



BIBLE STUDY FELLOWSHIP AND
AFFILIATES

Consolidated and Combined
Financial Statements
With Independent Auditors' Report

August 31, 2017 and 2016

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–2017	5
Consolidated and Combined Statement of Functional Expenses–2016	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	29
Consolidating and Combining Statement of Financial Position–2017	30
Consolidating and Combining Statement of Activities–2017	31

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, 2017 and 2016, 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 financial position of Bible Study Fellowship and Affiliates as of August 31, 2017 and 2016, 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 22, 2018

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statements of Financial Position

	August 31,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 8,004,376	\$ 6,417,081
Cash in foreign bank accounts/classes	1,744,663	2,285,315
Pledges and estate receivables	400,211	336,042
Area advisor advances and other receivables	585,323	662,507
Prepaid expenses and other assets	2,243,771	768,553
Investments	16,345,015	14,663,288
Beneficial interest in trust agreements	121,162	116,203
Property, plant, and equipment—net	9,958,678	9,325,746
	\$ 39,403,199	\$ 34,574,735
Total Assets	\$ 39,403,199	\$ 34,574,735
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 525,255	\$ 553,935
Deferred retreat registration revenue	1,114,060	237,537
Pension plan obligation—net	-	1,247,939
	1,639,315	2,039,411
 Net assets:		
Net Assets Without Donor Restrictions:		
Undesignated	8,402,998	2,678,539
Board designated	16,258,459	17,064,746
Equity in property, plant, and equipment—net	9,958,678	9,325,746
	34,620,135	29,069,031
 Net Assets With Donor Restrictions:		
Restricted by purpose or time	3,136,879	3,459,423
Restricted in perpetuity	6,870	6,870
	3,143,749	3,466,293
	37,763,884	32,535,324
Total Liabilities and Net Assets	\$ 39,403,199	\$ 34,574,735

See notes to consolidated and combined financial statements

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Consolidated and Combined Statements of Activities

	Year Ended August 31,					
	2017			2016		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions:						
United States	\$ 20,129,105	\$ 1,623,790	\$ 21,752,895	\$ 21,537,918	\$ 1,405,304	\$ 22,943,222
International	3,265,488	1,134,215	4,399,703	3,446,503	1,899,792	5,346,295
Leadership training retreats	3,875,168	-	3,875,168	4,331,294	-	4,331,294
Investment income	1,046,715	-	1,046,715	536,155	-	536,155
Miscellaneous income	38,035	-	38,035	37,644	-	37,644
Total Support and Revenue	28,354,511	2,758,005	31,112,516	29,889,514	3,305,096	33,194,610
NET ASSETS RELEASED:						
Purpose restrictions	2,732,513	(2,732,513)	-	2,652,728	(2,652,728)	-
Time restrictions	348,036	(348,036)	-	484,684	(484,684)	-
Total Net Assets Released	3,080,549	(3,080,549)	-	3,137,412	(3,137,412)	-
EXPENSES:						
Classes:						
United States	15,177,904	-	15,177,904	13,581,026	-	13,581,026
International	3,211,907	-	3,211,907	3,937,931	-	3,937,931
Leadership training retreats	4,611,690	-	4,611,690	4,568,140	-	4,568,140
	23,001,501	-	23,001,501	22,087,097	-	22,087,097
Administration	2,854,114	-	2,854,114	2,698,239	-	2,698,239
Total Expenses	25,855,615	-	25,855,615	24,785,336	-	24,785,336
Change in net assets before pension-related changes	5,579,445	(322,544)	5,256,901	8,241,590	167,684	8,409,274
Pension-related changes other than net periodic pension costs	(28,341)	-	(28,341)	(160,141)	-	(160,141)
Change in Net Assets	5,551,104	(322,544)	5,228,560	8,081,449	167,684	8,249,133
Net Assets, Beginning of Year	29,069,031	3,466,293	32,535,324	20,987,582	3,298,609	24,286,191
Net Assets, End of Year	\$ 34,620,135	\$ 3,143,749	\$ 37,763,884	\$ 29,069,031	\$ 3,466,293	\$ 32,535,324

See notes to consolidated and combined financial statements

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statement of Functional Expenses

Year Ended August 31, 2017

	Leadership Training	Production Expenses	Local Classes	Leadership Training Retreats	Total Program Expenses	Administration	Total
Salaries and benefits	\$ 4,391,970	\$ 1,246,719	\$ -	\$ -	\$ 5,638,689	\$ 1,760,096	\$ 7,398,785
Retreat lodging, meals, and other related expenses	193,931	-	-	4,611,690	4,805,621	-	4,805,621
Church facilities	-	-	4,137,134	-	4,137,134	-	4,137,134
Shipping and printing	-	2,317,787	-	-	2,317,787	-	2,317,787
Area advisor salaries	1,687,774	-	-	-	1,687,774	-	1,687,774
Administrative support	237,187	52,360	317,201	-	606,748	426,761	1,033,509
Facilities	391,701	452,973	-	-	844,674	151,899	996,573
Depreciation	437,063	213,780	-	-	650,843	125,476	776,319
Professional services	551,639	28,085	2,221	-	581,945	201,489	783,434
Travel	729,235	-	-	-	729,235	2,892	732,127
Insurance	105,976	76,017	28,157	-	210,150	142,411	352,561
Food service	231,573	-	-	-	231,573	-	231,573
Screening volunteers	-	-	161,122	-	161,122	-	161,122
Children's supplies	-	-	110,616	-	110,616	-	110,616
Ambassador	-	-	28,298	-	28,298	-	28,298
Miscellaneous	238,512	20,780	-	-	259,292	43,090	302,382
Total Expenses	\$ 9,196,561	\$ 4,408,501	\$ 4,784,749	\$ 4,611,690	\$ 23,001,501	\$ 2,854,114	\$ 25,855,615

See notes to consolidated and combined financial statements

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statement of Functional Expenses

Year Ended August 31, 2016

	Leadership Training	Production Expenses	Local Classes	Leadership Training Retreats	Total Program Expenses	Administration	Total
Salaries and benefits	\$ 4,278,551	\$ 1,534,898	\$ -	\$ -	\$ 5,813,449	\$ 1,650,338	\$ 7,463,787
Church facilities	-	-	4,501,372	-	4,501,372	-	4,501,372
Retreat lodging, meals, and other related expenses	362,212	-	-	4,568,140	4,930,352	-	4,930,352
Shipping and printing	-	2,137,774	-	-	2,137,774	-	2,137,774
Area advisors salaries	1,566,042	-	-	-	1,566,042	-	1,566,042
Administrative support	227,130	52,441	212,818	-	492,389	512,086	1,004,475
Facilities	329,843	340,963	-	-	670,806	127,893	798,699
Depreciation	411,103	215,148	-	-	626,251	124,604	750,855
Professional services	179,132	60,477	7,706	-	247,315	119,248	366,563
Travel	346,585	-	-	-	346,585	1,426	348,011
Insurance	84,987	60,951	26,902	-	172,840	132,754	305,594
Screening volunteers	-	-	179,720	-	179,720	-	179,720
Ambassador	-	-	125,141	-	125,141	-	125,141
Children's supplies	-	-	119,950	-	119,950	-	119,950
Food service	115,233	-	-	-	115,233	-	115,233
Miscellaneous	23,751	18,127	-	-	41,878	29,890	71,768
Total Expenses	\$ 7,924,569	\$ 4,420,779	\$ 5,173,609	\$ 4,568,140	\$ 22,087,097	\$ 2,698,239	\$ 24,785,336

See notes to consolidated and combined financial statements

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Consolidated and Combined Statements of Cash Flows

	Year Ended August 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,228,560	\$ 8,249,133
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	776,319	750,855
Foreign currency translation	121,000	(52,400)
Net realized and unrealized gains on investments	(626,962)	(82,705)
Loss on sale of property, plant, and equipment	9,728	
Changes in operating assets and liabilities:		
Pledges and estate receivables	(69,128)	137,428
Area advisor advances and other receivables	77,184	(245,798)
Prepaid expenses and other assets	(1,494,671)	(365,380)
Accounts payable and accrued expenses	(28,680)	508
Deferred retreat registration revenue	876,523	237,537
Pension plan obligation–net	(1,247,939)	(5,566,654)
Net Cash Provided by Operating Activities	3,621,934	3,062,524
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	8,588,309	9,214,031
Purchase of investments	(9,643,074)	(11,886,879)
Purchase of property, plant, and equipment	(1,418,979)	(677,757)
Net Cash Used by Investing Activities	(2,473,744)	(3,350,605)
Effect of Exchange Rate Changes on Cash	(101,547)	(15,065)
Net Change in Cash and Cash Equivalents and Cash in Foreign Bank Accounts/Classes	1,046,643	(303,146)
Cash and Cash Equivalents and Cash in Foreign Bank Accounts/Classes, Beginning of Year	8,702,396	9,005,542
Cash and Cash Equivalents and Cash in Foreign Bank Accounts/Classes, End of Year	\$ 9,749,039	\$ 8,702,396

See notes to consolidated and combined financial statements

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

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 (formerly, BSF International Investment 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, 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, Bible Study Fellowship (Singapore) and Bible Study Fellowship (Canada). These three 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, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

BSF currently has more than 1,100 classes and 3,300 satellite discussion groups in 40 different countries. People of all ages, races, and cultures participate in BSF's Bible classes. Their 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. 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.

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.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 \$15,958 and \$11,994 as an estimate for uncollectible pledge receivables as of August 31, 2017 and 2016, 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 in excess of \$1,000 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, 2017 and 2016

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated and combined statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use 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,	
	2017	2016
Leadership training retreats	\$ 3,875,168	\$ 4,331,294
Individual contributions restricted for the retreat scholarship fund	1,101,387	813,724
Less leadership retreat expenses	(4,611,690)	(4,568,140)
	\$ 364,865	\$ 576,878

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 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.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2017 and 2016, assets in other countries totaled \$2,850,641 and \$2,855,290, respectively, and liabilities in other countries totaled \$13,244 and \$50,975, respectively. Support and revenue received from foreign sources totaled \$5,444,581 and \$4,102,009, for the years ended August 31, 2017 and 2016, respectively.

Net gains and losses resulting from foreign exchange translations are included in the consolidated and combined statements of activities. BSF recognized a net unrealized foreign exchange gain (loss) of approximately \$(121,000) and \$52,400 during the years ended August 31, 2017 and 2016, respectively, which is reported in the consolidated and combined statements of activities as miscellaneous income.

NEW ACCOUNTING PRONOUNCEMENTS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. BSF adopted the provisions of this new standard during the year ended August 31, 2017. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3).

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects BSF's financial assets as of the 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.

Financial assets:

Cash and cash equivalents	\$ 8,004,376
Cash in foreign bank accounts/classes	1,744,663
Investments	16,345,015
Pledges and estate receivables	400,211
Area advisor advances and other receivables	585,323
Beneficial interest in trust agreements	121,162
Financial Assets, at year-end	<u>27,200,750</u>

Less those not available for general expenditure within one year:

Perpetual endowment	(6,870)
Restrictions by donor with time or purpose restrictions	(2,449,416)
Beneficial interest in trusts	(121,162)
Donor-restricted funds for significant property, plant and equipment purchases	(323,293)
Board designated reserves	(11,036,459)
	<u>(13,937,200)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,263,550</u>
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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.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

4. INVESTMENTS:

Investments consist of:

	August 31,	
	2017	2016
Certificates of deposit	\$ 1,750,908	\$ 1,673,719
Mutual funds	8,837,696	9,125,402
Common stock	726,825	544,666
Exchange traded funds	3,154,918	1,513,453
Real estate investment trusts	1,175,216	1,084,303
Regulated investment companies	699,452	721,745
	\$ 16,345,015	\$ 14,663,288

Investment income consists of:

	Year Ended August 31,	
	2017	2016
Net realized and unrealized gains	\$ 626,962	\$ 82,705
Dividend and interest income	512,190	538,438
Investment management expense	(92,437)	(84,988)
	\$ 1,046,715	\$ 536,155

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.

4. BENEFICIAL INTEREST IN TRUST AGREEMENTS:

Beneficial interest in trust agreements represents irrevocable interests due to BSF in two trusts held by others. The trusts provide for income interests for individuals that will expire at their death. The BSF remainder interest is determined based on the portion of the trust remainder due to BSF and the actuarial life expectancy of the income beneficiaries using a 5% discount rate for present value determination. These contributions, changes in value, and estimated present value amounts are reported as net assets with donor restrictions.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

5. PROPERTY, PLANT, AND EQUIPMENT–NET:

Property, plant, and equipment–net consist of:

	August 31,	
	2017	2016
Land	\$ 1,533,063	\$ 1,533,063
Building and improvements	16,380,212	15,827,201
Furniture and equipment	3,586,256	3,256,539
Printing equipment	5,370,150	5,263,687
Automobiles	517,974	517,974
Training library books	159,947	159,947
	27,547,602	26,558,411
Less accumulated depreciation	(17,929,083)	(17,435,793)
	9,618,519	9,122,618
Construction in process	340,159	203,128
	\$ 9,958,678	\$ 9,325,746

6. PENSION PLAN:

BSF instituted a defined benefit retirement plan (the Plan) effective July 1, 1980, covering those employees meeting specified eligibility requirements. The Plan has been amended periodically to comply with applicable provisions of the Internal Revenue Code. The Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with BSF and their compensation rates near retirement. Contributions to the Plan reflect benefits attributed to employees' services to date and also services expected to be earned in the future. The Plan was frozen to new employees effective September 1, 2009. As of August 31, 2016, the employer froze the Plan to cease future benefit accruals.

BSF has elected under the terms of the Plan to discontinue its contributions and terminate the Plan subject to the provisions of ERISA. The termination was adopted by special resolution of the board of directors dated May 25, 2016 and made effective July 31, 2016. The Plan Termination Amendment included a provision to eliminate the Plan's current cap of \$25,000 on lump-sum payouts in order to effect distributions to all participants.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

6. PENSION PLAN, continued:

When the Plan terminated, the net assets of the Plan was allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

- a. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for the three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under the Plan's provisions in effect at any time during the five years preceding the Plan's termination.
- b. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC), a United States governmental agency, up to the applicable limitations (discussed below).
- c. All other vested benefits (that is, vested benefits not insured by PBGC).
- d. All non-vested benefits.

Certain benefits under the Plan are insured by PBGC if the Plan terminates. Generally, PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pension. However, PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling on the amount of an individual's monthly benefit that PBGC guarantees. That ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or the Plan's termination (whichever comes later). For younger annuitants, or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at the time, of the Plan's net assets to provide for accumulated benefit obligations, and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by PBGC. It is the intention of the Plan sponsor to fund the Plan for the full amount of accumulated benefit obligations required to ensure all participants receive their benefits either by lump-sum distribution or annuity contract.

A liability representing the unfunded pension benefit obligation has been recognized for the underfunded status of the Bible Study Fellowship Retirement Plan in the amount of \$1,254,945 as of August 31, 2016. This resulted in a decrease of net assets of \$160,141 for the year ended August 31, 2016, in the accompanying consolidated and combined financial statements.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

6. PENSION PLAN, continued:

BSF uses August 31 of the current and prior fiscal year as the measurement date and census date for its plan.

BSF's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. A minimum required contribution of \$745,324 was recommended and made by BSF for fiscal year 2016. The total contributions made to the plan for fiscal year 2016, was \$6,352,648.

The Plan's funded status as amended by the Topic is as follows:

	August 31,	
	2017	2016
Benefit obligation	\$ 7,006	\$ (15,749,941)
Plan assets	-	14,502,002
Funded status	\$ 7,006	\$ (1,247,939)
Accumulated benefit obligation	\$ (7,006)	\$ 15,749,941

Items not yet recognized as a component of net periodic pension costs:

	August 31,	
	2017	2016
Net loss	\$ -	\$ 5,691,294
Prior service (credit)	-	-
Transition obligation	-	-
Funded status	\$ -	\$ 5,691,294

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

6. PENSION PLAN, continued:

The amounts recognized in the consolidated and combined statements of activities are:

Net periodic benefit cost, included in functional expenses:

	Year Ended August 31,	
	2017	2016
Service costs	\$ -	\$ -
Interest costs	-	678,330
Expected return on plan assets	-	(664,456)
Reclassification of net gain or loss	-	611,979
	\$ -	\$ 625,853

Other changes in plan assets and benefits obligations recognized
in changes other than net periodic pension cost in
net assets without donor restrictions - net (gain) or loss

	\$ 28,341	\$ 160,141
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Amounts expected to be recognized as a component of net periodic pension cost:

	Year Ended August 31,	
	2017	2016
Net loss	\$ -	\$ 681,391
Prior service (credit)	-	-
Transition obligation	-	-
	\$ -	\$ 681,391

The following weighted-average assumptions are used in the accounting for the Plan:

	Year Ended August 31,	
	2017	2016
Discount rate:		
Net periodic pension cost	0.00%	0.00%
Benefit obligations	4.50%	4.50%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

6. PENSION PLAN, continued:

The weighted average discount rate was based on the expected rates at which the pension benefits could be effectively settled using Citigroup Pension Liability index as a benchmark, which was 4.00% during the years ended August 31, 2017 and 2016. The rate of salary increase is based on the historical salary increase policies of BSF.

No plan assets are expected to be returned to BSF during 2017.

The Plan's uses appropriate valuation techniques to determine fair value based on inputs available. All plan assets held at fair value as of August 31, 2017 and 2016 were measured using Level 1 inputs. Level 2 or 3 inputs were not used during years ended August 31, 2017 and 2016. The following table displays the fair values of assets measured on a recurring basis:

	August 31,	
	2017	2016
Plan assets held at fair value:		
Money market funds	-	13,783,263
	-	13,783,263
Plan assets held at net asset value:		
Real estate investment trusts	-	718,739
	-	718,739
Total Plan Assets	\$ -	\$ 14,502,002

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

6. PENSION PLAN, continued:

Changes in valuation techniques: None.

The sole real estate investment trust held by the Plan determined the NAV as \$22.50 per share based substantially on the estimated market value of the registrant's portfolio of real estate properties in various geographic locations in the U.S. as of March 31, 2016, which is used for participant's share repurchase program.

BSF's investment strategy is based on the overall investment philosophy to manage plan assets in a prudent, conservative, yet productive manner. Fiduciaries with any discretionary authority to manage plan assets shall seek to increase the value of plan assets, while recognizing the need to preserve asset value in order to enhance the ability of the Plan to meet its obligations to plan participants and their beneficiaries when due. Preservation of capital is of prime importance and within the stated investment objectives for the Plan's assets. Risks, including excessive volatility in the value of plan assets, should be minimized. Plan assets shall be managed to achieve stated objectives over a long-term time horizon.

The permitted range by principal investment category as a percentage of the total value of the Plan's assets shall be as follows:

	<u>From</u>	<u>To</u>
Cash reserves	0%	50%
Equity funds	0%	70%
Fixed income funds (including the liquidity reserve)	10%	75%
Real estate	0%	15%
Managed futures	0%	15%

BSF contributed \$1,276,280 and \$6,275,504 during the fiscal years ended August 31, 2017 and 2016, respectively. The Plan was fully funded and liquidated, with all participants' benefits paid out prior to June 8, 2017.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

6. PENSION PLAN, continued:

Periodic benefits paid from the Plan were \$537,549 and \$716,010 for the years ended August 31, 2017 and 2016, respectively. With the termination of the Plan, benefit payments of \$15,288,276 were paid during the year ended August 31, 2017.

BSF also 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 \$161,444 and \$137,676, for the years ended August 31, 2017 and 2016, respectively.

7. NET ASSETS:

Net assets consist of:

NET ASSETS WITHOUT DONOR RESTRICTIONS:

	August 31,	
	2017	2016
Undesignated net assets	\$ 8,402,998	\$ 2,678,539
Board designated net assets:		
Contingency reserves	5,222,000	4,844,400
Capital improvements	11,035,375	9,320,704
Pension plan funding	-	1,864,992
Leadership retreats	-	715,624
Defined benefit plan make-up contributions	-	301,750
Leadership orientation and other	1,084	17,276
	16,258,459	17,064,746
Equity in property, plant, and equipment—net	9,958,678	9,325,746
	\$ 34,620,135	\$ 29,069,031

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

7. 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, 2017 and 2016:

	August 31, 2016	Contributions	Net assets released from restriction	August 31, 2017
Translations/multilingual fund	\$ 1,689,664	\$ 534,346	\$ (969,631)	\$ 1,254,379
Building fund	776,639	99,664	(553,010)	323,293
Retreat scholarship fund	474,033	1,101,268	(600,458)	974,843
Pledges and estate receivables	336,042	412,205	(348,036)	400,211
Beneficial interest in trust agreements	116,203	4,959	-	121,162
Israel scholarship fund	66,842	5,694	(9,545)	62,991
International fund	-	599,869	(599,869)	-
	<u>\$ 3,459,423</u>	<u>\$ 2,758,005</u>	<u>\$ (3,080,549)</u>	<u>\$ 3,136,879</u>

	August 31, 2015	Contributions	Net assets released from restriction	August 31, 2016
Translations/multilingual fund	\$ 1,298,353	\$ 1,377,603	\$ (986,292)	\$ 1,689,664
Building fund	823,315	244,324	(291,000)	776,639
Retreat scholarship fund	91,918	813,725	(431,610)	474,033
Pledges and estate receivables	476,868	343,858	(484,684)	336,042
Beneficial interest in trust agreements	112,806	3,397	-	116,203
Israel scholarship fund	75,000	-	(8,158)	66,842
International fund	-	522,189	(522,189)	-
Revelation fund	413,479	-	(413,479)	-
	<u>\$ 3,291,739</u>	<u>\$ 3,305,096</u>	<u>\$ (3,137,412)</u>	<u>\$ 3,459,423</u>

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

7. 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 year ended August 31, 2017:

	August 31, 2016	Contributions	Net assets released from restriction or designation	August 31, 2017
Board designated	\$ 9,320,704	\$ 1,714,671	\$ -	\$ 11,035,375
With donor restrictions	776,639	99,664	(553,010)	323,293
	<u>\$ 10,097,343</u>	<u>\$ 1,814,335</u>	<u>\$ (553,010)</u>	<u>\$ 11,358,668</u>

NET ASSETS SUBJECT TO RESTRICTION IN PERPETUITY:

	August 31,	
	2017	2016
Endowment	\$ 6,870	\$ 6,870

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

8. 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, 2017 and 2016:

	Fair Value Measurements Using:		
	August 31, 2017	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	\$ 2,567,499	\$ 2,567,499	\$ -
Multisector	1,145,779	1,145,779	-
Convertibles	1,120,856	1,120,856	-
Intermediate-term	168,879	168,879	-
World bond	65,100	65,100	-
Nontraditional	36,706	36,706	-
Equity mutual funds:			
Long/short equity	1,497,699	1,497,699	-
Large growth	392,893	392,893	-
Foreign blend	362,080	362,080	-
Large blend	338,940	338,940	-
Mid blend	287,279	287,279	-
Diversified emerging markets	231,411	231,411	-
Conservative allocation	175,602	175,602	-
Large value	160,388	160,388	-
Moderate allocation	97,616	97,616	-
Preferred stock	51,308	51,308	-
Mid cap value	50,667	50,667	-
World allocation	31,990	31,990	-
Small value	28,746	28,746	-
Small growth	26,258	26,258	-
Common stock:			
Industrial and consumer goods	269,915	269,915	-
Technology	134,282	134,282	-
Financial	81,000	81,000	-
Healthcare	78,325	78,325	-

**BIBLE STUDY FELLOWSHIP
AND AFFILIATES**

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

8. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements Using:		
	August 31, 2017	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:			
Oil and gas	44,594	44,594	-
Utilities	41,095	41,095	-
Services	40,799	40,799	-
Basic materials	36,815	36,815	-
Exchanged traded funds:			
Mid cap growth	1,483,662	1,483,662	-
World bond	1,150,956	1,150,956	-
Large growth	229,242	229,242	-
Large value	184,616	184,616	-
Large blend	53,821	53,821	-
Foreign large blend	52,621	52,621	-
	12,719,439	\$ 12,719,439	\$ -
Investments held at net asset value:			
Real estate investment trusts	1,175,216		
Regulated investment companies	699,452		
	1,874,668		
Investments held at cost:			
Certificates of deposit	1,750,908		
Total Investments	\$ 16,345,015		
Beneficial interest in trust agreements	\$ 121,162	\$ -	\$ 121,162

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

8. FAIR VALUE MEASUREMENTS, continued:

	August 31, 2016	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	\$ 3,612,724	\$ 3,612,724	\$ -
Short government	1,622,793	1,622,793	-
Multisector	1,330,228	1,330,228	-
Intermediate-term	235,588	235,588	-
World bond	64,011	64,011	-
Nontraditional	35,324	35,324	-
Equity mutual funds:			
Long/short equity	682,676	682,676	-
Mid blend	632,315	632,315	-
Diversified emerging markets	279,156	279,156	-
Conservative allocation	174,170	174,170	-
Large growth	135,041	135,041	-
Large blend	97,277	97,277	-
Large value	96,091	96,091	-
Moderate allocation	65,679	65,679	-
Mid cap value	36,433	36,433	-
World allocation	25,896	25,896	-
Common stock:			
Technology	135,619	135,619	-
Industrial and consumer goods	135,051	135,051	-
Healthcare	95,506	95,506	-
Financial	59,372	59,372	-
Utilities	57,950	57,950	-
Oil and gas	21,881	21,881	-
Services	20,058	20,058	-
Basic materials	19,229	19,229	-

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

8. FAIR VALUE MEASUREMENTS, continued:

	August 31, 2016	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:			
Exchanged traded funds:			
Natural resources	369,129	369,129	-
Large blend	328,739	328,739	-
Small value	292,823	292,823	-
Large value	274,806	274,806	-
Ultra short bond	198,716	198,716	-
Foreign large blend	49,240	49,240	-
	11,183,521	\$ 11,183,521	\$ -
Investments held at net asset value:			
Real estate investment trusts	1,084,303		
Regulated investment companies	721,745		
	1,806,048		
Investments held at cost:			
Certificates of deposit	1,673,719		
Total Investments	\$ 14,663,288		
Beneficial interest in trust agreements	\$ 116,203	\$ -	\$ 116,203

• *Level 1* - Fair values for mutual funds, equities, exchange-trade funds and publicly-traded real estate investment trusts are determined by reference to quoted market prices and other relevant information generated by market transactions.

• *Level 3* - Fair values of beneficial interest in trust agreements is determined by calculating the present value of the receivable over the remaining life expectancy of the grantors, using the published life expectancy tables and discount rates that range from 2.6% - 4.4%. Full disclosures related to Level 3 investments have been omitted based on immateriality.

Change in valuation techniques: None.

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Notes to Consolidated and Combined Financial Statements

August 31, 2017 and 2016

8. 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, 2017 and 2016, 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.

9. COMMITMENTS:

BSF has entered into various hotel agreements for their upcoming retreats which will occur in 2018 through 2021, which is within the typical operations of BSF. These agreements have minimum amounts due in the event of cancellation. As of August 31, 2017, BSF has financial commitments of approximately \$1,262,000 within these agreements.

BSF has entered into a commitment for a water sewage project at its headquarters. As of the report date the total commitment for this project is approximately \$600,000, of which \$148,221 has been incurred and included as construction in progress as of August 31, 2017.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 22, 2018, 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, 2017 and 2016, and our report thereon dated January 22, 2018, 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 30-31 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 22, 2018

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Consolidating and Combining Statement of Financial Position

August 31, 2017

	BSF/ BSF International Properties Corp.	BSF International	BSF Global Impact Corp.	Eliminations	Total
ASSETS:					
Cash and cash equivalents	\$ 2,763,299	\$ 352,266	\$ 4,888,811	\$ -	\$ 8,004,376
Cash in foreign bank accounts/ classes	-	1,744,663	-	-	1,744,663
Investments	811,183	158,974	15,374,858	-	16,345,015
Pledges receivable	400,211	-	-	-	400,211
Area advisor advances and other receivables	85,397	482,218	17,708	-	585,323
Prepaid expenses and other assets	1,703,867	539,904	-	-	2,243,771
Intercompany receivables	6,692,069	1,534,756	31,165	(8,257,990)	-
Beneficial interest in trust agreements	121,162	-	-	-	121,162
Property, plant, and equipment–net	9,950,381	8,297	-	-	9,958,678
Total Assets	\$ 22,527,569	\$ 4,821,078	\$ 20,312,542	\$ (8,257,990)	\$ 39,403,199
LIABILITIES AND NET ASSETS:					
Liabilities:					
Accounts payable and accrued expenses	\$ 418,730	\$ 106,525	\$ -	\$ -	\$ 525,255
Deferred retreat registration revenue	1,114,060	-	-	-	1,114,060
Intercompany payables	6,767,424	1,490,566	-	(8,257,990)	-
	8,300,214	1,597,091	-	(8,257,990)	1,639,315
Net assets:					
Net Assets Without Donor Restrictions:					
Undesignated/Board designated	2,387,604	1,961,311	20,312,542	-	24,661,457
Equity in property, plant, and equipment–net	9,950,381	8,297	-	-	9,958,678
	12,337,985	1,969,608	20,312,542	-	34,620,135
Net Assets With Donor Restrictions:					
Restricted by purpose or time	1,882,500	1,254,379	-	-	3,136,879
Restricted in perpetuity	6,870	-	-	-	6,870
	14,227,355	3,223,987	20,312,542	-	37,763,884
Total Liabilities and Net Assets	\$ 22,527,569	\$ 4,821,078	\$ 20,312,542	\$ (8,257,990)	\$ 39,403,199

BIBLE STUDY FELLOWSHIP AND AFFILIATES

Consolidating and Combining Statement of Activities

Year Ended August 31, 2017

	BSF/ BSF International Properties Corp.	BSF International	BSF Global Impact Corp.	Total
SUPPORT AND REVENUE:				
Contributions	\$ 21,656,762	\$ 4,399,703	\$ 96,133	\$ 26,152,598
Leadership training retreats	3,875,168	-	-	3,875,168
Investment income	21,588	14,902	1,010,225	1,046,715
Miscellaneous income	38,035	-	-	38,035
Total Support and Revenue	<u>25,591,553</u>	<u>4,414,605</u>	<u>1,106,358</u>	<u>31,112,516</u>
EXPENSES:				
Classes:				
Leadership training	7,909,001	1,287,560	-	9,196,561
Production	3,578,414	830,087	-	4,408,501
Local classes	3,690,489	1,094,260	-	4,784,749
Leadership training retreats	3,636,722	974,968	-	4,611,690
Administration	2,349,196	494,516	10,402	2,854,114
Total Expenses	<u>21,163,822</u>	<u>4,681,391</u>	<u>10,402</u>	<u>25,855,615</u>
Change in net assets before intercompany activity and pension-related changes	4,427,731	(266,786)	1,095,956	5,256,901
Intercompany transfers	(430,346)	-	430,346	-
Pension-related changes other than net periodic pension costs	<u>(28,341)</u>	<u>-</u>	<u>-</u>	<u>(28,341)</u>
Change in Net Assets	3,969,044	(266,786)	1,526,302	5,228,560
Net Assets, Beginning of Year	<u>10,258,311</u>	<u>3,490,773</u>	<u>18,786,240</u>	<u>32,535,324</u>
Net Assets, End of Year	<u>\$ 14,227,355</u>	<u>\$ 3,223,987</u>	<u>\$ 20,312,542</u>	<u>\$ 37,763,884</u>