



GROSSMAN YANAK & FORD LLP
Certified Public Accountants and Consultants

CCO



COALITION FOR CHRISTIAN OUTREACH

**Financial Statements as of and for the Years Ended
August 31, 2023 and 2022 and Independent Auditors' Report**

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, 2023 and 2022, 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, 2023 and 2022, 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 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 Yanak & Ford LLP

Pittsburgh, Pennsylvania
January 8, 2024

COALITION FOR CHRISTIAN OUTREACH**STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022**

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 6,130,688 | \$ 6,342,012 |
| Other receivable | 289,848 | - |
| Contributions receivable | - | 623,045 |
| Prepaid expenses and other assets | <u>54,864</u> | <u>96,764</u> |
| Total current assets | 6,475,400 | 7,061,821 |
| Property and equipment, net | 258,494 | 214,790 |
| Investments - endowment | 18,257,699 | 17,274,749 |
| Beneficial interest in charitable remainder trust | <u>115,741</u> | <u>144,811</u> |
| TOTAL | <u>\$ 25,107,334</u> | <u>\$ 24,696,171</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES: | | |
| Accrued retirement plan contribution | \$ 135,107 | \$ 129,542 |
| Accrued expenses and other liabilities | 319,768 | 254,682 |
| Deferred revenue | <u>42,893</u> | <u>17,233</u> |
| Total current liabilities | <u>497,768</u> | <u>401,457</u> |
| NET ASSETS: | | |
| Without donor restrictions: | | |
| Undesignated | 3,017,520 | 3,622,953 |
| Board designated - endowment | <u>599,936</u> | <u>579,388</u> |
| Total net assets without donor restrictions | 3,617,456 | 4,202,341 |
| With donor restrictions | <u>20,992,110</u> | <u>20,092,373</u> |
| Total net assets | <u>24,609,566</u> | <u>24,294,714</u> |
| TOTAL | <u>\$ 25,107,334</u> | <u>\$ 24,696,171</u> |

See notes to financial statements.

COALITION FOR CHRISTIAN OUTREACH**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| REVENUE AND SUPPORT: | | | |
| Contributions | \$ 1,771,714 | \$ 7,227,311 | \$ 8,999,025 |
| Revenue: | | | |
| Staff services | 1,706,265 | - | 1,706,265 |
| Conference, including sponsorships | 333,950 | - | 333,950 |
| Summer opportunities and trips | 290,681 | - | 290,681 |
| Endowment fund income | | | |
| appropriated for operations | 740,591 | - | 740,591 |
| Interest income | 236,552 | - | 236,552 |
| Miscellaneous income | <u>109,205</u> | <u>-</u> | <u>109,205</u> |
| Total | 5,188,958 | 7,227,311 | 12,416,269 |
| Net assets released from restrictions | <u>7,130,904</u> | <u>(7,130,904)</u> | <u>-</u> |
| Total revenue and support | <u>12,319,862</u> | <u>96,407</u> | <u>12,416,269</u> |
| EXPENSES: | | | |
| Program services | <u>10,489,336</u> | <u>-</u> | <u>10,489,336</u> |
| Supporting services | | | |
| Administration | 1,449,674 | - | 1,449,674 |
| Development | <u>986,287</u> | <u>-</u> | <u>986,287</u> |
| Total supporting services | <u>2,435,961</u> | <u>-</u> | <u>2,435,961</u> |
| Total expenses | <u>12,925,297</u> | <u>-</u> | <u>12,925,297</u> |
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES | (605,435) | 96,407 | (509,028) |
| NONOPERATING: | | | |
| Excess of net endowment fund income in comparison to amount appropriated for operations | 20,550 | 832,400 | 852,950 |
| Change in value of trust | <u>-</u> | <u>(29,070)</u> | <u>(29,070)</u> |
| INCREASE (DECREASE) IN NET ASSETS | (584,885) | 899,737 | 314,852 |
| NET ASSETS, BEGINNING OF YEAR | <u>4,202,341</u> | <u>20,092,373</u> | <u>24,294,714</u> |
| NET ASSETS, END OF YEAR | <u>\$ 3,617,456</u> | <u>\$ 20,992,110</u> | <u>\$ 24,609,566</u> |

See notes to financial statements.

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 | 79,126 | - | 79,126 |
| Total | 5,613,296 | 6,881,210 | 12,494,506 |
| Net assets released from restrictions | 6,930,064 | (6,930,064) | - |
| Total revenue and support | 12,543,360 | (48,854) | 12,494,506 |
| EXPENSES: | | | |
| Program services | 9,586,368 | - | 9,586,368 |
| Supporting services | | | |
| Administration | 1,388,840 | - | 1,388,840 |
| Development | 910,283 | - | 910,283 |
| Total supporting services | 2,299,123 | - | 2,299,123 |
| Total expenses | 11,885,491 | - | 11,885,491 |
| 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 trusts | - | (5,367) | (5,367) |
| INCREASE (DECREASE) IN NET ASSETS | 563,545 | (3,875,007) | (3,311,462) |
| NET ASSETS, BEGINNING OF YEAR | 3,638,796 | 23,967,380 | 27,606,176 |
| NET ASSETS, END OF YEAR | \$ 4,202,341 | \$ 20,092,373 | \$ 24,294,714 |

See notes to financial statements.

COALITION FOR CHRISTIAN OUTREACH**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2023 | | | |
|-----------------------------------|----------------------|---------------------|-------------------|----------------------|
| | Program Services | Administration | Development | Total |
| Salaries and payroll taxes | \$ 7,439,079 | \$ 742,582 | \$ 471,922 | \$ 8,653,583 |
| Benefits | 1,358,099 | 174,565 | 84,099 | 1,616,763 |
| Field ministry expenses | 423,493 | - | - | 423,493 |
| Training and recruitment | 146,704 | - | - | 146,704 |
| Communication | 56,026 | - | - | 56,026 |
| Telephone | 19,240 | 21,439 | 5,365 | 46,044 |
| Special event and appeal expenses | - | - | 251,052 | 251,052 |
| Building maintenance | 5,231 | 8,459 | 3,635 | 17,325 |
| Utilities | 8,505 | 12,797 | 5,655 | 26,957 |
| Insurance | 27,716 | 43,577 | 19,257 | 90,550 |
| Professional services | 51,937 | 224,349 | 4,185 | 280,471 |
| Office expenses | 36,987 | 61,349 | 16,929 | 115,265 |
| Travel, lodging and meals | 160,563 | 40,700 | 60,328 | 261,591 |
| Depreciation | 41,692 | 22,543 | 9,962 | 74,197 |
| Conference expenses | 354,302 | - | - | 354,302 |
| Summer opportunities and trips | 316,066 | - | - | 316,066 |
| Information technology | 40,917 | 77,025 | 53,697 | 171,639 |
| Miscellaneous | 2,779 | 20,289 | 201 | 23,269 |
| Total expenses | <u>\$ 10,489,336</u> | <u>\$ 1,449,674</u> | <u>\$ 986,287</u> | <u>\$ 12,925,297</u> |
| Percentage | <u>81.2%</u> | <u>11.2%</u> | <u>7.6%</u> | <u>100.0%</u> |
| | 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> |

See notes to financial statements.

COALITION FOR CHRISTIAN OUTREACH**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Contributions | \$ 9,116,560 | \$ 8,708,939 |
| Cash from partners for staff services | 1,731,125 | 1,694,968 |
| Cash from program registrations | 665,089 | 270,044 |
| Cash from fundraising events | 376,212 | 396,916 |
| Interest and dividends received | 666,432 | 540,414 |
| Miscellaneous receipts | 25,560 | 16,468 |
| Payments to employees | (8,368,882) | (8,424,545) |
| Payments to vendors for employee benefits | (1,877,644) | (1,426,477) |
| Payments to other vendors | <u>(2,812,102)</u> | <u>(2,159,552)</u> |
| Net cash used in operating activities | <u>(477,650)</u> | <u>(382,825)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (10,056,454) | (2,330,926) |
| Proceeds from sales and maturities of investments | 10,310,920 | 2,447,960 |
| Purchase of property and equipment | <u>(118,140)</u> | <u>(28,617)</u> |
| Net cash provided by investing activities | <u>136,326</u> | <u>88,417</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Contributions to endowment fund | <u>130,000</u> | <u>114,783</u> |
| Net cash provided by financing activities | <u>130,000</u> | <u>114,783</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (211,324) | (179,625) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>6,342,012</u> | <u>6,521,637</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 6,130,688</u> | <u>\$ 6,342,012</u> |

See notes to financial statements.

COALITION FOR CHRISTIAN OUTREACH

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

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 220 and 260 full-time, part-time, and volunteer staff serving on approximately 100 and 120 college campuses for the years ended August 31, 2023 and 2022, respectively. 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 charitable remainder 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, 2020.

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 \$5,423,879 and \$5,737,502 were held in money market funds at August 31, 2023 and 2022, 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, 2023 and 2022, \$3,218,606 and \$3,252,201, 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 is the beneficiary of 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 8, 2024, 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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,912,082 | \$ 3,089,811 |
| Other receivable | 289,848 | - |
| Contributions receivable | - | 623,045 |
| Estimated endowment funds available under spending rule | <u>745,000</u> | <u>716,000</u> |
| Total financial assets available within one year | <u>3,946,930</u> | <u>4,428,856</u> |
| Liquidity resources: | | |
| Availability under line of credit (See Note 6) | 250,000 | 250,000 |
| Board designated quasi-endowment | <u>599,936</u> | <u>579,388</u> |
| Total liquidity resources | <u>849,936</u> | <u>829,388</u> |
| Total financial assets and liquidity resources available within one year | <u>\$ 4,796,866</u> | <u>\$ 5,258,244</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 the quasi-endowment, these 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 interest 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 beneficiary and actuarial assumptions for life expectancies, investment return and discount rates. An investment return rate of 7% and a discount rate of 4% was used for the years ended August 31, 2023 and 2022 (level 3 inputs).

Activity for the beneficial interest in the charitable remainder trust is as follows for the years ended August 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 144,811 | \$ 150,178 |
| Decrease in value | <u>(29,070)</u> | <u>(5,367)</u> |
| Balance, end of year | <u>\$ 115,741</u> | <u>\$ 144,811</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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|--------------------|--------------------|
| Land and buildings | \$ 896,222 | \$ 892,998 |
| Office equipment | 267,304 | 299,324 |
| Vehicles | 96,830 | 83,626 |
| Camping equipment | <u>113,347</u> | <u>113,347</u> |
| Total | 1,373,703 | 1,389,295 |
| Accumulated depreciation | <u>(1,115,209)</u> | <u>(1,174,505)</u> |
| Property and equipment, net | <u>\$ 258,494</u> | <u>\$ 214,790</u> |

5. INVESTMENTS

Investments in the endowment fund consisted of the following at August 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|----------------------|----------------------|
| Money market funds | \$ 530,152 | \$ 385,516 |
| Fixed income mutual funds | 2,153,497 | 2,481,599 |
| Equity securities | 2,218,975 | 3,043,064 |
| Exchange traded equity funds | 3,164,697 | 5,266,439 |
| Equity mutual funds | 8,348,692 | 4,472,124 |
| Alternative investment mutual funds | <u>1,841,686</u> | <u>1,626,007</u> |
| Total | <u>\$ 18,257,699</u> | <u>\$ 17,274,749</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, 2023 or 2022. The line of credit has a maturity date of July 5, 2024; 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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Subject to expenditure for a specified purpose: | | |
| Endowment funds | \$ 6,029,133 | \$ 5,196,731 |
| Individual and campus ministry programs | 2,176,352 | 2,577,518 |
| Special projects | 952,258 | 551,363 |
| Other | <u>89,996</u> | <u>123,320</u> |
| Total | <u>9,247,739</u> | <u>8,448,932</u> |

| | | |
|---|----------------------|----------------------|
| To be maintained in perpetuity: | | |
| Endowment funds | \$ 11,628,630 | \$ 11,498,630 |
| Beneficial interest in charitable remainder trust | <u>115,741</u> | <u>144,811</u> |
| Total | <u>11,744,371</u> | <u>11,643,441</u> |
| Total net assets with donor restrictions | <u>\$ 20,992,110</u> | <u>\$ 20,092,373</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 Finance 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, 2023 and 2022, 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 and Distribution Policy for endowment designated assets 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. 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, 2023 and 2022:

| | Without Donor Restrictions | With Donor Restrictions | | |
|--|-------------------------------|----------------------------|-----------------------------|---------------|
| | Board Designated | For a Specified Purpose | Maintained in Perpetuity | Total |
| Balance, 9/1/2021 | \$ 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) |
| Contributions | - | - | 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 |
| Investment return: | | | | |
| Dividends and interest | 10,356 | 419,524 | - | 429,880 |
| Net appreciation (realized and unrealized) | 29,812 | 1,207,604 | - | 1,237,416 |
| Investment management expenses | (1,777) | (71,978) | - | (73,755) |
| Net investment return | 38,391 | 1,555,150 | - | 1,593,541 |
| Contributions | - | - | 130,000 | 130,000 |
| Appropriated for current operations | (17,843) | (722,748) | - | (740,591) |
| Balance, 8/31/2023 | \$ 599,936 | \$ 6,029,133 | \$ 11,628,630 | \$ 18,257,699 |

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 \$627,366 and \$552,059 at August 31, 2023 and 2022, 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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|----------|---------------------|---------------------|
| Churches | \$ 1,430,781 | \$ 1,431,085 |
| Colleges | 191,674 | 194,804 |
| Other | <u>83,810</u> | <u>93,473</u> |
| Total | <u>\$ 1,706,265</u> | <u>\$ 1,719,362</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 \$135,107 and \$129,542 for the years ended August 31, 2023 and 2022, 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 years ended August 31, 2023 and 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, and b) \$951,331 and \$889,269 in total aggregate medical claims for 2023 and 2022, respectively. 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 \$1,470,000 and \$1,221,000 for the years ended August 31, 2023 and 2022, respectively. Expenses included approximately \$390,000 and \$368,000 for plan administrative services and stop loss premiums for the years ended August 31, 2023 and 2022, respectively. Stop loss reimbursements of approximately \$381,000 served to reduce expenses for the year ended August 31, 2023, of which \$289,848 is reflected as an other receivable at August 31, 2023.

As of August 1, 2023, the CCO established The Coalition for Christian Outreach Health Benefit Trust to hold assets to provide health care under the health and welfare benefit plan beginning in September 2023.

12. CONTRACTUAL COMMITMENTS

The CCO has contracted for event space, lodging and food and beverage service for the Jubilee conferences to be held in February 2024 and 2025. The contracts include clauses for minimum revenues and license fees and also includes cancellation penalties should the conferences not take place. The maximum total liability under these clauses is approximately \$206,000. A liability related to these contracts is not reflected as the likelihood of the contract stipulations not being met is considered to be remote.
