



COMMUNITY BIBLE STUDY

Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

COMMUNITY BIBLE STUDY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - Year Ended June 30, 2019	5
Statement of Functional Expenses - Year Ended June 30, 2018	6
Statements of Cash Flows	7
Notes to Financial Statements	8

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, 2019 and 2018, 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, 2019 and 2018, 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

Community Bible Study has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 financial statements. Our opinion is not modified in respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
October 2, 2019

COMMUNITY BIBLE STUDY

Statements of Financial Position

	June 30,	
	<u>2019</u>	<u>2018</u>
ASSETS:		
General cash and cash equivalents	\$ 7,334,033	\$ 6,497,407
Class cash and cash equivalents	1,205,658	1,185,111
Total cash and cash equivalents	<u>8,539,691</u>	<u>7,682,518</u>
Inventory	104,691	90,253
Prepaid expenses and other assets	107,893	81,621
Beneficial interest in life estate	295,161	278,014
Land, building, equipment, and software-net	<u>4,768,730</u>	<u>4,919,950</u>
Total Assets	<u>\$ 13,816,166</u>	<u>\$ 13,052,356</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 626,882	\$ 631,236
Deferred revenue	1,478,153	1,603,471
	<u>2,105,035</u>	<u>2,234,707</u>
Net assets:		
Without donor restrictions	7,682,012	7,610,993
With donor restrictions	4,029,119	3,206,656
	<u>11,711,131</u>	<u>10,817,649</u>
Total Liabilities and Net Assets	<u>\$ 13,816,166</u>	<u>\$ 13,052,356</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Class and international contributions	\$ 3,708,098	\$ 5,987,752	\$ 9,695,850	\$ 4,040,325	\$ 4,728,882	\$ 8,769,207
Class registrations	2,645,537	-	2,645,537	2,601,974	-	2,601,974
Operating contributions	1,213,562	184,025	1,397,587	669,271	163,648	832,919
Conferences and other income	623,315	-	623,315	643,232	-	643,232
Total Support and Revenue	8,190,512	6,171,777	14,362,289	7,954,802	4,892,530	12,847,332
NET ASSETS RELEASED:						
Purpose restrictions	5,349,314	(5,349,314)	-	4,692,172	(4,692,172)	-
EXPENSES:						
Program services:						
Bible study classes	6,823,511	-	6,823,511	6,654,696	-	6,654,696
Leadership conference training	2,411,399	-	2,411,399	1,599,883	-	1,599,883
International classes	2,770,396	-	2,770,396	2,203,811	-	2,203,811
Other programs	148,091	-	148,091	144,903	-	144,903
	12,153,397	-	12,153,397	10,603,293	-	10,603,293
Supporting activities:						
General and administrative	1,282,364	-	1,282,364	1,168,622	-	1,168,622
Fund-raising	33,046	-	33,046	29,453	-	29,453
Total Expenses	13,468,807	-	13,468,807	11,801,368	-	11,801,368
Change in Net Assets	71,019	822,463	893,482	845,606	200,358	1,045,964
Net Assets, Beginning of Year	7,610,993	3,206,656	10,817,649	6,765,387	3,006,298	9,771,685
Net Assets, End of Year	\$ 7,682,012	\$ 4,029,119	\$ 11,711,131	\$ 7,610,993	\$ 3,206,656	\$ 10,817,649

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
Travel and meals	\$ 407,880	\$ 1,570,995	\$ 777,231	\$ 111,295	\$ 2,867,401	\$ 200,059	\$ -	\$ 3,067,460
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
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

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services					Supporting Activities		
	Bible Study Classes	Leadership Conference/ Training	International Classes	Other Programs	Total Program Services	General and Administrative	Fund- Raising	Total Expenses
Travel and meals	\$ 371,931	\$ 848,952	\$ 505,353	\$ 86,798	\$ 1,813,034	\$ 129,109	\$ -	\$ 1,942,143
Salaries and benefits	1,164,479	376,134	581,113	-	2,121,726	474,094	13,326	2,609,146
Services and professional fees	1,951,709	77,805	357,902	15,978	2,403,394	266,512	3,325	2,673,231
Office and supplies	2,024,778	67,984	67,598	28,451	2,188,811	103,049	10,085	2,301,945
Occupancy	1,009,014	67,595	18,169	1,580	1,096,358	41,464	2,713	1,140,535
Grants to others	50	25	641,439	12,096	653,610	33,802	4	687,416
Depreciation and amortization	132,735	161,388	32,237	-	326,360	120,592	-	446,952
	<u>\$ 6,654,696</u>	<u>\$ 1,599,883</u>	<u>\$ 2,203,811</u>	<u>\$ 144,903</u>	<u>\$ 10,603,293</u>	<u>\$ 1,168,622</u>	<u>\$ 29,453</u>	<u>\$ 11,801,368</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Cash Flows

	Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 893,482	\$ 1,045,964
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	437,367	446,955
Change in beneficial interest in life estate	(17,147)	(16,151)
Changes in operating assets and liabilities:		
Inventory	(14,438)	(336)
Prepaid expenses and other assets	(26,272)	(9,101)
Accounts payable and other liabilities	(4,354)	355,469
Deferred revenue	(125,318)	(16,950)
Net Cash Provided by Operating Activities	<u>1,143,320</u>	<u>1,805,850</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, building, equipment, and software	<u>(286,147)</u>	<u>(174,971)</u>
Net Cash Used by Investing Activities	<u>(286,147)</u>	<u>(174,971)</u>
Net Change in Cash and Cash Equivalents	857,173	1,630,879
Total Cash and Cash Equivalents, Beginning of Year	<u>7,682,518</u>	<u>6,051,639</u>
Total Cash and Cash Equivalents, End of Year	<u>\$ 8,539,691</u>	<u>\$ 7,682,518</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2019 and 2018

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 glorify God by helping people know Him through Bible studies for all ages - children through senior adults. In addition to activities in the United States, it has established Bible study classes in approximately 114 countries and translated Bible study lessons into 76 languages. Globally, CBS has approximately 19,000 classes and over 685,000 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, 2019 and 2018, cash and cash equivalents also include approximately \$1,330,000 and \$800,000, 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, 2019 and 2018

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 \$5,500,000 and \$5,189,000, as of June 30, 2019 and 2018, respectively. CBS has not experienced any losses on such accounts.

INVENTORY

Inventory consists of books and is recorded at the lower of cost or net realizable value for the years ended June 30, 2019 and 2018. 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, 2019 and 2018.

BENEFICIAL INTEREST IN LIFE ESTATE

As of June 30, 2019 and 2018, 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, 2019 and 2018.

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, 2019 and 2018

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,	
	2019	2018
Building reserve	\$ 270,109	\$ 218,792
Contingency reserve	250,000	250,000
Ezekiel 34 reserve	80,006	143,717
Teaching directors' conference	-	334,701
	<u>\$ 600,115</u>	<u>\$ 947,210</u>

Net assets with donor restrictions 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, 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.

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

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2019 and 2018

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 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. CBS adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and funds available (Note 3), and disclosures related to functional allocation of expenses were expanded (Note 2, above). Adoption of this standard had no effect on the change in net assets by class or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflect CBS' financial assets as of June 30, 2019 and 2018, 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,	
	2019	2018
Financial assets:		
General cash and cash equivalents	\$ 7,334,033	\$ 6,497,407
Class cash and cash equivalents	1,205,658	1,185,111
Financial assets, at year-end	<u>8,539,691</u>	<u>7,682,518</u>
Less those unavailable for general expenditure within one year due to:		
Board designated amounts	<u>(600,115)</u>	<u>(947,210)</u>
	<u>\$ 7,939,576</u>	<u>\$ 6,735,308</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, 2019 and 2018

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,	
	2019	2018
Land and improvements	\$ 618,153	\$ 618,153
Building and improvements	4,350,985	4,172,541
Furniture and fixtures	288,009	370,368
Software development costs – FISHER project	1,568,044	1,568,044
Software development costs – other	727,949	640,944
Office and general equipment	203,631	186,261
	<u>7,756,771</u>	<u>7,556,311</u>
Accumulated depreciation and amortization	(2,988,041)	(2,646,361)
	<u>4,768,730</u>	<u>4,909,950</u>
Construction in process	-	10,000
	<u>\$ 4,768,730</u>	<u>\$ 4,919,950</u>

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2019 and 2018

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	2019	2018
International regions	\$ 1,550,978	\$ 771,087
Class operations	1,151,144	1,136,307
Ambassador projects	331,722	313,569
National children's fund	320,624	324,522
Time restricted: beneficial interest in life estate	295,161	278,014
In-Prison program	269,118	221,390
International children's fund	63,676	68,097
Other projects	46,696	93,670
	<u>\$ 4,029,119</u>	<u>\$ 3,206,656</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, 2019 and 2018, CBS' expenses associated with the 403(b) plan were \$105,287 and \$90,328, 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, 2019 and 2018, 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, 2020.

9. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 2, 2019, which is the date the financial statements were available to be issued.