b>	<b>38,913,262</b>
<b>Net Assets at End of Year</b>	<b>\$ 12,565,496</b>	<b>\$ 31,357,945</b>	<b>\$ 250,000</b>	<b>\$ 44,173,441</b>	<b>\$ 42,348,197</b>

*See accompanying notes*

## FELLOWSHIP OF CHRISTIAN ATHLETES

### STATEMENT OF CASH FLOWS Year Ended August 31, 2012

(With comparative totals for the year ended August 31, 2011)

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,825,244	\$ 3,434,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,338,233	1,367,177
Loss (gain) on sale of property and equipment	37,313	(42,441)
Net gain on sale of investments	(43,848)	(488,961)
Unrealized gain on investments	(276,358)	(351,910)
Donated securities	(362,669)	(395,716)
Donated property	(1,151,107)	-
(Increase) decrease in assets:		
Prepaid expenses and other receivables	58,152	(30,387)
Merchandise held for resale	18,277	148,296
Promises to give	(13,172)	13,766
Increase (decrease) in liabilities:		
Accounts payable	247,285	(1,120,963)
Accrued payroll taxes, benefits and annuities	30,427	(194,282)
Net cash provided by operating activities	1,707,777	2,339,514
Cash Flows from Investing Activities:		
Increase in cash surrender value of life insurance	-	(4,389)
Net (purchases) proceeds of investments	(31,379)	333,917
Purchase of property and equipment	(417,250)	(461,756)
Proceeds from sale of property and equipment	62,082	56,611
Net cash used by investing activities	(386,547)	(75,617)
Cash Flows from Financing Activities:		
Payments on long-term debt	(474,863)	(486,860)
Payments received on notes receivable	236,411	22,807
Net cash used by financing activities	(238,452)	(464,053)
Net Increase in Cash and Cash Equivalents	1,082,778	1,799,844
Cash and Cash Equivalents at Beginning of Year	18,881,301	17,081,457
Cash and Cash Equivalents at End of Year	\$ 19,964,079	\$ 18,881,301

*See accompanying notes*

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

**Organization** - The **Fellowship of Christian Athletes** (FCA) 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 National 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.

**Accrual basis** - The financial statements of FCA have been prepared on the accrual basis of accounting.

**Advertising** - Advertising costs are expensed as incurred.

**Basis of presentation** - The financial statements of the Organization have been prepared in accordance with FASB ASC 958-210. Under FASB ASC 958-210, FCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The financial statements as well as the supplemental schedule of functional expenses 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, 2011 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, certificates of deposit and temporary investments (government securities with an original maturity of three months or less).

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

**Contributions** - Contributions are recorded as unrestricted, temporarily restricted or permanently restricted revenue depending on the existence and/or nature of any donor restrictions. Amounts received without donor stipulations are recorded as unrestricted support and revenue. Amounts received with donor stipulations that limit the use of the donated assets, and amounts earned on those assets, are recorded as temporarily or permanently restricted support and revenue, depending on the nature of the restriction. When the expenses are incurred for their designated purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Contributions from state and local offices are recorded as revenue when received, including items received subsequent to year-end that were determined to be in transit at year-end.

**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 restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

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

**Donated securities** - Donated securities with a fair market value at the date of contribution in the amount of \$362,669 and \$395,716 are included in cash flows from operating activities for the years ended August 31, 2012 and 2011, 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.

**Fair value of financial instruments** – The Organization has adopted the provisions of FASB ASC 820-10 for financial and nonfinancial assets and liabilities measured at fair value on a recurring basis and for nonfinancial assets and liabilities measured initially at fair value.

The carrying amounts of financial instruments including cash and cash equivalents, receivables, promises to give, note receivable, accrued expenses and accounts payable approximated fair values as of August 31, 2012 due to their short-term nature. The fair value of investments is disclosed in Note 2. The fair value of notes payable is disclosed in Note 13.



# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

**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, 2012 and, accordingly, no liability has been accrued. However, tax years through August 31, 2012 remain subject to IRS examination.

**Investments** - Investments in marketable securities with readily determinable fair market values and all investments in debt securities are stated at fair market 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.

**Operations** - The accompanying financial statements include the operations of the national, state and local offices of FCA. Currently FCA operates approximately 450 offices throughout the United States. The National Support Center provides receipting of funds, disbursement controls, centralized accounting and other operational services for those offices.

**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 financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

**Subsequent events** – Management has evaluated events and transactions that have occurred since August 31, 2012 and reflected their effects, if any, in these financial statements through January 23, 2013, the date the financial statements were available to be issued.

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

### 2. 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, 2012

### 2. FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at August 31, 2012 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	\$ 652,064	\$ 652,064	\$ -	\$ -
Common stock	379,975	379,975	-	-
Domestic stock funds	3,754,954	3,754,954	-	-
International stock funds	1,925,622	1,925,622	-	-
Bond funds	4,053,951	4,053,951	-	-
Commodities	416,097	416,097	-	-
Other mutual funds	189,804	189,804	-	-
US Government obligations	304,173	304,173	-	-
Corporate bonds	71,660	71,660	-	-
Short-term investments	2,877,122	2,877,122	-	-
Sweep account	<u>1,518,883</u>	<u>1,518,883</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 16,144,305</u></b>	<b><u>\$ 16,144,305</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

Fair values of assets measured on a recurring basis at August 31, 2011 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	\$ 660,071	\$ 660,071	\$ -	\$ -
Common stock	331,113	331,113	-	-
Domestic stock funds	3,497,167	3,497,167	-	-
International stock funds	1,893,165	1,893,165	-	-
Bond funds	3,685,227	3,685,227	-	-
Commodities	458,617	458,617	-	-
Other mutual funds	230,610	230,610	-	-
US Government obligations	245,457	245,457	-	-
Corporate bonds	32,619	32,619	-	-
Short-term investments	5,220,982	5,220,982	-	-
Sweep account	<u>1,229,974</u>	<u>1,229,974</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 17,485,002</u></b>	<b><u>\$ 17,485,002</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 3. PREPAID EXPENSES AND RECEIVABLES

Included in prepaid expenses and receivables are amounts due from employees for travel advances and amounts due from groups for use of camp facilities. All amounts are considered collectible and no collateral is required.

Also included in prepaid expenses and receivables is interest receivable in the amount of \$67,386 and \$106,385 for the years ended August 31, 2012 and 2011, respectively.

### 4. PROMISES TO GIVE

Unconditional promises to give are \$85,445 and \$72,273, respectively, at August 31, 2012 and 2011. These amounts are expected to be collected in full within twelve months.

### 5. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 1,088,040	\$ 1,088,040
Land improvements	149,613	124,157
Buildings	11,617,699	11,579,287
Building improvements	453,622	453,622
Furniture and equipment	7,765,780	8,476,754
Construction in process/assets not in service	<u>446,198</u>	<u>76,547</u>
	21,520,952	21,798,407
Less accumulated depreciation	<u>10,457,874</u>	<u>10,191,057</u>
Net Property and Equipment	<u>\$ 11,063,078</u>	<u>\$ 11,607,350</u>

### 6. ASSETS HELD FOR SALE

During 2012, the Organization received gifts of property totaling \$675,000 that are now being marketed for sale and therefore, are being classified as assets held for sale which are being valued at fair value.

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 7. INVESTMENTS

Investments at August 31, 2012 and 2011 consisted of the following:

	2012	2011
Managed investments:		
Cash and cash equivalents	\$ 652,065	\$ 660,071
US Government obligations	304,173	245,457
Other investment funds	5,070,622	4,417,073
Common stock	5,721,434	5,711,438
Total Managed Investments	11,748,294	11,034,039
Other investments:		
Common stock	7	7
Total Investments	\$ 11,748,301	\$ 11,034,046

At August 31, 2012 and 2011, the managed investments by fund were as follows:

National Support Center Building Fund	\$ 10,653	\$ 10,498
National Camp Scholarship Fund	1,453,667	1,595,964
National Ministry Endowment Fund	77,133	87,494
John Erickson Presidential Endowment Fund	143,284	143,476
Golf Ministry Endowment Fund	693,550	681,333
Jeffrey/Lane Endowment Fund	434,040	443,605
Presidential Fund	-	104,844
Legacy Fund	304,003	300,000
State and Local Chapter Endowment Funds	8,631,964	7,666,825
Total Managed Investments	\$ 11,748,294	\$ 11,034,039

Income from investments is summarized as follows:

Interest and dividends	\$ 683,429	\$ 856,174
Net realized gains	43,848	488,961
Net unrealized gains	276,358	351,910
Total Investment Return	\$ 1,003,635	\$ 1,697,045

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 8. NOTE RECEIVABLE

In connection with the sale of the National Conference Center in 2007, FCA entered into an agreement with the buyer of the facility to carry back a mortgage in the amount of \$2,900,000. The note is stated at the unpaid balance, less any allowance for doubtful accounts. The terms of the loan calls for interest to accrue at a rate of 5.25% through April 30, 2016 when the rate will be adjusted to prime plus 2%. The agreement also called for payments to be deferred until April, 2012 when a lump sum principal and interest payment of \$289,688 was due and received. Beginning May, 2012, monthly principal and interest payments of \$24,161 are due. The receivable is considered impaired if full principal payments are not received in accordance with the contractual terms. There is no policy for placing this receivable on a nonaccrual status. Management considers this note fully collectible. The payment schedule for the principal of this note is as follows:

<u>Year Ending August 31:</u>	
2013	\$ 188,466
2014	198,602
2015	209,284
2016	220,539
2017	232,400
Thereafter	<u>964,298</u>
Total	<u>\$ 2,013,589</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, 2012 was \$2,440,165. 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, 2012

### 10. CHARITABLE TRUSTS

FCA is the charitable remainder in one unitrust agreement. Under the unitrust agreement, the donor, or donor's survivors, receives income distributions for defined periods. At the expiration of the defined periods, the portion of the principal designated will be distributed to FCA. The portion of the trusts attributable to the future interest of FCA is recorded on the statement of activities as temporarily restricted contributions in the period received. The liability on the statement of financial position entitled "Charitable Trusts" includes the present value of the life interest payable to the trust recipient. The principal of the life income gifts is invested primarily in common stocks, corporate bond funds, and a flexible adjustable life insurance policy. The life income gift of \$35,324, at August 31, 2012, and 2011, respectively, is recorded at fair market value.

### 11. RESTRICTED NET ASSETS

Restricted net assets consist of the following at August 31:

	2012	2011
Temporarily restricted net assets:		
Programs and ministry	\$ 31,345,412	\$ 29,774,736
Future interest in charitable trust	12,533	12,533
Total Temporarily Restricted Net Assets	\$ 31,357,945	\$ 29,787,269
Permanently restricted net assets:		
Permanent endowments	\$ 250,000	\$ 250,000

The sources of net assets released from temporary 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	\$ 60,269,836	\$ 55,914,737
National Support Center	2,537,185	2,033,542
Net Assets Released from Restrictions	\$ 62,807,021	\$ 57,948,279

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 12. CONCENTRATION OF RISK

FCA maintains cash balances in a financial institution located in Independence, Missouri. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2012, FCA's uninsured balances totaled \$1,268,883. However, the uninsured balances are 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.

### 13. NOTES PAYABLE

Note payable to Microsoft Corp., due September, 2012, \$38,881 payable monthly, interest at 4.916%, unsecured.	<u>\$ 35,052</u>
Total Notes Payable	35,052
Less: current portion	<u>35,052</u>
Notes Payable Long-Term	<u><u>\$ -</u></u>

A summary of debt payments for the next two years is as follows:

<u>Year Ending August 31:</u>	
2013	<u>\$ 35,052</u>
Total Notes Payable	<u><u>\$ 35,052</u></u>

The fair value of notes payable approximates the carrying value based on similar available terms. Interest paid on these notes amounted to \$14,045 for the year ended August 31, 2012.



# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 14. OPERATING LEASE COMMITMENTS

FCA leases certain office space and equipment under operating lease agreements. Rental expenses for the years ended August 31, 2012 and 2011 were \$1,337,116 and \$1,293,372, respectively which included \$520,000 of donated rent. The minimum annual rental commitment under these leases is as follows:

<u>Year Ending August 31:</u>	
2013	\$ 433,276
2014	<u>166,724</u>
Total Operating Lease Commitments	<u>\$ 600,000</u>

### 15. 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 \$820,230 and \$757,886 for the years ended August 31, 2012 and 2011.

### 16. CONDITIONAL PROMISES RECEIVED

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional pledges at August 31, 2012 were \$2,289,837. 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, 2012

### 17. ENDOWMENTS

The Organization's endowment consists of approximately fifty 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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, 2012

**17. ENDOWMENTS (continued)**

**Endowment Net Asset Composition by Type of Fund  
As of August 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 11,194,291	\$ 250,000	\$11,444,291
Total Funds	\$ -	\$ 11,194,291	\$ 250,000	\$11,444,291

**Changes in Endowment Net Assets  
For the Year Ended August 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ 10,484,039	\$ 250,000	\$ 10,734,039
Contributions	-	665,777	-	665,777
Investment return	-	584,558	-	584,558
Released from restrictions	-	(540,083)	-	(540,083)
Net assets, end of year	\$ -	\$ 11,194,291	\$ 250,000	\$ 11,444,291

**Endowment Net Asset Composition by Type of Fund  
As of August 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 10,484,039	\$ 250,000	\$10,734,039
Total Funds	\$ -	\$ 10,484,039	\$ 250,000	\$10,734,039

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 17. ENDOWMENTS (continued)

#### Changes in Endowment Net Assets For the Year Ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ 9,847,619	\$ 250,000	\$ 10,097,619
Contributions	-	312,737	-	312,737
Investment return	-	1,075,890	-	1,075,890
Released from restrictions	-	(752,207)	-	(752,207)
Net assets, end of year	<u>\$ -</u>	<u>\$ 10,484,039</u>	<u>\$ 250,000</u>	<u>\$ 10,734,039</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, as defined by 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 2013 fiscal year, the Organization has not appropriated any endowment assets.

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 18. 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.

### 19. PRIOR PERIOD ADJUSTMENTS

During 2012, management determined that net assets were previously recorded incorrectly. A corresponding entry was made to adjust previously reported net assets.

	As Reported 8/31/2011	Reclassification of Net Assets	As Restated 8/31/2011
Statement of Financial Position:			
Net Assets:			
Temporarily restricted	\$ 29,441,369	\$ 345,900	\$ 29,787,269
Unrestricted	12,310,928	-	12,310,928
Permanently restricted	595,900	(345,900)	250,000
Total Net Assets	\$ 42,348,197	\$ -	\$ 42,348,197

Also, during 2012, management discovered that accounts payable included inter-organization payables which resulted in both cash and cash equivalents and accounts payable being overstated by \$140,974. The correction has no effect on current or prior year change in net assets or net assets.

	As Reported, 8/31/2011	Cash/ Accounts Payable	As Restated, 8/31/2011
Statement of Financial Position:			
Cash and Cash Equivalents	\$ 7,406,672	\$ (140,974)	\$ 7,265,698
Total Assets	\$ 45,666,144	\$ (140,974)	\$ 45,525,170
Accounts Payable	\$ 1,638,057	\$ (140,974)	\$ 1,497,083

# FELLOWSHIP OF CHRISTIAN ATHLETES

## NOTES TO FINANCIAL STATEMENTS

August 31, 2012

### 19. PRIOR PERIOD ADJUSTMENTS (continued)

	As Reported, <u>8/31/11</u>	Cash/ <u>Accounts Payable</u>	As Restated, <u>8/31/11</u>
Total Liabilities	\$ <u>3,317,947</u>	\$ <u>(140,974)</u>	\$ <u>3,176,973</u>
Total Liabilities and Net Assets	\$ <u>45,666,144</u>	\$ <u>(140,974)</u>	\$ <u>45,525,170</u>
Statement of Cash Flows:			
Decrease in Accounts Payable	\$ <u>(979,989)</u>	\$ <u>(140,974)</u>	\$ <u>(1,120,963)</u>
Net Increase in Cash and Cash Equivalents	\$ <u>1,940,818</u>	\$ <u>(140,974)</u>	\$ <u>1,799,844</u>
Cash and Cash Equivalents at End of Year	\$ <u>19,022,275</u>	\$ <u>(140,974)</u>	\$ <u>18,881,301</u>

**ACCOMPANYING INFORMATION**



Keller & Owens, LLC

*Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Trustees

**Fellowship of Christian Athletes**

We have audited the financial statements of **Fellowship of Christian Athletes** as of and for the year ended August 31, 2012, and our report thereon dated January 23, 2013 in which we expressed an unqualified opinion appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

January 23, 2013



# FELLOWSHIP OF CHRISTIAN ATHLETES

## SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended August 31, 2012

(With comparative totals for the year ended August 31, 2011)

	2012					2011
	Program Services	General and Administration	Fund-raising	Cost of Direct Benefits to Donors	Total	Total
Salaries	\$ 30,608,702	\$ 4,644,497	\$ 3,011,914	\$ -	\$ 38,265,113	\$ 34,941,282
Camps/conferences	4,587,443	91	42	-	4,587,576	4,149,547
Travel	2,865,930	345,496	259,797	-	3,471,223	2,726,476
Supplies	1,729,758	184,790	163,779	-	2,078,327	1,887,743
Technology expenses	61,092	124,039	1,239	-	186,370	271,875
Payroll taxes	1,293,196	241,639	125,984	-	1,660,819	1,505,453
Cost of merchandise sold	88,739	-	87	-	88,826	248,412
Public relations and direct mail	656,476	59,626	64,500	-	780,602	647,856
Program events and staff training	3,181,760	-	10,281	9,853,554	13,045,595	12,537,769
Communications	882,346	127,665	84,201	-	1,094,212	1,059,257
Employee insurance	3,957,306	675,937	379,724	-	5,012,967	4,767,329
Postage	435,696	104,945	29,783	-	570,424	653,455
Taxes, commissions and fees	563,774	95,910	56,664	-	716,348	548,603
Insurance	708,265	132,777	70,447	-	911,489	725,958
Printing/publications	433,502	142,459	25,051	-	601,012	580,869
Utilities	177,690	62,146	14,188	-	254,024	243,101
Food	64,168	7,343	5,961	-	77,472	59,652
Rent/leases	1,063,195	170,750	103,171	-	1,337,116	1,293,372
Maintenance	177,631	47,258	15,626	-	240,515	223,014
Professional fees	384,878	320,973	13,304	-	719,155	831,354
Interest	-	14,045	-	-	14,045	35,714
Retirement plan	634,320	123,033	62,877	-	820,230	757,886
Miscellaneous	35,188	1,985	3,182	-	40,355	34,176
Depreciation	1,091,097	157,002	90,134	-	1,338,233	1,367,177
<b>Total Functional Expenses</b>	<b><u>\$ 55,682,152</u></b>	<b><u>\$ 7,784,406</u></b>	<b><u>\$ 4,591,936</u></b>	<b><u>\$ 9,853,554</u></b>	<b><u>\$ 77,912,048</u></b>	<b><u>\$ 72,097,330</u></b>