

FELLOWSHIP OF CHRISTIAN ATHLETES
FINANCIAL STATEMENTS

Year Ended August 31, 2011
with
Report of Independent Auditors

FELLOWSHIP OF CHRISTIAN ATHLETES

FINANCIAL STATEMENTS

August 31, 2011

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Keller & Owens, LLC

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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, 2011, 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'** 2010 financial statements and, in our report dated February 9, 2011, 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.

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, 2011, 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.

As discussed in Note 18 to the financial statements, the Organization has corrected the classification of certain net asset accounts.

January 18, 2012

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF FINANCIAL POSITION

August 31, 2011

(With comparative totals as of August 31, 2010)

	2011			2010 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 527,939	\$ 6,878,733	\$ -	\$ 7,406,672	\$ 7,510,557
Certificates of deposit	-	11,615,603	-	11,615,603	9,570,900
Prepaid expenses and receivables	456,393	-	-	456,393	426,006
Promises to give	-	72,273	-	72,273	86,039
Note receivable	236,411	-	-	236,411	250,000
Merchandise held for resale, at cost	764,402	-	-	764,402	912,698
Total Current Assets	1,985,145	18,566,609	-	20,551,754	18,756,200
Property and Equipment	11,607,350	-	-	11,607,350	12,526,941
Other Assets:					
Investments	-	10,438,146	595,900	11,034,046	10,131,376
Note receivable	2,013,589	-	-	2,013,589	2,022,807
Accumulated cash surrender value of life insurance policies	-	424,081	-	424,081	419,692
Life income gifts	-	35,324	-	35,324	35,324
Total Other Assets	2,013,589	10,897,551	595,900	13,507,040	12,609,199
Total Assets	<u>\$ 15,606,084</u>	<u>\$ 29,464,160</u>	<u>\$ 595,900</u>	<u>\$ 45,666,144</u>	<u>\$ 43,892,340</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Accounts payable	\$ 1,638,057	\$ -	\$ -	\$ 1,638,057	\$ 2,618,046
Accrued payroll taxes and benefits	1,147,184	-	-	1,147,184	1,336,833
Current portion of notes payable	471,193	-	-	471,193	486,860
Total Current Liabilities	3,256,434	-	-	3,256,434	4,441,739
Long-Term Debt:					
Notes payable	38,722	-	-	38,722	509,915
Charitable trust	-	22,791	-	22,791	27,424
Total Long-Term Debt	38,722	22,791	-	61,513	537,339
Total Liabilities	3,295,156	22,791	-	3,317,947	4,979,078
Net Assets	<u>12,310,928</u>	<u>29,441,369</u>	<u>595,900</u>	<u>42,348,197</u>	<u>38,913,262</u>
Total Liabilities and Net Assets	<u>\$ 15,606,084</u>	<u>\$ 29,464,160</u>	<u>\$ 595,900</u>	<u>\$ 45,666,144</u>	<u>\$ 43,892,340</u>

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF ACTIVITIES

Year Ended August 31, 2011

(With comparative totals for the year ended August 31, 2010)

	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue:					
Contributions	\$ 253,664	\$ 60,118,067	\$ -	\$ 60,371,731	\$ 56,858,146
Camps/conferences	3,296,166	-	-	3,296,166	3,212,483
Membership, subscriptions, and chartering fees	232,560	-	-	232,560	241,175
Sale of merchandise	360,832	-	-	360,832	366,480
Special events fees	6,874,624	-	-	6,874,624	8,444,455
Other non-contribution revenue	2,652,477	-	-	2,652,477	1,952,297
Investment return	275,451	1,421,594	-	1,697,045	1,250,677
Gain on sale of property and equipment	42,441	-	-	42,441	21,721
Increase in cash surrender value of life insurance policies	-	4,389	-	4,389	21,958
Net assets released from restrictions	57,948,279	(57,948,279)	-	-	-
Total Support and Revenue	<u>71,936,494</u>	<u>3,595,771</u>	<u>-</u>	<u>75,532,265</u>	<u>72,369,392</u>
Expenses:					
Program services	50,880,705	-	-	50,880,705	49,692,111
Cost of direct benefits to donors	9,761,272	-	-	9,761,272	9,515,930
General and administration	7,257,631	-	-	7,257,631	7,109,811
Fund-raising	4,197,722	-	-	4,197,722	3,885,714
Total Expenses	<u>72,097,330</u>	<u>-</u>	<u>-</u>	<u>72,097,330</u>	<u>70,203,566</u>
Change in Net Assets	(160,836)	3,595,771	-	3,434,935	2,165,826
Net Assets at Beginning of Year	<u>12,471,764</u>	<u>25,845,598</u>	<u>595,900</u>	<u>38,913,262</u>	<u>36,747,436</u>
Net Assets at End of Year	<u>\$ 12,310,928</u>	<u>\$ 29,441,369</u>	<u>\$ 595,900</u>	<u>\$ 42,348,197</u>	<u>\$ 38,913,262</u>

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

STATEMENT OF CASH FLOWS Year Ended August 31, 2011

(With comparative totals for the year ended August 31, 2010)

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ 3,434,935	\$ 2,165,826
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,367,177	1,105,287
Gain on sale of property and equipment	(42,441)	(21,721)
Net gain on sale of investments	(488,961)	(37,603)
Unrealized gain on investments	(351,910)	(474,281)
Donated securities	(395,716)	(477,274)
(Increase) decrease in assets:		
Prepaid expenses and other receivables	(30,387)	31,090
Merchandise held for resale	148,296	(386,521)
Promises to give	13,766	45,205
Increase (decrease) in liabilities:		
Accounts payable	(979,989)	846,953
Accrued payroll taxes, benefits and annuities	(194,282)	(105,169)
Net cash provided by operating activities	2,480,488	2,691,792
Cash Flows from Investing Activities:		
Increase in cash surrender value of life insurance	(4,389)	(21,959)
Net proceeds of investments	333,917	834,371
Purchase of property and equipment	(461,756)	(931,953)
Proceeds from sale of property and equipment	56,611	45,029
Net cash used by investing activities	(75,617)	(74,512)
Cash Flows from Financing Activities:		
Payments on long-term debt	(486,860)	(401,571)
Payments received on notes receivable	22,807	75,538
Net cash used by financing activities	(464,053)	(326,033)
Net Increase in Cash	1,940,818	2,291,247
Cash and Cash Equivalents at Beginning of Year	17,081,457	14,790,210
Cash and Cash Equivalents at End of Year	\$ 19,022,275	\$ 17,081,457
Non-Cash Investing and Financing Activities		
Property and Equipment purchased using notes payable	\$ -	\$ 1,435,677

See accompanying notes

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

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.

Advertising - Advertising costs are expensed as incurred.

Basis of presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting and 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, 2010 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, 2011

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 \$395,716 and \$477,274 are included in cash flows from operating activities for the years ended August 31, 2011 and 2010, 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, *Fair Value Measurements* 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 equivalents, receivables, promises to give, note receivable, cash surrender value of life insurance, accrued expenses and accounts payable approximated fair values as of September 30, 2011 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, 2011

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, *Accounting for Uncertain Income Tax Positions* 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, 2011 and, accordingly, no liability has been accrued. However, tax years through August 31, 2011 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.

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

Operations - The accompanying financial statements include the operations of the national, state and local offices of FCA. Currently FCA operates approximately 380 offices throughout the United States. The National Support Center provides receipting of funds, disbursement controls, centralized accounting and other operational services for those offices.

Subsequent events – Management has evaluated events and transactions that have occurred since August 31, 2011 and reflected their effects, if any, in these financial statements through January 18, 2012, the date the financial statements were available to be issued.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

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, 2011

2. FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at August 31, 2011 are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and 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>
Total Assets	<u>\$ 17,485,002</u>	<u>\$ 17,485,002</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at August 31, 2010 are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investments	\$ 10,131,376	\$ 10,131,376	\$ -	\$ -
Short-term investments	3,874,860	3,874,860	-	-
Sweep account	<u>1,102,214</u>	<u>1,102,214</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 15,108,450</u>	<u>\$ 15,108,450</u>	<u>\$ -</u>	<u>\$ -</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

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 \$106,385 and \$67,386 for the years ended August 31, 2011 and 2010, respectively.

4. PROMISES TO GIVE

Unconditional promises to give are \$72,273 and \$86,039, respectively, at August 31, 2011 and 2010. These amounts are expected to be collected in full within twelve months.

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,088,040	\$ 1,088,040
Land improvements	124,157	124,157
Buildings	11,579,287	11,474,374
Building improvements	453,622	448,122
Furniture and equipment	8,476,754	8,297,524
Construction in process/assets not in service	<u>76,547</u>	<u>76,547</u>
	21,798,407	21,508,764
Less accumulated depreciation	<u>10,191,057</u>	<u>8,981,823</u>
Net Property and Equipment	<u>\$ 11,607,350</u>	<u>\$ 12,526,941</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

6. INVESTMENTS

Investments at August 31, 2011 and 2010 consisted of the following:

	2011	2010
Managed investments:		
Cash and cash equivalents	\$ 660,071	\$ 469,635
US Government obligations	245,457	413,716
Other investment funds	4,417,073	3,806,573
Common stock	5,711,438	5,407,695
Total Managed Investments	11,034,039	10,097,619
Other investments:		
Common stock	7	33,757
Total Investments	\$ 11,034,046	\$ 10,131,376

At August 31, 2011 and 2010, the managed investments by fund were as follows:

National Support Center Building Fund	\$ 10,498	\$ 10,454
National Camp Scholarship Fund	1,595,964	1,420,745
National Ministry Endowment Fund	87,494	82,253
John Erickson Presidential Endowment Fund	143,476	135,012
Golf Ministry Endowment Fund	681,333	715,705
Jeffrey/Lane Endowment Fund	443,605	426,547
Presidential Fund	104,844	46,771
Legacy Fund	300,000	-
State and Local Chapter Endowment Funds	7,666,825	7,260,132
Total Managed Investments	\$ 11,034,039	\$ 10,097,619

Income from investments is summarized as follows:

Interest and dividends	\$ 856,174	\$ 738,793
Net realized gains	488,961	37,603
Net unrealized gains	351,910	474,281
Total Investment Return	\$ 1,697,045	\$ 1,250,677

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

7. 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 terms of the loan was renegotiated in April, 2011. The new agreement 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 calls for payments to be deferred until April, 2012 when a lump sum principal and interest payment of \$289,688 is due. Beginning May, 2012, monthly principal and interest payments of \$24,161 will be due. Management considers this note fully collectible. The payment schedule for the principal of this note is as follows:

<u>Year Ending August 31:</u>	
2012	\$ 236,411
2013	188,466
2014	198,602
2015	209,284
2016	220,539
Thereafter	<u>1,196,698</u>
Total	<u>\$ 2,250,000</u>

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, 2011 was \$2,438,465. The accumulated cash surrender value of all policies held is recorded in the financial statements as temporarily restricted assets.

9. 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, 2011, and 2010, respectively, is recorded at fair market value.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

10. RESTRICTED NET ASSETS

Restricted net assets consist of the following at August 31:

	2011	2010
Temporarily restricted net assets:		
Programs and ministry	\$ 29,428,836	\$ 25,837,698
Future interest in charitable trust	12,533	7,900
Total Temporarily Restricted Net Assets	\$ 29,441,369	\$ 25,845,598
Permanently restricted net assets:		
Permanent endowments	\$ 595,900	\$ 595,900

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	\$ 55,914,737	\$ 52,289,606
National Support Center	2,033,542	3,046,275
Net Assets Released from Restrictions	\$ 57,948,279	\$ 55,335,881

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

11. 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, 2011, FCA's uninsured balances totaled \$979,974. 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.

12. NOTES PAYABLE

Note payable to Microsoft Corp., due December, 2011, \$4,667 payable monthly, zero interest, unsecured.	\$ 18,668
Note payable to Microsoft Corp., due September, 2012, \$38,881 payable monthly, interest at 4.916%, unsecured.	<u>491,247</u>
Total Notes Payable	509,915
Less: current portion	<u>471,193</u>
Notes Payable Long-Term	<u>\$ 38,722</u>

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

<u>Year Ending August 31:</u>	
2012	\$ 471,193
2013	<u>38,722</u>
Total Notes Payable	<u>\$ 509,915</u>

The fair value of notes payable approximates the carrying value based on similar available terms. Interest paid on these notes amounted to \$35,714 for the year ending August 31, 2011.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

13. OPERATING LEASE COMMITMENTS

FCA leases certain office space and equipment under operating lease agreements. Rental expenses for the years ended August 31, 2011 and 2010 were \$1,293,372 and \$1,283,733, 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>	
2012	\$ 409,019
2013	<u>207,753</u>
Total Operating Lease Commitments	<u>\$ 616,772</u>

14. 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 \$757,886 and \$723,495 for the years ended August 31, 2011 and 2010.

15. CONDITIONAL PROMISES RECEIVED

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional pledges at August 31, 2011 were \$3,849,821. 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, 2011

16. 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, 2011

16. ENDOWMENTS (continued)

**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	\$ -	\$10,138,139	\$ 595,900	\$10,734,039
Total Funds	<u>\$ -</u>	<u>\$10,138,139</u>	<u>\$ 595,900</u>	<u>\$10,734,039</u>

**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	\$ -	\$ 9,501,719	\$ 595,900	\$10,097,619
Contributions	-	312,737	-	312,737
Investment return	-	1,075,890	-	1,075,890
Released from restrictions	<u>-</u>	<u>(752,207)</u>	<u>-</u>	<u>(752,207)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$10,138,139</u>	<u>\$ 595,900</u>	<u>\$ 10,734,039</u>

**Endowment Net Asset Composition by Type of Fund
As of August 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 9,501,719	\$ 595,900	\$10,097,619
Total Funds	<u>\$ -</u>	<u>\$ 9,501,719</u>	<u>\$ 595,900</u>	<u>\$10,097,619</u>

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

16. ENDOWMENTS (continued)

Changes in Endowment Net Assets For the Year Ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ 9,218,903	\$ 595,900	\$ 9,814,803
Contributions	-	509,516	-	509,516
Investment return	-	631,503	-	631,503
Released from restrictions	<u>-</u>	<u>(858,203)</u>	<u>-</u>	<u>(858,203)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 9,501,719</u>	<u>\$ 595,900</u>	<u>\$ 10,097,619</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 2012 fiscal year, the Organization has not appropriated any endowment assets.

FELLOWSHIP OF CHRISTIAN ATHLETES

NOTES TO FINANCIAL STATEMENTS

August 31, 2011

17. LITIGATION

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

18. PRIOR PERIOD RECLASSIFICATIONS

During 2011, management determined that net assets were previously recorded incorrectly. These amounts have been reclassified accordingly.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Net assets as reported, 8/31/10	\$ 12,965,230	\$ 25,352,132	\$ 595,900	\$38,913,262
Reclassifications	<u>(493,466)</u>	<u>493,466</u>	<u>-</u>	<u>-</u>
Net assets as restated, 8/31/10	<u>\$ 12,471,764</u>	<u>\$ 25,845,598</u>	<u>\$ 595,900</u>	<u>\$38,913,262</u>

ACCOMPANYING INFORMATION



Keller & Owens, LLC

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS 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, 2011, and our report thereon dated January 18, 2012, 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 18, 2012

FELLOWSHIP OF CHRISTIAN ATHLETES

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended August 31, 2011

(With comparative totals for the year ended August 31, 2010)

	2011				Total	2010 Total
	Program Services	General and Administration	Fund-raising	Cost of Direct Benefits to Donors		
Salaries	\$ 28,030,904	\$ 4,172,172	\$ 2,738,206	\$ -	\$ 34,941,282	\$ 33,515,230
Camps/conferences	4,149,547	-	-	-	4,149,547	3,849,390
Travel	2,153,668	339,880	232,928	-	2,726,476	2,478,030
Supplies	1,554,481	185,751	147,511	-	1,887,743	1,719,847
Technology expenses	29,362	242,479	34	-	271,875	66,647
Payroll taxes	1,176,285	215,865	113,303	-	1,505,453	1,454,598
Cost of merchandise sold	248,119	-	293	-	248,412	194,861
Public relations and direct mail	544,018	43,834	60,004	-	647,856	674,917
Program events and staff training	2,753,866	6,411	16,220	9,761,272	12,537,769	12,497,115
Communications	855,224	122,459	81,574	-	1,059,257	1,109,253
Employee insurance	3,828,840	576,496	361,993	-	4,767,329	5,270,535
Postage	503,959	118,452	31,044	-	653,455	653,454
Taxes, commissions and fees	434,490	70,731	43,382	-	548,603	527,780
Insurance	536,010	155,980	33,968	-	725,958	782,445
Printing/publications	454,244	102,022	24,603	-	580,869	658,628
Utilities	170,115	58,472	14,514	-	243,101	234,538
Food	50,182	4,660	4,810	-	59,652	42,154
Rent/leases	1,027,761	165,573	100,038	-	1,293,372	1,283,733
Maintenance	160,329	48,776	13,909	-	223,014	206,588
Professional fees	487,185	315,832	28,337	-	831,354	1,056,383
Interest	-	35,714	-	-	35,714	82,123
Retirement plan	589,996	110,370	57,520	-	757,886	723,495
Miscellaneous	30,770	1,677	1,729	-	34,176	16,535
Depreciation	1,111,350	164,025	91,802	-	1,367,177	1,105,287
Total Functional Expenses	<u>\$ 50,880,705</u>	<u>\$ 7,257,631</u>	<u>\$ 4,197,722</u>	<u>\$ 9,761,272</u>	<u>\$ 72,097,330</u>	<u>\$ 70,203,566</u>