



INTERVARSITY CHRISTIAN
FELLOWSHIP/USA

Combined Financial Statements
With Independent Auditors' Report

June 30, 2012 and 2011

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, 2012 and 2011, 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, 2012 and 2011, 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.

Capin Crouse LLP

Wheaton, Illinois
October 15, 2012

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Financial Position (in thousands)

	June 30,	
	2012	2011
ASSETS:		
Cash and cash equivalents	\$ 6,789	\$ 7,315
Investments	22,832	22,398
Receivables:		
Trade and subscribers, less allowance for doubtful receivables and returns of \$323,000 in 2012 and \$304,000 in 2011	2,239	2,071
Donations	1,099	1,104
Royalty advances, less allowance for doubtful receivables of \$241,000 in 2012 and \$117,000 in 2011	1,717	1,611
Miscellaneous	201	180
Books and supplies inventory, net	3,097	3,138
Prepaid expenses, deposits and other assets	1,349	912
Land, buildings and equipment, net	8,868	9,127
	<u>\$ 48,191</u>	<u>\$ 47,856</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 3,770	\$ 3,309
Medical insurance claims payable	636	585
Trust and annuity agreements	588	661
Royalties payable	1,146	1,154
Deferred revenue	767	165
	<u>6,907</u>	<u>5,874</u>
Net assets:		
Unrestricted:		
Net investment in land, buildings and equipment	8,868	9,127
Undesignated	16,387	17,220
	<u>25,255</u>	<u>26,347</u>
Temporarily restricted	16,029	15,635
	<u>41,284</u>	<u>41,982</u>
	<u>\$ 48,191</u>	<u>\$ 47,856</u>

See notes to combined financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Activities (in thousands)

	Year Ended June 30,					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Donations	\$ 57,915	\$ 5,973	\$ 63,888	\$ 54,166	\$ 7,271	\$ 61,437
Sales of books and media	13,484	-	13,484	13,772	-	13,772
Conference fees	5,729	-	5,729	5,746	-	5,746
Royalties and commissions	361	-	361	282	-	282
Investment income	29	-	29	1,655	83	1,738
Other income	3	-	3	5	-	5
	<u>77,521</u>	<u>5,973</u>	<u>83,494</u>	<u>75,626</u>	<u>7,354</u>	<u>82,980</u>
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of program restrictions	5,579	(5,579)	-	6,079	(6,079)	-
	<u>83,100</u>	<u>394</u>	<u>83,494</u>	<u>81,705</u>	<u>1,275</u>	<u>82,980</u>
EXPENSES:						
Program	70,803	-	70,803	67,751	-	67,751
Administrative	6,958	-	6,958	6,801	-	6,801
Fund-raising and communications	6,431	-	6,431	6,194	-	6,194
	<u>84,192</u>	<u>-</u>	<u>84,192</u>	<u>80,746</u>	<u>-</u>	<u>80,746</u>
Change in Net Assets	(1,092)	394	(698)	959	1,275	2,234
Net Assets, Beginning of Year	<u>26,347</u>	<u>15,635</u>	<u>41,982</u>	<u>25,388</u>	<u>14,360</u>	<u>39,748</u>
Net Assets, End of Year	<u>\$ 25,255</u>	<u>\$ 16,029</u>	<u>\$ 41,284</u>	<u>\$ 26,347</u>	<u>\$ 15,635</u>	<u>\$ 41,982</u>

See notes to combined financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Cash Flows (in thousands)

	Year Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (698)	\$ 2,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of buildings and equipment	927	805
Grant of property and equipment	99	-
Unrealized and realized (gains) losses on investments	896	(1,042)
Matured annuities	86	8
Actuarial change in value of annuities and trusts, net of payments	(44)	39
Donated stock	(498)	(612)
Donated property	(224)	-
Changes in:		
Receivables	(290)	484
Books and supplies inventory	41	(89)
Prepaid expenses, deposits and other assets	(437)	(47)
Accounts payable and other accrued liabilities	461	(474)
Medical insurance claims payable	51	53
Royalties payable	(8)	(167)
Deferred revenue	602	(6)
Net Cash Provided by Operating Activities	964	1,186
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(6,343)	(8,246)
Proceeds from sales and maturities of investments	5,511	8,520
Purchases of buildings and equipment	(543)	(841)
Net Cash Used by Investing Activities	(1,375)	(567)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Annuity and trust payments	(84)	(81)
Face value of new annuities	(50)	45
Gift portion of new annuities	19	(10)
Net Cash Used by Financing Activities	(115)	(46)
Net Change in Cash and Cash Equivalents	(526)	573
Cash and Cash Equivalents, Beginning of Year	7,315	6,742
Cash and Cash Equivalents, End of Year	\$ 6,789	\$ 7,315
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 85	\$ 83
Disposal of fully depreciated equipment	\$ 429	\$ 37

See notes to combined financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

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. The majority of InterVarsity's revenues result from donations, product sales and conference fees.

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.

In fiscal 2012, InterVarsity acquired Biblica Books, the book-publishing arm of Biblica Worldwide. In the acquisition, InterVarsity obtained 170 current and nearly 30 new Biblica Books titles. Additionally, in fiscal 2012, InterVarsity donated the assets of Bear Trap Ranch, a conference and retreat center located in Colorado to another charity.

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, 2012 and 2011

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 held a 12% and 13% ownership interest in the captive as of June 30, 2012 and 2011, respectively. InterVarsity's equity in Lucent was \$648,000 and \$585,000, respectively, for June 30, 2012 and 2011. InterVarsity is accounting for this investment using the equity method. Lucent reinsures 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 income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

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 and sales returns (\$323,000 and \$304,000 for 2012 and 2011, respectively). 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, 2012 and 2011, trade accounts receivable past due 90 days or more totaled \$63,000 and \$129,000, 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 cost of goods sold in the period the advance is determined to be uncollectible.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

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):

	2012	2011
Books and merchandise	\$ 2,898	\$ 2,892
Supplies	366	422
	<u>3,264</u>	<u>3,314</u>
Reserve for slow-moving inventory	<u>(167)</u>	<u>(176)</u>
	<u>\$ 3,097</u>	<u>\$ 3,138</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, 2012 and 2011

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 and camp fees are 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, 2012 and July 10, 2012, and between July 1, 2011 and July 10, 2011, 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.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE AND EXPENSE RECOGNITION, continued

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.

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 \$735,000 and \$749,000 for the years ended June 30, 2012 and 2011, respectively.

SHIPPING AND HANDLING COSTS

Total costs for shipping and handling were \$474,000 and \$453,000 for the years ended June 30, 2012 and 2011, respectively. Shipping and handling fees to customers of \$346,000 and \$379,000 for the years ended June 30, 2012 and 2011, respectively, were used to offset these costs and were netted against program postage and shipping expense.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the combined financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the combined statement of activities. As of June 30, 2012, InterVarsity had no uncertain tax positions that qualify for recognition or disclosure in the combined financial statements. InterVarsity's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2008, 2009, 2010, and 2011 are subject to examination by the IRS, generally for 3 years after they were filed.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

3. INVESTMENTS:

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

	2012	2011
Fair market value:		
U.S. government and government agency obligations	\$ 7,319	\$ 6,706
Corporate obligations	2,467	2,728
Mutual funds	12,398	12,379
	<u>22,184</u>	<u>21,813</u>
Equity method:		
Investment in Lucent captive insurance holding company	648	585
	<u>\$ 22,832</u>	<u>\$ 22,398</u>

Investments include \$975,000 and \$1,053,000 related to liabilities under annuity agreements at June 30, 2012 and 2011, respectively.

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

	2012	2011
Fair market value:		
Interest and dividends on investments	\$ 852	\$ 681
Interest on cash and cash equivalents	10	15
Unrealized and realized gains/(losses) on investments	(896)	831
	<u>(34)</u>	<u>1,527</u>
Equity method:		
Unrealized and realized gains on investments	63	211
	<u>\$ 29</u>	<u>\$ 1,738</u>

4. FAIR VALUE MEASUREMENTS:

InterVarsity adopted the provisions of the *Fair Value Measurements and Disclosure* Topic of the FASB ASC. These standards define fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Fair value is defined under the standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurements date.

FASB ASC establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

4. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined statement of financial position measured at fair value on a recurring basis and the level within the ASC fair value hierarchy in which the fair value measurements fall at June 30, 2012 (in thousands):

		Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	Fair Value		
Financial Assets:			
U.S. government and			
government agency obligations	\$ 7,319	\$ 7,319	\$ -
Corporate obligations	2,467	-	2,467
Mutual funds:			
Equity fund	7,680	7,680	-
Bond fund	4,236	4,236	-
Balanced fund	482	-	482
Other	-	-	-

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying combined statement of financial position measured at fair value on a recurring basis and the level within the ASC fair value hierarchy in which the fair value measurements fall at June 30, 2011 (in thousands):

		Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	Fair Value		
Financial Assets:			
U.S. government and			
government agency obligations	\$ 6,706	\$ 6,706	\$ -
Corporate obligations	2,728	-	2,728
Mutual funds:			
Equity fund	9,829	9,829	-
Bond fund	2,017	2,017	-
Balanced fund	503	-	503
Other	30	30	-

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

4. FAIR VALUE MEASUREMENTS, continued:

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined 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.

Level 2 Fair Value Measurements

The fair value of corporate obligations are based on yields currently available on comparable securities with similar credit ratings. The fair value of mutual funds are based on investments in a variety of instruments, the most significant of which are common stocks, short-term investments, U.S. Treasury securities and private investment funds. These mutual funds are not traded in active markets.

5. LAND, BUILDINGS AND EQUIPMENT, NET:

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

	2012	2011
Buildings and improvements	\$ 14,390	\$ 14,791
Computer equipment	1,272	1,027
Other equipment	1,797	1,730
Furniture and fixtures	2,334	2,325
	<u>19,793</u>	<u>19,873</u>
Less accumulated depreciation and amortization	(12,684)	(12,428)
	<u>7,109</u>	<u>7,445</u>
Land	<u>1,759</u>	<u>1,682</u>
	<u>\$ 8,868</u>	<u>\$ 9,127</u>

6. MEDICAL INSURANCE CLAIMS PAYABLE:

InterVarsity self insures the medical expenses of those employees under which InterVarsity is responsible for the first \$185,000 as of December 31, 2012 and 2011, respectively, 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. 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 \$5,894,000 and \$5,909,000 for the years ended June 30, 2012 and 2011, respectively.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

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 2012 and 2011. Interest expense on deferred compensation liabilities was \$6,000, for the fiscal years ending June 30, 2012 and 2011. The deferred compensation liability totaled \$40,000 and \$50,000 for the years ended June 30, 2012 and 2011, respectively, and is included in accounts payable and accrued liabilities in the combined statement of financial position.

8. TRUST AND ANNUITY AGREEMENTS:

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

	2012	2011
Gift annuity liability	\$ 462	\$ 536
Revocable trusts and loan agreements	126	125
	<u>\$ 588</u>	<u>\$ 661</u>

9. COMMITMENTS:

InterVarsity has available a \$2 million unsecured line of credit, which expires December 2, 2012. 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, 2012 and 2011.

10. OPERATING LEASES:

InterVarsity leases various facilities under operating leases expiring at various times through 2015. Generally, the leases provide that InterVarsity pays taxes, insurance, maintenance and other costs associated with use of the facilities. In 2012 and 2011, InterVarsity incurred rent expense of \$346,000 and \$326,000, 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,	
2013	\$ 187
2014	68
2015	<u>57</u>
	<u>\$ 312</u>

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011, was \$0 and \$2,000, respectively. The total amount billed to IVP-UK during the year ended June 30, 2012 and 2011, was \$2,000 and \$9,000, respectively. The co-printing project was completed with the final billing in September 2011 and final payment in January 2012.

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 \$84,000. The carryforwards expire as follows (in thousands):

Federal net operating loss available	Expiration date	State net operating loss available	Expiration date
\$ 5	June 30, 2020	\$ 5	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
1	June 30, 2028	1	June 30, 2023
<u>\$ 84</u>		<u>\$ 84</u>	

13. TEMPORARILY RESTRICTED NET ASSETS:

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

	2012	2011
Ministry expenses for specific staff	\$ 7,387	\$ 6,159
Area and regional programs and projects	4,175	4,206
Chapter growth and building initiatives	1,627	2,686
Support for the work at specific schools	1,433	1,155
Evangelism initiatives on campus	677	761
Scholarships for camps and conferences	730	668
	<u>\$ 16,029</u>	<u>\$ 15,635</u>

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

14. FUNCTIONAL EXPENSES:

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

	2012			
	Program	Management and general	Fund-raising	Total
Salaries & payroll taxes	\$ 39,346	\$ 3,555	\$ 4,578	\$ 47,479
Education & training	180	10	2	192
Benefits	7,354	619	838	8,811
Professional fees	1,210	1,119	343	2,672
Supplies	573	83	6	662
Telephone, email & web access	664	91	17	772
Postage & shipping	757	24	129	910
Occupancy	1,239	303	7	1,549
Equipment	410	237	43	690
Depreciation	391	536	-	927
Printing & publications	1,032	48	204	1,284
Travel	6,081	168	138	6,387
Conference, conventions & meetings	4,611	71	41	4,723
Advertising/promotion	735	-	-	735
Bad debts	30	80	-	110
Support to other missions	1,027	-	-	1,027
Interest	-	-	85	85
Cost of sales	4,903	-	-	4,903
Other	260	14	-	274
	<u>\$ 70,803</u>	<u>\$ 6,958</u>	<u>\$ 6,431</u>	<u>\$ 84,192</u>
% of total expenses	84.1%	8.3%	7.6%	

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements

June 30, 2012 and 2011

14. FUNCTIONAL EXPENSES, continued:

	2011			
	Program	Management and general	Fund-raising	Total
Salaries & payroll taxes	\$ 37,092	\$ 3,597	\$ 4,451	\$ 45,140
Education & training	189	18	5	212
Benefits	7,298	652	844	8,794
Professional fees	984	911	231	2,126
Supplies	573	87	1	661
Telephone, email & web access	621	92	15	728
Postage & shipping	679	37	137	853
Occupancy	1,219	318	8	1,545
Equipment	445	256	8	709
Depreciation	401	404	-	805
Printing & publications	955	50	229	1,234
Travel	5,316	150	135	5,601
Conference, conventions & meetings	4,632	87	45	4,764
Advertising/promotion	739	-	-	739
Bad debts	-	80	-	80
Support to other missions	1,597	-	-	1,597
Interest	-	-	83	83
Cost of sales	4,764	-	-	4,764
Other	247	62	2	311
	<u>\$ 67,751</u>	<u>\$ 6,801</u>	<u>\$ 6,194</u>	<u>\$ 80,746</u>
% of total expenses	83.9%	8.4%	7.7%	

15. RETIREMENT PLAN:

InterVarsity maintains a defined contribution retirement plan (the Plan), under Section 403(b) of the Code, for the benefit of all eligible employees as defined in the plan document. The Plan provides for InterVarsity to match 35% of the first 4% contributed by employees. In addition, InterVarsity makes a base contribution for each eligible employee based on years of service. For the years ended June 30, 2012 and 2011, retirement plan expense was approximately \$2,399,000 and \$2,296,000, respectively.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the combined 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

We have audited the combined financial statements of InterVarsity Christian Fellowship/USA as of and for the years ended June 30, 2012 and 2011, and our report thereon dated October 15, 2012, which expresses an unqualified opinion on those combined financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The statements of financial position and changes in net assets of the individual ministry areas are presented for purposes of additional analysis and are not a required part of the 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combined financial statements or to the 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 combined financial statements as a whole.

Capin Crouse LLP

Wheaton, Illinois
October 15, 2012

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Supplemental Schedule - Activities by Ministry Area

Combined Statements of Activities

(in thousands)

	Year Ended June 30, 2012						Year Ended June 30, 2011					
	Unrestricted				Temporarily		Unrestricted				Temporarily	
	Core Ministries	Press	Camps	Urbana	Restricted	Total	Core Ministries	Press	Camps	Urbana	Restricted	Total
SUPPORT AND REVENUE:												
Donations	\$ 56,291	\$ 29	\$ 388	\$ 1,207	\$ 5,973	\$ 63,888	\$ 53,352	\$ 18	\$ 496	\$ 300	\$ 7,271	\$ 61,437
Sales of books and media	298	13,011	175	-	-	13,484	310	13,305	156	1	-	13,772
Conference and rental fees	2,659	-	3,070	-	-	5,729	2,532	-	3,214	-	-	5,746
Royalties and commissions	77	284	-	-	-	361	32	247	-	3	-	282
Investment income	29	-	-	-	-	29	1,655	-	-	-	83	1,738
Other income	-	3	-	-	-	3	-	5	-	-	-	5
Net assets released from restrictions	5,569	1	(17)	26	(5,579)	-	5,876	-	2	201	(6,079)	-
	<u>64,923</u>	<u>13,328</u>	<u>3,616</u>	<u>1,233</u>	<u>394</u>	<u>83,494</u>	<u>63,757</u>	<u>13,575</u>	<u>3,868</u>	<u>505</u>	<u>1,275</u>	<u>82,980</u>
EXPENSES:												
Program	54,908	10,669	3,394	1,832	-	70,803	53,120	10,568	3,381	682	-	67,751
Administrative	4,681	2,277	-	-	-	6,958	4,461	2,340	-	-	-	6,801
Fund-raising and communications	6,431	-	-	-	-	6,431	6,194	-	-	-	-	6,194
Inter-company cost allocations	(1,116)	581	235	300	-	-	(1,137)	585	252	300	-	-
	<u>64,904</u>	<u>13,527</u>	<u>3,629</u>	<u>2,132</u>	<u>-</u>	<u>84,192</u>	<u>62,638</u>	<u>13,493</u>	<u>3,633</u>	<u>982</u>	<u>-</u>	<u>80,746</u>
Change in Net Assets	19	(199)	(13)	(899)	394	(698)	1,119	82	235	(477)	1,275	2,234
Net Assets, Beginning of Year	14,461	11,125	375	386	15,635	41,982	13,342	11,043	140	863	14,360	39,748
Net Assets, End of Year	<u>\$ 14,480</u>	<u>\$ 10,926</u>	<u>\$ 362</u>	<u>\$ (513)</u>	<u>\$ 16,029</u>	<u>\$ 41,284</u>	<u>\$ 14,461</u>	<u>\$ 11,125</u>	<u>\$ 375</u>	<u>\$ 386</u>	<u>\$ 15,635</u>	<u>\$ 41,982</u>

Note: The next Urbana convention is December 27-31, 2012.