



COMMUNITY
BIBLE STUDY

Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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.

Emphasis of Matter

As discussed in note 2 to the financial statements, the 2016 financial statements have been restated to correct a misstatement related to the classification of revenues in the prior year. Change in net assets was not affected by the correction. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
October 9, 2017

COMMUNITY BIBLE STUDY

Statements of Financial Position

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS:		
General cash and cash equivalents	\$ 4,918,398	\$ 4,479,567
Class cash and cash equivalents	1,133,241	1,055,962
Total cash and cash equivalents	<u>6,051,639</u>	<u>5,535,529</u>
Inventory	89,917	42,085
Prepaid expenses and other assets	72,520	58,623
Beneficial interest in life estate	261,863	246,650
Land, building, equipment, and software–net	<u>5,191,934</u>	<u>5,550,953</u>
Total Assets	<u>\$ 11,667,873</u>	<u>\$ 11,433,840</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 275,767	\$ 239,602
Deferred revenue	1,620,421	1,575,460
	<u>1,896,188</u>	<u>1,815,062</u>
Net assets:		
Unrestricted:		
Operating	1,090,239	697,491
Equity in land, building, equipment, and software–net	5,191,934	5,550,953
Board-designated: general and building reserves	483,214	680,726
	<u>6,765,387</u>	<u>6,929,170</u>
Temporarily restricted	3,006,298	2,689,608
	<u>9,771,685</u>	<u>9,618,778</u>
Total Liabilities and Net Assets	<u>\$ 11,667,873</u>	<u>\$ 11,433,840</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Class and international contributions	\$ 3,714,606	\$ 4,489,740	\$ 8,204,346	\$ 3,623,706	\$ 4,530,144	\$ 8,153,850
Class registrations	2,625,170	-	2,625,170	2,219,343	-	2,219,343
Operating contributions	370,555	816,237	1,186,792	523,672	181,014	704,686
God Will Provide II	-	-	-	-	189,112	189,112
Conferences and other income	285,805	316,447	602,252	49,724	565,320	615,044
Total Support and Revenue	6,996,136	5,622,424	12,618,560	6,416,445	5,465,590	11,882,035
NET ASSETS RELEASED:						
Purpose restrictions	5,305,734	(5,305,734)	-	5,225,513	(5,225,513)	-
EXPENSES:						
Program services:						
Bible study classes	6,644,456	-	6,644,456	6,324,850	-	6,324,850
Leadership conference training	2,216,583	-	2,216,583	1,485,982	-	1,485,982
International classes	2,198,616	-	2,198,616	1,800,848	-	1,800,848
Other programs	163,138	-	163,138	108,939	-	108,939
	11,222,793	-	11,222,793	9,720,619	-	9,720,619
Supporting activities:						
General and administrative	1,208,728	-	1,208,728	1,038,595	-	1,038,595
Fund-raising	34,132	-	34,132	34,620	-	34,620
Total Expenses	12,465,653	-	12,465,653	10,793,834	-	10,793,834
Change in Net Assets	(163,783)	316,690	152,907	848,124	240,077	1,088,201
Net Assets, Beginning of Year	6,929,170	2,689,608	9,618,778	6,081,046	2,449,531	8,530,577
Net Assets, End of Year	\$ 6,765,387	\$ 3,006,298	\$ 9,771,685	\$ 6,929,170	\$ 2,689,608	\$ 9,618,778

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Cash Flows

	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 152,907	\$ 1,088,201
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	474,803	454,213
Loss on disposal of land, buildings, equipment, and software	-	3,647
Changes in operating assets and liabilities:		
Inventory	(47,832)	46,990
Prepaid expenses and other assets	(13,897)	16,692
Change in beneficial interest in life estate	(15,213)	(14,329)
Accounts payable	36,165	25,715
Deferred revenue	44,961	292,564
Net Cash Provided by Operating Activities	<u>631,894</u>	<u>1,913,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, equipment, and software	(115,784)	(530,691)
Proceeds from sale of land, buildings, equipment, and software	-	5,000
Net Cash Used by Investing Activities	<u>(115,784)</u>	<u>(525,691)</u>
Net Change in Cash and Cash Equivalents	516,110	1,388,002
Total Cash and Cash Equivalents, Beginning of Year	<u>5,535,529</u>	<u>4,147,527</u>
Total Cash and Cash Equivalents, End of Year	<u>\$ 6,051,639</u>	<u>\$ 5,535,529</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

Community Bible Study (CBS), a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, CBS is subject to federal income tax on any unrelated business taxable income. In addition the organization is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

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 approximately 100 countries and translated Bible study lessons into 76 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 generally three months or less. For 2017, cash and cash equivalents also include \$800,000 in certificates of deposit, which are reported at cost. While the certificates of deposit have original maturities of greater than three months, management can withdraw the cash at any time without incurring a penalty. Accordingly, they have been classified as readily available cash equivalents.

The aggregate of the various cash accounts, at times, has exceeded federally insured limits. CBS has accounts with a financial institution wherein the funds exceeded federally insured limits in total by \$3,636,594 and \$4,103,630, respectively, as of June 30, 2017 and 2016. CBS has not experienced any losses on such accounts.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GENERAL AND CLASS CASH AND CASH EQUIVALENTS, continued

Realized and unrealized gains and losses are included as unrestricted revenue in the statements of activities within conferences and other income.

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. No allowance was recorded as of June 30, 2017 and 2016. CBS produced new curriculum during 2017 and 2016, resulting in a write off of old material in the amounts of \$20,497 and \$29,845 for the years ended June 30, 2017 and 2016, 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 expense 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 CBS' 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.

BENEFICIAL INTEREST IN LIFE ESTATE

As of June 30, 2017 and 2016, 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, is recorded as temporarily restricted contributions in the statements of activities for the years ending June 30, 2017 and 2016.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2017 and 2016

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 CBS' operations and those resources invested in land, building, equipment, and software—net. Board designated amounts remain unrestricted and are amounts set aside for specific purposes identified by the trustees. 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,	
	2017	2016
Contingency reserve	\$ 250,000	\$ 250,000
Building reserve	186,513	195,726
TD conference	46,701	235,000
	<u>\$ 483,214</u>	<u>\$ 680,726</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 registration fees received in advance, prior to the annual class startup, are recorded as deferred revenue. Class revenue is recognized based on the commencement of the class, generally in August or September of the following fiscal year.

Conferences and other income are recognized when earned, which is when the conference begins.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2017 and 2016

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 statements of activities. Accordingly, certain costs, such as salaries and benefits, have been allocated among the program services and supporting activities benefited.

RECLASSIFICATIONS

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

CORRECTION OF AN ERROR

In previous years, contra accounts were used to net certain revenue activity with expense accounts for related program activities. As a result, total revenue and total expenses for 2016 were understated by \$165,491 in previously issued financial statements. Change in net assets for 2016 was not affected by the correction.

3. FAIR VALUE MEASUREMENTS:

The Fair Value Measurements and Disclosure Topic of the Financial Accounting Standards Board (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, 2017 and 2016

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

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

	June 30,	
	2017	2016
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,066,269	4,079,355
Furniture and fixtures	370,368	370,368
Software development costs – FISHER project	1,568,044	1,568,044
Software development costs – other	482,176	463,831
Office and general equipment	286,331	249,869
	7,391,341	7,349,620
Accumulated depreciation and amortization	(2,199,407)	(1,798,667)
	\$ 5,191,934	\$ 5,550,953

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2017	2016
Class operations	\$ 1,099,749	\$ 1,029,944
International regions	669,190	568,427
National children's fund	348,775	302,100
Caleb projects	263,657	226,760
Beneficial interest in life estate	261,863	246,650
In-Prison program	202,805	184,451
International children's fund	77,594	82,313
Youth curriculum	50,000	-
International curriculum translations	29,584	35,871
Student ministries and other	2,103	1,488
School initiative	978	-
Teaching directors' conference	-	11,604
	\$ 3,006,298	\$ 2,689,608

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2017 and 2016

6. FUTURE COMMITMENTS:

CBS has a contract in place for an upcoming conference. The contract for the conference is \$347,424, which is payable upon the completion of the conference in 2019. 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 match up to 5% of their base employee compensation. During the years ended June 30, 2017 and 2016, CBS' expenses associated with the 403(b) plan were \$65,080 and \$50,795, respectively.

8. LINE OF CREDIT:

CBS has a revolving, unsecured, \$300,000 line of credit, with a financial institution, with floating interest at the Wall Street prime rate plus 1%. As of June 30, 2017 and 2016, 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, February 28, 2018.

9. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 9, 2017, which is the date the financial statements were available to be issued

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, 2017 and 2016, and our report thereon dated October 9, 2017, 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
October 9, 2017

COMMUNITY BIBLE STUDY

Schedule of Functional Expenses

Year Ended June 30, 2017

	Program Services				Supporting Activities			Total Expenses
	Bible Study Classes	Leadership Conference/ Training	International Classes	Other Programs	Total Program	General and Administrative	Fund- Raising	
Officer salaries and benefits	\$ 60,199	\$ 19,369	\$ 29,924	\$ -	\$ 109,492	\$ 23,929	\$ 936	\$ 134,357
Other salaries and benefits	912,299	293,532	453,496	-	1,659,327	364,303	14,192	2,037,822
Employer retirement plan contributions	30,974	9,382	14,495	-	54,851	10,230	-	65,081
Other employee benefits	86,887	35,191	54,369	-	176,447	67,665	-	244,112
Payroll taxes	79,774	25,611	39,568	-	144,953	31,509	1,194	177,656
Accounting	-	-	-	-	-	36,046	-	36,046
Other fees for services	141,603	41,111	114,434	12,715	309,863	72,041	1,354	383,258
Office	198,467	89,016	87,766	54,395	429,644	97,612	8,738	535,994
Information technology	446,663	-	-	-	446,663	4,512	-	451,175
Class facilities	924,390	-	507	-	924,897	507	-	925,404
Travel	173,515	343,553	178,733	42,283	738,084	58,998	-	797,082
Conferences	202,919	1,097,586	112,835	48,249	1,461,589	106,707	-	1,568,296
Depreciation and amortization	141,007	171,444	34,246	-	346,697	128,106	-	474,803
Bible study programs	1,856,887	-	873,830	-	2,730,717	45,991	-	2,776,708
Childcare program	955,495	-	-	-	955,495	-	-	955,495
Bible study materials	428,883	82,608	174,566	4,496	690,553	77,778	7,718	776,049
Human resources	4,494	8,180	29,847	1,000	43,521	82,794	-	126,315
	<u>\$ 6,644,456</u>	<u>\$ 2,216,583</u>	<u>\$ 2,198,616</u>	<u>\$ 163,138</u>	<u>\$ 11,222,793</u>	<u>\$ 1,208,728</u>	<u>\$ 34,132</u>	<u>\$ 12,465,653</u>

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 Classes	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	114,037	82,673	64,291	33,309	294,310	96,937	7,025	398,272
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 and amortization	134,890	164,009	32,761	-	331,660	117,017	5,536	454,213
Bible study programs	2,029,504	-	668,579	-	2,698,083	35,188	-	2,733,271
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
	<u>\$ 6,324,850</u>	<u>\$ 1,485,982</u>	<u>\$ 1,800,848</u>	<u>\$ 108,939</u>	<u>\$ 9,720,619</u>	<u>\$ 1,038,595</u>	<u>\$ 34,620</u>	<u>\$ 10,793,834</u>

Note: See note 2 for Correction of an Error disclosure which references changes made to expenses from the previously issued financial statements.