



COMMUNITY BIBLE STUDY

FINANCIAL STATEMENTS  
With Independent Auditors' Report

June 30, 2014 and 2013

# 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, 2014 and 2013, 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, 2014 and 2013, 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 12, 2014

# COMMUNITY BIBLE STUDY

## Statements of Financial Position

	June 30,	
	<u>2014</u>	<u>2013</u>
ASSETS:		
General cash and cash equivalents	\$ 2,976,450	\$ 2,776,438
Class cash and cash equivalents	776,175	741,361
Inventory	108,249	186,753
Prepaid expenses and other assets	82,116	55,047
Beneficial interest in life estate	218,825	206,113
Land, building, equipment, and software—net	<u>5,245,758</u>	<u>4,724,765</u>
Total Assets	<u>\$ 9,407,573</u>	<u>\$ 8,690,477</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 172,946	\$ 248,817
Deferred revenue	<u>1,107,996</u>	<u>1,099,497</u>
	<u>1,280,942</u>	<u>1,348,314</u>
Net assets:		
Unrestricted:		
Operating	203,935	479,913
Equity in land, building, equipment, and software	5,245,758	4,724,765
Board-designated - general and building reserves	<u>559,000</u>	<u>310,000</u>
	<u>6,008,693</u>	<u>5,514,678</u>
Temporarily restricted	<u>2,117,938</u>	<u>1,827,485</u>
	<u>8,126,631</u>	<u>7,342,163</u>
Total Liabilities and Net Assets	<u>\$ 9,407,573</u>	<u>\$ 8,690,477</u>

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Activities

	Year Ended June 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Class fees and contributions	\$ 3,612,975	\$ 5,350,686	\$ 8,963,661	\$ 4,078,605	\$ 4,610,392	\$ 8,688,997
Operating contributions	1,400,371	-	1,400,371	1,066,582	-	1,066,582
Conferences and other income	491,740	-	491,740	616,763	-	616,763
<b>Total Support and Revenue</b>	<b>5,505,086</b>	<b>5,350,686</b>	<b>10,855,772</b>	<b>5,761,950</b>	<b>4,610,392</b>	<b>10,372,342</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	5,060,233	(5,060,233)	-	4,552,295	(4,552,295)	-
<b>EXPENSES:</b>						
Program services:						
Bible study classes	5,465,629	-	5,465,629	5,183,598	-	5,183,598
Leadership conference/training	1,035,199	-	1,035,199	1,978,174	-	1,978,174
International	2,137,917	-	2,137,917	1,580,150	-	1,580,150
Other programs	47,642	-	47,642	30,270	-	30,270
	8,686,387	-	8,686,387	8,772,192	-	8,772,192
Supporting activities:						
General and administrative	1,368,158	-	1,368,158	1,474,036	-	1,474,036
Fund-raising	16,759	-	16,759	17,251	-	17,251
<b>Total Expenses</b>	<b>10,071,304</b>	<b>-</b>	<b>10,071,304</b>	<b>10,263,479</b>	<b>-</b>	<b>10,263,479</b>
Change in Net Assets	494,015	290,453	784,468	50,766	58,097	108,863
Net Assets, Beginning of Year	5,514,678	1,827,485	7,342,163	5,463,912	1,769,388	7,233,300
Net Assets, End of Year	\$ 6,008,693	\$ 2,117,938	\$ 8,126,631	\$ 5,514,678	\$ 1,827,485	\$ 7,342,163

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Statements of Cash Flows

	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 784,468	\$ 108,863
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	232,619	280,120
Changes in operating assets and liabilities:		
Inventory	78,504	80,833
Prepaid expenses and other assets	(27,069)	(3,279)
Change in beneficial interest in life estate	(12,712)	(11,975)
Accounts payable	(75,871)	(79,682)
Deferred revenue	8,499	43,058
Net Cash Provided by Operating Activities	<u>988,438</u>	<u>417,938</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, equipment, and software	<u>(753,612)</u>	<u>(340,602)</u>
Net Cash Used by Investing Activities	<u>(753,612)</u>	<u>(340,602)</u>
Net Change in General and Class Cash and Cash Equivalents	234,826	77,336
General and Class Cash and Cash Equivalents, Beginning of Year	<u>3,517,799</u>	<u>3,440,463</u>
General and Class Cash and Cash Equivalents, End of Year	<u>\$ 3,752,625</u>	<u>\$ 3,517,799</u>

See notes to financial statements

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2014 and 2013

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 80 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, 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. 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.

### 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 and believes it is not exposed to any significant credit risk.



# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2014 and 2013

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

#### 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. 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, 2014 and 2013.

#### 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.

#### BENEFICIAL INTEREST IN LIFE ESTATE

As of June 30, 2014 and 2013, 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, 2014 and 2013.

#### 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. The following are board designations as of June 30, 2014:

TD conference	\$	200,000
Operating cash		250,000
Building reserve		109,000
		<hr/>
	\$	559,000
		<hr/> <hr/>

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2014 and 2013

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

#### CLASSES OF NET ASSETS, continued

*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.

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, 2014, 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, 2013, 2012, and 2011, 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.

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2014 and 2013

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, and 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.

4. LAND, BUILDING, EQUIPMENT, AND SOFTWARE—NET:

Land, building, equipment, and software—net consists of:

	June 30,	
	2014	2013
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,074,743	4,072,060
Software development costs	845,782	842,348
Office and general equipment	434,049	348,570
Furniture and fixtures	409,282	406,483
	6,382,009	6,287,614
Accumulated depreciation	(2,050,265)	(1,817,739)
	4,331,744	4,469,875
Assets not yet placed in service:		
FISHER project	768,755	151,840
Software development costs	145,259	103,050
	914,014	254,890
	\$ 5,245,758	\$ 4,724,765

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2014 and 2013

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2014	2013
Class operations	\$ 774,256	\$ 737,509
National children's fund	268,515	225,671
International regions	234,820	233,830
Beneficial interest in life estate	218,825	206,113
Caleb projects	169,862	147,211
God Will Provide II	141,447	-
In-Prison program	127,008	101,338
Children's program	107,647	138,571
International curriculum translations	68,726	32,597
After school kids	3,434	4,102
Student ministries and other	3,398	543
	\$ 2,117,938	\$ 1,827,485

6. OPERATING LEASES:

CBS leases certain office equipment under operating lease agreements. Lease expense for the years ended June 30, 2014 and 2013, was \$21,465 and \$22,314, respectively. Future minimum rental payments are:

<u>Year Ending June 30,</u>	
2015	\$ 9,195
2016	6,889
2017	6,889
2018	5,741
	\$ 28,714

7. FUTURE COMMITMENTS:

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

# COMMUNITY BIBLE STUDY

## Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013, CBS' contributions to the 403(b) plan were \$41,583 and \$43,239, 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%, and is unsecured. As of June 30, 2014 and 2013, the line of credit was not drawn upon. Amounts outstanding under the line of credit, if any, are to be paid in full on January 30, 2016.

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, 2014 and 2013, and our report thereon dated September 12, 2014, 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 12, 2014

# COMMUNITY BIBLE STUDY

## Schedule of Functional Expenses

Year Ended June 30, 2014

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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
Occupancy	785,388	-	136	-	785,524	213	-	785,737
Travel	238,784	199,587	712,675	35,951	1,186,997	95,237	-	1,282,234
Conferences	-	276,314	-	-	276,314	7,608	-	283,922
Depreciation	69,083	83,995	16,778	-	169,856	62,763	-	232,619
Bible study programs	1,714,544	-	552,511	-	2,267,055	29,080	-	2,296,135
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
	<u>\$ 5,465,629</u>	<u>\$ 1,035,199</u>	<u>\$ 2,137,917</u>	<u>\$ 47,642</u>	<u>\$ 8,686,387</u>	<u>\$ 1,368,158</u>	<u>\$ 16,759</u>	<u>\$ 10,071,304</u>



# COMMUNITY BIBLE STUDY

## Schedule of Functional Expenses

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
	\$ 5,183,598	\$ 1,978,174	\$ 1,580,150	\$ 30,270	\$ 8,772,192	\$ 1,474,036	\$ 17,251	\$ 10,263,479