



THE NAVIGATORS AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

August 31, 2022 and 2021

**FORV/S**

# THE NAVIGATORS AND AFFILIATES

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111 S. Tejon Street, Suite 800 / Colorado Springs, CO 80903

P 719.471.4290 / F 719.632.8087

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Board of Directors  
The Navigators and Affiliates  
Colorado Springs, Colorado

### ***Opinion***

We have audited the consolidated financial statements of The Navigators and Affiliates (the Organization), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of August 31, 2022 and 2021, 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.

### ***Basis for Opinion***

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

**FORVIS, LLP**

Colorado Springs, Colorado  
December 16, 2022

# THE NAVIGATORS AND AFFILIATES

## Consolidated Statements of Financial Position

(in thousands)

	August 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 16,193	\$ 12,199
Accounts and other receivables - net	2,465	3,965
Prepaid expenses and other assets - net	1,661	1,750
Investments	93,333	99,920
Investment in captive insurance	3,653	3,602
Property and equipment - net	24,242	25,004
Total Assets	\$ 141,547	\$ 146,440
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 3,077	\$ 3,297
Accrued expenses and other liabilities	8,054	7,552
Total Liabilities	11,131	10,849
Net Assets:		
Without donor restrictions		
Undesignated	28,789	41,102
Non-controlling interest	825	853
Equity in property and equipment - net	24,242	25,004
Total net assets without donor restrictions	53,856	66,959
With donor restrictions	76,560	68,632
Total Net Assets	130,416	135,591
Total Liabilities and Net Assets	\$ 141,547	\$ 146,440

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statements of Activities

(in thousands)

	Year Ended August 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 24,236	\$ 115,090	\$ 139,326	\$ 23,721	\$ 110,733	\$ 134,454
Conferences and camps	9,592	-	9,592	7,884	-	7,884
Royalty income	2,162	-	2,162	2,191	-	2,191
Return on investments	(8,565)	-	(8,565)	10,695	-	10,695
Other income	1,025	(190)	835	1,889	293	2,182
<b>Total Support and Revenue</b>	<b>28,450</b>	<b>114,900</b>	<b>143,350</b>	<b>46,380</b>	<b>111,026</b>	<b>157,406</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	106,972	(106,972)	-	95,607	(95,607)	-
<b>EXPENSES:</b>						
Field ministries	97,393	-	97,393	87,443	-	87,443
Conferences and camps	11,707	-	11,707	10,256	-	10,256
Materials publication	1,926	-	1,926	1,836	-	1,836
International ministries	7,891	-	7,891	7,295	-	7,295
<b>Total Program Services</b>	<b>118,917</b>	<b>-</b>	<b>118,917</b>	<b>106,830</b>	<b>-</b>	<b>106,830</b>

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statements of Activities

(in thousands)

	Year Ended August 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses, continued:						
Supporting Activities						
General and administrative	15,377	-	15,377	14,097	-	14,097
Fundraising	14,231	-	14,231	13,325	-	13,325
Total Supporting Activities	29,608	-	29,608	27,422	-	27,422
Total Expenses	148,525	-	148,525	134,252	-	134,252
Change in Net Assets	(13,103)	7,928	(5,175)	7,735	15,419	23,154
Net Assets, Beginning of Year	66,959	68,632	135,591	59,224	53,213	112,437
Net Assets, End of Year	\$ 53,856	\$ 76,560	\$ 130,416	\$ 66,959	\$ 68,632	\$ 135,591

(continued)

See notes to the consolidated financial statements

## THE NAVIGATORS AND AFFILIATES

### Consolidated Statement of Functional Expenses

Year Ended August 31, 2022  
(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	\$ 63,530	\$ 5,001	\$ 327	\$ 2,106	\$ 70,964	\$ 6,103	\$ 2,442	\$ 8,545	\$ 79,509	
Payroll taxes expense	1,080	348	22	32	1,482	496	195	691	2,173	
Benefits	11,900	745	77	177	12,899	717	270	987	13,886	
Total Salaries and Benefits	<u>76,510</u>	<u>6,094</u>	<u>426</u>	<u>2,315</u>	<u>85,345</u>	<u>7,316</u>	<u>2,907</u>	<u>10,223</u>	<u>95,568</u>	
Other Operating Expenses:										
Advertising and promotion	158	115	9	-	282	579	6,036	6,615	6,897	
Bank and credit card fees	100	321	7	5	433	695	2	697	1,130	
Conference and meeting hosting	1,808	87	2	100	1,997	18	440	458	2,455	
Dues, books, subscriptions	529	31	2	16	578	41	29	70	648	
Employee development	680	12	2	23	717	80	29	109	826	
Employee/public relations	293	7	1	84	385	51	15	66	451	
Equipment	536	282	3	32	853	648	58	706	1,559	
Facilities	418	365	-	11	794	153	-	153	947	
Gifts and grants	217	-	1	4,528	4,746	20	2	22	4,768	
Information technology	231	170	26	17	444	1,442	150	1,592	2,036	
Insurance	817	739	8	24	1,588	405	65	470	2,058	
Maintenance and repairs	76	565	-	2	643	97	-	97	740	
Meals and entertainment	3,718	78	8	85	3,889	81	85	166	4,055	
Office and other	1,341	1,457	10	57	2,865	157	171	328	3,193	
Postage and shipping	316	8	1	9	334	466	2,680	3,146	3,480	
Professional and contract services	1,690	322	90	99	2,201	2,298	1,298	3,596	5,797	
Royalties	5	-	1,295	-	1,300	-	-	-	1,300	
Supplies	577	298	5	4	884	66	36	102	986	
Travel and transportation	7,075	156	27	425	7,683	158	228	386	8,069	
Total Expenses before Depreciation	<u>97,095</u>	<u>11,107</u>	<u>1,923</u>	<u>7,836</u>	<u>117,961</u>	<u>14,771</u>	<u>14,231</u>	<u>29,002</u>	<u>146,963</u>	
Depreciation expense	298	600	3	55	956	606	-	606	1,562	
Total Expenses after Depreciation	<u>\$ 97,393</u>	<u>\$ 11,707</u>	<u>\$ 1,926</u>	<u>\$ 7,891</u>	<u>\$ 118,917</u>	<u>\$ 15,377</u>	<u>\$ 14,231</u>	<u>\$ 29,608</u>	<u>\$ 148,525</u>	
Percent of Total Expenses	65.6%	7.9%	1.3%	5.3%	80.1%	10.3%	9.6%	19.9%	100%	

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				Total
	Field Ministries	Conferences and Camps	Materials Publication	International Ministries	Total Program Activities	General and Administrative	Fundraising	Total Supporting Activities		
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 Cash Flows (in thousands)

	Year Ended August 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (5,175)	\$ 23,154
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Return on investments	8,565	(10,695)
Changes in investment in captive insurance	(51)	(996)
Depreciation	1,562	1,647
Change in value of annuities and trusts	-	(293)
Change in operating assets and liabilities		
Accounts and other receivables	1,500	(3,163)
Prepaid expenses and other assets	89	(742)
Accounts payable	(220)	1,735
Accrued expenses and other liabilities	502	901
Net Cash Provided By Operating Activities	6,772	11,548
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	1,199	2,166
Purchases of investments	(3,177)	(10,994)
Purchases of property and equipment	(800)	(95)
Net Cash Used by Investing Activities	(2,778)	(8,923)
Net Change in Cash and Cash Equivalents	3,994	2,625
Cash and Cash Equivalents, Beginning of Year	\$ 12,199	\$ 9,574
Cash and Cash Equivalents, End of Year	\$ 16,193	\$ 12,199

See notes to the consolidated financial statements

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2022 and 2021

### 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 \$251,000 and \$165,000 for the years ended August 31, 2022 and 2021, respectively. The combined expenses of the ten additional LLC's is \$326,000 and \$306,000 for the years ended August 31, 2022 and 2021, 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, 2022 and 2021 had a fair market value of \$825,000 and \$853,000, respectively and is reflected in the net asset section on the consolidated statements of financial position. The \$12,000 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.

### RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 consolidated financial statements to conform to the 2022 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

### 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, 2022 and 2021

### 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, 2022, amounts exceeding the federally insured limits were approximately \$15,508,000. 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.

The Navigators have outsourced 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. Beneficial interest in gift annuities and trusts are classified as Net assets with donor restrictions on the statement of financial position.

#### 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 2022 or 2021.

#### 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

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2022 and 2021

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

#### 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 2022 or 2021.

#### 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.

#### 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.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### 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 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, 2022 and 2021, 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,	
	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 16,193	\$ 12,199
Accounts and other receivables - net	2,465	3,965
Investments	93,333	99,920
Total financial assets at year end:	111,991	116,084
Less:		
Investments with liquidity horizons greater than one year	(5,626)	(4,894)
Net assets with donor restrictions	(76,560)	(68,632)
Financial assets available to meet cash needs for general expenditures within one year	\$ 29,805	\$ 42,558

## THE NAVIGATORS AND AFFILIATES

### Notes to Consolidated Financial Statements

August 31, 2022 and 2021

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, 2022 and 2021 are (in thousands):

Assets Subject to Fair Value Measurement:	August 31,		Fair Value Measurement Level
	2022	2021	
Money Market Funds	\$ 4,445	\$ 4,297	1
<u>Fixed Income Funds</u>			
Ultra Short Term Fixed Income	2,992	3,027	1
Short Term Fixed Income	19,498	21,279	1
Intermediate Term Fixed Income	13,042	14,934	1
Long Term Fixed Income	3,852	4,098	1
Floating Rate Loans	4,657	4,613	1
<u>Equity Funds</u>			
Large Blended Funds	19,081	22,237	1
Large Growth Funds	9,255	11,616	1
<u>Alternative Strategy</u>			
Master Limited Partnership	3,195	2,943	1
Multi-strategy	2,120	1,789	1
Other Real Assets	3,305	2,953	1
<u>Alternative Investments</u>			
Low Correlated Hedge Funds; subject to net asset value	5,626	4,894	N/A
<u>Investments not subject to fair value</u>			
Real Estate; held at cost	1,741	713	N/A
Cash surrender value of life insurance	527	527	N/A
 Total Investments per Statement of Financial Position	 \$ 93,333	 \$ 99,920	

## THE NAVIGATORS AND AFFILIATES

### Notes to Consolidated Financial Statements

August 31, 2022 and 2021

3. FAIR VALUE MEASUREMENTS, continued:

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):

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Low correlated hedge fund (A)	\$ 5,626	\$ -	Semi-annually	95 days
	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Low correlated hedge fund (A)	\$ 4,894	\$ -	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, 2022 and 2021, The Navigators' investment in captive insurance is based on the most recent data available, which is valued at \$3,653,000 and \$3,602,000 as of August 31, 2022 and 2021, 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 \$1,692,000 and \$1,533,000 in premiums to the captives during the years ended August 31, 2022 and 2021, respectively.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2022 and 2021

5. PROPERTY AND EQUIPMENT – NET:

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

	August 31,	
	2022	2021
Land	\$ 2,237	\$ 2,237
Works of art	329	329
Buildings and improvements	32,860	32,918
Equipment and furnishings	4,622	4,436
Vehicles	104	138
	<u>40,152</u>	<u>40,058</u>
Accumulated depreciation and amortization	<u>(16,241)</u>	<u>(15,109)</u>
	23,911	24,949
Construction in progress	331	55
	<u>\$ 24,242</u>	<u>\$ 25,004</u>

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

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, 2022 and 2021, the Navigators recognized revenue of \$11,754,000 and \$10,075,000, respectively, from goods and services that transfer to the customer at a point in time.

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.

# THE NAVIGATORS AND AFFILIATES

## Notes to Consolidated Financial Statements

August 31, 2022 and 2021

7. NET ASSETS WITH DONOR RESTRICTIONS:

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

	August 31,	
	2022	2021
Subject to expenditure for a specified purpose:		
Field ministries	\$ 47,657	\$ 45,024
International ministries	14,680	14,854
Conference and camp ministries	12,941	7,032
	<u>75,278</u>	<u>66,910</u>
Subject to the passage of time:		
Beneficial interest in gift annuities and trusts	912	1,352
Perpetual endowments	370	370
	<u>1,282</u>	<u>1,722</u>
	<u>\$ 76,560</u>	<u>\$ 68,632</u>

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, 2022 and 2021, are liabilities in the amount of approximately \$1,750,000 and \$1,475,000, 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 \$3,793,000 and \$3,979,000 and during the years ended August 31, 2022 and 2021, respectively.

10. COMMITMENTS:

During the year ending August 31, 2022, The Navigators renewed its contract with Workday, Inc. for software services, committing to pay \$539,000 annually for five years.

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.

12. RELATED PARTIES:

The Navigators received contributions of \$498,000 and \$1,936,000 from corporate officers and directors during the years ended August 31, 2022 and 2021, 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, 2022 and 2021, no such conflicts were identified.

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through December 16, 2022, which is the date the financial statements were available to be issued.