



# COMMUNITY BIBLE STUDY

FINANCIAL STATEMENTS  
With Independent Auditors' Report

June 30, 2012 and 2011

# COMMUNITY BIBLE STUDY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5
Supplemental Information	
Independent Auditors' Report on Supplemental Information	10
Schedule of Functional Expenses, Year Ended June 30, 2012	11
Schedule of Functional Expenses, Year Ended June 30, 2011	12

## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Community Bible Study  
Colorado Springs, Colorado

We have audited the accompanying statements of financial position of Community Bible Study as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Bible Study's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Bible Study as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Colorado Springs, Colorado  
September 20, 2012

# COMMUNITY BIBLE STUDY

## Statements of Financial Position

	June 30,	
	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 3,440,463	\$ 1,997,127
Inventory	267,586	227,298
Prepaid expenses and other assets	51,768	43,382
Beneficial interest in life estate	194,138	182,843
Property held for sale	-	400,000
Land, building, and equipment—net	<u>4,664,283</u>	<u>4,917,611</u>
 Total Assets	 <u>\$ 8,618,238</u>	 <u>\$ 7,768,261</u>
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 328,499	\$ 298,395
Deferred revenue	<u>1,056,439</u>	<u>996,925</u>
	<u>1,384,938</u>	<u>1,295,320</u>
 <b>Net assets:</b>		
<b>Unrestricted:</b>		
Operating	474,629	(573,677)
Equity in land, building, and equipment	4,664,283	4,917,611
Board-designated - general reserves and conference	<u>325,000</u>	<u>-</u>
	<u>5,463,912</u>	<u>4,343,934</u>
Temporarily restricted	<u>1,769,388</u>	<u>2,129,007</u>
	<u>7,233,300</u>	<u>6,472,941</u>
 Total Liabilities and Net Assets	 <u>\$ 8,618,238</u>	 <u>\$ 7,768,261</u>

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Activities

	Year Ended June 30,					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Class fees and contributions	\$ 4,562,599	\$ 3,910,611	\$ 8,473,210	\$ 4,563,542	\$ 3,918,776	\$ 8,482,318
Contributions	874,375	-	874,375	1,274,583	-	\$ 1,274,583
Impairment of property held for sale	-	-	-	(136,000)	-	(136,000)
Loss on property held for sale	(150,000)	-	(150,000)	-	-	-
Conferences and other income	502,860	-	502,860	185,433	-	185,433
<b>Total Support and Revenue</b>	<b>5,789,834</b>	<b>3,910,611</b>	<b>9,700,445</b>	<b>5,887,558</b>	<b>3,918,776</b>	<b>9,806,334</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	4,270,230	(4,270,230)	-	4,400,958	(4,400,958)	-
<b>EXPENSES:</b>						
Program services:						
Bible study classes	4,924,219	-	4,924,219	5,218,763	-	5,218,763
Leadership conference/training	1,527,148	-	1,527,148	1,461,961	-	1,461,961
International	1,168,526	-	1,168,526	1,294,754	-	1,294,754
Other programs	26,090	-	26,090	30,770	-	30,770
	7,645,983	-	7,645,983	8,006,248	-	8,006,248
Supporting activities:						
General and administrative	1,273,050	-	1,273,050	1,430,072	-	1,430,072
Fund-raising	21,053	-	21,053	34,926	-	34,926
<b>Total Expenses</b>	<b>8,940,086</b>	<b>-</b>	<b>8,940,086</b>	<b>9,471,246</b>	<b>-</b>	<b>9,471,246</b>
Change in Net Assets	1,119,978	(359,619)	760,359	817,270	(482,182)	335,088
Net Assets, Beginning of Year	4,343,934	2,129,007	6,472,941	3,526,664	2,611,189	6,137,853
Net Assets, End of Year	\$ 5,463,912	\$ 1,769,388	\$ 7,233,300	\$ 4,343,934	\$ 2,129,007	\$ 6,472,941

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Cash Flows

	Year Ended June 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 760,359	\$ 335,088
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	345,714	340,190
Impairment of property held for sale	-	136,000
Loss on property held for sale	150,000	-
Contributions receivable collected	-	42,500
Donated stock	(56,494)	(49,592)
Changes in operating assets and liabilities:		
Inventory	(40,288)	185,237
Prepaid expenses and other assets	(8,386)	155,797
Change in beneficial interests in life estates	(11,295)	(10,622)
Accounts payable	30,104	(279,759)
Deferred revenue	59,514	117,375
Net Cash Provided by Operating Activities	1,229,228	972,214
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, and equipment	(92,386)	(110,611)
Proceeds from sale of property held for sale	250,000	-
Proceeds from sale of investments	56,494	49,592
Net Cash Provided (Used) by Investing Activities	214,108	(61,019)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from related party short-term notes payable	-	232,000
Principal payments on related party short-term notes payable	-	(232,000)
Net Cash Provided by Financing Activities	-	-
Net Change in Cash and Cash Equivalents	1,443,336	911,195
Cash and Cash Equivalents, Beginning of Year	1,997,127	1,085,932
Cash and Cash Equivalents, End of Year	\$ 3,440,463	\$ 1,997,127
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Beneficial interest in life estates transferred to property held for sale	\$ -	\$ (536,000)

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2012 and 2011

1. NATURE OF ORGANIZATION:

Community Bible Study (CBS), a nonprofit organization incorporated in the commonwealth of Virginia on September 26, 1978, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The focus and purpose of the organization is to glorify God, through bible studies for all ages, children through senior adults, in over 650 locations nationwide. In addition to activities in the United States, it has established Bible study classes in 73 countries and translated Bible study lessons into 51 languages. Volunteer National Leadership Teams initiate and monitor program policy for the organization. The Ministry Service Center located in Colorado Springs provides the support structure necessary to write, edit, print, record (audio and visual), translate, teach, and distribute Bible lesson materials as well as train and coordinate the local volunteer leadership teams for the classes.

During the year ended June 30, 2008, the boards of CBS and Community Bible Study International (CBSI), a separate Section 501(c)(3) organization providing similar services outside the geographic boundary of the United States, mutually agreed to merge the activities of CBS and CBSI. CBSI was originally part of CBS until separately incorporating in 1992. The primary source of revenue is class fees and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CBS uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term, highly liquid investments with an original maturity term of three months or less. These accounts, at times, may exceed federally insured limits. CBS has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

### INVENTORY

Inventory consists of tapes, CD's, books, biblical counseling, and related ministry materials. Inventory is recorded at the lower of cost or market using the average cost method. Based on inventory on hand at June 30, 2012 and 2011, management has not recorded an allowance for obsolete inventory.

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2012 and 2011

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

#### LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment are recorded at cost if purchased or fair value if contributed and include improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives, which range from four to forty years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of \$1,500 are capitalized.

#### BENEFICIAL INTEREST IN LIFE ESTATE

As of June 30, 2011 and 2012, the beneficial interest in life estate is an irrevocable agreement for a 50% remainderman interest in real estate, which is not trusteeed by CBS. CBS' interest is measured at the estimated present value of future cash receipts, using approved life expectancy tables and a discount rate of 6.00%. The resulting actuarial change, was recorded as temporary contributions in the statements of activities for the years ending June 30, 2012 and 2011.

#### PROPERTY HELD FOR SALE

During the year ended June 30, 2011, CBS transferred a beneficial interest in a life estate in the amount of \$536,000 to property held for sale. Property held for sale is not actively traded and significant other observable inputs are not readily available. Thus, the fair value of the property held for sale is determined on a nonrecurring basis by professional real estate appraisals and market comparisons. Management evaluated the property held for sale for impairment and a \$136,000 loss on impairment was reported in the statement of activities during the year ended June 30, 2011. This property was sold for a loss of \$150,000 during the year ended June 30, 2012.

#### CLASSES OF NET ASSETS

The net assets of CBS are reported in the following classes:

*Unrestricted net assets* are currently available at the discretion of the board for use in the organization's operations and those resources invested in land, building, and equipment.

*Temporarily restricted net assets* include resources: (1) restricted by donors primarily for use with certain projects, and (2) time restrictions related to the beneficial interest in life estate.



# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2012 and 2011

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

#### SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. CBS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the contributed amounts. When the purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Class revenue is recognized when students have participated in classes and/or extra-curricular activities. Class registration fees received in advance are recorded as deferred income.

Conference and other income and program revenue is recognized when earned.

#### FUNCTIONAL ALLOCATION OF EXPENSES

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

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2012, CBS had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

#### RECLASSIFICATIONS

Certain prior year amounts have been reclassified in order to conform to current year presentation.

### 3. FAIR VALUE MEASUREMENTS:

CBS uses appropriate valuation techniques to determine fair value based on inputs available. When available, CBS measures 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.

CBS' beneficial interest in life estate is reported at fair value based on observable inputs other than quoted prices included in Level 1 and thus is based on appraisals and market comparisons of similar properties, which is Level 2 of the fair value hierarchy established under the Fair Value Measurements Topic of the FASB ASC.

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2012 and 2011

4. LAND, BUILDING, AND EQUIPMENT–NET:

Land, building, and equipment–net consists of:

	June 30,	
	2012	2011
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,069,164	4,066,268
Equipment and computer software	1,127,475	1,056,066
Furniture and fixtures	387,016	383,449
	<u>6,201,808</u>	<u>6,123,936</u>
Accumulated depreciation	<u>(1,537,525)</u>	<u>(1,206,325)</u>
	<u>\$ 4,664,283</u>	<u>\$ 4,917,611</u>

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2012	2011
Class operations	\$ 730,138	\$ 690,630
National children's fund	192,548	140,632
International regions	178,244	136,494
Children's program	162,409	307,824
Caleb projects	157,104	129,071
In-Prison program	87,360	81,294
ASK	29,748	32,889
Student ministries and other	25,068	14,978
Translations	12,631	12,352
Beneficial interest in life estate and property held for sale	<u>194,138</u>	<u>582,843</u>
	<u>\$ 1,769,388</u>	<u>\$ 2,129,007</u>

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2012 and 2011

6. OPERATING LEASES:

CBS leases certain office equipment under operating lease agreements. Lease expense for the years ended June 30, 2012 and 2011, was \$41,870 and \$40,552, respectively. Future minimum rental payments are:

<u>Year Ending June 30,</u>	
2013	\$ 15,735
2014	13,836
2015	<u>2,306</u>
	<u>\$ 31,877</u>

7. RETIREMENT PLAN:

CBS maintains a 403(b) defined contribution retirement plan. All full-time employees who have obtained the age of twenty-one are eligible to receive employer contributions of 3% of their gross employee compensation. During the years ended June 30, 2012 and 2011, CBS' contributions to the 403(b) plan were \$45,623 and \$44,809, respectively.

8. LINE OF CREDIT:

CBS has a revolving \$300,000 line of credit, with a financial institution, with interest at the Wall Street prime rate plus 1%, (effective rate of 4.25%), unsecured. The line of credit is to be paid in full on March 31, 2013. As of June 30, 2012 and 2011, the line of credit was not drawn upon.

9. RELATED PARTY:

During the year ended June 30, 2011, CBS received \$232,000 in related party short-term notes payable. The executive director and the spouse of the COO loaned CBS \$132,000 and \$100,000, respectively, interest free, with variable maturities ranging from October 2010 through January 2011. During the year ended June 30, 2011, these short-term notes payable were paid in full. There were no similar transactions during the year ended June 30, 2012.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **SUPPLEMENTAL INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTAL INFORMATION**

Board of Trustees  
Community Bible Study  
Colorado Springs, Colorado

We have audited the financial statements of Community Bible Study as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated September 20, 2012, which contained an unqualified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Capin Crouse LLP*

Colorado Springs, Colorado  
September 20, 2012

# COMMUNITY BIBLE STUDY

## Schedule of Functional Expenses

For the Year Ended June 30, 2012

	Program Services				Supporting Activities			
	Bible Study Classes	Leadership Conference/ Training	International	Other Programs	Total Program	General and Administrative	Fund- Raising	Total Expenses
Officer salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,450	\$ -	\$ 255,450
Other salaries and benefits	516,952	209,377	323,480	-	1,049,809	402,587	-	1,452,396
Employer retirement plan contributions	14,702	5,545	6,599	-	26,846	18,777	-	45,623
Other employee benefits	36,770	14,076	29,331	-	80,177	41,085	-	121,262
Payroll taxes	43,889	18,045	16,747	-	78,681	54,848	-	133,529
Accounting	-	-	-	-	-	19,200	-	19,200
Other fees for services	15,634	27,374	86,753	-	129,761	50,107	-	179,868
Office	242,304	124,423	119,736	12,264	498,727	212,172	21,053	731,952
Information technology	210,038	3,827	3,267	-	217,132	13,487	-	230,619
Occupancy	775,213	-	6,893	-	782,106	10,768	-	792,874
Travel	91,831	76,757	274,080	13,826	456,494	36,626	-	493,120
Conferences	-	822,206	-	-	822,206	23,614	-	845,820
Depreciation	102,669	124,832	24,935	-	252,436	93,277	-	345,713
Bible study programs	1,528,436	-	252,937	-	1,781,373	17,734	-	1,799,107
Childcare program	914,974	-	-	-	914,974	-	-	914,974
Bible study materials	422,433	67,852	5,547	-	495,832	-	-	495,832
Human resources	8,374	32,834	18,221	-	59,429	23,318	-	82,747
	\$ 4,924,219	\$ 1,527,148	\$ 1,168,526	\$ 26,090	\$ 7,645,983	\$ 1,273,050	\$ 21,053	\$ 8,940,086

# COMMUNITY BIBLE STUDY

## Schedule of Functional Expenses

For the Year Ended June 30, 2011

	Program Services				Supporting Activities			Total Expenses
	Bible Study Classes	Leadership Conference/ Training	International	Other Programs	Total Program	General and Administrative	Fund- Raising	
Officer salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,535	\$ -	\$ 102,535
Other salaries and benefits	365,945	229,221	354,138	-	949,304	640,741	-	1,590,045
Employer retirement plan contributions	-	-	-	-	-	-	-	-
	14,440	5,446	6,481	-	26,367	18,442	-	44,809
Other employee benefits	59,619	22,823	47,557	-	129,999	66,615	-	196,614
Payroll taxes	45,610	18,753	17,404	-	81,767	56,999	-	138,766
Accounting	-	-	-	-	-	24,470	-	24,470
Other fees for services	9,478	16,595	52,593	-	78,666	30,377	-	109,043
Office	182,710	43,821	90,287	9,248	326,066	209,989	-	536,055
Information technology	390,504	7,115	6,074	-	403,693	25,075	-	428,768
Occupancy	1,035,867	-	9,655	-	1,045,522	65,083	-	1,110,605
Travel	142,949	119,484	426,646	21,522	710,601	57,014	-	767,615
Conferences	-	806,341	-	-	806,341	23,158	-	829,499
Depreciation	101,029	122,838	24,537	-	248,404	91,787	-	340,191
Bible study programs	1,533,033	-	253,698	-	1,786,731	17,787	34,926	1,839,444
Childcare program	904,735	-	-	-	904,735	-	-	904,735
Bible study materials	432,844	69,524	5,684	-	508,052	-	-	508,052
	\$ 5,218,763	\$ 1,461,961	\$ 1,294,754	\$ 30,770	\$ 8,006,248	\$ 1,430,072	\$ 34,926	\$ 9,471,246