



**GROSSMAN YANAK & FORD** LLP  
Certified Public Accountants and Consultants

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**COALITION FOR CHRISTIAN OUTREACH**

**Financial Statements as of and for the Years Ended  
August 31, 2022 and 2021 and Independent Auditors' Report**

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# COALITION FOR CHRISTIAN OUTREACH

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
of Coalition for Christian Outreach

### **Opinion**

We have audited the accompanying financial statements of Coalition for Christian Outreach (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coalition for Christian Outreach as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Coalition for Christian Outreach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Coalition for Christian Outreach's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Coalition for Christian Outreach's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Grossman Yarak & Ford LLP*

Pittsburgh, Pennsylvania  
January 9, 2023

**COALITION FOR CHRISTIAN OUTREACH**

**STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2022 AND 2021**

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	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,342,012	\$ 6,521,637
Contributions receivable	623,045	91,276
Prepaid expenses and other assets	<u>96,764</u>	<u>69,379</u>
Total current assets	7,061,821	6,682,292
Property and equipment, net	214,790	254,798
Investments - endowment	17,274,749	21,075,076
Beneficial interest in charitable remainder trust	<u>144,811</u>	<u>150,178</u>
TOTAL	<u>\$ 24,696,171</u>	<u>\$ 28,162,344</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accrued retirement plan contribution	\$ 129,542	\$ 127,599
Accrued expenses and other liabilities	254,682	388,825
Deferred revenue	<u>17,233</u>	<u>39,744</u>
Total current liabilities	<u>401,457</u>	<u>556,168</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	3,622,953	2,965,084
Board designated - endowment	<u>579,388</u>	<u>673,712</u>
Total net assets without donor restrictions	4,202,341	3,638,796
With donor restrictions	<u>20,092,373</u>	<u>23,967,380</u>
Total net assets	<u>24,294,714</u>	<u>27,606,176</u>
TOTAL	<u>\$ 24,696,171</u>	<u>\$ 28,162,344</u>

See notes to financial statements.

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**COALITION FOR CHRISTIAN OUTREACH**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	\$ 2,852,588	\$ 6,881,210	\$ 9,733,798
Revenue:			
Staff services	1,719,362	-	1,719,362
Conference, including sponsorships	131,953	-	131,953
Summer opportunities and trips	140,745	-	140,745
Endowment fund income			
appropriated for operations	663,476	-	663,476
Interest income	26,046	-	26,046
Miscellaneous income	<u>79,126</u>	<u>-</u>	<u>79,126</u>
Total	5,613,296	6,881,210	12,494,506
Net assets released from restrictions	<u>6,930,064</u>	<u>(6,930,064)</u>	<u>-</u>
Total revenue and support	<u>12,543,360</u>	<u>(48,854)</u>	<u>12,494,506</u>
EXPENSES:			
Program services	<u>9,586,368</u>	<u>-</u>	<u>9,586,368</u>
Supporting services			
Administration	1,388,840	-	1,388,840
Development	<u>910,283</u>	<u>-</u>	<u>910,283</u>
Total supporting services	<u>2,299,123</u>	<u>-</u>	<u>2,299,123</u>
Total expenses	<u>11,885,491</u>	<u>-</u>	<u>11,885,491</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	657,869	(48,854)	609,015
NONOPERATING:			
Endowment fund loss, net of amount appropriated for operations	(94,324)	(3,820,786)	(3,915,110)
Change in value of trust	<u>-</u>	<u>(5,367)</u>	<u>(5,367)</u>
INCREASE (DECREASE) IN NET ASSETS	563,545	(3,875,007)	(3,311,462)
NET ASSETS, BEGINNING OF YEAR	<u>3,638,796</u>	<u>23,967,380</u>	<u>27,606,176</u>
NET ASSETS, END OF YEAR	<u>\$ 4,202,341</u>	<u>\$ 20,092,373</u>	<u>\$ 24,294,714</u>

See notes to financial statements.

**COALITION FOR CHRISTIAN OUTREACH**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	\$ 2,249,146	\$ 7,212,707	\$ 9,461,853
Revenue:			
Staff services	1,877,813	-	1,877,813
Conference, including sponsorships	192,435	-	192,435
Summer opportunities and trips	127,050	-	127,050
Endowment fund income appropriated for operations	669,606	-	669,606
Interest income	341	-	341
Miscellaneous income	<u>63,367</u>	<u>-</u>	<u>63,367</u>
Total	5,179,758	7,212,707	12,392,465
Net assets released from restrictions	<u>6,614,093</u>	<u>(6,614,093)</u>	<u>-</u>
Total revenue and support	<u>11,793,851</u>	<u>598,614</u>	<u>12,392,465</u>
EXPENSES:			
Program services	<u>10,636,227</u>	<u>-</u>	<u>10,636,227</u>
Supporting services			
Administration	1,466,641	-	1,466,641
Development	<u>1,036,033</u>	<u>-</u>	<u>1,036,033</u>
Total supporting services	<u>2,502,674</u>	<u>-</u>	<u>2,502,674</u>
Total expenses	<u>13,138,901</u>	<u>-</u>	<u>13,138,901</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	(1,345,050)	598,614	(746,436)
NONOPERATING:			
Excess of net endowment fund income in comparison to amount appropriated for operations	86,011	3,449,101	3,535,112
Change in value of trusts	-	10,139	10,139
PPP loan forgiveness income	<u>1,887,100</u>	<u>-</u>	<u>1,887,100</u>
INCREASE IN NET ASSETS	628,061	4,057,854	4,685,915
NET ASSETS, BEGINNING OF YEAR	<u>3,010,735</u>	<u>19,909,526</u>	<u>22,920,261</u>
NET ASSETS, END OF YEAR	<u>\$ 3,638,796</u>	<u>\$ 23,967,380</u>	<u>\$ 27,606,176</u>

See notes to financial statements.

**COALITION FOR CHRISTIAN OUTREACH**

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022			
	Program Services	Administration	Development	Total
Salaries and payroll taxes	\$ 7,228,626	\$ 733,623	\$ 514,762	\$ 8,477,011
Benefits	1,138,215	145,949	86,230	1,370,394
Field ministry expenses	430,326	-	-	430,326
Training and recruitment	140,151	-	-	140,151
Communication	52,228	-	-	52,228
Telephone	12,254	16,423	4,710	33,387
Special event and appeal expenses	-	-	143,639	143,639
Building maintenance	7,269	9,332	4,445	21,046
Utilities	9,368	11,474	5,465	26,307
Insurance	30,072	38,604	18,387	87,063
Professional services	66,479	242,638	24,053	333,170
Office expenses	22,928	59,898	10,645	93,471
Travel, lodging and meals	109,219	26,129	31,113	166,461
Depreciation	38,385	20,484	9,756	68,625
Conference expenses	81,302	-	-	81,302
Summer opportunities and trips	166,362	-	-	166,362
Information technology	46,614	69,008	56,899	172,521
Miscellaneous	6,570	15,278	179	22,027
Total expenses	<u>\$ 9,586,368</u>	<u>\$ 1,388,840</u>	<u>\$ 910,283</u>	<u>\$ 11,885,491</u>
Percentage	<u>80.7%</u>	<u>11.6%</u>	<u>7.7%</u>	<u>100.0%</u>
	2021			
	Program Services	Administration	Development	Total
Salaries and payroll taxes	\$ 7,724,149	\$ 734,279	\$ 595,272	\$ 9,053,700
Benefits	1,499,415	170,833	121,295	1,791,543
Field ministry expenses	366,858	14,103	14,103	395,064
Training and recruitment	166,738	-	-	166,738
Communication	78,112	-	-	78,112
Telephone	13,814	15,835	5,085	34,734
Special event and appeal expenses	-	-	139,079	139,079
Building maintenance	7,004	7,940	5,098	20,042
Utilities	8,862	9,545	6,167	24,574
Insurance	29,396	32,990	21,314	83,700
Professional services	176,322	324,768	35,584	536,674
Office expenses	25,687	63,190	15,386	104,263
Travel, lodging and meals	38,571	6,887	7,086	52,544
Depreciation	36,024	18,714	12,091	66,829
Conference expenses	60,724	-	-	60,724
Summer opportunities and trips	108,378	-	-	108,378
Information technology	52,732	58,228	57,618	168,578
Miscellaneous	243,441	9,329	855	253,625
Total expenses	<u>\$ 10,636,227</u>	<u>\$ 1,466,641</u>	<u>\$ 1,036,033</u>	<u>\$ 13,138,901</u>
Percentage	<u>81.0%</u>	<u>11.1%</u>	<u>7.9%</u>	<u>100.0%</u>
See notes to financial statements.				



**COALITION FOR CHRISTIAN OUTREACH****STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions	\$ 8,708,939	\$ 8,507,673
Contributions to comprehensive campaign	-	794,739
Cash from partners for staff services	1,694,968	1,899,088
Cash from program registrations	270,044	311,671
Cash from fundraising events	396,916	291,079
Interest and dividends received	540,414	373,422
Cash received from stop loss insurance	-	133,744
Miscellaneous receipts	16,468	9,306
Payments to employees	(8,424,545)	(8,251,881)
Payments to vendors for employee benefits	(1,426,477)	(1,886,571)
Payments to other vendors	<u>(2,159,552)</u>	<u>(2,740,277)</u>
Net cash used in operating activities	<u>(382,825)</u>	<u>(558,007)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(2,330,926)	(3,808,813)
Proceeds from sales and maturities of investments	2,447,960	4,136,662
Purchase of property and equipment	<u>(28,617)</u>	<u>(21,694)</u>
Net cash provided by investing activities	<u>88,417</u>	<u>306,155</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions to endowment fund	<u>114,783</u>	<u>50,000</u>
Net cash provided by financing activities	<u>114,783</u>	<u>50,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(179,625)	(201,852)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,521,637</u>	<u>6,723,489</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,342,012</u>	<u>\$ 6,521,637</u>

**SUPPLEMENTAL DISCLOSURE OF NON-CASH  
FINANCING ACTIVITIES:**

During the year ended August 31, 2021, the PPP loan of \$1,887,100 was forgiven (see Note 12).

See notes to financial statements.

## COALITION FOR CHRISTIAN OUTREACH

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

*Organization:* The CCO (Coalition for Christian Outreach) is an interdenominational campus ministry organization whose mission is "transforming college students to transform the world." The CCO is supported primarily through donor contributions and payments received for staff services from partnering organizations.

The CCO's vision is to see a generation of college students transformed by the power of Jesus Christ and His Gospel, in partnership with the local church, reaching the world for the glory of God.

The CCO calls college students to serve Jesus Christ with their entire lives by:

1. Sharing the Gospel with students and developing passionate disciples of Jesus Christ.
2. Serving together with the Church and inviting students into the lives of local congregations.
3. Giving students a vision for serving Jesus Christ in their studies, jobs, communities, and families.

Because the CCO partners with local churches, colleges, and organizations, staff people are fully available to students on a particular campus. They introduce college students to the Gospel message and equip them to be leaders. Experience has shown that when students are given opportunities to lead and to invest in others while in college, they are better equipped to translate their learning into their various roles after they graduate.

Here are some of the unique ways CCO campus ministry staff minister to students:

- Studying the Scriptures with students and showing them how to lead Bible studies with others.
- Taking students to church and inviting them to get involved in local congregations.
- Teaching students how to take their Christian faith and live it out in the way they study, listen to music, engage on social media, and interact with their friends and family.

- Introducing students to the Gospel of Jesus Christ and equipping students to share their faith with others.
- Inviting students to participate in creative opportunities for transformation, including adventure, service, and travel experiences and summer leadership projects, where they deepen their faith and hone leadership skills.
- Certain campus ministry staff focus their outreach to student athletes, helping them to balance the challenges of academics, athletics, faith development, and a healthy social life.
- Certain campus ministry staff focus on reaching out to international students, and all campus ministry staff minister to students across racial and ethnic barriers.
- The annual Jubilee conference encourages students to dream about how their gifts might be used and developed to serve God and others.

CCO management coordinated approximately 260 full-time, part-time, and volunteer staff serving on approximately 120 college campuses for the years ended August 31, 2022 and 2021. The majority of CCO staff are responsible for soliciting contributions to the CCO on their behalf to cover a portion of their compensation packages as well as certain expenses of their individual ministries.

*Financial Statement Presentation* - U.S. GAAP requires presentation of financial position and activities into two categories based on the existence or absence of donor restrictions. Information presented by management for the two categories is as follows:

- Without Donor Restrictions - For the CCO, this category includes financial information regarding activities that principally consist of contributions without donor restrictions and revenue for services and related expenses associated with program and supporting services. In addition, activity includes certain investment income, including endowment fund income appropriated for operations, and net assets released from restrictions.
- With Donor Restrictions - Items that affect this category are contributions with donor-imposed restrictions that have not been met in the year of receipt. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently, including contributions and pledges wherein donors stipulate that the

corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for donor-specified purposes. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted contributions, are reported as net assets released from restrictions.

Further, activities of the CCO are separated into operating and nonoperating categories in the statements of activities. Operating activities include contributions and revenues and expenses associated with the program mission and supporting functions. Additionally, endowment fund income appropriated for operations is included in operations. Nonoperating activities principally reflect investment activity (except for designation of certain amounts to operations) and the change in value of a trust.

*Use of Estimates* - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Tax Status* - The CCO has been classified as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for federal income tax is not required.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken and has concluded that there are no uncertain tax positions that would require recognition of a liability or disclosure in the financial statements. The CCO believes that it is no longer subject to income tax examinations for years prior to August 31, 2019.

*Contributions* - Contributions are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any stipulations imposed by the donor.

Contributed securities are recorded at their fair value on the date received and are liquidated as soon as is practicable.

Donated items are recorded as contributions at their estimated fair value at the date of receipt.

*Revenue Recognition* - The CCO's most significant source of revenue is from staff services, which is recognized based on agreements with partner organizations. The CCO typically receives staff services payments on a monthly basis. Advance payments are classified as deferred revenue on the statements of financial position and are recognized in the next fiscal year.

Revenue from the Jubilee Conference, which includes registration fees and sponsorships, as well as exhibitor fees, is recognized at the time of the event based on established rates. The majority of fees and sponsorships are received in advance of the conference.

Revenue associated with summer opportunities and trips is recognized at the completion of the particular experience. Payment for the summer opportunities and trips generally occurs in advance.

*Functional Allocation of Expenses* - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses directly attributable to a specific functional area are charged directly to that program or supporting service category. Expenses attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. Expenses related to compensation and benefits are allocated on the basis of estimates of time and effort. Expenses related to occupancy, depreciation, organizational insurance, and information technology are allocated on a square footage basis.

*Cash and Cash Equivalents* - The CCO considers all highly liquid investments with original maturities of less than three months to be cash equivalents. Cash equivalents of \$5,737,502 and \$6,161,457 were held in money market funds at August 31, 2022 and 2021, respectively. The cash and cash equivalents at financial institutions may at times exceed federally insured limits and may at times exceed statements of financial position amounts due to outstanding checks. The CCO has placed its cash and cash equivalents with high quality financial institutions and does not believe it is exposed to significant credit risk.

As of August 31, 2022 and 2021, \$3,252,201 and \$3,324,562, respectively, of cash and cash equivalents is restricted for individual and campus ministry programs, special projects and other purposes (see Note 7).

*Contributions and Intentions to Give* - Contributions receivable includes gifts that the CCO expects to fully collect in the subsequent year. Accordingly, there is no allowance related to these receivables nor is there a present value discount. Because of the inherent uncertainties in estimating contributions receivable, it is at least reasonably possible that the estimates will change within the near term.

The CCO also receives communications regarding intentions to give from prospective donors. As these expressions of intent are revocable and unenforceable, they are not recognized in the accompanying financial statements.

*Investments* - Investments are recorded at fair value. Realized gains and losses, unrealized appreciation (depreciation), and interest and dividends are reflected in the statements of activities. Realized gains (losses) are determined based on cost, using the specific identification method.

*Property and Equipment* - Property and equipment are recorded at cost as of the date of acquisition less accumulated depreciation. The CCO capitalizes all property and equipment that costs in excess of \$500. Depreciation is provided on the straight-line method based on estimated useful lives which range from two to thirty-nine years. Maintenance and repairs are charged to expense as incurred. The cost of property sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in the statements of activities.

*Beneficial Interest in Charitable Remainder Trust* - The CCO has a remainder interest in a charitable remainder trust. Under this arrangement, the donor deposited funds with a third-party trustee. The income beneficiary receives distributions of a fixed percentage of the fair value of the trust over their lifetime, with the CCO receiving all or a share of the remainder upon the death of the income beneficiary.

*Fair Value Measurements* - Fair value is an estimate of the price the CCO would receive upon selling a financial asset in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-level valuation hierarchy for measurement and disclosure of fair value that is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

- Level 1 - quoted prices in active markets for identical financial assets or liabilities
- Level 2 - other significant observable inputs (quoted prices for similar financial assets or liabilities in active markets, quoted prices for identical or similar financial assets or liabilities in inactive markets, observable market data by correlation or other means)
- Level 3 - significant unobservable inputs (including the CCO's own assumptions in determining the fair value)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Subsequent Events* - The CCO has evaluated subsequent events through January 9, 2023, the date which the financial statements were available to be issued.

## 2. LIQUIDITY AND AVAILABILITY OF ASSETS

Financial assets and liquidity resources available within one year are as follows as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 3,089,811	\$ 3,197,075
Contributions receivable	623,045	91,276
Estimated endowment funds available under spending rule	<u>716,000</u>	<u>673,000</u>
Total financial assets available within one year	<u>4,428,856</u>	<u>3,961,351</u>
Liquidity resources:		
Availability under line of credit (See Note 6)	250,000	250,000
Board designated quasi-endowment	<u>579,388</u>	<u>673,712</u>
Total liquidity resources	<u>829,388</u>	<u>923,712</u>
Total financial assets and liquidity resources available within one year	<u>\$ 5,258,244</u>	<u>\$ 4,885,063</u>

The CCO structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is invested in money market funds, which are considered to be cash equivalents under the CCO's policy on cash and cash equivalents.

Although the CCO does not intend to spend more of the quasi-endowment than the board-approved amount designated for current operations, funds could be made available if necessary.

## 3. FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value.

*Money market, fixed income mutual, equity mutual, exchange traded equity and alternative investment mutual funds:* Valued at the price of one fund share, which is calculated by dividing the fund's underlying assets and liabilities by the total number of shares held by the fund at year-end. Factors considered in valuing the underlying assets and liabilities include quoted prices in active markets, as well as other significant observable inputs (level 1 inputs).

*Equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded (level 1 inputs).

*Beneficial interests in charitable remainder trust:* Valued at the net market value of underlying assets and liabilities reported in the active market on which the respective assets or liabilities are traded, as adjusted for the income rights of the beneficiaries and actuarial

assumptions for life expectancies, investment return and discount rates. An investment return rate of 7% and discount rates of 2% to 4% were used for the years ended August 31, 2022 and 2021 (level 3 inputs).

During the year ended August 31, 2021, beneficiaries of two of the charitable remainder trusts passed away and, accordingly, the CCO recorded contributions receivable for the estimated amounts to be received. Activity for the beneficial interests in charitable remainder trusts is as follows for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 150,178	\$ 231,315
Increase (decrease) in value	(5,367)	10,139
Reclassification to contributions receivable	<u>-</u>	<u>(91,276)</u>
Balance, end of year	<u>\$ 144,811</u>	<u>\$ 150,178</u>

The methods described above for determining the fair value using significant inputs may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the CCO believes its valuation methods and assumptions are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting dates.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land and buildings	\$ 892,998	\$ 889,771
Office equipment	299,324	290,533
Vehicles	83,626	83,626
Camping equipment	<u>113,347</u>	<u>96,747</u>
Total	1,389,295	1,360,677
Accumulated depreciation	<u>(1,174,505)</u>	<u>(1,105,879)</u>
Property and equipment, net	<u>\$ 214,790</u>	<u>\$ 254,798</u>



## 5. INVESTMENTS

Investments in the endowment fund consisted of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 385,516	\$ 146,001
Fixed income mutual funds	2,481,599	2,943,433
Equity securities	3,043,064	3,853,064
Exchange traded equity funds	5,266,439	6,998,382
Equity mutual funds	4,472,124	5,582,195
Alternative investment mutual funds	<u>1,626,007</u>	<u>1,552,001</u>
Total	<u>\$ 17,274,749</u>	<u>\$ 21,075,076</u>

The investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Accordingly, it is reasonably possible that changes in the values of the CCO's investments could occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

## 6. LINE OF CREDIT

The CCO has a line of credit agreement with PNC Bank, N.A., which provides for maximum borrowings of \$250,000 with interest at the prime rate. There were no outstanding borrowings at August 31, 2022 or 2021. The line of credit has a maturity date of July 5, 2023; however, the CCO expects that the line of credit will be renewed annually in the ordinary course of business.

## 7. NET ASSETS WITH DONOR RESTRICTIONS

The CCO's net assets with donor restrictions consisted of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose:		
Endowment funds	\$ 5,196,731	\$ 9,017,517
Individual and campus ministry programs	2,577,518	2,809,227
Special projects	551,363	462,140
Other	<u>123,320</u>	<u>53,195</u>
Total	<u>8,448,932</u>	<u>12,342,079</u>

To be maintained in perpetuity:		
Endowment funds	\$ 11,498,630	\$ 11,383,847
Contribution receivable	-	91,276
Beneficial interest in charitable remainder trust	<u>144,811</u>	<u>150,178</u>
Total	<u>11,643,441</u>	<u>11,625,301</u>
Total net assets with donor restrictions	<u>\$ 20,092,373</u>	<u>\$ 23,967,380</u>

## 8. ENDOWMENT

The CCO's endowment consists of donor-restricted as well as board-designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Investment Committee of the Board has adopted an Investment and Distribution Policy that complies with the Commonwealth of Pennsylvania's Act 141 (Act 141) as permitting utilization of a total return policy that allows a nonprofit to establish a spending policy between 2% and 7% of the average market value of the endowment investments for operations. However, the long-term preservation of the investments must be taken into consideration when the Board elects the percentage.

In accordance with Act 141, the Board approved distributions of 4.5% of the three-year moving average market value of the endowment fund to be transferred to operating funds for the years ended August 31, 2022 and 2021, less the amount of the investment management fees. These funds are transferred to operating funds on a monthly basis. The amount transferred is reflected in operations and is used in accordance with donor stipulations. The difference between net endowment fund investment income or loss and amounts appropriated for operations is reflected in the nonoperating section of the statements of activities and are allocated between net assets with or without donor restrictions according to the original value of the Board-designated funds and contributions to be maintained in perpetuity, respectively.

### *Return Objectives and Risk Parameters*

The Investment Committee of the Board has adopted an Investment and Distribution Policy for endowment designated assets that attempts to provide a relatively predictable and growing stream of annual distributions in support of the CCO while preserving the long-term, real purchasing power of assets. Concurrently, the policies are structured to ensure compliance with the Commonwealth of Pennsylvania state law. An additional purpose of the fund is to provide a source of funds for a time when the CCO may face a financial emergency, subject to any funds being utilized in such a manner which are consistent with donor restrictions.

The following schedules represent the change in donor-restricted and board-designated endowment funds by net asset type for the years ended August 31, 2022 and 2021:

	Without Donor	With Donor Restrictions		Total
	Restrictions	For a Specified	Maintained in	
	Board	Purpose	Perpetuity	
	Designated			
Balance, 9/1/2020	\$ 587,703	\$ 5,568,413	\$ 11,333,847	\$ 17,489,963
Investment return:				
Dividends and interest	9,077	364,004	-	373,081
Net appreciation (realized and unrealized)	95,203	3,817,759	-	3,912,962
Investment management expenses	(1,979)	(79,345)	-	(81,324)
Net investment return	102,301	4,102,418	-	4,204,719
Additions	-	-	50,000	50,000
Appropriated for current operations	(16,292)	(653,314)	-	(669,606)
Balance, 8/31/2021	673,712	9,017,517	11,383,847	21,075,076
Investment return:				
Dividends and interest	12,392	501,976	-	514,368
Net depreciation (realized and unrealized)	(88,739)	(3,594,554)	-	(3,683,293)
Investment management expenses	(1,992)	(80,717)	-	(82,709)
Net investment return	(78,339)	(3,173,295)	-	(3,251,634)
Additions	-	-	114,783	114,783
Appropriated for current operations	(15,985)	(647,491)	-	(663,476)
Balance, 8/31/2022	\$ 579,388	\$ 5,196,731	\$ 11,498,630	\$ 17,274,749

The endowment fund includes a contribution to be maintained in perpetuity of \$1,000,000 that is specifically identified for one institution's ministry. The Board adopted a resolution accepting the gift, with the agreement that if the CCO should cease to exist, the original gift along with accumulated unspent gains, which were \$552,059 and \$906,127 at August 31, 2022 and 2021, respectively, would be distributed to the institution for the purpose of endowing student athletic scholarships. Distributions of investment gains under the spending rule support the specified institution's campus ministry.

**9. STAFF SERVICES**

The CCO partners with churches, colleges, and other organizations to provide staff members for various positions. Agreements typically last one year and are renewable annually by mutual agreement of the CCO and the organization. Revenue from staff services was comprised of the following for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Churches	\$ 1,431,085	\$ 1,615,367
Colleges	194,804	154,179
Other	<u>93,473</u>	<u>108,267</u>
Total	<u>\$ 1,719,362</u>	<u>\$ 1,877,813</u>

**10. RETIREMENT PLAN**

The CCO maintains a defined contribution 401(k) plan covering all employees who meet certain service and age requirements. Employees may contribute a fixed amount or percentage of their gross compensation to the plan.

After year end, the Board reviews the participation in the plan and elects a discretionary match on those contributions. The match was 40% of eligible employee contributions to the plan and amounted to \$129,542 and \$127,599 for the years ended August 31, 2022 and 2021, respectively.

**11. HEALTH BENEFITS**

The CCO maintained a self-funded health and welfare benefit plan, which provided medical, dental and vision coverage for the majority of its employees for the year ended August 31, 2022. Employees covered by the health and welfare plan had access to the provider's network, discounts on the price of services and drugs, case management, and claims processing. Stop loss policies, which provide coverage above predetermined limits, are in place as follows: a) \$70,000 per individual employee for 2022, and b) \$889,269 in total aggregate medical claims for 2022. Reimbursements covered by the individual employee maximum are reduced by an Aggregate Specific Loss Fund of \$25,000. Fees and claims are expensed as incurred. Total expenses under the plan were approximately \$1,132,000 for the year ended August 31, 2022, including approximately \$368,000 for plan administrative services and stop loss premiums.

For the year ended August 31, 2021, the CCO was fully insured for medical coverage by an insurance company. Dental and vision benefits were self-funded for the year ended August 31, 2021.

## **12. PAYCHECK PROTECTION PROGRAM**

Due to the uncertainty surrounding the COVID-19 pandemic, the CCO applied for and, in April 2020, was awarded a loan under the Paycheck Protection Program ("PPP"). The outstanding amount of the unsecured loan was \$1,887,100 at August 31, 2020. The CCO's policy was to classify the loan as a financial liability until the CCO was legally released from the obligation by the Small Business Administration ("SBA"), which occurred on June 8, 2021. Therefore, the CCO reflected loan forgiveness income of \$1,887,100 for the year ended August 31, 2021.

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