



**COMMUNITY**  
BIBLE STUDY

**FINANCIAL STATEMENTS**  
With Independent Auditors' Report

June 30, 2015 and 2014

# **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, 2015 and 2014, 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, 2015 and 2014, 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  
October 5, 2015

# COMMUNITY BIBLE STUDY

## Statements of Financial Position

	June 30,	
	2015	2014
<b>ASSETS:</b>		
General cash and cash equivalents	\$ 3,110,746	\$ 2,976,450
Class cash and cash equivalents	<u>1,036,781</u>	<u>776,175</u>
Total cash and cash equivalents	<u>4,147,527</u>	<u>3,752,625</u>
Inventory	89,075	108,249
Prepaid expenses and other assets	75,315	82,116
Beneficial interest in life estate	232,321	218,825
Land, building, equipment, and software–net	<u>5,483,122</u>	<u>5,245,758</u>
 Total Assets	<u>\$ 10,027,360</u>	<u>\$ 9,407,573</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 213,887	\$ 172,946
Deferred revenue	<u>1,282,896</u>	<u>1,107,996</u>
	<u>1,496,783</u>	<u>1,280,942</u>
Net assets:		
Unrestricted:		
Operating	64,644	203,935
Equity in land, building, equipment, and software	5,483,122	5,245,758
Board-designated - general and building reserves	<u>533,280</u>	<u>559,000</u>
	<u>6,081,046</u>	<u>6,008,693</u>
Temporarily restricted	<u>2,449,531</u>	<u>2,117,938</u>
	<u>8,530,577</u>	<u>8,126,631</u>
 Total Liabilities and Net Assets	<u>\$ 10,027,360</u>	<u>\$ 9,407,573</u>

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Activities

	Year Ended June 30,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Class and international contributions	\$ 3,022,171	\$ 4,032,351	\$ 7,054,522	\$ 3,002,691	\$ 3,565,440	\$ 6,568,131
Class registrations	1,948,760	-	1,948,760	1,951,030	-	1,951,030
Operating contributions	604,774	618,516	1,223,290	565,456	273,462	838,918
God Will Provide II	-	431,351	431,351	-	807,642	807,642
Conferences and other income	563,995	-	563,995	690,051	-	690,051
Total Support and Revenue	<u>6,139,700</u>	<u>5,082,218</u>	<u>11,221,918</u>	<u>6,209,228</u>	<u>4,646,544</u>	<u>10,855,772</u>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	<u>4,750,625</u>	<u>(4,750,625)</u>	<u>-</u>	<u>4,356,091</u>	<u>(4,356,091)</u>	<u>-</u>
<b>EXPENSES:</b>						
Program services:						
Bible study classes	5,590,262	-	5,590,262	5,483,216	-	5,483,216
Leadership conference/training	1,921,440	-	1,921,440	1,464,738	-	1,464,738
International	1,750,742	-	1,750,742	1,668,734	-	1,668,734
Other programs	89,504	-	89,504	58,747	-	58,747
	<u>9,351,948</u>	<u>-</u>	<u>9,351,948</u>	<u>8,675,435</u>	<u>-</u>	<u>8,675,435</u>
Supporting activities:						
General and administrative	1,449,011	-	1,449,011	1,379,110	-	1,379,110
Fund-raising	17,013	-	17,013	16,759	-	16,759
Total Expenses	<u>10,817,972</u>	<u>-</u>	<u>10,817,972</u>	<u>10,071,304</u>	<u>-</u>	<u>10,071,304</u>
Change in Net Assets	72,353	331,593	403,946	494,015	290,453	784,468
Net Assets, Beginning of Year	<u>6,008,693</u>	<u>2,117,938</u>	<u>8,126,631</u>	<u>5,514,678</u>	<u>1,827,485</u>	<u>7,342,163</u>
Net Assets, End of Year	<u>\$ 6,081,046</u>	<u>\$ 2,449,531</u>	<u>\$ 8,530,577</u>	<u>\$ 6,008,693</u>	<u>\$ 2,117,938</u>	<u>\$ 8,126,631</u>

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Cash Flows

	Year Ended June 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 403,946	\$ 784,468
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	249,024	232,619
Changes in operating assets and liabilities:		
Inventory	19,174	78,504
Prepaid expenses and other assets	6,801	(27,069)
Change in beneficial interest in life estate	(13,496)	(12,712)
Accounts payable	40,941	(75,871)
Deferred revenue	174,900	8,499
Net Cash Provided by Operating Activities	881,290	988,438
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, equipment, and software	(486,388)	(753,612)
Net Cash Used by Investing Activities	(486,388)	(753,612)
Net Change in Cash and Cash Equivalents	394,902	234,826
Total Cash and Cash Equivalents, Beginning of Year	3,752,625	3,517,799
Total Cash and Cash Equivalents, End of Year	\$ 4,147,527	\$ 3,752,625

See notes to financial statements

# **COMMUNITY BIBLE STUDY**

## **Notes to Financial Statements**

June 30, 2015 and 2014

### **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 by helping people know Him through Bible studies for all ages - children through senior adults - in more than 700 locations nationwide. In addition to activities in the United States, it has established Bible study classes in 85 countries and translated Bible study lessons into 64 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, translate, teach, and distribute Bible lesson materials as well as train and coordinate the local volunteer leadership teams for the classes.

### **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.

### **GENERAL AND CLASS CASH AND CASH EQUIVALENTS**

General and Class 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.

### **INVENTORY**

Inventory consists of DVDs, CDs, 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. Management periodically reviews the value of items in inventory and obsolete inventory. CBS produced new curriculum during 2015 and 2014, resulting in a write off of old material in the amounts of \$81,425 and \$68,840 at June 20, 2015 and 2014, respectively.

# **COMMUNITY BIBLE STUDY**

## **Notes to Financial Statements**

June 30, 2015 and 2014

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

#### **LAND, BUILDING, EQUIPMENT, AND SOFTWARE**

Land, building, equipment, and software 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 and amortization is initiated once the asset is placed in service, which is determined once the asset is being used in operations. Depreciation and amortization 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.

Capitalization of software development costs begins with costs incurred during the application development stage for software programs to be used solely to meet our internal needs and ends when all substantial testing has been completed. Capitalization costs include third party development, software purchase costs and travel costs related to development work.

God Will Provide II (GWPII) funds are specific to the Fisher project - software development costs. Capitalized restricted contributions for the project amount to \$431,351 and \$807,642 for the years ending June 30, 2015 and 2014, respectively.

#### **BENEFICIAL INTEREST IN LIFE ESTATE**

As of June 30, 2015 and 2014, the beneficial interest in life estate is an irrevocable agreement for a 50% remainderman interest in real estate, which is not trustee 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, and an increase in the asset, was recorded as temporarily restricted contributions in the statements of activities for the years ending June 30, 2015 and 2014.

#### **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, equipment, and software. Board designated amounts remain unrestricted and are amounts set aside for specific purposes identified by the board. Board designated amounts can only be used for these purposes unless they are formally released from the designation through a board resolution.

# **COMMUNITY BIBLE STUDY**

## **Notes to Financial Statements**

June 30, 2015 and 2014

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

#### **CLASSES OF NET ASSETS, continued**

The following board designations are as follows:

	June 30,	
	2015	2014
Contingency reserve	\$ 250,000	\$ 250,000
Building reserve	153,280	109,000
TD conference	<u>130,000</u>	<u>200,000</u>
	<u><u>\$ 533,280</u></u>	<u><u>\$ 559,000</u></u>

*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 class members have participated in classes and/or extra-curricular activities. Class registration fees received in advance, prior to the annual class startup, are recorded as deferred income.

Conferences and other income are 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.

# **COMMUNITY BIBLE STUDY**

## **Notes to Financial Statements**

June 30, 2015 and 2014

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

#### **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, 2015, 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, 2014, 2013, and 2012, are subject to examination by the IRS, generally for three years after they were filed.

#### **RECLASSIFICATIONS**

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

### **3. FAIR VALUE MEASUREMENTS:**

*The Fair Value Measurements and Disclosure Topic* of the FASB Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of unadjusted quoted prices in active markets for assets similar in nature that are not actually readily determinable. Level 3 inputs are based on other observable inputs and have the lowest priority. 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 and Disclosure Topic* of the FASB ASC.

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2015 and 2014

### 4. LAND, BUILDING, EQUIPMENT, AND SOFTWARE–NET:

Land, building, equipment, and software–net consist of:

	June 30,	
	2015	2014
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,074,743	4,074,743
Furniture and fixtures	388,227	409,282
Software development costs – FISHER project	1,171,114	-
Software development costs – other	382,692	845,782
Office and general equipment	228,362	434,049
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Accumulated depreciation	(1,380,169)	(2,050,265)
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	5,483,122	4,331,744
Assets not yet placed in service:		
FISHER project	-	768,755
Software development costs	-	145,259
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	\$ 5,483,122	\$ 5,245,758
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# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2015 and 2014

### 5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2015	2014
Class operations	\$ 1,017,608	\$ 774,256
International regions	336,407	241,209
National children's fund	236,147	268,515
Beneficial interest in life estate	232,321	218,825
Caleb projects	202,742	169,862
In-Prison program	166,884	127,008
God Will Provide II	133,725	141,447
International children's fund	90,154	101,257
International curriculum translations	32,060	68,726
Student ministries and other	1,483	3,765
Teaching directors' conference	-	3,068
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	\$ 2,449,531	\$ 2,117,938
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### 6. FUTURE COMMITMENTS:

CBS has a contract in place for an upcoming conference. The contract for the conference is \$276,225, which is payable upon the completion of the conference in 2017. If the contract is cancelled, CBS would owe 50% or more, up to 100%, of the balance of the contract depending on the date of cancellation.

### 7. RETIREMENT PLAN:

CBS maintains a 403(b) defined contribution retirement plan. Immediately upon hire, 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, 2015 and 2014, CBS' expenses associated with the 403(b) plan were \$52,299 and \$41,583, respectively.

# **COMMUNITY BIBLE STUDY**

## **Notes to Financial Statements**

June 30, 2015 and 2014

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%, and is unsecured. As of June 30, 2015 and 2014, the line of credit was not drawn upon. Amounts outstanding under the line of credit, if any, are to be paid in full on the expiration date, January 30, 2016.

9. **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 the report 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, 2015 and 2014, and our report thereon dated October 5, 2015, 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.

*CapinCrouse LLP*

Colorado Springs, Colorado  
October 5, 2015

# COMMUNITY BIBLE STUDY

## Schedule of Functional Expenses

Year Ended June 30, 2015

	Program Services					Supporting Activities					
	Leadership					Total Program	General and Administrative		Fund- Raising		
	Bible Study Classes	Conference/ Training	International	Other Programs							
Officer salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,141	\$ -	\$ 184,141		
Other salaries and benefits	614,535	259,368	437,284	-	-	1,311,187	494,982	-	1,806,169		
Employer retirement plan contributions	15,933	6,224	8,145	-	-	30,302	21,997	-	52,299		
Other employee benefits	77,372	31,749	50,487	-	-	159,608	75,899	-	235,507		
Payroll taxes	51,192	21,048	19,534	-	-	91,774	63,974	-	155,748		
Accounting	-	-	-	-	-	-	23,095	-	23,095		
Other fees for services	56,173	71,216	132,379	8,018	267,786	38,971	-	-	306,757		
Office	195,799	98,148	98,173	16,650	408,770	196,757	17,013	622,540			
Information technology	352,858	976	976	1,145	355,955	3,584	-	359,539			
Class facilities	753,572	-	588	-	754,160	588	-	754,748			
Travel	118,900	214,865	135,124	18,065	486,954	41,483	-	528,437			
Conferences	206,551	1,093,175	91,427	45,626	1,436,779	107,198	-	1,543,977			
Depreciation	73,955	89,919	17,961	-	181,835	67,189	-	249,024			
Bible study programs	1,694,980	-	580,959	-	2,275,939	30,577	-	2,306,516			
Childcare program	959,150	-	-	-	959,150	-	-	959,150			
Bible study materials	415,232	25,984	150,724	-	591,940	-	-	591,940			
Human resources	4,060	8,768	26,981	-	39,809	98,576	-	138,385			
	<b>\$ 5,590,262</b>	<b>\$ 1,921,440</b>	<b>\$ 1,750,742</b>	<b>\$ 89,504</b>	<b>\$ 9,351,948</b>	<b>\$ 1,449,011</b>	<b>\$ 17,013</b>	<b>\$ 10,817,972</b>			

# COMMUNITY BIBLE STUDY

## Schedule of Functional Expenses

Year Ended June 30, 2014

	Program Services					Supporting Activities			Total Expenses	
	Leadership		Other			General and Administrative	Fund- Raising			
	Bible Study Classes	Conference/ Training	International	Programs	Total Program					
Officer salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,961	\$ -	\$ -	\$ 202,961	
Other salaries and benefits	645,664	261,508	404,021	-	1,311,193	502,824	-	-	1,814,017	
Employer retirement plan contributions	13,400	5,054	6,015	-	24,469	17,114	-	-	41,583	
Other employee benefits	76,861	31,130	48,095	-	156,086	59,857	-	-	215,943	
Payroll taxes	51,239	21,067	19,552	-	91,858	64,034	-	-	155,892	
Accounting	-	-	-	-	-	27,707	-	-	27,707	
Other fees for services	13,480	23,602	74,798	-	111,880	63,307	-	-	175,187	
Office	192,883	55,237	97,449	11,691	357,260	198,190	16,759	572,209		
Information technology	267,298	535	535	-	268,368	2,711	-	-	271,079	
Class facilities	785,388	-	136	-	785,524	213	-	-	785,737	
Travel	146,320	67,440	159,818	17,427	391,005	46,672	-	-	437,677	
Conferences	110,049	838,000	83,674	29,629	1,061,352	67,125	-	-	1,128,477	
Depreciation	69,083	83,995	16,778	-	169,856	62,763	-	-	232,619	
Bible study programs	1,714,546	-	552,511	-	2,267,057	29,080	-	-	2,296,137	
Childcare program	911,043	-	-	-	911,043	-	-	-	911,043	
Bible study materials	473,622	27,810	178,204	-	679,636	-	-	-	679,636	
Human resources	12,340	49,360	27,148	-	88,848	34,552	-	-	123,400	
	<b>\$ 5,483,216</b>	<b>\$ 1,464,738</b>	<b>\$ 1,668,734</b>	<b>\$ 58,747</b>	<b>\$ 8,675,435</b>	<b>\$ 1,379,110</b>	<b>\$ 16,759</b>		<b>\$ 10,071,304</b>	