



**BIBLE STUDY FELLOWSHIP AND
AFFILIATES**

Consolidated and Combined
Financial Statements
With Independent Auditors' Report

August 31, 2019 and 2018

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated and Combined Financial Statements	
Consolidated and Combined Statements of Financial Position	3
Consolidated and Combined Statements of Activities	4
Consolidated and Combined Statement of Functional Expenses–2019	5
Consolidated and Combined Statement of Functional Expenses–2018	6
Consolidated and Combined Statements of Cash Flows	7
Notes to Consolidated and Combined Financial Statements	8
Supplementary Information	
Independent Auditors' Report on Supplementary Information	23
Consolidating and Combining Statement of Financial Position–2019	24
Consolidating and Combining Statement of Activities–2019	26

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bible Study Fellowship and Affiliates
San Antonio, Texas

We have audited the accompanying consolidated and combined financial statements of Bible Study Fellowship and Affiliates, which comprise the consolidated and combined statements of financial position as of August 31, 2019 and 2018, and the related consolidated and combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements.

Management's Responsibility for the Consolidated and Combined Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined 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 consolidated and combined 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 consolidated and combined 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 consolidated and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined 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 consolidated and combined 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 consolidated and combined financial statements.

Board of Directors
Bible Study Fellowship and Affiliates
San Antonio, Texas

Opinion

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of Bible Study Fellowship and Affiliates as of August 31, 2019 and 2018, and the changes in their 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

Grapevine, Texas
January 13, 2020

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statements of Financial Position

	August 31,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 2,624,461	\$ 5,421,237
Cash in foreign bank accounts/classes	2,407,333	1,914,604
Pledges and estate receivables–net	2,647,800	851,046
Area advisor advances and other receivables	605,779	745,825
Prepaid expenses and other assets	527,684	978,185
Investments	25,874,420	21,418,143
Beneficial interest in trust agreements	123,363	125,881
Property, plant, and equipment–net	13,836,834	12,115,805
Total Assets	\$ 48,647,674	\$ 43,570,726
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 637,526	\$ 609,265
Deferred retreat registration revenue	-	507,894
	637,526	1,117,159
 Net assets:		
Net assets without donor restrictions	43,770,701	40,027,140
 Net assets with donor restrictions:		
Restricted by purpose or time	4,232,577	2,419,557
Restricted in perpetuity	6,870	6,870
	4,239,447	2,426,427
	48,010,148	42,453,567
Total Liabilities and Net Assets	\$ 48,647,674	\$ 43,570,726

See notes to consolidated and combined financial statements

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statements of Activities

	Year Ended August 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions:						
United States	\$ 21,715,445	\$ 3,140,066	\$ 24,855,511	\$ 21,016,822	\$ 1,585,395	\$ 22,602,217
International	2,962,245	1,322,677	4,284,922	2,744,775	1,519,918	4,264,693
Leadership training retreats	564,083	-	564,083	4,962,869	-	4,962,869
Investment income	316,143	-	316,143	1,164,362	-	1,164,362
Miscellaneous income	19,887	-	19,887	32,111	-	32,111
Total Support and Revenue	25,577,803	4,462,743	30,040,546	29,920,939	3,105,313	33,026,252
NET ASSETS RELEASED:						
Purpose restrictions	2,207,027	(2,207,027)	-	3,437,074	(3,437,074)	-
Time restrictions	442,696	(442,696)	-	385,561	(385,561)	-
Total Net Assets Released	2,649,723	(2,649,723)	-	3,822,635	(3,822,635)	-
EXPENSES:						
Classes:						
United States	17,351,278	-	17,351,278	16,147,072	-	16,147,072
International	2,620,179	-	2,620,179	2,968,923	-	2,968,923
Leadership training retreats	845,834	-	845,834	5,964,643	-	5,964,643
	20,817,291	-	20,817,291	25,080,638	-	25,080,638
Administration	3,666,674	-	3,666,674	3,255,931	-	3,255,931
Total Expenses	24,483,965	-	24,483,965	28,336,569	-	28,336,569
Change in Net Assets	3,743,561	1,813,020	5,556,581	5,407,005	(717,322)	4,689,683
Net Assets, Beginning of Year	40,027,140	2,426,427	42,453,567	34,620,135	3,143,749	37,763,884
Net Assets, End of Year	\$ 43,770,701	\$ 4,239,447	\$ 48,010,148	\$ 40,027,140	\$ 2,426,427	\$ 42,453,567

See notes to consolidated and combined financial statements

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statement of Functional Expenses

Year Ended August 31, 2019

	Leadership Training	Production Expenses	Local Classes	Leadership Training Retreats	Total Program Expenses	Administration	Total
Salaries and benefits	\$ 5,138,178	\$ 1,087,448	\$ -	\$ -	\$ 6,225,626	\$ 1,853,533	\$ 8,079,159
Church facilities	-	-	4,108,354	-	4,108,354	-	4,108,354
Information technology	822,252	183,681	-	-	1,005,933	320,281	1,326,214
Shipping and printing	-	2,032,112	-	-	2,032,112	-	2,032,112
Retreat lodging, meals, and other related expenses	1,063,836	-	-	845,834	1,909,670	-	1,909,670
Professional services	1,185,657	29,603	-	-	1,215,260	307,311	1,522,571
Administrative support	73,478	770	536,134	-	610,382	513,940	1,124,322
Facilities	471,371	423,355	-	-	894,726	158,114	1,052,840
Depreciation	588,688	233,119	-	-	821,807	166,165	987,972
Area advisor expenses	976,867	-	-	-	976,867	-	976,867
Travel	457,266	564	-	-	457,830	2,765	460,595
Insurance	18,693	-	28,139	-	46,832	285,518	332,350
Screening volunteers	-	-	259,212	-	259,212	-	259,212
Miscellaneous	111,968	42,368	-	-	154,336	59,047	213,383
Children's supplies	-	-	98,344	-	98,344	-	98,344
Total Expenses	\$ 10,908,254	\$ 4,033,020	\$ 5,030,183	\$ 845,834	\$ 20,817,291	\$ 3,666,674	\$ 24,483,965

See notes to consolidated and combined financial statements

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statement of Functional Expenses

Year Ended August 31, 2018

	Leadership Training	Production Expenses	Local Classes	Leadership Training Retreats	Total Program Expenses	Administration	Total
Salaries and benefits	\$ 4,336,916	\$ 1,077,300	\$ -	\$ -	\$ 5,414,216	\$ 1,860,738	\$ 7,274,954
Retreat lodging, meals, and other related expenses	1,257,498	14,904	-	5,964,643	7,237,045	19,814	7,256,859
Church facilities	-	-	4,189,372	-	4,189,372	-	4,189,372
Shipping and printing	-	1,931,830	-	-	1,931,830	-	1,931,830
Area advisor expenses	1,398,283	-	-	-	1,398,283	-	1,398,283
Professional services	931,190	22,731	4,116	-	958,037	210,333	1,168,370
Facilities	432,059	430,566	-	-	862,625	147,245	1,009,870
Administrative support	65,770	941	389,938	-	456,649	410,079	866,728
Depreciation	534,906	221,047	-	-	755,953	134,285	890,238
Information technology	437,568	122,528	-	-	560,096	204,749	764,845
Travel	714,711	-	-	-	714,711	2,960	717,671
Insurance	16,307	-	28,157	-	44,464	229,787	274,251
Screening volunteers	-	-	189,985	-	189,985	-	189,985
Children's supplies	-	-	119,229	-	119,229	-	119,229
Miscellaneous	223,043	13,319	11,781	-	248,143	35,941	284,084
Total Expenses	\$ 10,348,251	\$ 3,835,166	\$ 4,932,578	\$ 5,964,643	\$ 25,080,638	\$ 3,255,931	\$ 28,336,569

See notes to consolidated and combined financial statements

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statements of Cash Flows

	Year Ended August 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,556,581	\$ 4,689,683
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	987,972	890,238
Net realized and unrealized (gains) losses on investments	483,429	(614,704)
(Gain) loss on sale of property, plant, and equipment	5,950	(9,796)
Changes in operating assets and liabilities:		
Pledges and estate receivables	(1,794,236)	(455,554)
Area advisor advances and other receivables	140,046	(160,502)
Prepaid expenses and other assets	479,986	1,275,382
Accounts payable and accrued expenses	28,261	84,010
Deferred retreat registration revenue	(507,894)	(606,166)
Net Cash Provided by Operating Activities	5,380,095	5,092,591
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	19,457,668	14,041,368
Purchase of investments	(24,397,374)	(18,499,792)
Purchase of property, plant, and equipment	(2,744,436)	(3,047,365)
Net Cash Used by Investing Activities	(7,684,142)	(7,505,789)
Net Change in Cash and Cash Equivalents and Cash in Foreign Bank Accounts/Classes	(2,304,047)	(2,413,198)
Cash and Cash Equivalents and Cash in Foreign Bank Accounts/Classes, Beginning of Year	7,335,841	9,749,039
Cash and Cash Equivalents and Cash in Foreign Bank Accounts/Classes, End of Year	\$ 5,031,794	\$ 7,335,841

See notes to consolidated and combined financial statements

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

1. NATURE OF ORGANIZATION:

Bible Study Fellowship (the Organization) is a not-for-profit corporation conducting Bible study classes in the United States and throughout the world.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include BSF International, LLC, BSF Global Impact Corporation, and BSF International Properties Corporation. The Organization is the sole-owner of these entities. BSF International, LLC operates all classes outside the United States, and organizes and maintains registrations with similar exemptions under local laws in other countries in order to facilitate international operations. Current registrations include Hong Kong, Indonesia, the United Kingdom, Kenya, Uganda, Nigeria, Philippines, Taiwan, and New Zealand. Control and economic interest in these foreign affiliated organizations is maintained by common board membership and/or oversight of all operations resulting from Bible Study Fellowship's provision of all copyrighted materials and related policies required to conduct Bible Study Fellowship classes, tracking of all resulting financial activity, and ensuring compliance with requirements of local regulatory and tax laws.

Bible Study Fellowship, BSF International, LLC, and BSF Global Impact Corporation are nonprofit organizations exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and are not private foundations under Section 509(a) of the Code. BSF International Properties Corporation is a Texas corporation organized as a nonprofit holding company under Section 501(c)(2).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF COMBINATION

The accompanying financial statements include the accounts of BSF International (Australia) Limited, BSF International (New Zealand) Limited, Bible Study Fellowship (Singapore) and Bible Study Fellowship (Canada). These four organizations are affiliates that are operated independently with their own separate board of directors and work together collaboratively to achieve their respective charitable purposes. Due to the lack of common board control, these affiliates are not required to be consolidated with the Organization. However, given the collaborative nature of this structure, combined financial statements are presented for these affiliates. The combined affiliates of BSF that are organized outside of the United States are tax-exempt based on the various laws of the country in which they operate. These affiliates are generally not subject to any Federal or State income tax including any tax liabilities due to unrelated business income.

The consolidated and combined affiliates (collectively, BSF) are part of the financial statements. All material intercompany accounts and transactions have been eliminated in the consolidated and combined financial statements.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

BSF currently operates 1,290 classes plus 4,575 satellite discussion groups where members meet weekly for in-depth Bible study. These classes and groups meet in 37 different countries. In addition, BSF hosts 726 online discussion groups that allow class members in 110 different countries to participate in weekly small group discussions over their computer or connected devices. These online discussion groups have grown out of BSF's strategic investment in technology and digital options as they seek to reach people of all ages, races, countries and cultures with in-depth Bible study. The organization's mission is: global, in-depth Bible classes producing passionate commitment to Christ, His Word and His Church. Their vision is to magnify God and mature His people.

BSF's primary source of support and revenue is contributions from individual donors and those attending their classes around the world. BSF does not charge class members for participating in their Bible classes.

BSF maintains its accounts and prepares its consolidated and combined financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. BSF uses estimates and assumptions in preparing consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America. 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 consolidated and combined financial statements. The significant accounting policies followed are described below to enhance the usefulness of the consolidated and combined financial statements to the reader.

Day-to-day foreign operations have been converted to United States Dollars (USD) for purposes of presenting consolidated and combined financial statements. Foreign assets and liabilities are translated at the spot rate at year end and foreign income and expense are translated at an average rate for the year. Exchange rate gains and losses, as a result of conversion to USD, are included in expenses.

CASH AND CASH EQUIVALENTS AND CASH IN FOREIGN BANK ACCOUNTS/CLASSES

Cash and cash equivalents and cash in foreign bank accounts/classes includes checking, savings, interest-bearing money market accounts, and highly liquid investments with maturities less than ninety days. These balances, at times, may exceed federally insured limits. As of August 31, 2019 and 2018, BSF had approximately \$3,900,000 and \$5,900,000 of cash balances that exceeded federally insured limits, respectively. BSF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments consist of certificates of deposit with maturities of ninety days or greater, which are reported at cost. Investments also include mutual funds, common stock and exchange traded funds, which are reported at fair value based on quoted market prices, as well as real estate investment trusts, and regulated investment companies which are reported at estimated fair market value as measured by their net asset value as reported by fund managers. Donated securities are liquidated upon receipt and recorded based on the net proceeds, which approximates the fair market value of the gift. Interest and dividends are recognized as investment income in the period earned. Unrealized gains and losses are reported in the consolidated and combined statements of activities as investment income in the year in which they occur.

PLEDGES, ESTATE AND OTHER RECEIVABLES

Pledges and other receivables consist of unconditional promises to give from donors, as well as other miscellaneous receivables. Substantially, all pledges are due in one year, any long-term pledges are not material. Management has recorded an allowance of \$20,522 and \$19,393, as an estimate for uncollectible pledge receivables as of August 31, 2019 and 2018, respectively.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are capitalized at cost or, if donated, at fair market value at the date of the gift. Depreciation is recorded using the straight-line method over the estimated useful lives, which range from three 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 revenue for the period. Purchases of property, plant, and equipment valued at \$5,000 or more with a useful life of greater than one year are capitalized.

NET ASSETS

The net assets of BSF are reported in the following categories:

Net assets without donor restrictions include resources that are available for current operations, including those resources board designated for unusual or extraordinary expenses and those resources invested in property, plant, and equipment-net.

Net assets with donor restrictions include donor restricted contributions for various projects and programs. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. These include donor restrictions requiring the net assets be held in perpetuity. The disclosures required by the *Reporting Endowment Funds* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) have not been included in these consolidated and combined financial statements due to immateriality.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

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 unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated amounts. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is satisfied, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated and combined statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor or grantor.

Leadership training retreats represent registration fees for lodging, meals, and transportation, for both international and domestic leadership retreats. Leadership retreats are held in order to provide in-depth training to class leaders. It's the policy of BSF to request registration fees that only cover the estimated cost of items provided. Donors can also give to the retreat scholarship fund to assist attendees who are unable to reimburse BSF for their portion of the costs. Contributions to the retreat scholarship fund are included in individual contributions on the consolidated and combined statements of activities. The leadership retreats activity is:

	Year Ended August 31,	
	2019	2018
Leadership training retreats	\$ 564,083	\$ 4,962,869
Individual contributions restricted for the retreat scholarship fund	16,739	615,594
Less leadership retreat expenses	(850,580)	(5,964,643)
	\$ (269,758)	\$ (386,180)

Beginning in August 2019, BSF implemented a new training model to replace leadership training retreats. They now produce the annual BSF Summit: a day of inspiration and teaching for leaders around the globe. The BSF Summit provides a new platform to unite, inspire and mobilize BSF's global leadership team in lieu of retreats and area/class workshops. BSF incurs all costs to produce, host and deliver the Summit in various venues around the world. BSF members and donors contribute to the BSF Summit fund to help offset these costs. Any such gifts are considered restricted for the Summit.

	Year Ended August 31,	
	2019	2018
Individual contributions restricted for the Summit fund	\$ 846,351	\$ -
Less BSF Summit expenses	(618,773)	-
	\$ 227,578	\$ -

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

The consolidated and combined financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of BSF. These expenses include depreciation, information technology, and facilities operations. Depreciation is allocated based on square footage. Costs of other categories were allocated based on program services and supporting activities benefited.

FOREIGN OPERATIONS

In connection with its foreign operations, BSF has assets and liabilities outside the United States. The account balances relating to foreign operations are reflected in the consolidated and combined financial statements in USD. As of August 31, 2019 and 2018, assets in other countries totaled \$3,207,787 and \$2,883,793, respectively, and liabilities in other countries totaled \$1,648 and \$5,977, respectively. Support and revenue received from foreign sources totaled \$3,798,601 and \$4,282,273 for the years ended August 31, 2019 and 2018, respectively.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects BSF's financial assets as of the consolidated and combined statement of financial position sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	August 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 2,624,461	\$ 5,421,237
Cash in foreign bank accounts/classes	2,407,333	1,914,604
Investments	25,874,420	21,418,143
Pledges and estate receivables–net	2,647,800	851,046
Area advisor advances and other receivables	605,779	745,825
Beneficial interest in trust agreements	123,363	125,881
Financial assets, at year-end	34,283,156	30,476,736
Less those not available for general expenditure within one year:		
Perpetual endowment	(6,870)	(6,870)
Restrictions by donor with time or purpose restrictions	(565,781)	(546,883)
Beneficial interest in trusts	(123,363)	(125,881)
Board designated reserves	(19,516,024)	(13,822,301)
	(20,212,038)	(14,501,935)
Financial assets available to meet cash needs for general expenditures within one year	\$ 14,071,118	\$ 15,974,801

As part of BSF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. BSF has approximately \$5,535,000 and \$5,222,000 in board designated funds as of August 31, 2019 and 2018, respectively, that are designated as contingency funds and could be used to support general expenditures within one year.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

4. INVESTMENTS:

Investments consist of:

	August 31,	
	2019	2018
Certificates of deposit	\$ 12,308,043	\$ 3,827,568
Mutual funds	7,742,405	8,582,418
Common stock	325,400	1,061,981
Exchange traded funds	3,382,430	5,939,456
Real estate investment trusts	1,479,693	1,337,970
Regulated investment companies	636,449	668,750
	\$ 25,874,420	\$ 21,418,143

Investment income consists of:

	Year Ended August 31,	
	2019	2018
Net realized and unrealized gains (losses)	\$ (483,429)	\$ 614,704
Dividend and interest income	926,442	667,991
Investment management expense	(126,870)	(118,333)
	\$ 316,143	\$ 1,164,362

BSF maintains several investment accounts with different financial institutions holding the security positions listed above. Investments are not protected against potential declines in value from normal or adverse market conditions. In management's opinion, account holdings and investment allocations are in accordance with policies established by BSF intended to minimize such risk of loss.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

5. PROPERTY, PLANT, AND EQUIPMENT—NET:

Property, plant, and equipment—net consist of:

	August 31,	
	2019	2018
Land	\$ 1,533,073	\$ 1,533,073
Building and improvements	17,900,365	17,509,877
Furniture and equipment	3,856,433	3,938,187
Printing equipment	4,914,308	4,894,519
Automobiles	299,401	299,401
Training library books	159,947	159,947
	28,663,527	28,335,004
Less accumulated depreciation	(18,444,107)	(17,923,047)
	10,219,420	10,411,957
Construction in process	3,617,414	1,703,848
	\$ 13,836,834	\$ 12,115,805

6. NET ASSETS:

Net assets consist of:

Net assets without donor restrictions:

	August 31,	
	2019	2018
Undesignated net assets	\$ 24,254,677	\$ 26,204,839
Board designated net assets:		
Contingency reserves	5,535,000	5,222,000
Capital improvements	2,070,200	2,012,144
Building fund	11,910,780	6,587,588
Other	44	569
	19,516,024	13,822,301
	\$ 43,770,701	\$ 40,027,140

Subsequent to August 31, 2019, the board made additional designations of \$1,378,000 for contingency reserves and \$4,319,800 for capital improvements.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

6. NET ASSETS, continued:

Net assets consist of, continued:

Net assets with donor restrictions:

The following tables reflect the net asset with donor restrictions activity during the years ended August 31, 2019 and 2018:

	August 31, 2018	Contributions	Net assets released from restriction	August 31, 2019
Translations/multilingual fund	\$ 1,374,408	\$ 911,656	\$ (886,312)	\$ 1,399,752
Building fund	-	37,283	(37,283)	-
Retreat scholarship fund	-	863,090	(863,090)	-
Pledges and estate receivables	851,046	2,239,450	(442,696)	2,647,800
Beneficial interest in trust agreements	125,881	(2,518)	-	123,363
Israel scholarship fund	68,222	2,761	(9,321)	61,662
International fund	-	411,021	(411,021)	-
	<u>\$ 2,419,557</u>	<u>\$ 4,462,743</u>	<u>\$ (2,649,723)</u>	<u>\$ 4,232,577</u>

	August 31, 2017	Contributions	Net assets released from restriction	August 31, 2018
Translations/multilingual fund	\$ 1,254,379	\$ 1,008,819	\$ (888,790)	\$ 1,374,408
Building fund	323,293	116,498	(439,791)	-
Retreat scholarship fund	974,843	615,594	(1,590,437)	-
Pledges and estate receivables	400,211	836,396	(385,561)	851,046
Beneficial interest in trust agreements	121,162	4,719	-	125,881
Israel scholarship fund	62,991	12,188	(6,957)	68,222
International fund	-	511,099	(511,099)	-
	<u>\$ 3,136,879</u>	<u>\$ 3,105,313</u>	<u>\$ (3,822,635)</u>	<u>\$ 2,419,557</u>

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

6. NET ASSETS, continued:
Net assets consist of, continued:

Building fund:

BSF maintains a building fund which supports BSF Global Headquarters with needed expansion of and improvements and renovations to its building and grounds. The following table reflects the building fund's activity during the years ended August 31, 2019 and 2018:

	August 31, 2018	Contributions	Net assets released from restriction or designation	August 31, 2019
Board designated	\$ 6,587,588	\$ 5,323,192	\$ -	\$ 11,910,780
With donor restrictions	-	37,283	(37,283)	-
	<u>\$ 6,587,588</u>	<u>\$ 5,360,475</u>	<u>\$ (37,283)</u>	<u>\$ 11,910,780</u>
			Net assets released from restriction or designation	
	August 31, 2017	Contributions	Net assets released from restriction or designation	August 31, 2018
Board designated	\$ 5,849,573	\$ 738,015	\$ -	\$ 6,587,588
With donor restrictions	323,293	116,498	(439,791)	-
	<u>\$ 6,172,866</u>	<u>\$ 854,513</u>	<u>\$ (439,791)</u>	<u>\$ 6,587,588</u>

Net assets subject to restriction in perpetuity:

	August 31,	
	2019	2018
Endowment	<u>\$ 6,870</u>	<u>\$ 6,870</u>

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

7. FAIR VALUE MEASUREMENTS:

BSF uses appropriate valuation techniques to determine fair value based on inputs available. When possible, BSF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The following table displays the fair values of assets measured on a recurring basis as of August 31, 2019 and 2018:

	August 31, 2019	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments:			
Investments at fair value:			
Mutual funds:			
Bond mutual funds:			
Short-term	\$ 3,619,606	\$ 3,619,606	\$ -
Corporate bond	811,543	811,543	-
Intermediate-term	1,130,968	1,130,968	-
Nontraditional	381,413	381,413	-
World bond	399,950	399,950	-
Equity mutual funds:			
Large value	231,001	231,001	-
Large blend	31,519	31,519	-
Foreign blend	138,659	138,659	-
Tactical/conservative allocation	139,030	139,030	-
Mid blend	38,955	38,955	-
Large growth	254,615	254,615	-
Moderate allocation	187,233	187,233	-
Mid cap value	173,480	173,480	-
Mid cap growth	169,774	169,774	-
World allocation	25,862	25,862	-
Healthcare sector	8,797	8,797	-
Common stock:			
Technology	109,249	109,249	-
Consumer defensive	57,627	57,627	-
Services	63,946	63,946	-
Healthcare	94,578	94,578	-

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

7. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements Using:		
August 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	
Investments, continued:			
Investments at fair value, continued:			
Exchanged traded funds:			
Large growth	670,859	670,859	-
Mid cap growth	599,172	599,172	-
Large value	574,676	574,676	-
Long term bond	638,606	638,606	-
Large blend	899,117	899,117	-
	11,450,235	\$ 11,450,235	\$ -
Investments held at net asset value:			
Real estate investment trusts	1,479,693		
Regulated investment companies	636,449		
	2,116,142		
Investments held at cost:			
Certificates of deposit	12,308,043		
Total Investments	\$ 25,874,420		
Beneficial interest in trust agreements	\$ 123,363	\$ -	\$ 123,363

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

7. FAIR VALUE MEASUREMENTS, continued:

	August 31, 2018	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments:			
Investments at fair value:			
Mutual funds:			
Bond mutual funds:			
Short-term	\$ 2,766,769	\$ 2,766,769	\$ -
Multisector	889,706	889,706	-
Bank loan	658,406	658,406	-
High yield bond	536,415	536,415	-
Intermediate-term	318,037	318,037	-
Nontraditional	218,633	218,633	-
World bond	173,654	173,654	-
Financial	15,156	15,156	-
Equity mutual funds:			
World large stock	610,823	610,823	-
Large value	442,939	442,939	-
Large blend	309,300	309,300	-
Foreign blend	289,550	289,550	-
Tactical/conservative allocation	250,168	250,168	-
Mid blend	247,363	247,363	-
Large growth	219,275	219,275	-
Moderate allocation	164,995	164,995	-
Preferred stock	136,286	136,286	-
Mid cap value	118,112	118,112	-
Mid cap growth	113,536	113,536	-
World allocation	70,934	70,934	-
Small value	32,361	32,361	-
Common stock:			
Technology	260,265	260,265	-
Industrial and consumer goods	258,248	258,248	-
Services	148,319	148,319	-
Financial	144,748	144,748	-

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

7. FAIR VALUE MEASUREMENTS, continued:

	August 31, 2018	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments, continued:			
Investments at fair value, continued:			
Common stock, continued:			
Healthcare	105,763	105,763	-
Utilities	67,343	67,343	-
Oil and gas	32,507	32,507	-
Basic materials	11,586	11,586	-
Exchanged traded funds:			
Large growth	1,693,131	1,693,131	-
Mid cap growth	1,643,824	1,643,824	-
Large value	1,604,943	1,604,943	-
Preferred stock	532,487	532,487	-
Large blend	409,989	409,989	-
Small growth	88,284	88,284	-
	<u>15,583,855</u>	<u>\$ 15,583,855</u>	<u>\$ -</u>
Investments held at net asset value:			
Real estate investment trusts	1,337,970		
Regulated investment companies	668,750		
	<u>2,006,720</u>		
Investments held at cost:			
Certificates of deposit	3,827,568		
Total Investments	<u>\$ 21,418,143</u>		
Beneficial interest in trust agreements	<u>\$ 125,881</u>	<u>\$ -</u>	<u>\$ 125,881</u>

Change in valuation techniques : None.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2019 and 2018

7. FAIR VALUE MEASUREMENTS, continued:

BSF uses the Net Asset Value (NAV) to determine the fair value for all investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. As of August 31, 2019 and 2018, investments valued using NAV were privately held real estate investment trusts and regulated investment companies. The real estate investment trusts invest primarily in high-quality retail real estate assets. The regulated investment companies engage primarily in debt and income securities of private U.S. energy and power companies and private middle market companies.

8. DEFINED CONTRIBUTION RETIREMENT PLAN:

BSF sponsors a 401(k) defined contribution retirement plan (the Defined Contribution Plan) that was adopted on September 1, 2009. All employees meeting certain eligibility requirements are entitled to make contributions to the Defined Contribution Plan. BSF provides for matching contributions to the Defined Contribution Plan as a percentage of contributions. Matching contributions are recommended annually in advance by management, and approved by the board. Employer matching contributions to the Defined Contribution Plan were \$181,044 and \$179,160, for the years ended August 31, 2019 and 2018, respectively.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 13, 2020, which represents the date the consolidated and combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Bible Study Fellowship and Affiliates
San Antonio, Texas

We have audited the consolidated and combined financial statements of Bible Study Fellowship and Affiliates as of and for the years ended August 31, 2019 and 2018, and our report thereon dated January 13, 2020, which expresses an unmodified opinion on those consolidated and combined financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The supplementary information located on pages 24-26 is presented for the purpose of additional analysis and is not a required part of the consolidated and combined 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 consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined 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 consolidated and combined financial statements as a whole.

Capin Crouse LLP

Grapevine, Texas
January 13, 2020

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidating and Combining Statement of Financial Position

August 31, 2019

	BSF	BSF International Properties Corp.	BSF International	BSF Global Impact Corp.	Eliminations	Total
ASSETS:						
Cash and cash equivalents	\$ 1,124,548	\$ 10,549	\$ 418,128	\$ 1,071,236	\$ -	\$ 2,624,461
Cash in foreign bank accounts/ classes	-	-	2,407,333	-	-	2,407,333
Investments	342,777	-	308,043	25,223,600	-	25,874,420
Pledges and estate receivables–net	2,647,800	-	-	-	-	2,647,800
Area advisor advances and other receivables	55,307	-	486,671	63,801	-	605,779
Prepaid expenses and other assets	491,001	-	29,404	7,279	-	527,684
Intercompany receivables	-	-	503,064	2,821	(505,885)	-
Beneficial interest in trust agreements	123,363	-	-	-	-	123,363
Property, plant, and equipment–net	12,760,945	1,073,423	2,466	-	-	13,836,834
Total Assets	\$ 17,545,741	\$ 1,083,972	\$ 4,155,109	\$ 26,368,737	\$ (505,885)	\$ 48,647,674
LIABILITIES AND NET ASSETS:						
Liabilities:						
Accounts payable and accrued expenses	\$ 634,855	\$ -	\$ 2,671	\$ -	\$ -	\$ 637,526
Intercompany payables	505,885	-	-	-	(505,885)	-
	<u>1,140,740</u>	<u>-</u>	<u>2,671</u>	<u>-</u>	<u>(505,885)</u>	<u>637,526</u>

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidating and Combining Statement of Financial Position

August 31, 2019

	BSF	BSF International Properties Corp.	BSF International	BSF Global Impact Corp.	Eliminations	Total
LIABILITIES AND NET ASSETS, continued:						
Net assets:						
Net assets without donor restrictions:						
Undesignated/board designated	13,565,306	1,083,972	2,752,686	26,368,737	-	43,770,701
Net assets with donor restrictions:						
Restricted by purpose or time	2,832,825	-	1,399,752	-	-	4,232,577
Restricted in perpetuity	6,870	-	-	-	-	6,870
	2,839,695	-	1,399,752	-	-	4,239,447
	16,405,001	1,083,972	4,152,438	26,368,737	-	48,010,148
Total Liabilities and Net Assets	\$ 17,545,741	\$ 1,083,972	\$ 4,155,109	\$ 26,368,737	\$ (505,885)	\$ 48,647,674

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Consolidating and Combining Statement of Activities

Year Ended August 31, 2019

	BSF	BSF International Properties Corp.	BSF International	BSF Global Impact Corp.	Total
SUPPORT AND REVENUE:					
Contributions	\$ 24,705,515	\$ -	\$ 4,284,922	\$ 149,996	\$ 29,140,433
Leadership training retreats	564,083	-	-	-	564,083
Investment income	38,209	15	28,664	249,255	316,143
Miscellaneous income	19,887	-	-	-	19,887
Total Support and Revenue	25,327,694	15	4,313,586	399,251	30,040,546
EXPENSES:					
Classes:					
Leadership training	10,152,771	-	755,483	-	10,908,254
Production	3,331,983	-	701,037	-	4,033,020
Local classes	3,866,524	-	1,163,659	-	5,030,183
Leadership training retreats	845,834	-	-	-	845,834
Administration	2,922,099	79,777	662,298	2,500	3,666,674
Total Expenses	21,119,211	79,777	3,282,477	2,500	24,483,965
Change in net assets before intercompany activity	4,208,483	(79,762)	1,031,109	396,751	5,556,581
Intercompany transfers	(2,348,963)	83,000	-	2,265,963	-
Change in Net Assets	1,859,520	3,238	1,031,109	2,662,714	5,556,581
Net Assets, Beginning of Year	14,545,481	1,080,734	3,121,329	23,706,023	42,453,567
Net Assets, End of Year	\$ 16,405,001	\$ 1,083,972	\$ 4,152,438	\$ 26,368,737	\$ 48,010,148