



THE NAVIGATORS AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

August 31, 2020 and 2019

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 statements of financial position as of August 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 The Navigators and Affiliates as of August 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Colorado Springs, Colorado
December 14, 2020

THE NAVIGATORS AND AFFILIATES

Consolidated Statements of Financial Position

(in thousands)

	August 31,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 9,574	\$ 4,612
Accounts and other receivables - net	802	2,248
Prepaid expenses and other assets - net	1,008	875
Investments	79,069	72,425
Investment in captive insurance	2,606	2,163
Property and equipment - net	26,556	23,836
Assets held for gift annuity, trust, and endowment agreements	3,020	3,085
Total Assets	\$ 122,635	\$ 109,244
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 1,562	\$ 1,670
Accrued expenses and other liabilities	6,651	6,449
Liabilities under gift annuity and trust agreements	1,985	1,885
Total Liabilities	10,198	10,004
Net Assets:		
Without donor restrictions		
Undesignated	31,403	26,945
Gift annuity reserves	397	275
Non-controlling interest	868	861
Equity in property and equipment - net	26,556	23,601
Total net assets without donor restrictions	59,224	51,682
With donor restrictions	53,213	47,558
Total Net Assets	112,437	99,240
Total Liabilities and Net Assets	\$ 122,635	\$ 109,244

See notes to the consolidated financial statements

THE NAVIGATORS AND AFFILIATES

Consolidated Statements of Activities

(in thousands)

	Year Ended August 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 19,415	\$ 103,773	\$ 123,188	\$ 15,210	\$ 106,377	\$ 121,587
Conferences and camps	4,250	-	4,250	9,626	-	9,626
Royalty income	2,176	-	2,176	2,303	-	2,303
Return on investments	7,486	-	7,486	2,920	-	2,920
Change in value of gift annuities and trusts	(43)	32	(11)	(50)	4	(46)
Other income	1,235	-	1,235	1,064	-	1,064
Total Support and Revenue	34,519	103,805	138,324	31,073	106,381	137,454
NET ASSETS RELEASED:						
Purpose restrictions	98,150	(98,150)	-	100,488	(100,488)	-
EXPENSES:						
Program Services						
Field ministries	83,283	-	83,283	84,574	-	84,574
Conferences and camps	7,962	-	7,962	10,985	-	10,985
Materials publication	1,933	-	1,933	2,188	-	2,188
International ministries	6,708	-	6,708	7,225	-	7,225
Total Program Services	99,886	-	99,886	104,972	-	104,972

See notes to the consolidated financial statements

THE NAVIGATORS AND AFFILIATES

Consolidated Statements of Activities

(in thousands)

	Year Ended August 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses, continued:						
Supporting Activities						
General and administrative	12,432	-	12,432	15,274	-	15,274
Fundraising	13,707	-	13,707	13,365	-	13,365
Total Supporting Activities	26,139	-	26,139	28,639	-	28,639
Total Expenses	126,025	-	126,025	133,611	-	133,611
Change in Net Assets Before Involuntary Conversion	6,644	5,655	12,299	(2,050)	5,893	3,843
Involuntary Conversion	898	-	898	-	-	-
Change in Net Assets After Involuntary Conversion	7,542	5,655	13,197	(2,050)	5,893	3,843
Net Assets, Beginning of Year	51,682	47,558	99,240	53,732	41,665	95,397
Net Assets, End of Year	\$ 59,224	\$ 53,213	\$ 112,437	\$ 51,682	\$ 47,558	\$ 99,240

(continued)

See notes to the consolidated financial statements

THE NAVIGATORS AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended August 31, 2020
(in thousands)

	Program Services					Supporting Activities			
	Field Ministries	Conferences and Camps	Materials Publication	International Ministries	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	Total
Salaries and Benefits:									
Salary	\$ 58,551	\$ 3,924	\$ 373	\$ 1,944	\$ 64,792	\$ 5,429	\$ 2,263	\$ 7,692	\$ 72,484
Payroll taxes expense	211	62	6	6	285	108	44	152	437
Benefits	9,988	640	72	253	10,953	632	373	1,005	11,958
Total Salaries and Benefits	<u>68,750</u>	<u>4,626</u>	<u>451</u>	<u>2,203</u>	<u>76,030</u>	<u>6,169</u>	<u>2,680</u>	<u>8,849</u>	<u>84,879</u>
Other Operating Expenses:									
Advertising and promotion	30	39	19	-	88	463	6,226	6,689	6,777
Bank and credit card fees	80	129	2	16	227	846	1	847	1,074
Conference and meeting hosting	1,598	32	2	4	1,636	8	164	172	1,808
Dues, books, subscriptions	417	20	4	6	447	58	14	72	519
Employee development	519	14	1	9	543	101	78	179	722
Employee/public relations	198	6	-	4	208	32	10	42	250
Equipment	326	102	2	29	459	273	49	322	781
Facilities	386	253	-	16	655	76	5	81	736
Gifts and grants	26	-	-	3,857	3,883	16	(1)	15	3,898
Information technology	4,215	73	24	264	4,576	158	213	371	4,947
Insurance	707	518	5	19	1,249	302	48	350	1,599
Maintenance and repairs	-	209	-	6	215	106	4	110	325
Meals and entertainment	2,157	40	9	55	2,261	89	41	130	2,391
Office and other	1,376	738	10	60	2,184	619	2,814	3,433	5,617
Postage and shipping	-	-	1,364	-	1,364	-	-	-	1,364
Professional and contract services	1,507	258	9	86	1,860	1,223	1,157	2,380	4,240
Royalties	398	168	1	10	577	38	25	63	640
Supplies	157	101	24	6	288	1,257	179	1,436	1,724
Travel and transportation	179	9	3	-	191	43	-	43	234
Total Expenses before Depreciation	<u>83,026</u>	<u>7,335</u>	<u>1,930</u>	<u>6,650</u>	<u>98,941</u>	<u>11,877</u>	<u>13,707</u>	<u>25,584</u>	<u>124,525</u>
Depreciation expense	257	627	3	58	945	555	-	555	1,500
Total Expenses after Depreciation	<u>\$ 83,283</u>	<u>\$ 7,962</u>	<u>\$ 1,933</u>	<u>\$ 6,708</u>	<u>\$ 99,886</u>	<u>\$ 12,432</u>	<u>\$ 13,707</u>	<u>\$ 26,139</u>	<u>\$ 126,025</u>
Percent of Total Expenses	66.1%	6.3%	1.5%	5.3%	79.2%	9.9%	10.9%	20.8%	100%

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 Cash Flows (in thousands)

	Year Ended August 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,299	\$ 3,843
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Return on investments	(7,486)	(2,920)
Changes in investment in captive insurance	(443)	(77)
Depreciation and amortization	1,500	1,314
Change in value of annuities and trusts	11	46
Change in operating assets and liabilities		
Accounts and other receivables	1,446	(908)
Prepaid expenses and other assets	(133)	163
Accounts payable	(108)	(272)
Accrued expenses and other liabilities	202	288
Net Cash Provided By Operating Activities	7,288	1,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,337	3,282
Purchases of investments	(1,341)	(1,503)
Proceeds from sales of investments on annuities and trusts	266	188
Purchases of property and equipment	(4,426)	(4,270)
Involuntary conversion	1,104	-
Net Cash Used by Investing Activities	(2,060)	(2,303)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuities and trusts	(266)	(188)
Net Cash Used by Financing Activities	(266)	(188)
Net Change in Cash and Cash Equivalents	4,962	(1,014)
Cash and Cash Equivalents, Beginning of Year	\$ 4,612	\$ 5,626
Cash and Cash Equivalents, End of Year	\$ 9,574	\$ 4,612
Supplemental Disclosures:		
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, 2020 and 2019

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 wholly owned and 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 ten additional LLC's. The ten 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 ten additional LLC's is \$237,000 and \$151,000 for the years ended August 31, 2020 and 2019, respectively. The combined expenses of the ten additional LLC's is \$429,000 and \$212,000 for the years ended August 31, 2020 and 2019, 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, LLC is included in the consolidated financial statements due to an ownership interest of 68.8% by The Navigators. The non-controlling interest at August 31, 2020 and 2019 had a fair market value of \$868,000 and \$861,000, respectively and is reflected in the net asset section on the consolidated statements of financial position. The \$7,000 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.

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 Organizations Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC).

THE NAVIGATORS AND AFFILIATES

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, cash and cash equivalents are considered to be 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, 2020, amounts exceeding the federally insured limits were approximately \$9,300,000. The Navigators, however, has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk. Uninvested money market and cash equivalent accounts included in the investment portfolio are not considered to be cash equivalents for financial reporting purposes.

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. Return on investments on the consolidated statement of activities and consolidated statement of cash flows includes realized and unrealized gains and losses and interest and dividends. Unrealized gains or losses in fair value are recognized in the year in which they occur and are reflected in return on investments. Certain assets of The Navigators investment portfolio are pledged as collateral for operational purposes as needed. As of August 31, 2020, assets pledged as collateral are approximately \$37,000,000, with a borrowing limit of approximately \$12,000,000 that can fluctuate depending on the value of specific asset classes pledged. The interest rate for borrowing against collateralized assets is currently the Federal Funds rate plus 85 basis points. There were no draws on this line during 2020 or 2019.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at fair value as of the date of the gift. All 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

LONG-LIVED ASSET IMPAIRMENT

The Navigators evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairments were recognized during 2020 or 2019.

THE NAVIGATORS AND AFFILIATES

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 grantee 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 \$370,000 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.

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. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

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Notes to Consolidated Financial Statements

August 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities benefited.

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.

INVOLUNTARY CONVERSION

In August 2018 the roof of The Navigators' administration building sustained damage from hail and wind. As a result of the damage, during the year ended August 31, 2020, the Navigators received insurance proceeds of \$1,104,000. All insurance proceeds were reinvested in the replacement of the administration building roof which, having a net book value of \$206,000, resulted in a net gain of \$898,000.

INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Navigators maintains liquid financial assets consistent with internal policies. 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, 2020 and 2019, 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,	
	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 9,574	\$ 4,612
Accounts and other receivables - net	802	2,248
Investments	79,069	72,425
Assets held for gift annuity, trust, and endowment agreements	3,020	3,085
Total financial assets at year end:	92,465	82,370
Less:		
Investments with liquidity horizons greater than one year	(3,600)	(3,333)
Net assets with donor restrictions	(53,213)	(47,558)
Assets held for gift annuity, trust, and endowment agreements	(3,020)	(3,085)
Financial assets available to meet cash needs for general expenditures within one year	\$ 32,632	\$ 28,394

THE NAVIGATORS AND AFFILIATES

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

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, 2020 and 2019 are (in thousands):

	August 31,		Fair Value Measurement Level
	2020	2019	
Assets Subject to Fair Value Measurement:			
Mutual funds:			
Money Market Funds	\$ 3,446	\$ 3,464	1
<u>Fixed Income Funds</u>			
Ultra Short Term Fixed Income	3,308	3,192	1
Short Term Fixed Income	16,583	16,976	1
Intermediate Term Fixed Income	11,631	12,486	1
Long Term Fixed Income	3,491	3,983	1
Floating Rate Loans	3,483	3,397	1
<u>Balanced Funds</u>			
Large Blended Funds	548	578	1
<u>Equity Funds</u>			
Large Blended Funds	21,550	16,788	1
Large Growth Funds	8,620	6,670	1
Mid Value	22	2,797	1
<u>Alternative Strategy</u>			
Master Limited Partnership	4,027	-	1
<u>Alternative Investments</u>			
Master Limited Partnerships; subject to net asset value	3,600	3,333	N/A
Beneficial interest in other agreements	161	149	3
<u>Investments not subject to fair value</u>			
Real Estate; held at cost	998	1,112	N/A
Cash surrender value of life insurance	527	527	N/A
Gift annuity, trust, and endowments:			
Cash and cash equivalents	94	58	N/A
Total Investments:	<u>\$ 82,089</u>	<u>\$ 75,510</u>	
Reconciliation to Statement of Financial Position:			
Investments	79,069	72,425	
Assets for gift annuity, trust, and endowment agreements	<u>3,020</u>	<u>3,085</u>	
Total Assets subject to Fair Value	<u>\$ 82,089</u>	<u>\$ 75,510</u>	

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Notes to Consolidated Financial Statements

August 31, 2020 and 2019

3. FAIR VALUE MEASUREMENTS, continued:

Fair values of liabilities measured on a recurring basis at August 31, 2020 and 2019 are (in thousands):

	August 31,		Fair Value Measurement Level
	2020	2019	
Liabilities Subject to Fair Value Measurement:			
Revocable Trusts	\$ 237	\$ 224	2
Irrevocable Trusts	\$ 965	\$ 983	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 August 31 consist of the following (in thousands):

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Low correlated hedge fund (A)	\$ 3,600	\$ -	Semi-annually	95 days

(A) This class includes one hedge fund with a one-year lock-up period for acquisitions, 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, 2020 and 2019, The Navigators' investment in captive insurance is based on the most recent data available, which is valued at \$2,606,000 and \$2,163,000 as of August 31, 2020 and 2019, respectively. This investment is reported using the equity method and is valued based on the proportionate share of each members' respective capital account.

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 \$350,000, which directly impacts the equity position of The Navigators in SIL, and SRL pays the next \$650,000 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. The Navigators has paid \$1,350,000 and \$1,217,000 in premiums to the captives during the years ended August 31, 2020 and 2019, respectively.

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August 31, 2020 and 2019

5. PROPERTY AND EQUIPMENT – NET:

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

	August 31,	
	2020	2019
Land	\$ 2,237	\$ 2,237
Works of art	304	304
Buildings and improvements	33,251	27,849
Equipment and furnishings	6,168	4,654
Vehicles	648	667
	42,608	35,711
Accumulated depreciation and amortization	(16,214)	(16,618)
	26,394	19,093
Construction in progress	162	4,743
	\$ 26,556	\$ 23,836

6. GIFT ANNUITY AND TRUST AGREEMENTS:

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

	August 31,	
	2020	2019
<u>Assets:</u>		
Cash and cash equivalents	\$ 94	\$ 90
Mutual funds	2,611	2,748
Alternative investment - Master Limited Partnerships	98	98
Alternative Strategy	56	-
Beneficial interest in other agreements	161	149
	\$ 3,020	\$ 3,085
<u>Liabilities:</u>		
Gift annuities	\$ 783	\$ 678
Irrevocable trusts	965	983
Revocable trusts	237	224
	\$ 1,985	\$ 1,885
<u>Change in value of gift annuities:</u>		
Actuarial change	\$ 45	\$ 22
Annuitant payments and administrative expenses	(88)	(72)
	(43)	(50)
<u>Change in value of trusts:</u>		
Interest and dividends	39	18
Net realized and unrealized gains	155	15
Actuarial change	16	87
Trustor payments and administrative expenses	(178)	(116)
	32	4
	\$ (11)	\$ (46)

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Notes to Consolidated Financial Statements

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7. NET ASSETS WITH DONOR RESTRICTIONS:

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

	August 31,	
	2020	2019
Subject to expenditure for a specified purpose:		
Field ministries	\$ 33,816	\$ 28,904
International ministries	13,473	12,698
Conference and camp ministries	4,916	4,949
Building renovation	-	82
	52,205	46,633
Subject to the passage of time:		
Irrevocable trusts, subject to both purpose and time restrictions	638	605
Perpetual endowments	370	320
	1,008	925
	\$ 53,213	\$ 47,558

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, 2020 and 2019, are liabilities in the amount of approximately \$1,040,000 and \$1,340,000, 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 \$3,564,000 and \$3,681,000 during the years ended August 31, 2020 and 2019, respectively.

10. CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Navigators. On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act. As a result, the Navigators elected the employee retention tax credit provision which permits a payroll tax credit each calendar quarter in an amount equal to 50 percent of qualified wages limited to \$10,000 per quarter per employee. The Navigators withheld approximately \$1,400,000 of payroll tax payments during 2020.

10. COMMITMENTS:

During the year ended August 31, 2017, The Navigators entered into a contract with Workday, Inc. for software services. As of August 31, 2020, The Navigators is committed to paying \$363,000 for the final year of the contract. In the year ending August 31, 2020, The Navigators entered into a five year contract with Salesforce, Inc. for software services, for which The Navigators is committed to paying \$150,000 annually.

11. SIGNIFICANT ESTIMATES:

The Navigators invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

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12. RELATED PARTIES:

The Navigators received contributions of \$1,464,000 and \$1,876,000 from corporate officers and directors during the years ended August 31, 2020 and 2019, 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, 2020 and 2019, no such conflicts were identified.

13. SUBSEQUENT EVENTS:

Subsequent to August 31, 2020, The Navigators outsourced the administration and custodianship of the assets and liabilities of gift annuities and trust agreements. The net value of these agreements will be reflected as a net receivable for future presentation of the financial statements. Subsequent events were evaluated through December 14, 2020, which is the date of the financial statements were available to be issued.