



THE NAVIGATORS AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

August 31, 2019 and 2018

**BKD**  
CPAs & Advisors

# THE NAVIGATORS AND AFFILIATES

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## Independent Auditor's Report

Board of Directors  
The Navigators and Affiliates  
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of The Navigators and Affiliates (the Organization), which comprise the consolidated statement of financial position as of August 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors  
The Navigators and Affiliates

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement USA as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Year Audited by Other Auditors**

The 2018 consolidated financial statements, before they were reclassified for the matter discussed in Note 2, were audited by other auditors, and their report thereon, dated January 4, 2019, expressed an unmodified opinion.

**Emphasis of Matter**

As described in Note 2 to the consolidated financial statements, in 2019, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**BKD, LLP**

Colorado Springs, Colorado  
December 20, 2019

# THE NAVIGATORS AND AFFILIATES

## Consolidated Statements of Financial Position

(in thousands)

	August 31,	
	2019	2018
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 4,612	\$ 5,626
Accounts and other receivables - net	2,248	1,340
Prepaid expenses and other assets - net	875	1,038
Investments	72,425	71,352
Investment in captive insurance	2,163	2,086
Property and equipment - net	23,836	20,647
Assets held for gift annuity, trust, and endowment agreements	3,085	3,065
Total Assets	\$ 109,244	\$ 105,154
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 1,670	\$ 1,707
Accrued expenses and other liabilities	6,449	6,161
Liabilities under gift annuity and trust agreements	1,885	1,889
Total Liabilities	10,004	9,757
Net Assets:		
Without donor restrictions		
Undesignated	26,945	31,983
Gift annuity reserves	275	229
Non-controlling interest	861	873
Equity in property and equipment - net	23,601	20,647
Total net assets without donor restrictions	51,682	53,732
With donor restrictions	47,558	41,665
Total Net Assets	99,240	95,397
Total Liabilities and Net Assets	\$ 109,244	\$ 105,154

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statements of Activities

(in thousands)

	Year Ended August 31,					
	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 15,210	\$ 106,377	\$ 121,587	\$ 8,881	\$ 112,203	\$ 121,084
Conferences and camps	9,626	-	9,626	8,877	-	8,877
Royalty income	2,303	-	2,303	2,457	-	2,457
Net realized and unrealized gains	2,182	-	2,182	3,070	-	3,070
Interest and dividends	738	-	738	1,668	-	1,668
Change in value of gift annuities and trusts	(50)	4	(46)	(94)	(201)	(295)
Other income	1,064	-	1,064	1,129	-	1,129
<b>Total Support and Revenue</b>	<b>31,073</b>	<b>106,381</b>	<b>137,454</b>	<b>25,988</b>	<b>112,002</b>	<b>137,990</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	100,488	(100,488)	-	108,999	(108,999)	-
<b>EXPENSES:</b>						
Program Services						
Field ministries	84,574	-	84,574	84,646	-	84,646
Conferences and camps	10,985	-	10,985	10,094	-	10,094
Materials publication	2,188	-	2,188	2,391	-	2,391
International ministries	7,225	-	7,225	6,982	-	6,982
<b>Total Program Services</b>	<b>104,972</b>	<b>-</b>	<b>104,972</b>	<b>104,113</b>	<b>-</b>	<b>104,113</b>

(continued)

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statements of Activities (in thousands)

	Year Ended August 31,					
	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Expenses, continued:						
Supporting Activities						
General and administrative	15,274	-	15,274	13,400	-	13,400
Fundraising	13,365	-	13,365	11,841	-	11,841
Total Supporting Activities	28,639	-	28,639	25,241	-	25,241
Total Expenses	133,611	-	133,611	129,354	-	129,354
Change in Net Assets	(2,050)	5,893	3,843	5,633	3,003	8,636
Net Assets, Beginning of Year	53,732	41,665	95,397	48,099	38,662	86,761
Net Assets, End of Year	\$ 51,682	\$ 47,558	\$ 99,240	\$ 53,732	\$ 41,665	\$ 95,397

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statement of Functional Expenses

Year Ended August 31, 2019  
(in thousands)

	Program Services					Supporting Activities			Total
	Field Ministries	Conferences and Camps	Materials Publication	International Ministries	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	
Salaries and Benefits:									
Salary	\$ 54,799	\$ 4,586	\$ 359	\$ 1,930	\$ 61,674	\$ 7,173	\$ 2,753	\$ 9,926	\$ 71,600
Payroll taxes expense	916	318	25	28	1,287	427	159	586	1,873
Benefits	11,403	924	61	311	12,699	1,853	410	2,263	14,962
Total Salaries and Benefits	67,118	5,828	445	2,269	75,660	9,453	3,322	12,775	88,435
Other Operating Expenses:									
Advertising and promotion	54	75	14	-	143	8	5,426	5,434	5,577
Bank and credit card fees	73	173	2	8	256	682	2	684	940
Conference and meeting hosting	1,478	19	1	38	1,536	83	36	119	1,655
Dues, books, subscriptions	406	18	6	20	450	67	18	85	535
Employee development	659	37	1	16	713	98	49	147	860
Employee/public relations	165	9	1	7	182	32	7	39	221
Equipment	312	240	8	18	578	261	69	330	908
Facilities	330	298	-	7	635	197	4	201	836
Gifts and grants	116	-	-	3,898	4,014	35	1	36	4,050
Information technology	130	139	26	6	301	1,105	119	1,224	1,525
Insurance	581	422	4	14	1,021	326	41	367	1,388
Maintenance and repairs	-	459	-	16	475	191	-	191	666
Meals and entertainment	3,200	77	20	83	3,380	91	63	154	3,534
Office and other	1,140	1,605	7	41	2,793	212	137	349	3,142
Postage and shipping	311	10	-	19	340	426	2,138	2,564	2,904
Professional and contract services	1,254	498	15	174	1,941	994	1,516	2,510	4,451
Royalties	-	-	1,595	-	1,595	-	-	-	1,595
Supplies	431	246	3	3	683	116	77	193	876
Travel and transportation	6,807	177	37	529	7,550	309	340	649	8,199
Total Expenses before Depreciation	84,565	10,330	2,185	7,166	104,246	14,686	13,365	28,051	132,297
Depreciation expense	9	655	3	59	726	588	-	588	1,314
Total Expenses after Depreciation	\$ 84,574	\$ 10,985	\$ 2,188	\$ 7,225	\$ 104,972	\$ 15,274	\$ 13,365	\$ 28,639	\$ 133,611
Percent of Total Expenses	63.3%	8.2%	1.6%	5.4%	78.6%	11.4%	10.0%	21.4%	100%

See notes to the consolidated financial statements



## THE NAVIGATORS AND AFFILIATES

### Consolidated Statement of Functional Expenses

Year Ended August 31, 2018

(in thousands)

	Program Services					Supporting Activities			Total
	Field Ministries	Conferences and Camps	Materials Publication	International Ministries	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	
Salaries and Benefits:									
Salary	\$ 55,172	\$ 4,338	\$ 403	\$ 2,075	\$ 61,988	\$ 6,596	\$ 2,407	\$ 9,003	\$ 70,991
Payroll taxes expense	965	300	29	31	1,325	394	136	530	1,855
Benefits	9,548	735	66	276	10,625	336	303	639	11,264
Total Salaries and Benefits	65,685	5,373	498	2,382	73,938	7,326	2,846	10,172	84,110
Other Operating Expenses:									
Advertising and promotion	59	98	12	2	171	12	4,628	4,640	4,811
Bank and credit card fees	70	143	-	3	216	739	2	741	957
Conference and meeting hosting	2,106	1,565	2	100	3,773	45	345	390	4,163
Dues, books, and subscriptions	390	13	4	16	423	61	9	70	493
Employee development	563	12	2	20	597	144	46	190	787
Employee/public relations	189	7	-	4	200	43	4	47	247
Equipment	311	222	18	29	580	222	32	254	834
Facilities	394	285	-	8	687	210	3	213	900
Gifts and grants	122	-	-	3,592	3,714	19	-	19	3,733
Information technology	117	102	25	4	248	1,190	132	1,322	1,570
Insurance	542	431	16	19	1,008	341	21	362	1,370
Maintenance and repairs	-	346	-	17	363	223	1	224	587
Meals and entertainment	3,132	44	16	82	3,274	101	54	155	3,429
Office and other	1,206	114	1	51	1,372	184	69	253	1,625
Postage and shipping	300	14	1	16	331	404	2,115	2,519	2,850
Professional and contract services	1,761	232	104	141	2,238	1,212	1,280	2,492	4,730
Royalties	-	1	1,647	-	1,648	-	-	-	1,648
Supplies	433	252	4	2	691	72	47	119	810
Travel and transportation	7,253	137	38	435	7,863	241	207	448	8,311
Total Expenses before Depreciation	84,633	9,391	2,388	6,923	103,335	12,789	11,841	24,630	127,965
Depreciation expense	13	703	3	59	778	611	-	611	1,389
Total Expenses after Depreciation	\$ 84,646	\$ 10,094	\$ 2,391	\$ 6,982	\$ 104,113	\$ 13,400	\$ 11,841	\$ 25,241	\$ 129,354
Percent of Total Expenses	65.5%	7.8%	1.8%	5.4%	80.5%	10.3%	9.2%	19.5%	100%

See notes to the consolidated financial statements

# THE NAVIGATORS AND AFFILIATES

## Consolidated Statements of Cash Flows (in thousands)

	Year Ended August 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING EXPENSES</b>		
Change in net assets	\$ 3,843	\$ 8,636
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized gains	(2,182)	(3,070)
Reinvested interest and dividends	(738)	(1,418)
Changes in investment in captive insurance	(77)	(90)
Depreciation and amortization	1,314	1,389
Change in value of annuities and trusts	46	295
Change in operating assets and liabilities		
Accounts and other receivables	(908)	(42)
Prepaid expenses and other assets	163	402
Accounts payable	(272)	(30)
Accrued expenses and other liabilities	288	(487)
Net Cash Provided By Operating Activities	1,477	5,585
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	3,282	289
Purchases of investments	(1,503)	(3,168)
Proceeds from sales of investments on annuities and trusts	188	568
Purchases of property and equipment	(4,270)	(958)
Net Cash Used by Investing Activities	(2,303)	(3,269)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on annuities and trusts	(188)	(568)
Net Cash Used by Financing Activities	(188)	(568)
Net Change in Cash and Cash Equivalents	(1,014)	1,748
Cash and Cash Equivalents, Beginning of Year	\$ 5,626	\$ 3,878
Cash and Cash Equivalents, End of Year	\$ 4,612	\$ 5,626
<b>Supplemental Disclosures:</b>		
Purchases of property and equipment accrued through accounts payable	\$ 235	\$ -

See notes to the consolidated financial statements

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

### 1. NATURE OF ORGANIZATIONS:

The Navigators is a nonprofit Christian organization, unaffiliated with any denomination, that aims to serve God by helping people to have a personal relationship with Jesus Christ. The Navigators' work began in the United States in 1933. In 1949, The Navigator's first foreign missionary left to serve in China. Today, Navigator staff serve in Africa, Asia, Australia, Europe, Latin America, North and South America, and the Middle East. At home and abroad, staff work with college students, military personnel, professionals, church leaders, and a diversity of others.

The Navigators is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Navigators is also classified as a church and therefore exempt from filing Form 990, Return of Organization Exempt from Income Tax. The Navigators is however, subject to federal income tax on any unrelated business taxable income. In addition, The Navigators is not classified as a private foundation within the meaning of Section 509(a) of the IRC. The Affiliates are considered as disregarded entities and are covered under the umbrella and tax status of The Navigators.

### PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the operations of The Navigators, Cull Canyon Ranch, LLC (CCR) and nine additional LLC's. The nine additional LLC's are included in the consolidated financial statements due to The Navigators being the sole member of each LLC. The combined revenue of the nine additional LLC's is \$151,000 and \$104,000 for the years ended August 31, 2019 and 2018, respectively. The combined expenses of the nine additional LLC's is \$212,000 and \$207,000 for the years ended August 31, 2019 and 2018, respectively. Other disclosures and activities are considered immaterial to the overall consolidated financial statements. All material transactions and balances between these entities have been eliminated.

### NON-CONTROLLING INTEREST

Cull Canyon Ranch is included in the consolidated financial statements due to an ownership interest of 68.8% by The Navigators. The non-controlling interest with a fair market value of \$861,000 is reflected in the net asset section on the consolidated statements of financial position. The change in value based on current year activity related to CCR's minority interest is reflected accordingly in the net asset section on the consolidated statements of financial position.

For the year ended August 31, 2019, changes in consolidated net assets without donor restrictions attributable to the controlling financial interest of The Navigators and the non-controlling interest are (in thousands):

	<b>Total</b>	<b>Controlling Interest</b>	<b>Non-Controlling Interest</b>
Balance at September 1, 2018	\$ 2,549	\$ 1,676	\$ 873
Decrease in net assets without donor restrictions	(46)	(34)	(12)
Balance at August 31, 2019	<u>\$ 2,503</u>	<u>\$ 1,642</u>	<u>\$ 861</u>

The change in net assets with donor restrictions is attributable solely to the controlling interest.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Navigators maintains accounts and prepares the consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

#### OVERSEAS OPERATIONS

The consolidated financial statements include all activities of the U.S. Corporation of The Navigators and do not include any of the activities of foreign Navigators' corporations. The financial statements of foreign Navigators' corporations are not required to be consolidated with those of The Navigators under the requirements of the Reporting of Related Entities by Not-for-Profit

#### CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, cash and cash equivalents are considered to be all unrestricted, highly liquid investments with maturities of three months or less at the time of acquisition. These accounts at times exceed federally insured limits. As of August 31, 2019 and 2018, amounts exceeding the federally insured limits were approximately \$4,373,000 and \$5,581,000, respectively. The Navigators, however, has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk.

#### ACCOUNTS AND OTHER RECEIVABLES

Accounts receivable become past due when they exceed their contractual due date; management generally does not charge interest or late fees on past due accounts. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns from the customer, financial condition of the customer, other known facts and circumstances, and general economic conditions. Accounts receivable are written off when all methods of collection have been exhausted.

#### PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets is mostly comprised of author advances and insurance payments. Payments to authors are made prior to the book being published and are earned-off based on actual sales. The Navigators records an allowance for uncollectable author advances. Advances are written off once management has evaluated and determined they will not earn back through future sales.

#### INVESTMENTS

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investments in alternative investments are recorded at net asset value (NAV), as a practical expedient. Investments in life insurance policies are reported at the cash surrender value of the policies based on contract value. The investment in a captive insurance is valued based on The Navigators' ownership percentage in the net assets of the captive insurance. Unrealized gains or losses in fair value are recognized in the year in which they occur and are reflected on the consolidated statements of activities. Realized or unrealized gains or losses includes external investment expenses. During the year ended August 31, 2018, management engaged a financial adviser to oversee and assist with the daily activity. The financial adviser is operating under and within the investment guidelines that has been approved by the finance committee of the board of directors. The financial advisor is instrumental in making various re-balancing decisions. As such, activity related to portfolio re-balancing is excluded from investment purchases and sales as reported on the consolidated statements of cash flows.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at fair value as of the date of the gift. All vehicles, land, and buildings are capitalized. Other acquisitions of property and equipment are generally capitalized if their recorded cost is \$25,000 or more. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which are as follows:

Land improvements and buildings and improvements	10-50 years
Equipment and furnishings	3-25 years
Vehicles, intangible assets, and other	3-10 years

### LIABILITIES UNDER GIFT ANNUITY AND TRUST AGREEMENTS

#### *Gift annuity liabilities*

The Navigators has established a gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed dollar annual return during their lifetimes. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the consolidated statements of activities.

#### *Trust liabilities*

As trustee, The Navigators administers irrevocable trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. The trust liability is the actuarially determined present value of future payments to beneficiaries and is revalued annually and any surplus or deficiency is recognized as a change in value in the consolidated statements of activities. At the death of the lifetime beneficiaries, certain trusts contain provisions to distribute assets to remaindermen (other charitable organizations) in addition to The Navigators. The trust liability includes the remainder interest due other remaindermen.

### CLASSES OF NET ASSETS

*Net assets without donor restrictions* represent those net assets whose use is not restricted by donors. Included in net assets without donor restrictions are resources that are used to support current operations, property and equipment and gift annuity reserves. In addition, amounts reserved by management for specific purposes, projects and investments are included in net assets without donor restrictions.

*Net assets with donor restrictions* include the net assets provided by irrevocable charitable trusts, and donor restricted projects. Most donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the stipulated purpose for which the resource was restricted has been fulfilled or the stipulated time or event has passed.

The Navigators has \$235,000 of perpetual endowments. The Navigators has a policy consistent with the intent of the endowment agreement. The primary investment objective of endowment funds is to follow these policies that will preserve the principle value, provide predictable income, and, to the extent possible with prudence, increase the principal to offset the long-term effects of inflation. The earnings from the endowment are reclassified to net assets without donor restrictions, while the principal remains in perpetuity.

### SUPPORT AND REVENUE

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. In addition non-cash gifts are recorded as contributions at their estimated fair values at the date of donation.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities benefited.

### RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 consolidated financial statement presentation. These reclassifications related to the netting of investment purchase and sale activity on the consolidated statement of cash flows, for certain rebalance and reallocation transactions. See Note 2: Investments. These reclassifications had no effect on the change in net assets.

### CONCENTRATION OF INVESTMENT RISK

Financial instruments that potentially subject The Navigators to concentrations of investment risk consist principally of cash, marketable securities, and receivables. The Navigators places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of exposure to any one financial institution. These accounts, from time to time, may exceed federally insured limits. However, The Navigators has not experienced, and does not expect to experience, any losses on these concentrations. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit investment risk.

### INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Navigators strive to maintain liquid financial assets sufficient to cover 60 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, equity securities and other short-term and liquid investments.

The following table reflects The Navigators financial assets as of August 31, 2019 and 2018, reduced by amounts not available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions (in thousands). These amounts may include net assets with donor restrictions. The majority of The Navigators contributions represent donations from the general public, which are available to meet annual cash needs for general expenditures. The majority of these contributions and expenditures are related to staff that are classified and recognized as deputized fund-raisers. Amounts not available include certain alternative investments with redemption limitations as more fully described in note 3. There were no net assets with donor restrictions that are not expected to be released within one year.

	August 31,	
	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 4,612	\$ 5,626
Accounts and other receivables - net	2,248	1,340
Investments	72,425	71,352
Assets held for gift annuity, trust, and endowment agreements	3,085	3,065
Total financial assets at year end:	82,370	81,383
Less:		
Investments with liquidity horizons greater than one year	(3,333)	-
Net assets with donor restrictions	(47,558)	(41,665)
Assets held for gift annuity, trust, and endowment agreements	(3,085)	(3,065)
Financial assets available to meet cash needs for general expenditures within one year	\$ 28,394	\$ 36,653

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

### 3. FAIR VALUE MEASUREMENTS:

The Navigators use appropriate valuation techniques to determine fair value based on inputs available.

- The fair value of items identified as Level 1 is estimated from quotable prices in active markets for identical assets.
- The fair value of items identified as Level 2 is estimated from significant other observable inputs.
- The fair value of items identified as Level 3 is estimated from unobservable inputs.

When available, The Navigators measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets measured on a recurring basis at August 31, 2019 and 2018 are (in thousands):

	August 31,		Fair Value Measurement Level
	2019	2018	
Assets Subject to Fair Value Measurement:			
Mutual funds:			
Money Market Funds	\$ 3,464	\$ 3,675	1
<u>Fixed Income Funds</u>			
Ultra Short Term Fixed Income	3,192	2,694	1
Short Term Fixed Income	16,976	18,321	1
Intermediate Term Fixed Income	12,486	12,308	1
Long Term Fixed Income	3,983	3,815	1
Floating Rate Loans	3,397	4,763	1
<u>Balanced Funds</u>			
Large Blended Funds	578	500	1
<u>Equity Funds</u>			
Large Value Funds	-	20	1
Large Blended Funds	16,788	18,962	1
Large Growth Funds	6,670	7,810	1
Mid Value	2,797	-	1
<u>Alternative Investments</u>			
Master Limited Partnerships; subject to net asset value	3,333	-	N/A
Beneficial interest in other agreements	149	148	3
<u>Investments not subject to fair value</u>			
Real Estate; held at cost	1,112	842	N/A
Cash surrender value of life insurance	527	496	N/A
Gift annuity, trust, and endowments:			
Cash and cash equivalents	58	63	N/A
Total Investments:	<u>\$ 75,510</u>	<u>\$ 74,417</u>	
Reconciliation to Statement of Financial Position:			
Investments	72,425	71,352	
Assets for gift annuity, trust, and endowment agreements	<u>3,085</u>	<u>3,065</u>	
Total Assets subject to Fair Value	<u>\$ 75,510</u>	<u>\$ 74,417</u>	

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

### 3. FAIR VALUE MEASUREMENTS, continued:

Fair values of liabilities measured on a recurring basis at August 31, 2019 and 2018 are (in thousands):

	August 31,		Fair Value Measurement Level
	2019	2018	
Liabilities Subject to Fair Value Measurement:			
Revocable Trusts	\$ 224	\$ 229	2
Irrevocable Trusts	\$ 983	\$ 1,063	2

The core valuation techniques used in the consolidated financial statements are:

1. The fair values of fixed income securities, mutual funds, and equity securities are based on quoted prices in active markets for identical assets or liabilities.

2. The Navigator's alternative investment consists of a hedge fund. The alternative investment invests in a variety of securities including, but not limited to, foreign and domestic publicly traded equity and debt securities, foreign and domestic fixed income investments, domestic commercial and residential real estate, options, warrants, derivatives and contracts. To the extent possible, fair value is based on the last sale price for securities listed on national exchanges. For securities not listed on national exchanges, fair value is determined at the last bid or asking price depending on the long or short position of the security. Investments for which quotations are not available are valued at an estimated fair value by the fund managers using various models, comparisons and assumptions. Consideration is given to several factors, including the type of investment, risks, marketability, restrictions on disposition, quotations from other market participants and values of similar investments.

3. The level hierarchy within which the fair value measurement in its entirety falls is based on the lowest level significant input included in the measurement. Due to the nature of the valuation inputs, the revocable and irrevocable trust liabilities, in their entirety, are classified within Level 2 of the hierarchy.

Alternative investments held at December 31 consist of the following (in thousands):

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Low correlated hedge fund (A)	\$ 3,333	\$ -	Semi-annually	95 days

(A) This class includes one hedge fund with a one-year lock-up period expiring July 2020 as well as a 5% holdback on distributions until completion of the fund's independent audit.

Changes in valuation techniques: None.

### 4. INVESTMENT IN CAPTIVE INSURANCE:

The Navigators and eight other not-for-profit organizations are members of an offshore captive insurance holding company entitled Stewardship Insurance, Ltd. (SIL). There is one wholly-owned subsidiary of SIL, Stewardship Reinsurance, Ltd (SRL). During the years ended August 31, 2019 and 2018, The Navigators owed 6.2% and 6.5% of SIL, respectively. The Navigators accounts for its investments based on the equity method of accounting, due to influence and oversight of operations. The Navigators' investment in captive insurance is based on the most recent data available, which is valued at \$2,163,000 and \$2,086,000 as of August 31, 2019 and 2018, respectively.

SIL captive insures claims relating to workers' compensation, property, general liability, and auto liability. SIL reinsures the first \$1,000,000 of any claim, of that \$1,000,000 SIL pays the first \$250,000, which directly impacts the equity position of The Navigators in SIL, and SRL pays the next \$750,000 and the next \$1,000,000 is reinsured with a primary insurance carrier. The policy limits are \$2,000,000 with statutory workers' compensation benefits. Umbrella insurance coverage is purchased for claims exceeding \$2,000,000. Claim experience will be identified to each participating entity and subsequent premiums will be modified based on an entity's experience. The Navigators has paid \$865,000 and \$778,000 in premiums to the captives during the years ended August 31, 2019 and 2018, respectively.



# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

5. PROPERTY AND EQUIPMENT – NET:

Property and equipment – net consist of (in thousands):

	August 31,	
	2019	2018
Land	\$ 2,237	\$ 2,237
Works of art	304	304
Buildings and improvements	27,849	28,517
Equipment and furnishings	4,654	6,531
Vehicles	667	686
	<u>35,711</u>	<u>38,275</u>
Accumulated depreciation and amortization	(16,618)	(18,008)
	<u>19,093</u>	<u>20,267</u>
Construction in progress	4,743	380
	<u>\$ 23,836</u>	<u>\$ 20,647</u>

6. GIFT ANNUITY AND TRUST AGREEMENTS:

The assets, liabilities, and change in value are (in thousands):

	August 31,	
	2019	2018
<u>Assets:</u>		
Cash and cash equivalents	\$ 90	\$ 63
Mutual funds	2,748	2,848
Alternative investment - Master Limited Partnerships	98	6
Beneficial interest in other agreements	149	148
	<u>\$ 3,085</u>	<u>\$ 3,065</u>
<u>Liabilities:</u>		
Gift annuities	\$ 678	\$ 597
Irrevocable trusts	983	1,063
Revocable trusts	224	229
	<u>\$ 1,885</u>	<u>\$ 1,889</u>
<u>Change in value of gift annuities:</u>		
Actuarial change	\$ 22	\$ 108
Annuitant payments and administrative expenses	(72)	(202)
	<u>(50)</u>	<u>(94)</u>
<u>Change in value of trusts:</u>		
Interest and dividends	18	33
Net realized and unrealized gains	15	138
Actuarial change	87	(6)
Trustor payments and administrative expenses	(116)	(366)
	<u>4</u>	<u>(201)</u>
	<u>\$ (46)</u>	<u>\$ (295)</u>

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of (in thousands):

	August 31,	
	2019	2018
Subject to expenditure for a specified purpose		
Field Ministries	\$ 28,904	\$ 27,490
International Ministries	12,698	9,912
Conference and Camp Ministries	4,949	3,427
Building Renovation	82	-
	46,633	40,829
Subject to the passage of time		
Irrevocable Trusts, subject to both purpose and time restrictions	605	601
Beneficial interest in perpetual agreements	320	235
	925	836
	\$ 47,558	\$ 41,665

8. MEDICAL PLAN:

The Navigators provides medical benefits (hospital, surgical, and major medical) through a self-funded plan. Contributions are received from The Navigators and its employees and medical benefits are paid from the general assets of The Navigators. Included in the consolidated financial statements as of August 31, 2019 and 2018, are liabilities in the amount of approximately \$1,340,000 and \$1,000,000, respectively, for claims payable and estimated incurred but not reported claims.

9. DEFINED CONTRIBUTION RETIREMENT PLAN:

The Navigators has a defined contribution retirement plan (the Plan) covering all employees who are at least 21 years of age with at least one year and 1,000 hours of service. The Navigators makes a contribution to the Plan each year equal to 5.5% of eligible personnel's compensation. Total contributions made to the Plan were approximately \$3,681,000 and \$3,507,000 during the years ended August 31, 2019 and 2018, respectively.

10. LINE OF CREDIT:

The Navigators has a \$5,000,000 revolving line of credit with a bank that expires February 28, 2020. There was no outstanding balance as of August 31, 2019 and 2018. The line of credit bears a fluctuating interest rate, which is based off the current London InterBank Offered Rate. There are no minimum monthly principal or interest payments. The line of credit is secured by specifically identified assets in The Navigators' investment portfolio and has an annual renewal option.

11. COMMITMENTS:

During the year ended August 31, 2017, The Navigators entered into a contract with Workday, Inc. for software services. As of August 31, 2019, there were two years remaining at \$363,000 annually; thus, The Navigators is committed to paying \$726,000 throughout the next two years on this contract. The Navigators also has commitments related to the remodeling of the headquarters building, a total commitment of \$6,700,000 was entered into, with \$4,450,000 incurred during the year ended August 31, 2019, and a commitment to pay approximately \$2,250,000 during the year ending August 31, 2020.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2019 and 2018

12. RELATED PARTIES:

The Navigators received contributions of \$1,876,000 and \$1,451,000 from corporate offices and directors during the years ended August 31, 2019 and 2018, respectively. Corporate officers and directors do not receive any compensation from the Navigators, except for reimbursement of business and ministry related expenses. All Navigator board members are required to disclose any conflicts of interest. In the fiscal years ended August 31, 2019 and 2018, no such conflicts were identified.

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through December 20, 2019, which is the date the financial statements were available to be issued.