



COMMUNITY
BIBLE STUDY

COMMUNITY BIBLE STUDY

Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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 8, 2020

COMMUNITY BIBLE STUDY

Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
ASSETS:		
General cash and cash equivalents	\$ 8,430,857	\$ 7,334,033
Class cash and cash equivalents	1,279,840	1,205,658
Total cash and cash equivalents	<u>9,710,697</u>	<u>8,539,691</u>
Inventory	63,313	104,691
Prepaid expenses and other assets	122,544	107,893
Beneficial interest in life estate	313,365	295,161
Land, building, equipment, and software-net	<u>4,366,392</u>	<u>4,768,730</u>
Total Assets	<u>\$ 14,576,311</u>	<u>\$ 13,816,166</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 298,507	\$ 626,882
Deferred revenue	959,296	1,478,153
	<u>1,257,803</u>	<u>2,105,035</u>
Net assets:		
Without donor restrictions	9,321,088	7,682,012
With donor restrictions	3,997,420	4,029,119
	<u>13,318,508</u>	<u>11,711,131</u>
Total Liabilities and Net Assets	<u>\$ 14,576,311</u>	<u>\$ 13,816,166</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Class and international contributions	\$ 4,077,651	\$ 4,504,021	\$ 8,581,672	\$ 3,708,098	\$ 5,987,752	\$ 9,695,850
Class registrations	2,650,871	-	2,650,871	2,645,537	-	2,645,537
Operating contributions	1,281,651	189,179	1,470,830	1,213,562	184,025	1,397,587
Government grant revenue	532,700	-	532,700	-	-	-
Conferences and other income	174,200	-	174,200	623,315	-	623,315
Total Support and Revenue	8,717,073	4,693,200	13,410,273	8,190,512	6,171,777	14,362,289
NET ASSETS RELEASED:						
Purpose restrictions	4,724,899	(4,724,899)	-	5,349,314	(5,349,314)	-
EXPENSES:						
Program services:						
Bible study classes	6,734,994	-	6,734,994	6,823,511	-	6,823,511
Leadership conference/ training	1,181,280	-	1,181,280	2,411,399	-	2,411,399
International classes	2,524,186	-	2,524,186	2,770,396	-	2,770,396
Other programs	185,919	-	185,919	148,091	-	148,091
	10,626,379	-	10,626,379	12,153,397	-	12,153,397
Supporting activities:						
General and administrative	1,137,455	-	1,137,455	1,282,364	-	1,282,364
Fund-raising	39,062	-	39,062	33,046	-	33,046
Total Expenses	11,802,896	-	11,802,896	13,468,807	-	13,468,807
Change in Net Assets	1,639,076	(31,699)	1,607,377	71,019	822,463	893,482
Net Assets, Beginning of Year	7,682,012	4,029,119	11,711,131	7,610,993	3,206,656	10,817,649
Net Assets, End of Year	\$ 9,321,088	\$ 3,997,420	\$ 13,318,508	\$ 7,682,012	\$ 4,029,119	\$ 11,711,131

See notes to financial statements

COMMUNITY BIBLE STUDY

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services					Supporting Activities		Total Expenses
	Bible Study Classes	Leadership Conference/ Training	International Classes	Other Programs	Total Program Services	General and Administrative	Fund-Raising	
Salaries and benefits	\$ 1,498,171	\$ 397,618	\$ 614,306	\$ 83,001	\$ 2,593,096	\$ 519,706	\$ 20,423	\$ 3,133,225
Services and professional fees	1,994,950	85,770	576,813	35,177	2,692,710	280,378	4,888	2,977,976
Office and supplies	1,929,331	89,746	83,614	9,352	2,112,043	110,861	10,736	2,233,640
Occupancy	1,013,477	76,323	19,907	1,756	1,111,463	46,061	3,015	1,160,539
Travel and meals	167,626	372,010	438,844	50,577	1,029,057	61,034	-	1,090,091
Grants to others	-	-	758,780	6,056	764,836	-	-	764,836
Depreciation and amortization	131,439	159,813	31,922	-	323,174	119,415	-	442,589
	<u>\$ 6,734,994</u>	<u>\$ 1,181,280</u>	<u>\$ 2,524,186</u>	<u>\$ 185,919</u>	<u>\$ 10,626,379</u>	<u>\$ 1,137,455</u>	<u>\$ 39,062</u>	<u>\$ 11,802,896</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services					Supporting Activities		
	Bible Study Classes	Leadership Conference/ Training	International Classes	Other Programs	Total Program Services	General and Administrative	Fund- Raising	Total Expenses
Salaries and benefits	\$ 1,277,721	\$ 413,508	\$ 638,856	\$ -	\$ 2,330,085	\$ 522,660	\$ 15,660	\$ 2,868,405
Services and professional fees	2,048,993	106,879	428,953	15,565	2,600,390	243,983	3,320	2,847,693
Office and supplies	1,963,096	103,896	98,668	7,915	2,173,575	117,550	11,297	2,302,422
Occupancy	995,819	58,136	17,744	1,607	1,073,306	39,094	2,759	1,115,159
Travel and meals	407,880	1,570,995	777,231	111,295	2,867,401	200,059	-	3,067,460
Grants to others	114	58	777,398	11,709	789,279	41,012	10	830,301
Depreciation and amortization	129,888	157,927	31,546	-	319,361	118,006	-	437,367
	<u>\$ 6,823,511</u>	<u>\$ 2,411,399</u>	<u>\$ 2,770,396</u>	<u>\$ 148,091</u>	<u>\$ 12,153,397</u>	<u>\$ 1,282,364</u>	<u>\$ 33,046</u>	<u>\$ 13,468,807</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Cash Flows

	Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,607,377	\$ 893,482
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	442,589	437,367
Forgiveness of paycheck protection program loan	(532,700)	-
Change in beneficial interest in life estate	(18,204)	(17,147)
Changes in operating assets and liabilities:		
Inventory	41,378	(14,438)
Prepaid expenses and other assets	(14,651)	(26,272)
Accounts payable and other liabilities	(328,375)	(4,354)
Deferred revenue	(518,857)	(125,318)
Net Cash Provided by Operating Activities	<u>678,557</u>	<u>1,143,320</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, building, equipment, and software	(40,251)	(286,147)
Net Cash Used by Investing Activities	<u>(40,251)</u>	<u>(286,147)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	532,700	-
Net Cash Provided by Financing Activities	<u>532,700</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	1,171,006	857,173
Total Cash and Cash Equivalents, Beginning of Year	<u>8,539,691</u>	<u>7,682,518</u>
Total Cash and Cash Equivalents, End of Year	<u>\$ 9,710,697</u>	<u>\$ 8,539,691</u>
SUPPLEMENTAL DISCLOSURE:		
Non-cash transaction to recognize loan forgiveness	<u>\$ 532,700</u>	<u>\$ -</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION:

Community Bible Study (CBS), is a Virginia corporation, exempt from federal 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, CBS is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Contributions are CBS' primary source of support and revenue.

The focus and purpose of the organization is to transform lives through the Word of God, by making disciples of the Lord Jesus Christ in our communities through caring, in-depth Bible studies, available to all. In addition to activities in the United States, it has established Bible study classes in approximately 120 countries and translated Bible study lessons into 76 languages. Globally, CBS has approximately 30,000 classes and over 773,000 participants, including almost 700 classes and about 100,000 participants in the United States. 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. As of June 30, 2020 and 2019, cash and cash equivalents also include approximately \$3,485,000 and \$1,330,000, respectively, 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.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GENERAL AND CLASS CASH AND CASH EQUIVALENTS, continued

The various cash accounts, at times, have exceeded federally insured limits. CBS has accounts with a financial institution wherein the funds exceeded federally insured limits in total by approximately \$4,800,000 and \$5,500,000, as of June 30, 2020 and 2019, respectively. CBS has not experienced any losses on such accounts, and management believes it is not exposed to any significant credit risk on cash.

INVENTORY

Inventory consists of books and is recorded at the lower of cost or net realizable value for the years ended June 30, 2020 and 2019. 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, 2020 and 2019.

BENEFICIAL INTEREST IN LIFE ESTATE

As of June 30, 2020 and 2019, 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, is recorded as contributions with donor restrictions in the statements of activities for the years ending June 30, 2020 and 2019.

LAND, BUILDING, EQUIPMENT, AND SOFTWARE—NET

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.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The net assets of CBS are reported in the following classes:

Net assets without donor restrictions 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,	
	2020	2019
Building reserve	\$ 322,012	\$ 270,109
Contingency reserve	250,000	250,000
Ezekiel 34 reserve	56,143	80,006
	<u>\$ 628,155</u>	<u>\$ 600,115</u>

Net assets with donor restrictions include resources restricted by donors primarily for use with certain projects and 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

CBS has adopted the simultaneous release option for funds received through conditional grants. Therefore, all conditional grants received for which CBS has met the barriers for revenue recognition have been treated as grants without donor restrictions in the statement of activities.

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

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses report certain categories of expenses that are attributable to program support of CBS. These expenses include depreciation, amortization, and occupancy, which are allocated based on square footage of occupancy. Costs of other categories are allocated based on the estimated amount of time and effort.

Program expenses of CBS include amounts spent to further the ministry through Bible study classes, conferences and trainings, international classes, and other programs.

ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. CBS adopted the provisions of this new standard during the year ended June 30, 2020 as a recipient organization. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. This standard did not have a material impact on the presentation of the June 30, 2020 financial statements and had no effect on change in net assets or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects CBS' financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	June 30,	
	2020	2019
Financial assets:		
General cash and cash equivalents	\$ 8,430,857	\$ 7,334,033
Class cash and cash equivalents	1,279,840	1,205,658
Financial assets, at year-end	9,710,697	8,539,691
Less those unavailable for general expenditure within one year due to:		
Board designated amounts	(628,155)	(600,115)
	<u>\$ 9,082,542</u>	<u>\$ 7,939,576</u>

CBS structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through monthly reviews and semi-annual board meetings. At the discretion of the board and through official action of the board, management may use designated funds listed above as needed. CBS also has a line of credit in the amount of \$300,000, which it could draw upon as needed.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2020 and 2019

4. 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.

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

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

	June 30,	
	2020	2019
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,350,985	4,350,985
Furniture and fixtures	302,010	288,009
Software development costs – FISHER project	1,568,044	1,568,044
Software development costs – other	864,147	727,949
Office and general equipment	93,683	203,631
	<u>7,797,022</u>	<u>7,756,771</u>
Accumulated depreciation and amortization	<u>(3,430,630)</u>	<u>(2,988,041)</u>
	<u>\$ 4,366,392</u>	<u>\$ 4,768,730</u>

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2020 and 2019

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	2020	2019
International regions	\$ 1,361,753	\$ 1,550,978
Class operations	1,214,260	1,151,144
Ambassador projects	390,500	331,722
National children's fund	349,210	320,624
Time restricted: beneficial interest in life estate	313,365	295,161
In-Prison program	287,760	269,118
International children's fund	48,728	63,676
Other projects	31,844	46,696
	<u>\$ 3,997,420</u>	<u>\$ 4,029,119</u>

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 an employer match up to 5% of their base employee compensation. During the years ended June 30, 2020 and 2019, CBS' expenses associated with the 403(b) plan were \$105,510 and \$105,287, 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% or the floor rate of 5%. As of June 30, 2020 and 2019, 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, 2022.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2020 and 2019

9. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. A paycheck protection program loan was obtained during the year ended June 30, 2020. As of June 30, 2020, CBS has overcome all barriers to recognize the entire loan as government grant revenue on the statement of activities.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of CBS for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 8, 2020, which is the date the financial statements were available to be issued.