

COMMUNITY BIBLE STUDY

FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2008 and 2007

COMMUNITY BIBLE STUDY

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-9
Supplemental Information:	
Independent Auditors' Report on Supplemental Information	10
Schedule of Functional Expenses, year ended June 30, 2008	11
Schedule of Functional Expenses, year ended June 30, 2007	12

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Community Bible Study
Colorado Springs, Colorado

We have audited the accompanying statements of financial position of Community Bible Study as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Bible Study's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Capin Crouse LLP

Colorado Springs, Colorado
October 22, 2008

COMMUNITY BIBLE STUDY

Statements of Financial Position

	June 30,	
	2008	2007
ASSETS:		
Cash and cash equivalents	\$ 1,143,030	\$ 1,014,230
Investments (Note 3)	8,236	1,301,597
Pledge receivable	-	329,632
Accounts receivable	736	28,055
Inventory	843,702	567,676
Prepaid expenses and other assets	112,172	135,606
Beneficial interest in life estate	158,309	151,981
Land, building and equipment - net (Note 4)	5,344,822	3,521,063
Total Assets	\$ 7,611,007	\$ 7,049,840
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 909,408	\$ 288,546
Construction retainage payable	-	250,115
Ministry payable	97,704	-
Deferred revenue	857,415	624,640
	<u>1,864,527</u>	<u>1,163,301</u>
Net assets:		
Unrestricted:		
Operating	(212,944)	1,864,714
Equity in land, building and equipment	5,344,822	3,521,063
	<u>5,131,878</u>	<u>5,385,777</u>
Temporarily restricted:		
Beneficial interest in life estate	158,309	151,981
Programs (Note 5)	456,293	348,781
	<u>614,602</u>	<u>500,762</u>
Total net assets	5,746,480	5,886,539
Total Liabilities and Net Assets	\$ 7,611,007	\$ 7,049,840

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Activities

	Years Ended June 30,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Class fees and contributions	\$ 4,581,261	\$ 2,450,539	\$ 7,031,800	\$ 4,641,147	\$ 1,736,622	\$ 6,377,769
Contributions	1,026,563	701,102	1,727,665	205,290	1,493,448	1,698,738
Gift-in-kind contributions	217,031	-	217,031	-	-	-
Interest income	27,176	-	27,176	112,917	-	112,917
Special projects and other	126,270	-	126,270	104,613	-	104,613
Total Support and Revenue	5,978,301	3,151,641	9,129,942	5,063,967	3,230,070	8,294,037
NET ASSETS RELEASED:						
Purpose restrictions	3,037,801	(3,037,801)	-	4,481,150	(4,481,150)	-
EXPENSES:						
Program services:						
Bible study classes	4,765,427	-	4,765,427	3,946,394	-	3,946,394
Leadership conference/training	1,766,728	-	1,766,728	717,258	-	717,258
International	441,172	-	441,172	-	-	-
Other programs	240,943	-	240,943	392,888	-	392,888
Publications	232,613	-	232,613	142,027	-	142,027
	7,446,883	-	7,446,883	5,198,567	-	5,198,567
Supporting activities:						
General and administrative	1,790,873	-	1,790,873	1,210,751	-	1,210,751
Fund-raising	32,245	-	32,245	27,575	-	27,575
Total Expenses	9,270,001	-	9,270,001	6,436,893	-	6,436,893
Change in Net Assets	(253,899)	113,840	(140,059)	3,108,224	(1,251,080)	1,857,144
Net Assets—Beginning of Year	5,385,777	500,762	5,886,539	2,277,553	1,751,842	4,029,395
Net Assets—End of Year	\$ 5,131,878	\$ 614,602	\$ 5,746,480	\$ 5,385,777	\$ 500,762	\$ 5,886,539

See notes to financial statements

COMMUNITY BIBLE STUDY

Statements of Cash Flows

	Years Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (140,059)	\$ 1,857,144
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for building fund	(701,102)	(1,493,449)
Depreciation	158,376	37,242
Collection on contribution receivable	329,632	-
Write-off of land, building and equipment	647	11,599
Donated stock	-	(341,785)
Net realized and unrealized losses	651	2,208
Changes in operating assets and liabilities:		
Accounts receivable	27,319	(12,090)
Inventory	(276,026)	(148,772)
Prepaid expenses and other assets	23,434	(117)
Accounts payable	620,862	1,910
Ministry payable	97,704	-
Deferred revenue	232,775	(3,135)
	<u>374,213</u>	<u>(89,245)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(1,982,782)	(3,365,371)
Proceeds from sale of investments	1,470,526	2,347,827
Purchase of investments	(177,816)	(1,024,884)
Change in beneficial interest in life estate	(6,328)	22,693
	<u>(696,400)</u>	<u>(2,019,735)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for building fund	701,102	1,493,449
Change in construction retainage payable	(250,115)	250,115
	<u>450,987</u>	<u>1,743,564</u>
Net Cash Provided by Investing Activities		
Net Cash Provided by Financing Activities	<u>450,987</u>	<u>1,743,564</u>
Net Change in Cash and Cash Equivalents	128,800	(365,416)
Cash and Cash Equivalents—Beginning of Year	1,014,230	1,379,646
Cash and Cash Equivalents—End of Year	<u>\$ 1,143,030</u>	<u>\$ 1,014,230</u>

See notes to financial statements

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2008 and 2007

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 "Code").

The focus and purpose of the organization is helping people studies for all ages, children through senior adults, in over 650 locations nationwide. In addition to activities in the United States, it has established Bible study classes in about 50 countries and translated Bible study lessons into 38 languages. Volunteer National Leadership Teams initiate and monitor program policy for the organization. The National Service Center located in Colorado Springs provides the support structure necessary to write, edit, print, record (audio and visual), translate, teach, and distribute Bible lesson materials as well as train and coordinate the local volunteer leadership teams for the classes.

During the year ended June 30, 2008, the Boards of CBS and Community Bible Study International (CBSI), a separate Section 501(c)(3) organization providing similar services outside the geographic boundary of the United States, mutually agreed to merge the activities of CBS and CBSI. CBSI was originally part of CBS until separately incorporating in 1992. Effective January 1, 2008, the assets received and liabilities assumed are reflected in the statements of financial position. The \$217,031 impact of this transaction is reflected as a gift-in-kind contribution in the statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CBS uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term, highly liquid investments with an original maturity term of three months or less. The balances, at times, may exceed federally insured limits.

CBS has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

INVESTMENTS

Investments are reported at fair market value based on readily determinable market prices.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONDITIONAL PROMISE TO GIVE

During the year ended June 30, 2007, CBS received a conditional promise to give of \$250,000. This amount was not recorded as a pledge receivable because it was contingent upon CBS receiving the matching funds. CBS collected in full and met all of the conditions by June 30, 2008.

INVENTORY

Inventory consists of tapes, CD's, books, biblical counseling and related ministry materials. Inventory is recorded at the lower of cost or market using the average cost method. Based on inventory on hand at June 30, 2008 and 2007, management has not recorded and allowance for obsolete inventory.

PLEDGE RECEIVABLE

Pledge receivable consists of amounts owed to CBS related to donated stock prior to June 30, 2007. The stock was received and liquidated by June 30, 2008.

LAND, BUILDING AND EQUIPMENT

Land, building and equipment 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 is recorded using the straight-line method over the estimated useful lives, which range from three to twenty-five years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of \$1,500 are capitalized.

BENEFICIAL INTEREST IN LIFE ESTATE

Beneficial interest in life estate includes an irrevocable agreement in a 50% remaindermen interest in real estate, which is not trustee by CBS. CBS's interest is measured at the estimated present value of the future cash receipts, using approved life expectancy tables and a discount rate of 6.00%. The resulting actuarial change is recorded as special projects and other in the statements of activities.

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 and equipment.

Temporarily restricted net assets include resources restricted by donors primarily for use with certain projects and time restrictions related to the beneficial interest in life estate.

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 contributed amounts. When the 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 students have participated in classes and/or extra-curricular activities. Class registration fees received in advance are recorded as deferred income.

Interest income and program revenue is recognized when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries and benefits, have been allocated among the program services and supporting activities benefited.

3. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2008	2007
Certificates of deposit	\$ -	\$ 1,293,420
Cash surrender value of life insurance	8,236	8,177
	<u>\$ 8,236</u>	<u>\$ 1,301,597</u>

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2008 and 2007

4. LAND, BUILDING AND EQUIPMENT - NET:

Land, building and equipment - net consists of the following:

	June 30,	
	2008	2007
Land and improvements	\$ 618,153	\$ 547,437
Building and improvements	4,061,668	-
Equipment and computer software	698,462	320,130
Furniture and fixtures	357,079	132,667
	5,735,362	1,000,234
Accumulated depreciation	(390,540)	(232,952)
	5,344,822	767,282
Construction in progress - building	-	2,753,781
	\$ 5,344,822	\$ 3,521,063

5. TEMPORARILY RESTRICTED NET ASSETS - PROGRAMS:

Temporarily restricted net assets - programs consists of the following:

	June 30,	
	2008	2007
Children's program	\$ 409,034	\$ 319,711
In-Prison program	37,125	18,736
Student ministries	10,134	10,334
	\$ 456,293	\$ 348,781
	\$ 456,293	\$ 348,781

6. OPERATING LEASES:

CBS leases two photocopiers under an operating lease agreement. Lease expense for the years ended June 30, 2008 and 2007, was \$14,441 and \$15,271, respectively. Future minimum rental payments are as follows:

<u>Years Ending June 30,</u>	
2009	\$ 14,784
2010	14,784
2011	13,972
	\$ 43,540

COMMUNITY BIBLE STUDY

Notes to Financial Statements

June 30, 2008 and 2007

7. RETIREMENT PLAN:

CBS maintains a 403(b) defined contribution retirement plan. All full-time employees who have obtained the age of twenty-one are eligible to receive employer contributions of 3 percent of their gross employee compensation. During the years ended June 30, 2008 and 2007, CBS contributions to the individual employee plans were \$33,378 and \$23,824, respectively.

8. RELATED PARTY TRANSACTIONS:

For the year ended June 30, 2007, net contributions to CBSI from CBS totaled \$225,038. Also at June 30, 2007, CBS has a net receivable recorded in the amount of \$24,401 from CBSI. During the year ended June 30, 2008, CBSI merged with CBS as described in Note 1.

9. NEW ACCOUNTING PRONOUNCEMENTS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2007. Management does not anticipate this pronouncement will have a significant impact on CBS.

In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value with U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2008. The effects of SFAS No. 157 have not been determined and management does not expect this pronouncement to have a significant impact on CBS.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Trustees
Community Bible Study
Colorado Springs, Colorado

Our report on our audits of the basic financial statements of Community Bible Study, as of and for the year ended June 30, 2008 and 2007, appears on page 1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
October 22, 2008

COMMUNITY BIBLE STUDY

Schedule of Functional Expenses

For the Year Ended June 30, 2008

	Program Services					Total Program	Supporting Activities		Total Expenses
	Bible Study Classes	Leadership Conference/Training	International	Publications	Other Programs		General and Administrative	Fund- Raising	
Salaries	\$ 72,454	\$ 129,504	\$ 199,461	\$ 210,694	\$ 15,936	\$ 628,049	\$ 736,119	\$ -	\$ 1,364,168
Lodging	13,084	1,174,676	28,132	-	741	1,216,633	13,376	-	1,230,009
Child Care	957,022	-	18,252	-	-	975,274	-	-	975,274
Printing and Copying	1,107,274	13,994	11,905	105	36,153	1,169,431	21,360	27,856	1,218,647
Class Facilities	656,709	-	88,028	-	-	744,737	-	-	744,737
Class Retreats	668,827	-	-	-	-	668,827	-	-	668,827
Postage and Delivery	355,621	6,260	-	95	53,342	415,318	4,780	4,389	424,487
Local Children's Program	431,193	-	-	-	-	431,193	-	-	431,193
Travel	86,868	253,782	-	-	3,293	343,943	9,220	-	353,163
Contributions	-	-	-	-	95,737	95,737	-	-	95,737
Food Service	6,255	5,715	16,698	283	85	29,036	20,139	-	49,175
Local Teen's Program	224,583	-	-	-	-	224,583	-	-	224,583
Rent/Utilities	-	-	5,567	-	-	5,567	74,058	-	79,625
Class Materials and Books	645	22,872	1,985	-	8,152	33,654	407	-	34,061
Local Class Charges	74,713	-	-	-	-	74,713	(1)	-	74,712
Insurance	-	-	-	-	-	-	205,117	-	205,117
Translations	-	-	23,678	-	-	23,678	-	-	23,678
Moving Expense	-	-	-	-	-	-	17,409	-	17,409
Video and Audio	8,810	74,935	-	-	-	83,745	53,882	-	137,627
Taxes	5,542	9,859	3,774	16,078	1,219	36,472	71,127	-	107,599
Fees	32,103	20,769	4,917	7,137	3,752	68,678	21,201	-	89,879
Professional Fees	-	-	-	-	-	-	38,651	-	38,651
Conferences	-	-	12,599	-	-	12,599	-	-	12,599
Supplies	31,540	36,120	5,255	246	4,062	77,223	113,949	-	191,172
Depreciation	-	-	-	-	-	-	158,376	-	158,376
Telephone	310	268	8,605	-	-	9,183	24,510	-	33,693
Employer Retirement Contributions	2,173	3,669	4,459	6,305	-	16,606	21,231	-	37,837
Repairs and Maintenance	-	2,205	7,857	-	-	10,062	176,320	-	186,382
Registration Refunds	13,929	-	-	-	-	13,929	-	-	13,929
Miscellaneous	15,772	12,100	-	-	10,141	38,013	9,642	-	47,655
	<u>\$ 4,765,427</u>	<u>\$ 1,766,728</u>	<u>\$ 441,172</u>	<u>\$ 240,943</u>	<u>\$ 232,613</u>	<u>\$ 7,446,883</u>	<u>\$ 1,790,873</u>	<u>\$ 32,245</u>	<u>\$ 9,270,001</u>

COMMUNITY BIBLE STUDY

Schedule of Functional Expenses

For the Year Ended June 30, 2007

	Program Services				Total Program	Supporting Activities		Total Expenses
	Bible Study Classes	Leadership Conference/Training	Publications	Other Programs		General and Administrative	Fund- Raising	
Salaries	\$ 71,699	\$ 78,474	\$ 120,822	\$ 11,227	\$ 282,222	\$ 548,491	\$ -	\$ 830,713
Lodging	13,828	534,811	-	-	548,639	15,143	-	563,782
Child Care	965,780	-	-	-	965,780	-	-	965,780
Printing and Copying	439,207	10,433	-	50,417	500,057	22,016	4,800	526,873
Class Facilities	591,258	-	-	-	591,258	-	-	591,258
Class Retreats	677,902	-	-	-	677,902	-	-	677,902
Postage and Delivery	244,880	4,951	26	66,392	316,249	2,168	22,775	341,192
Local Children's Program	392,849	-	-	-	392,849	-	-	392,849
Travel	65,645	35,784	1,735	1,017	104,181	12,184	-	116,365
Contributions	-	-	-	225,038	225,038	-	-	225,038
Food Service	4,172	833	505	261	5,771	4,973	-	10,744
Local Teen's Program	231,182	-	-	-	231,182	-	-	231,182
Rent/Utilities	-	-	-	-	-	104,904	-	104,904
Class Materials and Books	82,902	1,022	-	5,682	89,606	-	-	89,606
Local Class Charges	76,126	-	-	-	76,126	-	-	76,126
Insurance	-	-	-	-	-	130,509	-	130,509
Moving Expense	-	-	-	-	-	60,766	-	60,766
Video and Audio	8,125	30,403	-	-	38,528	2,347	-	40,875
Taxes	5,476	5,796	9,121	859	21,252	53,919	-	75,171
Fees	36,139	3,416	5,919	17,921	63,395	14,612	-	78,007
Professional Fees	-	-	-	-	-	57,475	-	57,475
Supplies	18,499	8,544	373	-	27,416	53,316	-	80,732
Depreciation	-	-	-	-	-	37,242	-	37,242
Telephone	2,226	186	21	68	2,501	17,748	-	20,249
Employer Retirement Contributions	2,097	2,270	3,505	-	7,872	15,952	-	23,824
Repairs and Maintenance	-	335	-	-	335	47,064	-	47,399
Registration Refunds	14,844	-	-	-	14,844	-	-	14,844
Miscellaneous	1,558	-	-	14,006	15,564	9,922	-	25,486
	<u>\$ 3,946,394</u>	<u>\$ 717,258</u>	<u>\$ 142,027</u>	<u>\$ 392,888</u>	<u>\$ 5,198,567</u>	<u>\$ 1,210,751</u>	<u>\$ 27,575</u>	<u>\$ 6,436,893</u>