



COMMUNITY BIBLE STUDY

FINANCIAL STATEMENTS  
With Independent Auditors' Report

June 30, 2013 and 2012

# COMMUNITY BIBLE STUDY

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Community Bible Study  
Colorado Springs, Colorado

We have audited the accompanying financial statements of Community Bible Study, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Trustees  
Community Bible Study  
Colorado Springs, Colorado

***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, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Colorado Springs, Colorado  
September 25, 2013

# COMMUNITY BIBLE STUDY

## Statements of Financial Position

	June 30,	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and cash equivalents	\$ 3,517,799	\$ 3,440,463
Inventory	186,753	267,586
Prepaid expenses and other assets	55,047	51,768
Beneficial interest in life estate	206,113	194,138
Land, building, and equipment—net	<u>4,724,765</u>	<u>4,664,283</u>
Total Assets	<u>\$ 8,690,477</u>	<u>\$ 8,618,238</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 248,817	\$ 328,499
Deferred revenue	<u>1,099,497</u>	<u>1,056,439</u>
	<u>1,348,314</u>	<u>1,384,938</u>
Net assets:		
Unrestricted:		
Operating	479,913	474,629
Equity in land, building, and equipment	4,724,765	4,664,283
Board-designated - general and building reserves	<u>310,000</u>	<u>325,000</u>
	<u>5,514,678</u>	<u>5,463,912</u>
Temporarily restricted	<u>1,827,485</u>	<u>1,769,388</u>
	<u>7,342,163</u>	<u>7,233,300</u>
Total Liabilities and Net Assets	<u>\$ 8,690,477</u>	<u>\$ 8,618,238</u>

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Activities

	Year Ended June 30,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Class fees and contributions	\$ 4,078,605	\$ 4,610,392	\$ 8,688,997	\$ 4,562,599	\$ 3,910,611	\$ 8,473,210
Contributions	1,066,582	-	1,066,582	874,375	-	874,375
Loss on property held for sale	-	-	-	(150,000)	-	(150,000)
Conferences and other income	616,763	-	616,763	502,860	-	502,860
<b>Total Support and Revenue</b>	<b>5,761,950</b>	<b>4,610,392</b>	<b>10,372,342</b>	<b>5,789,834</b>	<b>3,910,611</b>	<b>9,700,445</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	4,552,295	(4,552,295)	-	4,270,230	(4,270,230)	-
<b>EXPENSES:</b>						
Program services:						
Bible study classes	5,183,598	-	5,183,598	4,924,219	-	4,924,219
Leadership conference/training	1,978,174	-	1,978,174	1,527,148	-	1,527,148
International	1,580,150	-	1,580,150	1,168,526	-	1,168,526
Other programs	30,270	-	30,270	26,090	-	26,090
	8,772,192	-	8,772,192	7,645,983	-	7,645,983
Supporting activities:						
General and administrative	1,474,036	-	1,474,036	1,273,050	-	1,273,050
Fund-raising	17,251	-	17,251	21,053	-	21,053
<b>Total Expenses</b>	<b>10,263,479</b>	<b>-</b>	<b>10,263,479</b>	<b>8,940,086</b>	<b>-</b>	<b>8,940,086</b>
Change in Net Assets	50,766	58,097	108,863	1,119,978	(359,619)	760,359
Net Assets, Beginning of Year	5,463,912	1,769,388	7,233,300	4,343,934	2,129,007	6,472,941
Net Assets, End of Year	\$ 5,514,678	\$ 1,827,485	\$ 7,342,163	\$ 5,463,912	\$ 1,769,388	\$ 7,233,300

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Cash Flows

	Year Ended June 30,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 108,863	\$ 760,359
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	280,120	345,714
Loss on property held for sale	-	150,000
Donated stock	(14,023)	(56,494)
Changes in operating assets and liabilities:		
Inventory	80,833	(40,288)
Prepaid expenses and other assets	(3,279)	(8,386)
Change in beneficial interest in life estate	(11,975)	(11,295)
Accounts payable	(79,682)	30,104
Deferred revenue	43,058	59,514
Net Cash Provided by Operating Activities	403,915	1,229,228
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, and equipment	(340,602)	(92,386)
Proceeds from sale of property held for sale	-	250,000
Proceeds from sale of investments	14,023	56,494
Net Cash Provided (Used) by Investing Activities	(326,579)	214,108
Net Change in Cash and Cash Equivalents	77,336	1,443,336
Cash and Cash Equivalents, Beginning of Year	3,440,463	1,997,127
Cash and Cash Equivalents, End of Year	\$ 3,517,799	\$ 3,440,463

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2013 and 2012

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 665 locations nationwide. In addition to activities in the United States, it has established Bible study classes in 76 countries and translated Bible study lessons into 54 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 to form one legally recognized organization. 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 maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of 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 of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. 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. Inventory is used to support the bible studies and are not sold or available to the general public. Management has traditionally found uses and very seldom disposes of these resources, based on this trend, management has not recorded an allowance for obsolete inventory at June 30, 2013 and 2012.



# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2013 and 2012

### 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, 2013 and 2012, the beneficial interest in life estate is an irrevocable agreement for a 50% remainderman interest in real estate, which is not trusted 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 temporarily restricted contributions in the statements of activities for the years ending June 30, 2013 and 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.

#### 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 donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2013 and 2012

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 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, 2013, CBS had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization's federal Return of Organization Exempt from Income Tax Form 990 for the years ended June 30, 2012, 2011, and 2010, are subject to examination by the IRS, generally for three years after they were filed.

### 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, 2013 and 2012

4. LAND, BUILDING, AND EQUIPMENT–NET:

Land, building, and equipment–net consists of:

	June 30,	
	2013	2012
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,072,060	4,069,164
Equipment and computer software	1,190,918	1,127,475
Furniture and fixtures	406,483	387,016
	6,287,614	6,201,808
Accumulated depreciation	(1,817,739)	(1,537,525)
	4,469,875	4,664,283
Construction in process	254,890	-
	\$ 4,724,765	\$ 4,664,283

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2013	2012
Class operations	\$ 737,509	\$ 730,138
International regions	233,830	178,244
National children's fund	225,671	192,548
Beneficial interest in life estate	206,113	194,138
Caleb projects	147,211	157,104
Children's program	138,571	162,409
In-Prison program	101,338	87,360
Translations	32,597	12,631
ASK	4,102	29,748
Student ministries and other	543	25,068
	\$ 1,827,485	\$ 1,769,388

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2013 and 2012

6. OPERATING LEASES:

CBS leases certain office equipment under operating lease agreements. Lease expense for the years ended June 30, 2013 and 2012, was \$22,314 and \$41,870, respectively. Future minimum rental payments are:

<u>Year Ending June 30,</u>	
2014	\$ 20,725
2015	9,195
2016	6,889
2017	6,889
2018	5,741
	<hr/>
	\$ 49,439
	<hr/> <hr/>

7. FUTURE COMMITMENTS:

CBS has contracts in place for the 2015 and 2017 Teachers and Directors Conference. The combined contract for the two conferences is \$552,450, one half of which is payable upon the completion of each conference in January of the respective years. If the contracts are cancelled, CBS would owe 40% of the balance of the contract. This cancellation percentage begins to increase one year out from the conference date and continues to increase up to the actual conference date.

8. 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, 2013 and 2012, CBS' contributions to the 403(b) plan were \$51,376 and \$45,623, respectively.

9. 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 November 30, 2014. As of June 30, 2013 and 2012, the line of credit was not drawn upon.

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, 2013 and 2012, and our report thereon dated September 25, 2013, which expresses an unmodified opinion on those financial statements, appears on page 1. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit 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 25, 2013

# COMMUNITY BIBLE STUDY

## Schedule of Functional Expenses

For the Year Ended June 30, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315,354	\$ -	\$ 315,354
Other salaries and benefits	595,422	241,158	372,582	-	1,209,162	463,697	-	1,672,859
Employer retirement plan contributions	13,934	5,255	6,254	-	25,443	17,796	-	43,239
Other employee benefits	72,933	29,540	45,638	-	148,111	56,798	-	204,909
Payroll taxes	53,824	22,130	20,538	-	96,492	67,263	-	163,755
Accounting	-	-	-	-	-	20,450	-	20,450
Other fees for services	12,231	21,416	67,870	-	101,517	80,677	-	182,194
Office	206,456	61,465	99,480	11,859	379,260	237,936	17,251	634,447
Information technology	322,946	3,851	3,851	-	330,648	3,340	-	333,988
Occupancy	643,117	-	63	-	643,180	99	-	643,279
Travel	122,285	102,212	364,972	18,411	607,880	48,772	-	656,652
Conferences	-	1,353,747	-	-	1,353,747	38,275	-	1,392,022
Depreciation	83,189	101,147	20,204	-	204,540	75,580	-	280,120
Bible study programs	1,691,689	-	391,391	-	2,083,080	20,600	-	2,103,680
Childcare program	913,026	-	-	-	913,026	-	-	913,026
Bible study materials	449,273	23,163	180,107	-	652,543	-	-	652,543
Human resources	3,273	13,090	7,200	-	23,563	27,399	-	50,962
	<u>\$ 5,183,598</u>	<u>\$ 1,978,174</u>	<u>\$ 1,580,150</u>	<u>\$ 30,270</u>	<u>\$ 8,772,192</u>	<u>\$ 1,474,036</u>	<u>\$ 17,251</u>	<u>\$ 10,263,479</u>

# 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	212,171	21,053	731,951
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	93,278	-	345,714
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
	<u>\$ 4,924,219</u>	<u>\$ 1,527,148</u>	<u>\$ 1,168,526</u>	<u>\$ 26,090</u>	<u>\$ 7,645,983</u>	<u>\$ 1,273,050</u>	<u>\$ 21,053</u>	<u>\$ 8,940,086</u>