



COMMUNITY
BIBLE STUDY

FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 7, 2016

COMMUNITY BIBLE STUDY

Statements of Financial Position

	June 30,	
	<u>2016</u>	<u>2015</u>
ASSETS:		
General cash and cash equivalents	\$ 4,479,567	\$ 3,110,746
Class cash and cash equivalents	1,055,962	1,036,781
Total cash and cash equivalents	<u>5,535,529</u>	<u>4,147,527</u>
Inventory	42,085	89,075
Prepaid expenses and other assets	58,623	75,315
Beneficial interest in life estate	246,650	232,321
Land, building, equipment, and software—net	<u>5,550,953</u>	<u>5,483,122</u>
Total Assets	<u>\$ 11,433,840</u>	<u>\$ 10,027,360</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 239,602	\$ 213,887
Deferred revenue	1,575,460	1,282,896
	<u>1,815,062</u>	<u>1,496,783</u>
Net assets:		
Unrestricted:		
Operating	697,491	64,644
Equity in land, building, equipment, and software	5,550,953	5,483,122
Board-designated - general and building reserves	680,726	533,280
	<u>6,929,170</u>	<u>6,081,046</u>
Temporarily restricted	2,689,608	2,449,531
	<u>9,618,778</u>	<u>8,530,577</u>
Total Liabilities and Net Assets	<u>\$ 11,433,840</u>	<u>\$ 10,027,360</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Activities

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Class and international contributions	\$ 3,382,551	\$ 4,491,149	\$ 7,873,700	\$ 2,999,616	\$ 4,054,906	\$ 7,054,522
Class registrations	2,219,343	-	2,219,343	1,948,760	-	1,948,760
Operating contributions	34,016	785,329	819,345	159,840	1,063,450	1,223,290
God Will Provide II	-	189,112	189,112	-	431,351	431,351
Conferences and other income	615,044	-	615,044	563,995	-	563,995
Total Support and Revenue	6,250,954	5,465,590	11,716,544	5,672,211	5,549,707	11,221,918
NET ASSETS RELEASED:						
Purpose restrictions	5,225,513	(5,225,513)	-	5,218,114	(5,218,114)	-
EXPENSES:						
Program services:						
Bible study classes	6,190,115	-	6,190,115	5,923,380	-	5,923,380
Leadership conference/training	1,455,226	-	1,455,226	1,949,911	-	1,949,911
International	1,800,848	-	1,800,848	1,810,854	-	1,810,854
Other programs	108,939	-	108,939	89,504	-	89,504
	9,555,128	-	9,555,128	9,773,649	-	9,773,649
Supporting activities:						
General and administrative	1,038,595	-	1,038,595	1,014,976	-	1,014,976
Fund-raising	34,620	-	34,620	29,347	-	29,347
Total Expenses	10,628,343	-	10,628,343	10,817,972	-	10,817,972
Change in Net Assets	848,124	240,077	1,088,201	72,353	331,593	403,946
Net Assets, Beginning of Year:	6,081,046	2,449,531	8,530,577	6,008,693	2,117,938	8,126,631
Net Assets, End of Year	\$ 6,929,170	\$ 2,689,608	\$ 9,618,778	\$ 6,081,046	\$ 2,449,531	\$ 8,530,577

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Cash Flows

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,088,201	\$ 403,946
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	454,213	249,024
Loss on disposal of land, buildings, equipment, and software	3,647	-
Changes in operating assets and liabilities:		
Inventory	46,990	19,174
Prepaid expenses and other assets	16,692	6,801
Change in beneficial interest in life estate	(14,329)	(13,496)
Accounts payable	25,715	40,941
Deferred revenue	292,564	174,900
Net Cash Provided by Operating Activities	<u>1,913,693</u>	<u>881,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, equipment, and software	(530,691)	(486,388)
Proceeds from sale of land, buildings, equipment, and software	5,000	-
Net Cash Used by Investing Activities	<u>(525,691)</u>	<u>(486,388)</u>
Net Change in Cash and Cash Equivalents	1,388,002	394,902
Total Cash and Cash Equivalents, Beginning of Year	<u>4,147,527</u>	<u>3,752,625</u>
Total Cash and Cash Equivalents, End of Year	<u>\$ 5,535,529</u>	<u>\$ 4,147,527</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2016 and 2015

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 almost 700 locations nationwide. In addition to activities in the United States, it has established Bible study classes in 100 countries and translated Bible study lessons into 66 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.

CBS supports numerous international legal entities which carry out a common mission around the world providing training, funding and other resources, including curricula. However, CBS has no direct ownership or control over these legal entities which operate independently and under the legal jurisdiction of the country or countries in which they reside. As a result, the financial statements of CBS do not include the financial position or results of operations of such entities.

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 accounts with a financial institution wherein the funds exceeded federally insured limits in total by \$4,103,630 and \$2,695,757, respectively, for the years ended June 30, 2016 and 2015. CBS has not experienced any losses on such accounts.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 2016 and 2015, resulting in a write off of old material in the amounts of \$29,845 and \$81,425 for the years ended June 30, 2016 and 2015, respectively.

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 \$189,112 and \$431,351 for the years ending June 30, 2016 and 2015, respectively. God Will Provide II was established to provide a vehicle to directly fund the development of a state of the art software system, Fisher, to manage a real-time platform for interaction with CBS leaders in the field as well as those desiring on-line access to curricula. This program raised approximately \$1,428,000 in donations and was "closed" as of June 30, 2016.

BENEFICIAL INTEREST IN LIFE ESTATE

As of June 30, 2016 and 2015, 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, and an increase in the asset, was recorded as temporarily restricted contributions in the statements of activities for the years ending June 30, 2016 and 2015.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

Board designations are as follows:

	June 30,	
	2016	2015
Contingency reserve	\$ 250,000	\$ 250,000
TD conference	235,000	130,000
Building reserve	195,726	153,280
	<u>\$ 680,726</u>	<u>\$ 533,280</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.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2016 and 2015

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, 2016, CBS had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

CBS is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

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, 2016 and 2015

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

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

	June 30,	
	2016	2015
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,079,355	4,074,743
Furniture and fixtures	370,368	388,227
Software development costs – FISHER project	1,568,044	1,171,114
Software development costs – other	463,831	382,692
Office and general equipment	249,869	228,362
	7,349,620	6,863,291
Accumulated depreciation	(1,798,667)	(1,380,169)
	\$ 5,550,953	\$ 5,483,122

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2016	2015
Class operations	\$ 1,029,944	\$ 1,017,608
International regions	568,427	336,407
National children's fund	302,100	236,147
Beneficial interest in life estate	246,650	232,321
Caleb projects	226,760	202,742
In-Prison program	184,451	166,884
International children's fund	82,313	90,154
International curriculum translations	35,871	32,060
Teaching directors' conference	11,604	-
Student ministries and other	1,488	1,483
God Will Provide II	-	133,725
	\$ 2,689,608	\$ 2,449,531

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2016 and 2015

6. FUTURE COMMITMENTS:

CBS has a contract in place for an upcoming conference. The contract for the conference is \$293,370, which is payable upon the completion of the conference in 2017. If the contract is cancelled, CBS would owe 60% 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, 2016 and 2015, CBS' expenses associated with the 403(b) plan were \$50,795 and \$51,727, 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%, and is unsecured. As of June 30, 2016 and 2015, 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, 2017.

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, 2016 and 2015, and our report thereon dated October 7, 2016, 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
October 7, 2016

COMMUNITY BIBLE STUDY

Schedule of Functional Expenses

Year Ended June 30, 2016

	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	60,024	17,507	27,511	-	\$ 105,042	20,008	-	\$ 125,050
Other salaries and benefits	812,281	261,797	404,040	-	1,478,118	322,088	12,492	1,812,698
Employer retirement plan contributions	19,373	5,922	9,112	-	34,407	6,384	-	40,791
Other employee benefits	76,014	30,787	47,565	-	154,366	59,197	-	213,563
Payroll taxes	71,136	22,677	35,035	-	128,848	27,524	932	157,304
Accounting	-	-	-	-	-	22,320	-	22,320
Other fees for services	75,357	29,359	109,012	10,723	224,451	67,978	972	293,401
Office	21,771	51,917	64,291	33,309	171,288	96,937	7,025	275,250
Information technology	370,361	702	702	-	371,765	3,755	-	375,520
Class facilities	883,820	-	825	-	884,645	825	-	885,470
Travel	103,921	78,437	109,558	29,259	321,175	31,855	-	353,030
Conferences	146,569	715,816	84,423	31,184	977,992	69,867	-	1,047,859
Depreciation	134,890	164,009	32,761	-	331,660	117,017	5,536	454,213
Bible study programs	1,987,035	-	668,579	-	2,655,614	35,188	-	2,690,802
Childcare program	967,006	-	-	-	967,006	-	-	967,006
Bible study materials	456,335	67,568	179,822	4,464	708,189	77,231	7,663	793,083
Human resources	4,222	8,728	27,612	-	40,562	80,421	-	120,983
	\$ 6,190,115	\$ 1,455,226	\$ 1,800,848	\$ 108,939	\$ 9,555,128	\$ 1,038,595	\$ 34,620	\$ 10,628,343

COMMUNITY BIBLE STUDY

Schedule of Functional Expenses

Year Ended June 30, 2015

	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	\$ 88,388	\$ 25,780	\$ 40,511	\$ -	\$ 154,679	\$ 29,462	\$ -	\$ 184,141
Other salaries and benefits	803,504	259,368	437,284	-	1,500,156	297,932	8,083	1,806,171
Employer retirement plan contributions	24,685	7,512	12,592	-	44,789	7,509	-	52,298
Other employee benefits	104,647	31,749	50,487	-	186,883	48,625	-	235,508
Payroll taxes	70,925	22,452	34,688	-	128,065	27,148	533	155,746
Accounting	-	-	-	-	-	23,095	-	23,095
Other fees for services	56,173	71,216	132,379	8,018	267,786	38,971	-	306,757
Office	103,143	50,568	52,386	11,960	218,057	115,622	8,962	342,641
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	63,472	3,718	249,025
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	507,889	73,563	196,511	4,690	782,653	81,134	8,051	871,838
Human resources	4,060	8,768	26,981	-	39,809	98,576	-	138,385
	<u>\$ 5,923,380</u>	<u>\$ 1,949,911</u>	<u>\$ 1,810,854</u>	<u>\$ 89,504</u>	<u>\$ 9,773,649</u>	<u>\$ 1,014,976</u>	<u>\$ 29,347</u>	<u>\$ 10,817,972</u>