

FELLOWSHIP OF CHRISTIAN ATHLETES
FINANCIAL STATEMENTS

Year Ended August 31, 2018
with
Independent Auditors' Report

FELLOWSHIP OF CHRISTIAN ATHLETES

FINANCIAL STATEMENTS

August 31, 2018

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fellowship of Christian Athletes

We have audited the accompanying financial statements of **Fellowship of Christian Athletes** (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities 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.

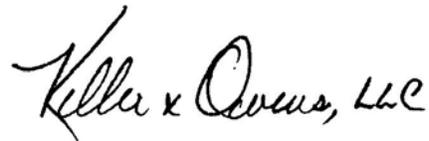
We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the **Fellowship of Christian Athletes'** 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, 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 "Kella x Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
February 8, 2019

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FINANCIAL POSITION

August 31, 2018

(With comparative totals as of August 31, 2017)

	2018				2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 2,107,627	\$ 8,696,436	\$ -	\$ 10,804,063	\$ 9,148,167
Short-term operating investments	-	11,650,580	-	11,650,580	8,786,594
Prepaid expenses and receivables	440,895	-	-	440,895	346,565
Promises to give	-	3,190	-	3,190	64,335
Merchandise held for resale, at cost	626,296	-	-	626,296	514,482
Total Current Assets	3,174,818	20,350,206	-	23,525,024	18,860,143
Property and Equipment, net	11,474,685	-	-	11,474,685	11,497,900
Other Assets:					
Investments:					
Long-term operating investments	-	21,001,086	-	21,001,086	22,311,635
Other long-term investments	2,447,007	13,069,374	250,000	15,766,381	15,892,202
Accumulated cash surrender value of life insurance policies	-	416,155	-	416,155	481,281
Intangible asset, net	375,000	-	-	375,000	475,000
Total Other Assets	2,822,007	34,486,615	250,000	37,558,622	39,160,118
Total Assets	<u>\$ 17,471,510</u>	<u>\$ 54,836,821</u>	<u>\$ 250,000</u>	<u>\$ 72,558,331</u>	<u>\$ 69,518,161</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Accounts payable	\$ 2,929,633	\$ -	\$ -	\$ 2,929,633	\$ 2,792,273
Accrued payroll taxes and benefits	1,753,425	-	-	1,753,425	1,207,966
Current portion of post-retirement obligation	39,984	-	-	39,984	39,984
Total Current Liabilities	4,723,042	-	-	4,723,042	4,040,223
Post-retirement obligation	240,534	-	-	240,534	267,190
Total Liabilities	4,963,576	-	-	4,963,576	4,307,413
Net Assets	12,507,934	54,836,821	250,000	67,594,755	65,210,748
Total Liabilities and Net Assets	<u>\$ 17,471,510</u>	<u>\$ 54,836,821</u>	<u>\$ 250,000</u>	<u>\$ 72,558,331</u>	<u>\$ 69,518,161</u>

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF ACTIVITIES

Year Ended August 31, 2018

(With comparative totals for the year ended August 31, 2017)

	2018				2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and Revenue:					
Contributions	\$ 158,869	\$ 117,795,989	\$ -	\$ 117,954,858	\$ 106,836,283
Camps/conferences	5,934,004	-	-	5,934,004	5,454,511
Membership, subscriptions, and chartering fees	69,709	-	-	69,709	93,777
Sale of merchandise	169,774	-	-	169,774	166,767
Special events fees	54,178	9,988,768	-	10,042,946	9,669,162
Other non-contribution revenue	5,642,189	-	-	5,642,189	5,382,115
Investment return	551,706	723,754	-	1,275,460	1,586,969
Gain on sale of property and equipment	54,370	-	-	54,370	13,483
Net assets released from restrictions	125,400,587	(125,400,587)	-	-	-
Total Support and Revenue	138,035,386	3,107,924	-	141,143,310	129,203,067
Expenses:					
Program services	103,243,150	-	-	103,243,150	92,023,733
Cost of direct benefits to donors	12,836,504	-	-	12,836,504	12,117,042
General and administration	14,279,731	-	-	14,279,731	13,409,609
Fund-raising	8,399,918	-	-	8,399,918	7,563,895
Total Expenses	138,759,303	-	-	138,759,303	125,114,279
Change in Net Assets	(723,917)	3,107,924	-	2,384,007	4,088,788
Net Assets at Beginning of Year	13,231,851	51,728,897	250,000	65,210,748	61,121,960
Net Assets at End of Year	\$ 12,507,934	\$ 54,836,821	\$ 250,000	\$ 67,594,755	\$ 65,210,748

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

(With comparative totals for the year ended August 31, 2017)

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,384,007	\$ 4,088,788
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,723,541	1,396,790
Loss on sale of property and equipment	(54,370)	(13,483)
Net gain on sale of investments	(294,452)	(148,431)
Unrealized loss (gain) on investments	35,061	(732,874)
Donated securities	(1,249,398)	(1,062,639)
Donated property	-	(49,900)
(Increase) decrease in assets:		
Prepaid expenses and receivables	(94,330)	(270,382)
Merchandise held for resale, at cost	(111,814)	471,053
Promises to give	61,145	(7,025)
Increase (decrease) in liabilities:		
Accounts payable	137,360	284,569
Accrued payroll taxes and benefits	545,459	361,811
Post-retirement obligation	(26,656)	307,174
Net Cash Provided by Operating Activities	3,055,553	4,625,451
Cash Flows from Investing Activities:		
Net proceeds (purchases) of investments	81,173	(4,870,874)
Decrease (increase) in cash surrender value of life insurance	65,126	(30,522)
Purchase of property and equipment	(1,676,400)	(1,491,830)
Proceeds from sale of property and equipment	130,444	118,046
Net cash used by investing activities	(1,399,657)	(6,275,180)
Net Change in Cash and Cash Equivalents	1,655,896	(1,649,729)
Cash and Cash Equivalents at Beginning of Year	9,148,167	10,797,896
Cash and Cash Equivalents at End of Year	\$ 10,804,063	\$ 9,148,167

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

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

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

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 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, 2017 from which the summarized information is derived.

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

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.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Contributions (continued) - 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 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 \$1,249,398 and \$1,062,639 are included in cash flows from operating activities for the years ended August 31, 2018 and 2017, 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.

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, 2018 and, accordingly, no liability has been accrued.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

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.

Operations - The accompanying financial statements include the operations of the national, state and local offices of FCA. The National Support Center provides receipting of funds, disbursement controls, centralized accounting and other operational services for those offices for approximately 1,774 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

Subsequent events – Management has evaluated events and transactions that have occurred since August 31, 2018 and reflected their effects, if any, in these financial statements through February 8, 2019, 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.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

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.

2. FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at August 31, 2018 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	\$ 840,192	\$ 840,192	\$ -	\$ -
Common stock	175,229	175,229	-	-
Domestic stock funds	4,306,782	4,306,782	-	-
International stock funds	1,958,412	1,958,412	-	-
Bond funds	7,109,145	7,109,145	-	-
Commodities	338,547	338,547	-	-
Other mutual funds	202,741	202,741	-	-
US Government obligations	9,793,128	135,266	9,657,862	-
Corporate bonds	1,059,925	309,925	750,000	-
Certificates of deposit	22,633,946	-	22,633,946	-
Sweep account*	4,197,636	-	4,197,636	-
	<u>4,197,636</u>	<u>-</u>	<u>4,197,636</u>	<u>-</u>
Total Assets	<u>\$ 52,615,683</u>	<u>\$ 15,376,239</u>	<u>\$ 37,239,444</u>	<u>\$ -</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

2. FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at August 31, 2017 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	\$ 1,057,208	\$ 1,057,208	\$ -	\$ -
Common stock	172,733	172,733	-	-
Domestic stock funds	3,725,722	3,725,722	-	-
International stock funds	2,389,459	2,389,459	-	-
Bond funds	7,606,243	7,606,243	-	-
Commodities	308,199	308,199	-	-
Other mutual funds	382,608	382,608	-	-
US Government obligations	1,819,940	74,345	1,745,595	-
Corporate bonds	7,130,020	130,573	6,999,447	-
Certificates of deposit	22,398,299	-	22,398,299	-
Sweep account*	2,959,881	-	2,959,881	-
	<u>\$ 49,950,312</u>	<u>\$ 15,847,090</u>	<u>\$ 34,103,222</u>	<u>\$ -</u>
Total Assets				

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

3. PREPAID EXPENSES AND RECEIVABLES

Included in prepaid expenses and receivables is interest receivable in the amount of \$130,073 and \$95,896 for the years ended August 31, 2018 and 2017, respectively. Also included are amounts due from employees for travel advances. All amounts are considered collectible and no collateral is required.

4. PROMISES TO GIVE

Unconditional promises to give are \$3,190 and \$64,335, respectively, at August 31, 2018 and 2017. These amounts are expected to be collected in full within twelve months.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following at August 31:

	2018	2017
Land	\$ 1,147,040	\$ 1,196,940
Land improvements	179,196	179,196
Buildings	11,730,535	11,730,535
Building improvements	1,196,135	913,021
Furniture and equipment	13,451,172	10,576,792
Construction in process/assets not in service	-	1,699,734
	27,704,078	26,296,218
Less accumulated depreciation	16,229,393	14,798,318
Net Property and Equipment	\$ 11,474,685	\$ 11,497,900

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, 2018:

Amortized intangible asset:	
Movie rights	\$ 700,000
Accumulated amortization	325,000
Net carrying value	\$ 375,000
Amortization expense-current year	\$ 100,000

Future annual amortization expense will be as follows:

Year Ending August 31:	
2019	\$ 100,000
2020	100,000
2021	100,000
2022	75,000
Total Future Amortization Expenses	\$ 375,000

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

7. INVESTMENTS

Operating investments consists of the following at August 31:

	2018	2017
Short-term operating investments:		
Certificates of deposit	\$ 6,769,440	\$ 6,817,178
Bonds & US Government obligations	4,881,140	1,969,416
Total Short-term Operating Investments	11,650,580	8,786,594
Long-term operating investments:		
Certificates of deposit	15,474,364	15,536,009
Bonds & US Government obligations	5,526,722	6,775,626
Total Long-term Operating Investments	21,001,086	22,311,635
Total Operating Investments	\$ 32,651,666	\$ 31,098,229

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

Managed investments:		
Cash and cash equivalents	\$ 840,192	\$ 1,102,320
Certificates of deposit	390,142	-
US Government obligations	135,266	74,345
Bond funds and other investments	7,960,358	8,427,623
Common stock and stock funds	6,440,423	6,286,913
Total Managed Investments	15,766,381	15,891,201
Other long-term investments:		
Common stock	-	1,001
Total Other Long-term Investments	\$ 15,766,381	\$ 15,892,202

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

7. INVESTMENTS (continued)

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

	2018	2017
National Support Center Building Fund	\$ 11,547	\$ 11,750
National Camp Scholarship Fund	1,434,860	1,524,256
National Ministry Endowment Fund	78,400	79,413
John Erickson Presidential Endowment Fund	145,637	147,354
Golf Ministry Endowment Fund	669,921	644,845
Jeffrey/Lane Endowment Fund	400,669	408,611
Legacy Fund	212,238	295,970
National Support Center Fund	2,447,006	2,463,751
State and Local Chapter Endowment Funds	10,366,103	10,315,251
Total Managed Investments	\$ 15,766,381	\$ 15,891,201

Income from investments is summarized as follows:

Interest and dividends	\$ 1,016,069	\$ 705,664
Net realized gains	294,452	148,431
Net unrealized (losses) gains	(35,061)	732,874
Total Investment Return	\$ 1,275,460	\$ 1,586,969

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, 2018 was \$1,983,276. 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, 2018

9. RESTRICTED NET ASSETS

Restricted net assets consist of the following at August 31:

	2018	2017
Temporarily restricted net assets:		
Programs and ministry	\$ <u>54,836,821</u>	\$ <u>51,728,897</u>
Total Temporarily Restricted Net Assets	\$ <u>54,836,821</u>	\$ <u>51,728,897</u>
Permanently restricted net assets:		
Permanent endowments	\$ <u>250,000</u>	\$ <u>250,000</u>

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	\$ 123,254,445	\$ 111,311,224
National Support Center	2,146,142	1,175,925
Net Assets Released from Restrictions	\$ <u>125,400,587</u>	\$ <u>112,487,149</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, 2018, FCA's uninsured balances totaled \$4,564,227. 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, 2018

11. LEASES

Operating Leases

FCA leases certain office space and equipment under operating lease agreements. Rental expenses for the years ended August 31, 2018 and 2017 were \$1,947,447 and \$1,470,950, respectively, which included \$852,800 of donated rent. The minimum annual rental commitment under these leases is as follows:

<u>Year Ending August 31:</u>	
2019	\$ 539,338
2020	<u>231,763</u>
Total Operating Lease Commitments	<u>\$ 771,101</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 \$1,662,004 and \$1,461,069 for the years ended August 31, 2018 and 2017, 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, 2018 were \$2,306,961. FCA is also the owner and beneficiary of several life insurance policies; see Note 8.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

14. ENDOWMENTS

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

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the State of Missouri's Prudent Management of Institutional Funds Act (SPMIFA) 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 SPMIFA. In accordance with SPMIFA, 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, 2018

14. ENDOWMENTS (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 12,862,101	\$ 250,000	\$13,112,101
Total Funds	<u>\$ -</u>	<u>\$ 12,862,101</u>	<u>\$ 250,000</u>	<u>\$13,112,101</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ 13,087,380	\$ 250,000	\$13,337,380
Contributions	-	592,636	-	592,636
Investment return	-	682,258	-	682,258
Released from restrictions	<u>-</u>	<u>(1,500,173)</u>	<u>-</u>	<u>(1,500,173)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 12,862,101</u>	<u>\$ 250,000</u>	<u>\$13,112,101</u>

Endowment Net Asset Composition by Type of Fund As of August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 13,087,380	\$ 250,000	\$13,337,380
Total Funds	<u>\$ -</u>	<u>\$ 13,087,380</u>	<u>\$ 250,000</u>	<u>\$13,337,380</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

14. ENDOWMENTS (continued)

Changes in Endowment Net Assets For the Year Ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ 12,371,722	\$ 250,000	\$12,621,722
Contributions	-	434,229	-	434,229
Investment return	-	1,149,836	-	1,149,836
Released from restrictions	<u>-</u>	<u>(868,407)</u>	<u>-</u>	<u>(868,407)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 13,087,380</u>	<u>\$ 250,000</u>	<u>\$13,337,380</u>

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Appropriation of Endowment Assets for Next Fiscal Year

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

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

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, 2018, calculated over the remaining payment period and using a discount rate of 5%, is \$280,518. 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>	
2019	\$ 39,984
2020	38,094
2021	36,288
2022	34,566
2023	32,928
Thereafter	<u>98,658</u>
Total Post-Retirement Obligation	<u>\$ 280,518</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 are the actual costs (not the fair value required by the IRS to be reported to donors) of the event, including the cost of the items and services provided to the attendees as a benefit of attending the special event. These costs include meals, facility rental, decorations, entertainment, refreshments, and raffle prizes. In 2018 the Organization incurred \$12,836,504 of direct benefits to donors for these events. In 2018 the Organization generated \$28,587,322 in revenues from these events.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2018

18. NEW ACCOUNT PRONOUCEMENTS

ASU 2016-14, Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this ASU are to be applied retrospectively, and are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted.

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 requires 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.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted.

ASU 2018-08, Not-for-Profit Entities

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

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted.

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

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, 2018 and our report thereon dated February 8, 2019 in which we expressed an unmodified opinion appears on pages 1 and 2. We have previously issued our opinion dated January 23, 2018 on the 2017 financial statements and supplemental information. Our audit was performed 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 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 as a whole.

Overland Park, Kansas
February 8, 2019

FELLOWSHIP OF CHRISTIAN ATHLETES

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended August 31, 2018

(With comparative totals for the year ended August 31, 2017)

	2018					2017 Total
	Program Services	General and Administration	Fund-raising	Cost of Direct Benefits to Donors	Total	
Salaries	\$ 55,747,901	\$ 7,700,480	\$ 5,546,793	\$ -	\$ 68,995,174	\$ 62,407,508
Camps/conferences	7,413,998	-	-	-	7,413,998	7,627,039
Travel	5,871,585	662,002	415,633	-	6,949,220	4,688,694
Supplies	2,932,249	299,183	273,723	-	3,505,155	3,280,718
Technology expenses	150,554	1,465,113	4,597	-	1,620,264	1,258,956
Payroll taxes	2,355,217	395,834	232,553	-	2,983,604	2,767,430
Cost of merchandise sold	57,557	-	200	-	57,757	76,937
Public relations and direct mail	1,335,651	170,713	144,291	-	1,650,655	1,919,102
Program events and staff training	7,945,104	56,500	19,569	12,836,504	20,857,677	18,838,702
Communications	962,187	163,540	94,359	-	1,220,086	1,197,320
Employee insurance	7,307,324	1,219,500	719,955	-	9,246,779	8,243,569
Postage	536,953	114,557	41,511	-	693,021	509,589
Taxes, commissions and fees	1,366,175	198,647	137,296	-	1,702,118	1,709,224
Insurance	902,225	157,182	89,784	-	1,149,191	1,094,101
Printing/publications	472,773	129,573	31,763	-	634,109	664,831
Utilities	220,398	111,627	16,881	-	348,906	316,995
Food	1,395,034	117,957	108,890	-	1,621,881	1,217,125
Rent/leases	1,597,492	204,723	159,232	-	1,961,447	1,470,950
Maintenance	372,591	81,023	32,281	-	485,895	429,195
Professional fees	1,360,541	637,599	71,690	-	2,069,830	2,388,639
Retirement plan	1,340,863	185,522	135,619	-	1,662,004	1,461,069
Miscellaneous	172,327	19,591	15,073	-	206,991	149,796
Depreciation	1,326,451	188,865	108,225	-	1,623,541	1,296,790
Amortization	100,000	-	-	-	100,000	100,000
Total Functional Expenses	\$ 103,243,150	\$ 14,279,731	\$ 8,399,918	\$ 12,836,504	\$ 138,759,303	\$ 125,114,279

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