



THE NAVIGATORS AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

August 31, 2021 and 2020

**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, 2021 and 2020, 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, 2021 and 2020, 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 16, 2021

# THE NAVIGATORS AND AFFILIATES

## Consolidated Statements of Financial Position

(in thousands)

	August 31,	
	2021	2020
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 12,199	\$ 9,574
Accounts and other receivables - net	3,965	802
Prepaid expenses and other assets - net	1,750	1,008
Investments	99,920	79,069
Investment in captive insurance	3,602	2,606
Property and equipment - net	25,004	26,556
Assets held for gift annuity and trust agreements	-	3,020
	<u>\$ 146,440</u>	<u>\$ 122,635</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 3,297	\$ 1,562
Accrued expenses and other liabilities	7,552	6,651
Liabilities under gift annuity and trust agreements	-	1,985
Total Liabilities	<u>10,849</u>	<u>10,198</u>
Net Assets:		
Without donor restrictions		
Undesignated	41,102	31,403
Gift annuity reserves	-	397
Non-controlling interest	853	868
Equity in property and equipment - net	25,004	26,556
Total net assets without donor restrictions	<u>66,959</u>	<u>59,224</u>
With donor restrictions	<u>68,632</u>	<u>53,213</u>
Total Net Assets	<u>135,591</u>	<u>112,437</u>
Total Liabilities and Net Assets	<u>\$ 146,440</u>	<u>\$ 122,635</u>

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statements of Activities

(in thousands)

Year Ended August 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 23,721	\$ 110,733	\$ 134,454	\$ 20,839	\$ 103,773	\$ 124,612
Conferences and camps	7,884	-	7,884	4,250	-	4,250
Royalty income	2,191	-	2,191	2,176	-	2,176
Return on investments	10,695	-	10,695	7,486	-	7,486
Change in value of gift annuities and trusts	-	293	293	(43)	32	(11)
Other income	1,889	-	1,889	1,235	-	1,235
<b>Total Support and Revenue</b>	<b>46,380</b>	<b>111,026</b>	<b>157,406</b>	<b>35,943</b>	<b>103,805</b>	<b>139,748</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	95,607	(95,607)	-	98,150	(98,150)	-
<b>EXPENSES:</b>						
Field ministries	87,443	-	87,443	83,971	-	83,971
Conferences and camps	10,256	-	10,256	8,164	-	8,164
Materials publication	1,836	-	1,836	1,952	-	1,952
International ministries	7,295	-	7,295	6,729	-	6,729
<b>Total Program Services</b>	<b>106,830</b>	<b>-</b>	<b>106,830</b>	<b>100,816</b>	<b>-</b>	<b>100,816</b>

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statements of Activities (in thousands)

Year Ended August 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses, continued:						
Supporting Activities						
General and administrative	14,097	-	14,097	12,783	-	12,783
Fundraising	13,325	-	13,325	13,850	-	13,850
Total Supporting Activities	<u>27,422</u>	<u>-</u>	<u>27,422</u>	<u>26,633</u>	<u>-</u>	<u>26,633</u>
Total Expenses	<u>134,252</u>	<u>-</u>	<u>134,252</u>	<u>127,449</u>	<u>-</u>	<u>127,449</u>
Change in Net Assets Before Involuntary Conversion	7,735	15,419	23,154	6,644	5,655	12,299
Involuntary Conversion	-	-	-	898	-	898
Change in Net Assets After Involuntary Conversion	<u>7,735</u>	<u>15,419</u>	<u>23,154</u>	<u>7,542</u>	<u>5,655</u>	<u>13,197</u>
Net Assets, Beginning of Year	<u>59,224</u>	<u>53,213</u>	<u>112,437</u>	<u>51,682</u>	<u>47,558</u>	<u>99,240</u>
Net Assets, End of Year	<u>\$ 66,959</u>	<u>\$ 68,632</u>	<u>\$ 135,591</u>	<u>\$ 59,224</u>	<u>\$ 53,213</u>	<u>\$ 112,437</u>

(continued)

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statement of Functional Expenses

Year Ended August 31, 2021  
(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	\$ 60,449	\$ 4,290	\$ 281	\$ 2,133	\$ 67,153	\$ 6,006	\$ 2,117	\$ 8,123	\$ 75,276
Payroll taxes expense	968	293	20	31	1,312	493	178	671	1,983
Benefits	11,997	912	47	340	13,296	101	183	284	13,580
Total Salaries and Benefits	<u>73,414</u>	<u>5,495</u>	<u>348</u>	<u>2,504</u>	<u>81,761</u>	<u>6,600</u>	<u>2,478</u>	<u>9,078</u>	<u>90,839</u>
Other Operating Expenses:									
Advertising and promotion	46	93	9	-	148	252	6,123	6,375	6,523
Bank and credit card fees	76	295	2	4	377	941	3	944	1,321
Conference and meeting hosting	521	53	-	-	574	31	14	45	619
Dues, books, subscriptions	510	20	2	10	542	56	18	74	616
Employee development	553	10	1	8	572	95	47	142	714
Employee/public relations	273	8	1	11	293	39	6	45	338
Equipment	431	234	9	43	717	258	58	316	1,033
Facilities	461	329	-	8	798	128	-	128	926
Gifts and grants	233	-	-	4,225	4,458	24	-	24	4,482
Information technology	215	165	26	19	425	1,370	147	1,517	1,942
Insurance	724	627	5	20	1,376	394	58	452	1,828
Maintenance and repairs	1	364	-	3	368	155	1	156	524
Meals and entertainment	2,722	74	3	31	2,830	96	52	148	2,978
Office and other	1,267	1,099	10	59	2,435	272	102	374	2,809
Postage and shipping	315	8	1	14	338	438	2,798	3,236	3,574
Professional and contract services	1,363	303	79	143	1,888	2,118	1,223	3,341	5,229
Royalties	-	-	1,331	-	1,331	-	-	-	1,331
Supplies	430	311	-	7	748	35	69	104	852
Travel and transportation	3,588	137	6	131	3,862	137	128	265	4,127
Total Expenses before Depreciation	<u>87,143</u>	<u>9,625</u>	<u>1,833</u>	<u>7,240</u>	<u>105,841</u>	<u>13,439</u>	<u>13,325</u>	<u>26,764</u>	<u>132,605</u>
Depreciation expense	300	631	3	55	989	658	-	658	1,647
Total Expenses after Depreciation	<u>\$ 87,443</u>	<u>\$ 10,256</u>	<u>\$ 1,836</u>	<u>\$ 7,295</u>	<u>\$ 106,830</u>	<u>\$ 14,097</u>	<u>\$ 13,325</u>	<u>\$ 27,422</u>	<u>\$ 134,252</u>
Percent of Total Expenses	65.2%	7.6%	1.4%	5.4%	79.6%	10.5%	9.9%	20.4%	100%

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			Total
	Field Ministries	Conferences and Camps	Materials Publication	International Ministries	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities	
Salaries and Benefits:									
Salary	\$ 58,551	\$ 3,924	\$ 373	\$ 1,944	\$ 64,792	\$ 5,429	\$ 2,263	\$ 7,692	\$ 72,484
Payroll taxes expense	899	264	25	27	1,215	459	187	646	1,861
Benefits	9,988	640	72	253	10,953	632	373	1,005	11,958
Total Salaries and Benefits	<u>69,438</u>	<u>4,828</u>	<u>470</u>	<u>2,224</u>	<u>76,960</u>	<u>6,520</u>	<u>2,823</u>	<u>9,343</u>	<u>86,303</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>83,714</u>	<u>7,537</u>	<u>1,949</u>	<u>6,671</u>	<u>99,871</u>	<u>12,228</u>	<u>13,850</u>	<u>26,078</u>	<u>125,949</u>
Depreciation expense	257	627	3	58	945	555	-	555	1,500
Total Expenses after Depreciation	<u>\$ 83,971</u>	<u>\$ 8,164</u>	<u>\$ 1,952</u>	<u>\$ 6,729</u>	<u>\$ 100,816</u>	<u>\$ 12,783</u>	<u>\$ 13,850</u>	<u>\$ 26,633</u>	<u>\$ 127,449</u>
Percent of Total Expenses	<u>65.9%</u>	<u>6.4%</u>	<u>1.5%</u>	<u>5.3%</u>	<u>79.1%</u>	<u>10.0%</u>	<u>10.9%</u>	<u>20.9%</u>	<u>100%</u>

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statement of Cash Flows (in thousands)

	Year Ended August 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 23,154	\$ 12,299
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Return on investments	(10,695)	(7,486)
Changes in investment in captive insurance	(996)	(443)
Depreciation	1,647	1,500
Change in value of annuities and trusts	(293)	11
Change in operating assets and liabilities		
Accounts and other receivables	(3,163)	1,446
Prepaid expenses and other assets	(742)	(133)
Accounts payable	1,735	(108)
Accrued expenses and other liabilities	901	202
Net Cash Provided By Operating Activities	11,548	7,288
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	2,166	2,337
Purchases of investments	(10,994)	(1,341)
Proceeds from sales of investments on annuities and trusts	-	266
Purchases of property and equipment	(95)	(4,426)
Involuntary conversion	-	1,104
Net Cash Used by Investing Activities	(8,923)	(2,060)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on annuities and trusts	-	(266)
Net Cash Used by Financing Activities	-	(266)
Net Change in Cash and Cash Equivalents	2,625	4,962
Cash and Cash Equivalents, Beginning of Year	\$ 9,574	\$ 4,612
Cash and Cash Equivalents, End of Year	\$ 12,199	\$ 9,574

See notes to the consolidated financial statements

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

### 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 Navigators' 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 \$165,000 and \$237,000 for the years ended August 31, 2021 and 2020, respectively. The combined expenses of the ten additional LLC's is \$306,000 and \$429,000 for the years ended August 31, 2021 and 2020, 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, 2021 and 2020 had a fair market value of \$853,000 and \$868,000, respectively and is reflected in the net asset section on the consolidated statements of financial position. The \$15,000 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).

### REVISIONS

Certain immaterial revisions have been made to the 2020 statement of activities and statement of functional expenses to reflect management's change in presentation of the employee retention credit. This revision did not have a significant impact on the financial statement line items impacted.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

### 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, 2021, amounts exceeding the federally insured limits were approximately \$11,000,000. 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 are stated at the amount of consideration from customers of which the Navigators has an unconditional right to receive. 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. Accounts receivable also includes a receivable related to gift annuity & trusts that are trustee by a third party.

#### 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, 2021, 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 2021 or 2020.

#### 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 2021 or 2020.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### LIABILITIES UNDER GIFT ANNUITY AND TRUST AGREEMENTS

##### *Gift annuity liabilities*

The Navigators had 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.

##### *Trust liabilities*

As trustee, Navigators administered 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.

##### *Change of custody*

During 2021, The Navigators began outsourcing trustee and administration of trusts and fiscal agent responsibilities of gift annuities. Assets and related liabilities are now reported as a beneficial interest in trust, reported in accounts receivable on the statement of financial position and is revalued annually, any surplus or deficiency is recognized as a change in value in the consolidated statements of activities.

#### 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.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

### 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

#### 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

The following table reflects The Navigators financial assets as of August 31, 2021 and 2020, 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. The Navigators anticipates net assets with donor restrictions to be released within one year.

	August 31,	
	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 12,199	\$ 9,574
Accounts and other receivables - net	3,965	802
Investments	99,920	79,069
Assets held for gift annuity and trust agreements	-	3,020
Total financial assets at year end:	116,084	92,465
Less:		
Investments with liquidity horizons greater than one year	(4,894)	(3,600)
Net assets with donor restrictions	(68,632)	(53,213)
Assets held for gift annuity and trust agreements	-	(3,020)
Financial assets available to meet cash needs for general expenditures within one year	\$ 42,558	\$ 32,632

## THE NAVIGATORS AND AFFILIATES

### Notes to Consolidated Financial Statements

August 31, 2021 and 2020

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, 2021 and 2020 are (in thousands):

	August 31,		Fair Value Measurement Level
	2021	2020	
Assets Subject to Fair Value Measurement:			
Money Market Funds	\$ 4,297	\$ 3,446	1
<u>Fixed Income Funds</u>			
Ultra Short Term Fixed Income	3,027	3,308	1
Short Term Fixed Income	21,279	16,583	1
Intermediate Term Fixed Income	14,934	11,631	1
Long Term Fixed Income	4,098	3,491	1
Floating Rate Loans	4,613	3,483	1
<u>Balanced Funds</u>			
Large Blended Funds	-	548	1
<u>Equity Funds</u>			
Large Blended Funds	22,237	21,550	1
Large Growth Funds	11,616	8,620	1
Mid Value	-	22	1
<u>Alternative Strategy</u>			
Master Limited Partnership	2,943	4,027	1
Multi-strategy	1,789	-	1
Other Real Assets	2,953	-	1
<u>Alternative Investments</u>			
Low Correlated Hedge Funds; subject to net asset value	4,894	3,600	N/A
Beneficial interest in other agreements	-	161	3
<u>Investments not subject to fair value</u>			
Real Estate; held at cost	713	998	N/A
Cash surrender value of life insurance	527	527	N/A
Gift annuity and trust:			
Cash and cash equivalents	-	94	N/A
Total Investments:	\$ 99,920	\$ 82,089	
Reconciliation to Statement of Financial Position:			
Investments	99,920	79,069	
Assets held for gift annuity and trust agreements	-	3,020	
Total Assets subject to Fair Value	\$ 99,920	\$ 82,089	

## THE NAVIGATORS AND AFFILIATES

### Notes to Consolidated Financial Statements

August 31, 2021 and 2020

3. FAIR VALUE MEASUREMENTS, continued:

Fair values of liabilities measured on a recurring basis at August 31, 2021 and 2020 are (in thousands):

	August 31,		Fair Value Measurement Level
	2021	2020	
Liabilities Subject to Fair Value Measurement:			
Revocable Trusts	\$ -	\$ 237	2
Irrevocable Trusts	\$ -	\$ 965	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):

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Low correlated hedge fund (A)	\$ 4,894	\$ -	Semi-annually	95 days
	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.



# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

### 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, 2021 and 2020, The Navigators' investment in captive insurance is based on the most recent data available, which is valued at \$3,602,000 and \$2,606,000 as of August 31, 2021 and 2020, 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 \$1,533,000 and \$1,350,000 in premiums to the captives during the years ended August 31, 2021 and 2020, respectively.

### 5. PROPERTY AND EQUIPMENT – NET:

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

	August 31,	
	2021	2020
Land	\$ 2,237	\$ 2,237
Works of art	329	304
Buildings and improvements	32,918	33,251
Equipment and furnishings	4,436	6,168
Vehicles	138	648
	<u>40,058</u>	<u>42,608</u>
Accumulated depreciation and amortization	<u>(15,109)</u>	<u>(16,214)</u>
	<u>24,949</u>	<u>26,394</u>
Construction in progress	55	162
	<u>\$ 25,004</u>	<u>\$ 26,556</u>

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### CHANGE IN ACCOUNTING PRINCIPLE

On September 1, 2020, the Navigators adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers not complete.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Navigators expects to be entitled in exchange for those goods or services.

The amount to which the Navigators expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

#### CONFERENCES AND CAMPS

Revenue from conferences and camps are due from vendors and individual attendees/participants and are recognized at the conclusion of the event. Performance obligations are determined based on the nature of the goods or services provided by the Navigators in accordance with the contract. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Navigators expects to be entitled in exchange for providing goods or services.

#### ROYALTY INCOME

In 2013, the Navigators entered into an agreement with Tyndale Publishing House, granting exclusive rights to publish and sell specified resources on behalf of the Navigators. Tyndale tracks sales activities and provides reports to the Navigators, generally quarterly, accompanied by payment. Upon receipt of the report, the Navigators will recognize revenue based on the data provided by the publisher.

#### TRANSACTION PRICE AND RECOGNITION

The Navigators determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Navigators' policy.

The Navigators has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors that have different reimbursement and payment methodologies
- Geography of the service location
- Navigators' line of business that provided the service

For the years ended August 31, 2021 and 2020, the Navigators recognized revenue of \$10,075,000 and \$6,426,000, respectively, from goods and services that transfer to the customer at a point in time.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

7. GIFT ANNUITY AND TRUST AGREEMENTS:

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

	August 31,	
	2021	2020
<u>Assets:</u>		
Cash and cash equivalents	\$ -	\$ 94
Mutual funds	-	2,611
Alternative investment - Master Limited Partnerships	-	98
Alternative Strategy	-	56
Beneficial interest in other agreements	-	161
Beneficial interest in gift annuities and trusts	1,352	-
	\$ 1,352	\$ 3,020
<u>Liabilities:</u>		
Gift annuities	\$ -	\$ 783
Irrevocable trusts	-	965
Revocable trusts	-	237
	\$ -	\$ 1,985
<u>Change in value of gift annuities:</u>		
Actuarial change	\$ 99	\$ 45
Annuitant payments and administrative expenses	-	(88)
Conversion of trusts	161	-
	260	(43)
<u>Change in value of trusts:</u>		
Interest and dividends	-	39
Net realized and unrealized gains	-	155
Actuarial change	194	16
Trustor payments and administrative expenses	-	(178)
Conversion to gift annuities	(161)	-
	33	32
	\$ 293	\$ (11)

During 2021, The Navigators began outsourcing trustee and administration of trusts and fiscal agent responsibilities of gift annuities. Assets and related liabilities are now reported as a beneficial interest in trust, reported in accounts receivable on the statement of financial position and is revalued annually, any surplus or deficiency is recognized as a change in value in the consolidated statements of activities. There were also trusts converted to gift annuities as represented in the \$161,000 conversion above.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

8. NET ASSETS WITH DONOR RESTRICTIONS:

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

	August 31,	
	2021	2020
Subject to expenditure for a specified purpose:		
Field ministries	\$ 45,024	\$ 33,816
International ministries	14,854	13,473
Conference and camp ministries	7,032	4,916
	66,910	52,205
Subject to the passage of time:		
Beneficial interest in gift annuities and trusts	1,352	638
Perpetual endowments	370	370
	1,722	1,008
	\$ 68,632	\$ 53,213

9. 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, 2021 and 2020, are liabilities in the amount of approximately \$1,475,000 and \$1,040,000, respectively, for claims payable and estimated incurred but not reported claims.

10. 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 \$3,979,000 & \$3,564,000 and during the years ended August 31, 2021 and 2020, respectively.

11. 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.

As of the years ended August 31, 2021 and 2020, The Navigators included approximately \$1,500,000 and \$1,400,000, respectively, as contributions in the statements of activities.

12. COMMITMENTS:

During the year ended August 31, 2017, The Navigators entered into a contract with Workday, Inc. for software services. As of August 31, 2021, The Navigators is committed to paying \$363,000 for the final year of the contract. The contract renewal is currently being evaluated. 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.

13. 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.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2021 and 2020

14. RELATED PARTIES:

The Navigators received contributions of \$1,936,000 and \$1,464,000 from corporate officers and directors during the years ended August 31, 2021 and 2020, 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, 2021 and 2020, no such conflicts were identified.

15. SUBSEQUENT EVENTS:

Subsequent events were evaluated through December 16, 2021, which is the date the financial statements were available to be issued.