



**INTERVARSITY CHRISTIAN
FELLOWSHIP/USA**

COMBINED FINANCIAL STATEMENTS

June 30, 2009 and 2008

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INTERVARSITY CHRISTIAN FELLOWSHIP/USA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
InterVarsity Christian Fellowship/USA
Madison, Wisconsin

We have audited the accompanying combined statements of financial position of InterVarsity Christian Fellowship/USA as of June 30, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of InterVarsity Christian Fellowship/USA as of June 30, 2009 and 2008, and the changes in its combined net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 4 and 16, InterVarsity Christian Fellowship/USA has implemented SFAS No. 157, Fair Value Measurements, and SFAS No. 165, Subsequent Events. The adoption of these standards had no impact on previously reported net assets.



Wheaton, Illinois
October 28, 2009

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Financial Position (in thousands)

	June 30,	
	2009	2008
ASSETS:		
Cash and cash equivalents	\$ 8,734	\$ 9,934
Investments	16,158	15,673
Receivables:		
Trade and subscribers, less allowance for doubtful receivables of \$113,000 in 2009 and \$105,000 in 2008	2,518	2,562
Donations	1,177	1,350
Royalty advances, less allowance for doubtful receivables of \$51,000 in 2009 and \$52,000 in 2008	1,733	1,409
Miscellaneous	935	337
Books and supplies inventory, net	3,195	3,120
Prepaid expenses, deposits and other assets	971	1,436
Land, buildings and equipment, net	9,491	9,686
	\$ 44,912	\$ 45,507
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 3,524	\$ 3,823
Medical insurance claims payable	573	683
Trust and annuity agreements	702	705
Royalties payable	1,105	1,260
Deferred revenue	1,236	135
	7,140	6,606
Net assets:		
Unrestricted:		
Net investment in land, buildings and equipment	9,491	9,686
Undesignated	14,008	15,254
	23,499	24,940
Temporarily restricted	14,273	13,961
	37,772	38,901
	\$ 44,912	\$ 45,507

See notes to combined financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Activities
(in thousands)

	For the Year Ended June 30,					
	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Donations	\$ 53,170	\$ 6,506	\$ 59,676	\$ 52,689	\$ 7,328	\$ 60,017
Sales of books and media	13,722	-	13,722	14,688	-	14,688
Conference fees	5,065	-	5,065	5,445	-	5,445
Royalties and commissions	257	-	257	327	-	327
Investment income	684	49	733	1,257	3	1,260
Other income	6	-	6	7	-	7
	72,904	6,555	79,459	74,413	7,331	81,744
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of program restrictions	6,243	(6,243)	-	5,319	(5,319)	-
	79,147	312	79,459	79,732	2,012	81,744
EXPENSES:						
Program	68,603	-	68,603	66,471	-	66,471
Administrative	6,306	-	6,306	6,587	-	6,587
Fund-raising and communications	5,679	-	5,679	5,482	-	5,482
	80,588	-	80,588	78,540	-	78,540
Change in Net Assets (Note 14)	(1,441)	312	(1,129)	1,192	2,012	3,204
Net Assets, Beginning of Year	24,940	13,961	38,901	23,748	11,949	35,697
Net Assets, End of Year	\$ 23,499	\$ 14,273	\$ 37,772	\$ 24,940	\$ 13,961	\$ 38,901

See notes to combined financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Cash Flows (in thousands)

	For the Year Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,129)	\$ 3,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of buildings and equipment	686	635
Unrealized and realized gains/(losses) on investments	71	(124)
Actuarial change in value of annuities, net of payments	64	101
Changes in:		
Receivables	(705)	(388)
Books and supplies inventory	(75)	(97)
Prepaid expenses, deposits and other assets	465	(580)
Accounts payable and other accrued liabilities	(299)	59
Medical insurance claims payable	(110)	83
Royalties payable	(155)	51
Deferred revenue	1,101	(89)
Accrued pension liability	-	(1,076)
Net Cash Provided (Used) by Operating Activities	(86)	1,779
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(13,066)	(5,986)
Proceeds from sales and maturities of investments	12,510	5,120
Purchases of buildings and equipment	(491)	(1,002)
Net Cash Used by Investing Activities	(1,047)	(1,868)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Annuity and trust payments	(79)	(78)
Face value of new annuities	20	46
Gift portion of new annuities	(8)	(23)
Matured annuities	-	(1)
Net Cash Used by Financing Activities	(67)	(56)
Net Change in Cash and Cash Equivalents	(1,200)	(145)
Cash and Cash Equivalents, Beginning of Year	9,934	10,079
Cash and Cash Equivalents, End of Year	\$ 8,734	\$ 9,934
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 82	\$ 80
Disposal of fully depreciated equipment	\$ 38	\$ 156

See notes to combined financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

1. NATURE OF ORGANIZATION:

In response to God's love, grace and truth, the purpose of InterVarsity Christian Fellowship/USA (InterVarsity) is to establish and advance at colleges and universities witnessing communities of students and faculty who follow Jesus as Savior and Lord, growing in love for God, God's Word, God's people of every ethnicity and culture and God's purposes in the world.

The combined financial statements include the accounts and transactions of the funds operating as InterVarsity Christian Fellowship/USA and InterVarsity Ministries. The funds of InterVarsity include general operating, general capital, specific purpose, conference, charitable funds, staff salary reserve fund and InterVarsity Press (the Press), which is a publisher of Christian books, pamphlets and other written materials. InterVarsity Ministries includes the camp fund. All significant interfund and intercompany balances and transactions have been eliminated.

InterVarsity is incorporated under the laws of the State of Illinois. It is classified by the Internal Revenue Service (IRS) as a tax-exempt publicly supported 501(c)(3) religious organization, which is not a private foundation under Section 509(a) of the Internal Revenue Code (IRC). Accordingly, it is exempt from federal and state income taxes and contributions are tax deductible within the limitations prescribed by the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

The combined financial statements have been prepared on the accrual basis of accounting. The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from these estimates. Certain amounts in the prior year combined financial statements have been reclassified to conform with the current year presentation. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

Amounts classified as cash and cash equivalents in the combined statement of financial position include checking and savings accounts, money market funds, all highly liquid debt instruments purchased with original maturities of three months or less and all highly liquid donated securities pending sale. As donations of securities are received, it is InterVarsity's policy to liquidate the donated securities immediately. Therefore, for purposes of the combined statement of cash flows, receipt and sale of donated securities are treated as operating activities.

InterVarsity has cash and cash equivalents deposited in financial institutions in which the balances exceed the federal government agency (FDIC) insured limit. InterVarsity has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS AND ASSETS HELD UNDER TRUST AND ANNUITY AGREEMENTS

InterVarsity invests, along with several other nonprofit organizations, in a captive insurance holding company, Lucent Insurance, Ltd. (Lucent). InterVarsity holds a 7% and 5% ownership interest in the captive as of June 30, 2009 and 2008, respectively. InterVarsity's equity in Lucent was \$193,000 for both June 30, 2009 and 2008. InterVarsity is accounting for this investment using the equity method. Lucent insures claims relating to workers' compensation, general liability and property. Claim experience is identified to each participating entity, and subsequent premiums are modified based on an entity's claim experience.

Investments in marketable equity securities with readily determinable fair values and all investment in debt securities are stated at fair value. Realized and unrealized gains and losses are reflected in the combined statement of activities.

Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

RECEIVABLES

The majority of the receivables are related to book sales, donations and royalty advances. Receivables are stated net of any allowance for doubtful accounts. Trade accounts receivable become past due when they exceed their contractual due dates, usually 30 to 90 days from the date of sale. The allowance for doubtful accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall trade receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns from the customer, financial condition of the customer, other known facts and circumstances and general economic conditions. This process is based on estimates, and ultimate loss may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known. At June 30, 2009 and 2008, trade accounts receivable past due 90 days or more and continuing to accrue interest totaled \$104,000 and \$80,000, respectively.

ROYALTY ADVANCES

The Press has entered into book publishing agreements with various artists and authors. The Press agrees to pay the artists and authors a nonrefundable advance against future royalties earned. Future royalties are based on a percentage of net sales as defined in the agreements. In the event that the future product sales do not earn back the royalty advance, the royalty is written off to royalty and copyright expense in the period the advance is determined uncollectible.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

BOOKS AND SUPPLIES INVENTORY

Books and supplies inventory is stated at the lower of cost, determined principally by the first-in, first-out method, or market. Inventory consists of the following at June 30 (in thousands):

	2009	2008
Books and merchandise	\$ 2,828	\$ 2,749
Supplies	553	521
	<u>3,381</u>	<u>3,270</u>
Reserve for slow-moving inventory	<u>(186)</u>	<u>(150)</u>
	<u>\$ 3,195</u>	<u>\$ 3,120</u>

LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

Computer equipment over \$5,000 and other items over \$3,000 are capitalized at cost, or if the asset was contributed, at estimated fair market value at the date of the contribution. The values are determined from publications, appraisals and other sources that assist in establishing a market value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	31.5 years
Computer equipment	3 - 5 years
Other equipment	3 years
Furniture and fixtures	7 years

TRUST AND ANNUITY AGREEMENTS

InterVarsity has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the assets received, recognized at fair value, and the liability for future payments, determined on an actuarial basis, is recognized as unrestricted support at the date of the gift, unless the gift portion is restricted. InterVarsity uses published mortality rate tables adopted by the IRS at an assumed rate of return of 3.5% to determine the present value of the actuarially determined liability. Assets related to annuity agreements are included in investments. The State of Wisconsin requires that InterVarsity maintain a cash reserve of the greater of \$100,000 or 10% of annuities payable as security for life annuities.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

TRUST AND ANNUITY AGREEMENTS, continued

As trustee, InterVarsity administers limited revocability trusts that provide a beneficial interest to InterVarsity at the grantor's death. The agreements are revocable, in whole or in part, upon the written request of the grantor, if there is an adverse change in the grantors' financial circumstances or a change in the identity of InterVarsity. As a result of these conditional rights, the principal amounts provided are recorded as liabilities. All income paid is reportable by the grantor for tax purposes. At the grantor's death, the remaining trust amount will be recorded as contribution income. Assets related to trust agreements are included in investments.

DEFERRED REVENUE

Income from the Urbana conference fees is deferred and recognized over the periods to which the fees relate.

NET ASSETS

The combined financial statements report amounts by class of net assets:

Unrestricted net assets are currently available for ministry purposes under the direction of the Board, those designated by the Board for a specific use and those resources invested in property and equipment.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

REVENUE AND EXPENSE RECOGNITION

InterVarsity reports amounts received for general ministry purposes and those received pursuant to appeals, grant awards or agreements to perform specific programs which are expended in the same fiscal year as received as unrestricted support. Current year amounts received for specific ministry programs that have not yet been expended at year-end are reported as temporarily restricted support. When such amounts are expended for the specific ministry program in future periods, they are reclassified to the unrestricted class and reported in the combined statement of activities as net assets released from restrictions. Donations received between July 1, 2009 and July 10, 2009, and between July 1, 2008 and July 11, 2008, that are designated by the donor to apply to the previous year, are recognized as revenue and as donations receivable at June 30. Donations that are unconditionally pledged are recorded as revenue and as donations receivable when the pledge is received. Estate gifts are recorded as donations receivable and revenue at the time InterVarsity has an established right to the gift and the proceeds are measurable.

Sales revenue is recognized when goods are shipped or otherwise delivered to customers. Revenues and expenses from conferences and camp fees are deferred until the event occurs. All other revenues are recognized when earned and expenses when incurred in accordance with the accrual basis of accounting.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND EXPENSE RECOGNITION, continued

Urbana (tri-annual missions convention) donations received are recognized as donation revenue in the period in which they are received. Urbana registration revenue is deferred until the event occurs.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities of InterVarsity have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The supporting activities are indispensable to the conduct of the program services and to InterVarsity's existence.

ADVERTISING

Advertising and promotion costs are expensed as they are incurred. Advertising and promotion expense was \$631,000 and \$684,000 for the years ended June 30, 2009 and 2008, respectively.

SHIPPING AND HANDLING COSTS

Total costs for shipping and handling were \$619,000 and \$615,000 for the years ended June 30, 2009 and 2008, respectively. Shipping and handling fees to customers of \$467,000 and \$436,000 for the years ended June 30, 2009 and 2008, respectively, were used to offset these costs and were netted against program postage and shipping expense.

RECLASSIFICATIONS

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

NEW STANDARDS TO BE IMPLEMENTED

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. InterVarsity has elected to defer the application of Interpretation 48 for the year ending June 30, 2009. InterVarsity evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

3. INVESTMENTS:

Investments consist of the following at June 30 (in thousands):

	2009	2008
Fair market value:		
U.S. government and government agency obligations	\$ 11,455	\$ 10,395
Corporate obligations	4,116	4,583
Mutual funds	394	502
	15,965	15,480
Equity method:		
Investment in Lucent captive insurance holding company	193	193
	\$ 16,158	\$ 15,673
	\$ 16,158	\$ 15,673

Investments include \$1,093,000 and \$1,048,000 related to liabilities under annuity agreements at June 30, 2009 and 2008, respectively.

Investment income consists of the following for the years ended June 30 (in thousands):

	2009	2008
Fair market value:		
Interest and dividends on investments	\$ 663	\$ 680
Interest on cash and cash equivalents	141	456
Unrealized and realized gains/(losses) on investments	(71)	181
	733	1,317
Equity method:		
Unrealized and realized losses on investments	-	(57)
	\$ 733	\$ 1,260
	\$ 733	\$ 1,260

4. FAIR VALUE MEASUREMENTS:

Effective July 1, 2008, InterVarsity adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 has been applied prospectively as of the beginning of the year. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. InterVarsity uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, InterVarsity measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

4. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the SFAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

	Fair Value	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Financial Assets:			
U.S. Government securities	\$ 11,455	\$ 11,455	\$ -
Corporate obligations	4,116	-	4,116
Mutual funds	394	394	-

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Level 1 Fair Value Measurements

The fair values of U.S. Government securities and mutual funds are based on quoted market prices when available.

Level 2 Fair Value Measurements

The fair value of corporate obligations for which quoted market prices are not available are valued based on yields currently available on comparable securities with similar credit ratings.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

5. LAND, BUILDINGS AND EQUIPMENT, NET:

Land, buildings and equipment consist of the following at June 30 (in thousands):

	2009	2008
Buildings and improvements	\$ 14,277	\$ 14,084
Computer equipment	840	742
Other equipment	1,948	1,876
Furniture and fixtures	2,277	2,186
	<u>19,342</u>	<u>18,888</u>
Less accumulated depreciation and amortization	<u>(11,533)</u>	<u>(10,884)</u>
	7,809	8,004
Land	<u>1,682</u>	<u>1,682</u>
	<u>\$ 9,491</u>	<u>\$ 9,686</u>

6. MEDICAL INSURANCE CLAIMS PAYABLE:

InterVarsity self insures the medical expenses of those employees under which InterVarsity is responsible for the first \$175,000 of covered medical expenses per employee per year. Claims of any individual in excess of this amount are covered by an excess loss insurance policy. There is also an individual lifetime maximum limit of \$2 million. The accrual is based on an estimate of outstanding claims at June 30; however, the actual liability is unknown and exposure to losses in excess of the accrued reserve may exist. Management believes the liability reflected in the combined statement of financial position is adequate to cover future losses. Claims expense and insurance costs under this program totaled \$5,715,000 and \$5,288,000 for the years ended June 30, 2009 and 2008, respectively.

7. DEFERRED COMPENSATION LIABILITY:

InterVarsity has a non-qualified supplemental pension and deferred compensation program. The deferred compensation is accrued during employment years and payments are subsequently charged against the liability. Upon retirement or termination of employment, there are various payment options available. Upon death, proceeds will be distributed in a lump sum. InterVarsity did not make a contribution in 2009 and 2008. Interest expense on deferred compensation liabilities was \$6,000 and \$5,000, respectively, for the fiscal years ending June 30, 2009 and 2008. The deferred compensation liability totaled \$88,000 and \$107,000 for the years ended June 30, 2009 and 2008, respectively, and is included in accounts payable and accrued liabilities in the combined statement of financial position.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

8. TRUST AND ANNUITY AGREEMENTS:

Trust and annuity agreements consist of the following at June 30 (in thousands):

	2009	2008
Gift annuity liability	\$ 539	\$ 545
Revocable trusts and loan agreements	163	160
Total	<u>\$ 702</u>	<u>\$ 705</u>

9. COMMITMENTS:

InterVarsity has available a \$2 million unsecured line of credit, which expires December 5, 2009. InterVarsity also has an unsecured standby letter of credit in the amount of \$82,000 which expires December 31, 2012. There was no outstanding indebtedness under these agreements as of June 30, 2009 and 2008.

10. OPERATING LEASES:

InterVarsity leases various facilities under operating leases expiring at various times through 2020. Generally, the leases provide that InterVarsity pays taxes, insurance, maintenance and other costs associated with use of the facilities. In 2009 and 2008, InterVarsity incurred rent expense of \$352,000 and \$361,000, respectively, under these leases and others that operate on a month to month basis.

Future minimum lease payments under InterVarsity's non-cancelable operating leases are as follows (in thousands):

Years ending June 30,	
2010	\$ 128,000
2011	15,000
2012	1,000
2013	1,000
2014	1,000
	<u>1,000</u>
	<u>\$ 146,000</u>

11. RELATED PARTY TRANSACTIONS:

During fiscal year 2008, the Press began co-printing a series of books with InterVarsity Press - United Kingdom (IVP-UK). IVP-UK's copies are printed and shipped from the United States then billed by the Press to IVP-UK. The receivable due to InterVarsity at June 30, 2009, was \$61,000. The total amount billed to IVP-UK during the year ended June 30, 2009, was \$89,000.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

12. INCOME TAXES:

InterVarsity has received a determination dated May 1985 from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. InterVarsity is subject to unrelated business income tax on certain of its activities which are deemed to be unrelated to its exempt purpose; however, InterVarsity is currently not paying any unrelated business income tax due to federal and state operating loss carryforwards of \$96,000. The carryforwards expire as follows (in thousands):

Federal net operating loss available	Expiration date	State net operating loss available	Expiration date
\$ 1	June 30, 2015	\$ 1	June 30, 2010
4	June 30, 2017	4	June 30, 2012
5	June 30, 2019	5	June 30, 2014
8	June 30, 2020	8	June 30, 2015
27	June 30, 2022	27	June 30, 2017
13	June 30, 2023	13	June 30, 2018
5	June 30, 2024	5	June 30, 2019
33	June 30, 2026	33	June 30, 2021
\$ 96		\$ 96	

13. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following activities as of June 30, (in thousands):

	2009	2008
Ministry expenses for specific staff	\$ 5,923	\$ 5,414
Area and regional programs and projects	3,657	4,757
Chapter growth and building initiatives	2,442	1,599
Support for the work at specific schools	1,013	1,094
Evangelism initiatives on campus	686	576
Scholarships for camps and conferences	552	521
	\$ 14,273	\$ 13,961

14. URBANA MISSIONS CONVENTION:

Expenses for the year ended June 30, 2009, increased from the prior fiscal year. One of the reason for this change is that every three years, InterVarsity sponsors the Urbana Missions Convention which will be held during the fiscal year ending June 30, 2010. Revenue and expenses for Urbana 2009 are received/incurred over the two years beginning July 1, 2008, and ending June 30, 2010. Revenue, deferred registration fee revenue, and expenses were \$869,000, \$1,078,000 and \$1,752,000, respectively, for the year ending June 30, 2009. See supplemental schedule for more information.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

15. FUNCTIONAL EXPENSES:

Expenses of InterVarsity by function are as follows for the year ended June 30, (in thousands):

	2009			
	Program	Management and general	Fund-raising	Total
Salaries & payroll taxes	\$ 36,435	\$ 3,507	\$ 4,139	\$ 44,081
Education & training	218	15	1	234
Benefits	7,447	608	776	8,831
Professional fees	1,305	800	74	2,179
Supplies	687	101	5	793
Telephone, email & web access	560	90	15	665
Postage & shipping	914	30	168	1,112
Occupancy	1,202	316	6	1,524
Equipment	534	342	28	904
Depreciation	374	312	-	686
Printing & publications	949	56	221	1,226
Travel	5,214	155	99	5,468
Conference, conventions & meetings	4,082	109	49	4,240
Advertising/promotion	631	-	-	631
Bad debts	-	80	-	80
Support to other missions	2,870	-	-	2,870
Interest	-	-	82	82
Interdepartmental charges	228	(242)	14	-
Cost of sales	4,714	-	-	4,714
Other	239	27	2	\$ 268
	<u>\$ 68,603</u>	<u>\$ 6,306</u>	<u>\$ 5,679</u>	<u>\$ 80,588</u>
% of total expenses	85.1%	7.8%	7.0%	

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2009 and 2008

15. FUNCTIONAL EXPENSES, continued:

	2008			
	Program	Management and general	Fund-raising	Total
Salaries & payroll taxes	\$ 34,734	\$ 3,494	\$ 3,933	\$ 42,161
Education & training	197	20	12	229
Benefits	6,131	625	752	7,508
Professional fees	1,112	990	131	2,233
Supplies	802	131	11	944
Telephone, email & web access	533	95	11	639
Postage & shipping	974	47	165	1,186
Occupancy	1,162	317	5	1,484
Equipment	541	349	17	907
Depreciation	360	275	-	635
Printing & publications	948	48	258	1,254
Travel	5,183	168	89	5,440
Conference, conventions & meetings	4,450	98	32	4,580
Advertising/promotion	658	26	-	684
Bad debts	-	80	-	80
Support to other missions	3,104	-	-	3,104
Interest	-	-	80	80
Interdepartmental charges	250	(232)	(18)	-
Cost of sales	5,090	-	-	5,090
Other	242	56	4	302
	<u>\$ 66,471</u>	<u>\$ 6,587</u>	<u>\$ 5,482</u>	<u>\$ 78,540</u>
% of total expenses	<u>84.7%</u>	<u>8.4%</u>	<u>7.0%</u>	

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
InterVarsity Christian Fellowship/USA
Madison, Wisconsin

Our report on our audit of the combined financial statements of InterVarsity Christian Fellowship/USA as of June 30, 2009 and 2008, appears on page one. This audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The information on the following page has been subjected to the auditing procedures applied in the audits of the combined financial statements and is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual ministry areas. Accordingly, we do not express an opinion on the financial position and changes in net assets of the individual ministry areas. However, in our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



Wheaton, Illinois
October 28, 2009

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Supplemental Schedule - Activities by Ministry Area

Combined Statements of Activities

(in thousands)

	For the Year Ended June 30, 2009						For the Year Ended June 30, 2008					
	Unrestricted				Temporarily		Unrestricted				Temporarily	
	Core Ministries	Press	Camps	Urbana	Restricted	Total	Core Ministries	Press	Camps	Urbana	Restricted	Total
SUPPORT AND REVENUE:												
Donations	\$ 51,971	\$ 47	\$ 467	\$ 552	\$ 6,639	\$ 59,676	\$ 51,996	\$ 33	\$ 478	\$ 182	\$ 7,328	\$ 60,017
Sales of books and media	342	13,230	148	2	-	13,722	332	14,202	140	14	-	14,688
Conference fees	2,395	-	2,670	-	-	5,065	2,567	-	2,878	-	-	5,445
Royalties and commissions	33	224	-	-	-	257	45	282	-	-	-	327
Investment income	811	-	6	-	(84)	733	1,250	-	7	-	3	1,260
Other income	1	5	-	-	-	6	-	7	-	-	-	7
Transfers	100	100	(200)	-	-	-	215	-	(55)	(160)	-	-
Net assets released from restrictions	5,928			315	(6,243)	-	5,319	-	-	-	(5,319)	-
	<u>61,581</u>	<u>13,606</u>	<u>3,091</u>	<u>869</u>	<u>312</u>	<u>79,459</u>	<u>61,724</u>	<u>14,524</u>	<u>3,448</u>	<u>36</u>	<u>2,012</u>	<u>81,744</u>
EXPENSES:												
Program	53,004	10,539	3,309	1,751	-	68,603	51,459	11,338	3,109	565	-	66,471
Administrative	3,971	2,335	-	-	-	6,306	4,086	2,501	-	-	-	6,587
Fund-raising and communications	5,679	-	-	-	-	5,679	5,482	-	-	-	-	5,482
Inter-company cost allocations	(791)	577	214	-	-	-	(817)	590	227	-	-	-
	<u>61,863</u>	<u>13,451</u>	<u>3,523</u>	<u>1,751</u>	<u>-</u>	<u>80,588</u>	<u>60,210</u>	<u>14,429</u>	<u>3,336</u>	<u>565</u>	<u>-</u>	<u>78,540</u>
Change in Net Assets	(282)	155	(432)	(882)	312	(1,129)	1,514	95	112	(529)	2,012	3,204
Net Assets, Beginning of Year	13,665	10,452	763	60	13,961	38,901	12,151	10,357	651	589	11,949	35,697
Net Assets, End of Year	<u>\$ 13,383</u>	<u>\$ 10,607</u>	<u>\$ 331</u>	<u>\$ (822)</u>	<u>\$ 14,273</u>	<u>\$ 37,772</u>	<u>\$ 13,665</u>	<u>\$ 10,452</u>	<u>\$ 763</u>	<u>\$ 60</u>	<u>\$ 13,961</u>	<u>\$ 38,901</u>

Note: The next Urbana convention is December 27-31, 2009. As of June 30, 2009, Urbana had deferred registration fee income of \$1,078,000 that is not included above.