

FINANCIAL REPORT
BIBLE STUDY FELLOWSHIP
AUGUST 31, 2008

Carneiro, Chumney & Co. L.C.

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Bible Study Fellowship
San Antonio, TX

We have audited the accompanying statements of financial position of Bible Study Fellowship as of August 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the representation of Bible Study Fellowship's management. Our responsibility is to express an opinion on these 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 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 Bible Study Fellowship's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bible Study Fellowship as of August 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with United States generally accepted accounting principles.

As discussed in Note 11 to the financial statements, Bible Study Fellowship changed its method of accounting and reporting of its defined benefit pension plan in its fiscal 2007 year.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 12 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Carneiro, Chumney & Co., L.C." with a stylized flourish at the end.

January 15, 2009

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BIBLE STUDY FELLOWSHIP

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2008 AND 2007

	2008	2007
ASSETS		
Cash	437,666	771,925
Cash in foreign bank accounts/classes	865,770	911,344
Investments	8,233,620	11,629,034
Current notes receivable	4,974	8,113
Inventories	109,306	142,087
Prepaid expenses	27,916	80,385
Area advisor advances	103,334	89,689
Other receivables	228,148	211,620
Property, plant, and equipment - Net of depreciation	10,394,496	11,038,776
Long-term notes receivable	17,174	22,148
Contribution receivable - Charitable remainder unitrust	66,556	71,241
Deposits with suppliers	279,858	159,459
Pension plan assets, net	--	62,873
TOTAL	20,768,818	25,198,694
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	323,138	287,253
Pension plan obligation, net	305,678	--
Total Liabilities	628,816	287,253
Commitments (Notes 9 and 10)		
Unrestricted Net Assets:		
Undesignated:		
Operations	--	1,577,709
Net property, plant, and equipment	10,394,496	11,038,776
Board designated	9,678,950	12,223,715
Total unrestricted net assets	20,073,446	24,840,200
Temporarily restricted net assets	66,556	71,241
Total Net Assets	20,140,002	24,911,441
TOTAL	20,768,818	25,198,694

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support:						
Class contributions	7,794,595	1,487,819	9,282,414	8,319,056	1,364,048	9,683,104
Individual contributions	2,351,474	483,261	2,834,735	2,045,046	772,959	2,818,005
Interest and dividend income	757,496	24,689	782,185	706,856	27,577	734,433
Net realized gain on sale of investments	224,465	--	224,465	1,335,358	--	1,335,358
Net unrealized (loss) on investments	(1,829,991)	--	(1,829,991)	(390,293)	--	(390,293)
Gain on sale/disposition of fixed assets	33,932	--	33,932	8,266	--	8,266
Miscellaneous income	98,517	10	98,527	117,534	--	117,534
Net assets released from restrictions	2,000,464	(2,000,464)	--	2,155,241	(2,155,241)	--
Total Revenues, Gains, and Other Support	11,430,952	(4,685)	11,426,267	14,297,064	9,343	14,306,407
Expenses:						
Administration	1,769,999	--	1,769,999	1,402,739	--	1,402,739
Classes:						
Leadership training	8,430,660	--	8,430,660	7,981,065	--	7,981,065
Local classes	2,271,933	--	2,271,933	2,382,967	--	2,382,967
Production	3,286,306	--	3,286,306	3,238,508	--	3,238,508
Education	--	--	--	10,000	--	10,000
Total Expenses	15,758,898	--	15,758,898	15,015,279	--	15,015,279
Change in Net Assets before cumulative effect and pension-related changes	(4,327,946)	(4,685)	(4,332,631)	(718,215)	9,343	(708,872)
Cumulative effect of change in accounting principle	--	--	--	(1,264,708)	--	(1,264,708)
Pension-related changes other than net periodic pension cost	(438,808)	--	(438,808)	--	--	--
Net assets at beginning of year	24,840,200	71,241	24,911,441	26,823,123	61,898	26,885,021
NET ASSETS AT END OF YEAR	20,073,446	66,556	20,140,002	24,840,200	71,241	24,911,441

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

	2008	2007
Cash Flows From Operating Activities:		
Change in net assets	(4,332,631)	(708,872)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,055,795	1,052,816
Amortization - Prior service cost	--	27,948
Construction in process on abandoned projects	78,572	--
Change in deferred pension benefit obligation	(438,808)	(1,264,708)
(Gain) on sale of fixed assets	(33,932)	(8,266)
(Gain) on sale of investments	(224,465)	(1,335,358)
Net unrealized loss on investments	1,829,991	390,293
(Increase) decrease in deposits with suppliers	(120,399)	164,843
Decrease in inventories	32,781	211,834
Decrease in prepaid expenses	52,469	402,301
(Increase) in area advisor advances	(13,644)	(17,223)
(Increase) decrease in other receivables	(16,528)	116,323
Decrease (increase) in contributions receivable	4,685	(9,344)
Decrease (increase) in pension plan assets, net	368,551	(62,873)
Increase (decrease) in accounts payable	35,884	(1,769)
(Decrease) in accrued expenses	--	(3,745)
Total Adjustments	2,610,952	(336,928)
Net Cash (Used in) Operating Activities	(1,721,679)	(1,045,800)
Cash Flows From Investing Activities:		
Proceeds from sale of fixed assets	54,648	10,217
Proceeds from sale/maturity of investments	4,637,229	6,119,584
Purchase of investments	(2,847,342)	(4,715,635)
Purchase of property and equipment	(510,802)	(674,237)
Notes receivable issued	--	(4,000)
Payments received on notes receivable	8,113	15,567
Net Cash Provided by Investing Activities	1,341,846	751,496
Net (Decrease) in Cash	(379,833)	(294,304)
Cash at beginning of year	1,683,269	1,977,573
CASH AT END OF YEAR	1,303,436	1,683,269

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

Note 1: Summary of Significant Accounting Policies

Bible Study Fellowship is a not-for-profit corporation conducting Bible study classes in the United States and throughout the world. Bible Study Fellowship is the sole-owner of BSF International, LLC, a limited liability company. Both Bible Study Fellowship and BSF International, LLC are exempt from U.S. Federal income taxes under Internal Revenue Code Section 501(c)(3). BSF International, LLC operates all of its Bible Study Fellowship classes outside the U.S., organizes and maintains registrations with similar exemptions under local laws in other countries in order to facilitate international operations. Current registrations include Australia, Singapore, Hong Kong, and the United Kingdom. Activities from all BSF classes operated under Bible Study Fellowship and BSF International, LLC, including those representing these registrations, are included in the accounts of these financial statements to represent the worldwide operations of BSF.

The financial statements of Bible Study Fellowship have been prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Bible Study Fellowship is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash for purposes of the cash flow statements includes cash accounts and highly liquid investments with original maturities of three months or less.

Investments in marketable securities are stated at fair market value.

Day to day foreign operations have been converted to U.S. dollars for purposes of presenting financial statements. The Statement of Financial Position of foreign assets is translated at spot rate at year end and the Statement of Activities is translated at an average rate for the year. Exchange rate gains and losses as a result of conversion to dollars are included in expenses.

Paper and shipping supplies inventory is stated at cost (under the specific identification method).

Depreciation of property and equipment is provided over the estimated useful lives (3 to 40 years) of the respective assets on a straight-line basis. Expenditures for assets costing more than \$1,000 are capitalized if their useful life is greater than one-year.

The costs of providing various programs and other activities of Bible Study Fellowship have been summarized on a functional basis in the statement of activities and statement of operating expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services based primarily on management estimates of facility usage by and direct wages incurred in these program areas.

The process of preparing financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

(Continuation)

Note 2: Property and Equipment and Depreciation

Property and equipment are valued at cost with the exception of certain contributed assets, which are stated at the fair market value at the date each contribution was received. Cost and accumulated depreciation on property and equipment are as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,533,063	\$ 1,533,063
Buildings and improvements	11,816,509	11,734,136
Furniture and equipment	1,939,856	1,894,091
Printing equipment	5,026,555	4,984,811
Automobiles	496,974	410,898
Training center equipment	538,283	503,715
Training library books	13,040	13,040
Construction in process	<u>26,943</u>	<u>92,059</u>
	21,391,223	21,165,813
Less: Accumulated depreciation	<u>(10,996,727)</u>	<u>(10,127,037)</u>
Net Land, Buildings, and Equipment	<u>\$ 10,394,496</u>	<u>\$ 11,038,776</u>

Note 3: Pension Plan

Bible Study Fellowship instituted a defined benefit retirement 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 the organization and their compensation rates near retirement. Contributions to the plan reflect benefits attributed to employees' services to date and also for services expected to be earned in the future. Plan assets consist primarily of mutual funds, individual equity positions and corporate bonds and notes.

As further explained in Note 11: Change in Accounting Principle, Bible Study Fellowship adopted FASB No. 158, the new accounting and reporting guidance for its defined benefit plan, effective with its fiscal year ended August 31, 2007.

The following information is presented as required disclosure consistent with accounting principles effective for the fiscal year ended August 31, 2007 after adoption of FASB No. 158.

Bible Study Fellowship'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. No contributions were recommended for Bible Study Fellowship for fiscal year 2009, but discretionary contributions may be made as necessary to fund the full projected benefit obligation.

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

(Continuation)

Note 3: Pension Plan (Continued)

	<u>2008</u>	<u>2007</u>
Obligations and Funded Status at fiscal year:		
Benefit obligation	\$ (7,611,848)	\$ (7,699,456)
Plan assets at fair value	<u>7,306,170</u>	<u>7,762,329</u>
Funded Status	\$ (305,678)	\$ 62,873
Accumulated benefit obligation	\$ 6,929,870	\$ 6,967,254
Employer contributions	\$ 490,000	\$ 1,355,000
Plan participant contributions	\$ --	\$ --
Benefits paid	\$ (433,142)	\$ (459,199)
Amounts recognized in the statement of financial position consist of:		
Current assets	\$ (305,678)	\$ 62,873
Amounts recognized on the statement of activities as part of change in accounting principle consist of:		
Other	\$ --	\$ 1,159,882
Prior service cost (credit)	<u>--</u>	<u>67,810</u>
Amounts Previously Recognized in Unrestricted Net Assets, Not Yet Recognized as Periodic Pension Cost	\$ <u><u>--</u></u>	\$ <u><u>1,227,692</u></u>
Other Changes in Plan Assets and Benefit Obligations Recognized in Changes in Unrestricted Net Assets:		
Net (gain) or loss	\$ <u>438,808</u>	\$ <u>37,016</u>
Total Recognized in Net Periodic Pension Cost and Unrestricted Net Assets	\$ <u>438,808</u>	\$ <u>37,016</u>
The following assumptions were used in accounting for the plan: Weighted-average assumptions used to determine benefit obligation at August 31:		
Discount rate	7.00%	6.00%
Rate of compensation increase	4.00%	4.00%

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

(Continuation)

Note 3: Pension Plan (Continued)

Weighted-average assumptions used to determine net periodic benefit cost for year ended August 31:

	<u>2008</u>	<u>2007</u>
Discount rate	7.00%	6.00%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%

The weighted-average discount rate was based on the expected rates at which the pension benefits could be effectively settled using Moody's Aa bond yield index as a benchmark. The rate of salary increase is based on the historical salary increase policies of Bible Study Fellowship.

The percentage of the fair value of total plan assets held as of August 31, (the measurement date) by asset category is as follows:

	<u>2008</u>		<u>2007</u>	
Equity securities	\$4,763,353	65.2%	\$4,923,746	63.4%
Debt securities	2,001,890	27.4%	1,937,045	25.0%
General account	<u>540,927</u>	7.4%	<u>901,538</u>	11.6%
Total	<u>\$7,306,170</u>	100.0%	\$ <u>7,762,329</u>	100.0%

Bible Study Fellowship'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 assets shall be as follows:

Equity funds	55% -- 75%
Fixed Income Fund (including the Liquidity Reserve)	25% -- 45%

No plan assets are expected to be returned to the Bible Study Fellowship during 2009.

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

(Continuation)

Note 3: Pension Plan (Continued)

The following benefits are expected to be paid during fiscal years:

2009	502,400
2010	518,700
2011	587,900
2012	582,500
2013	621,800
2014 – 2018	3,228,000

Note 4: Notes Receivable

Notes receivable totaling \$22,148 in 2008 and \$30,261 in 2007 are unsecured.

Note 5: Charitable Remainder Unitrust

During 2004, a donor established a trust with a brokerage firm naming Bible Study Fellowship as a 50% beneficiary of a charitable remainder unitrust. Under terms of the split-interest agreement, the donors will receive 5% of the net fair market value of the assets quarterly until their death. At the time of the donors' death, the trust is to terminate, and the remaining trust assets are to be distributed to the beneficiaries. Based on the donors' life expectancy and a 5% discount rate for 2008 and 2007, the present value of future benefits expected to be received by Bible Study Fellowship were estimated to be \$66,556 and \$71,241 for 2008 and 2007, respectively, which were recorded in 2008 and 2007 as a temporarily restricted contribution and as contribution receivable - charitable remainder unitrust.

Note 6: Volunteer Services

While the impact of volunteer services performed in our class locations cannot be adequately determined, the hours of volunteer services received at headquarters in San Antonio can be more accurately measured. In the year ended August 31, 2008 and 2007, over 27,800 hours were donated to headquarters in services performed by over 1,200 volunteers. These hours have not been valued on these financial statements as they do not meet the accounting criteria for recording.

Note 7: Marketable Securities

Security investments consist of the following:

	2008		2007	
	Cost	Fair Market Value	Cost	Fair Market Value
Corporate bonds/funds	\$ 1,808,234	\$ 1,538,460	\$ 1,956,298	\$ 1,836,952
Certificate of deposit	70,000	70,000	500,000	500,000
Government securities	266,280	254,952	457,534	443,576
Common stock	<u>6,186,229</u>	<u>6,370,208</u>	<u>6,982,334</u>	<u>8,848,506</u>
Total	\$ <u>8,330,743</u>	\$ <u>8,233,620</u>	\$ <u>9,896,166</u>	\$ <u>11,629,034</u>

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

Note 7: Marketable Securities (Continued)

Bible Study Fellowship maintains several investment accounts with different financial institutions holding the security positions listed above. Investment accounts are insured under limited circumstances by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, and by other private insurance maintained by the financial institutions for amounts in excess of the SIPC limit. 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 Bible Study Fellowship intended to minimize such risk of loss.

Note 8: Cash Balance Credit Risk

Bible Study Fellowship maintains most of its cash in checking and money market accounts at six different institutions in the San Antonio area that require certain minimum balance requirements for allowance of earnings on operating accounts. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At August 31, 2008 the combined cash balances of the Bible Study Fellowship's account at Broadway Bank exceeded the FDIC insured limit of \$100,000. Subsequent to year end, the federal government increased the FDIC insurance limit to \$250,000 thru December, 2009.

Note 9: Lease Obligations

Bible Study Fellowship is the lessee of one (1) copying machine and a portable building under non-cancellable operating leases. Minimum future lease payments including post-year end renewals due over the remaining terms of the leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2009	\$ 8,580
2010	8,580
2011	<u>4,290</u>
Total Minimum Lease Payments	\$ <u>21,450</u>

Note 10: Commitments and Designated Net Assets

The Board of Directors of Bible Study Fellowship has designated unrestricted net assets and authorized the maintenance of designated fund balances that are for specific purposes. The major categories of designated unrestricted net assets are as follows:

	<u>2008</u>	<u>2007</u>
Capital Improvements	\$ 4,475,422	\$ 4,952,499
Contingency Reserves	511,110	3,029,470
Leadership Retreats	1,594,109	1,428,631
Retirement Benefits	200,000	200,000
Leadership Orientation	5,221	4,947
International Operations	2,889,308	2,607,143
Executive Director Discretion	<u>3,780</u>	<u>1,025</u>
	\$ <u>9,678,950</u>	\$ <u>12,223,715</u>

(Continued)

BIBLE STUDY FELLOWSHIP

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

Note 11: Change in Accounting Principle

Bible Study Fellowship International adopted the SAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-An Amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which requires that plan assets and obligations be measured at the year-end statement of financial position date. BSF also changed its measurement date for its defined benefit pension plan from September 1, 2006 to August 31, 2007. The changes in the calculations required by adopting the above pronouncement resulted in a \$1,264,708 decrease in unrestricted net assets in the fiscal year ended August 31, 2007.

(Continued)

SUPPLEMENTARY INFORMATION

BIBLE STUDY FELLOWSHIP
SCHEDULE OF OPERATING EXPENSES BY FUNCTION
FOR THE YEAR ENDED AUGUST 31, 2008

	Domestic						Foreign					Total Domestic And Foreign
	Admin- istration	Leadership Training	Local Classes	Production Expenses	Education	Total	Admin- istration	Leadership Training	Local Classes	Production Expense	Total	
Personnel Expenses:												
Salaries, wages, contract, support	473,865	1,435,832	--	620,255	--	2,529,952	57,775	1,610,980	--	--	1,668,755	4,198,707
Payroll taxes	36,942	98,104	--	46,445	--	181,491	3,701	110,236	--	--	113,937	295,428
Retirement benefits	58,048	165,911	--	77,116	--	301,075	6,941	111,727	--	--	118,668	419,743
Employee benefits	96,418	192,494	--	137,768	--	426,680	8,671	567,745	--	--	576,416	1,003,096
Total Personnel Expenses	665,273	1,892,341	--	881,584	--	3,439,198	77,088	2,400,688	--	--	2,477,776	5,916,974
Other Expenses:												
Audit	20,625	--	--	--	--	20,625	--	--	--	--	--	20,625
Automobile	3,866	14,903	--	6,110	--	24,879	--	--	--	--	--	24,879
Board	107,200	--	--	--	--	107,200	2,651	--	--	--	2,651	109,851
Books/literature/dues	1,129	9,352	--	1,785	--	12,266	175	367	--	--	542	12,808
Computer	5,705	21,991	--	9,017	--	36,713	--	--	--	--	--	36,713
Depreciation	130,690	382,889	--	542,216	--	1,055,795	--	--	--	--	--	1,055,795
Entertainment/accommodations	1,750	6,744	--	2,765	--	11,259	--	--	--	--	--	11,259
Housekeeping/janitorial	28,442	50,762	--	35,435	--	114,639	--	--	--	--	--	114,639
Insurance	100,437	66,440	70,011	46,379	--	283,267	1,510	--	--	--	1,510	284,777
Legal	66,441	3,057	--	--	--	69,498	--	--	--	--	--	69,498
Miscellaneous	11,145	133,081	--	4,081	--	148,307	5,999	226	--	--	6,225	154,532
Office supplies	1,426	5,495	--	2,253	--	9,174	498	--	--	--	498	9,672
Photography	410	--	--	--	--	410	--	--	--	--	--	410
Postage	8,459	32,607	--	13,369	--	54,435	55	--	--	--	55	54,490
Professional services	225,280	--	--	--	--	225,280	54,972	14,000	--	--	68,972	294,252
Rent - Office/equipment	4,827	8,615	--	15,997	--	29,439	--	--	--	--	--	29,439
Repairs/maintenance	65,668	117,202	--	142,131	--	325,001	--	--	--	--	--	325,001
Security	20,203	36,058	--	25,170	--	81,431	--	--	--	--	--	81,431
Staff training/development	1,321	5,092	--	2,088	--	8,501	--	--	--	--	--	8,501
Taxes/licenses	74,519	--	--	--	--	74,519	26	--	--	--	26	74,545
Telephone	4,790	18,463	--	7,570	--	30,823	329	--	--	--	329	31,152
Travel	18,498	216,554	--	--	--	235,052	--	564,012	--	--	564,012	799,064
Utilities	58,864	105,059	--	73,337	--	237,260	(272)	--	--	--	(272)	236,988
Program related gifts	--	70,000	--	--	--	70,000	--	--	--	--	--	70,000
Area advisors	--	1,291,686	--	--	--	1,291,686	--	877,405	--	--	877,405	2,169,091
Flowers	--	4,108	--	--	--	4,108	--	--	--	--	--	4,108
Food service	--	77,446	--	--	--	77,446	--	1,185	--	--	1,185	78,631
Institute/retreat/training	--	6,000	--	--	--	6,000	--	--	--	--	--	6,000
Lodging	--	445	--	--	--	445	--	32,109	--	--	32,109	32,554
Administration	--	--	22,036	--	--	22,036	--	--	33,834	--	33,834	55,870
Ambassador	--	--	25,690	--	--	25,690	--	--	7,640	--	7,640	33,330
Children's supplies	--	--	70,415	--	--	70,415	--	--	9,383	--	9,383	79,798
Church facilities	--	--	1,361,089	--	--	1,361,089	--	--	436,748	--	436,748	1,797,837
Screening volunteers	--	--	217,976	--	--	217,976	--	--	17,111	--	17,111	235,087
Paper	--	--	--	467,199	--	467,199	--	--	--	--	--	467,199
Printing outsource	--	--	--	58,989	--	58,989	--	--	--	--	--	58,989
Printing supplies	--	--	--	84,391	--	84,391	--	--	--	--	--	84,391
Shipping	--	--	--	412,551	--	412,551	--	--	--	405,586	405,586	818,137
Shipping supplies	--	--	--	29,364	--	29,364	--	--	--	--	--	29,364
CD/tape program	--	--	--	16,939	--	16,939	--	--	--	--	--	16,939
Foreign currency translation adjustment	--	--	--	--	--	--	--	(35,722)	--	--	(35,722)	(35,722)
Total Other Expenses	961,695	2,684,049	1,767,217	1,999,136	--	7,412,097	65,943	1,453,582	504,716	405,586	2,429,827	9,841,924
TOTAL OPERATING EXPENSES	1,626,968	4,576,390	1,767,217	2,880,720	--	10,851,295	143,031	3,854,270	504,716	405,586	4,907,603	15,758,898

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP
SCHEDULE OF OPERATING EXPENSES BY FUNCTION
FOR THE YEAR ENDED AUGUST 31, 2007

	Domestic					Foreign					Total Domestic And Foreign	
	Admin- istration	Leadership Training	Class Expenses		Education	Total	Admin- istration	Leadership Training	Class Expenses			Total
			Local Classes	Production Expenses					Local Classes	Production Expense		
Personnel Expenses:												
Salaries, wages, contract, support	395,517	1,368,969	--	591,279	--	2,355,765	7,054	1,311,344	--	--	1,318,398	3,674,163
Payroll taxes	36,960	92,004	--	42,578	--	171,542	--	102,702	--	--	102,702	274,244
Retirement benefits	76,506	191,772	--	87,234	--	355,512	--	153,817	--	--	153,817	509,329
Employee benefits	94,217	208,052	--	136,178	--	438,447	--	401,586	--	--	401,586	840,033
Total Personnel Expenses	603,200	1,860,797	--	857,269	--	3,321,266	7,054	1,969,449	--	--	1,976,503	5,297,769
Other Expenses:												
Audit	15,035	--	--	--	--	15,035	--	--	--	--	--	15,035
Automobile	2,761	12,267	--	5,346	--	20,374	--	--	--	--	--	20,374
Board	124,040	--	--	--	--	124,040	--	--	--	--	--	124,040
Books/literature/dues	761	16,077	--	1,473	--	18,311	--	1,114	--	--	1,114	19,425
Computer	4,539	20,169	--	8,790	--	33,498	1,018	--	--	--	1,018	34,516
Depreciation	133,797	368,561	--	550,458	--	1,052,816	--	--	--	--	--	1,052,816
Entertainment/accommodations	1,553	6,901	--	3,007	--	11,461	--	--	--	--	--	11,461
Housekeeping/janitorial	30,518	54,467	--	38,021	--	123,006	--	--	--	--	--	123,006
Insurance	44,442	101,800	80,200	61,208	--	287,650	1,543	--	--	--	1,543	289,193
Legal	36,456	3,172	--	--	--	39,628	--	--	--	--	--	39,628
Miscellaneous	1,987	9,934	--	1,074	--	12,995	4,220	13,709	--	--	17,929	30,924
Office supplies	987	4,385	--	1,911	--	7,283	614	--	--	--	614	7,897
Photography	715	--	--	--	--	715	--	--	--	--	--	715
Postage	6,425	28,552	--	12,443	--	47,420	62	--	--	--	62	47,482
Professional services	138,821	--	--	--	--	138,821	31,962	12,238	--	--	44,200	183,021
Rent - Office/equipment	15,720	--	--	11,918	--	27,638	--	--	--	--	--	27,638
Repairs/maintenance	42,899	76,567	--	107,394	--	226,860	--	--	--	--	--	226,860
Security	17,539	31,302	--	21,851	--	70,692	--	--	--	--	--	70,692
Staff training/development	1,533	6,815	--	2,970	--	11,318	--	--	--	--	--	11,318
Taxes/licenses	64,393	--	--	--	--	64,393	51	--	--	--	51	64,444
Telephone	3,955	17,574	--	7,659	--	29,188	527	--	--	--	527	29,715
Travel	13,254	374,248	--	--	--	387,502	--	340,752	--	--	340,752	728,254
Utilities	50,358	89,876	--	62,739	--	202,973	--	--	--	--	--	202,973
Program related gifts	--	120,000	--	--	10,000	130,000	--	--	--	--	--	130,000
Area advisors	--	1,286,306	--	--	--	1,286,306	--	614,054	--	--	614,054	1,900,360
Flowers	--	3,533	--	--	--	3,533	--	--	--	--	--	3,533
Food service	--	65,351	--	--	--	65,351	--	--	--	--	--	65,351
Institute/retreat/training	--	489,318	--	--	--	489,318	--	--	--	--	--	489,318
Lodging	--	5,136	--	--	--	5,136	--	10,082	--	--	10,082	15,218
Administration	--	--	20,010	--	--	20,010	--	--	29,312	--	29,312	49,322
Ambassador	--	--	86,511	--	--	86,511	--	--	--	--	--	86,511
Children's supplies	--	--	75,570	--	--	75,570	--	9,193	--	9,193	84,763	
Church facilities	--	--	1,443,385	--	--	1,443,385	--	407,002	--	407,002	1,850,387	
Screening volunteers	--	--	213,799	--	--	213,799	--	17,985	--	17,985	231,784	
Paper	--	--	--	500,344	--	500,344	--	--	--	--	--	500,344
Printing outsource	--	--	--	68,204	--	68,204	--	--	--	--	--	68,204
Printing supplies	--	--	--	49,205	--	49,205	--	--	--	--	--	49,205
Shipping	--	--	--	614,507	--	614,507	--	--	--	172,805	172,805	787,312
Shipping supplies	--	--	--	42,823	--	42,823	--	--	--	--	--	42,823
CD/tape program	--	--	--	35,089	--	35,089	--	--	--	--	--	35,089
Foreign currency translation adjustment	--	--	--	--	--	--	--	(33,441)	--	--	(33,441)	(33,441)
Total Other Expenses	752,488	3,192,311	1,919,475	2,208,434	10,000	8,082,708	39,997	958,508	463,492	172,805	1,634,802	9,717,510
TOTAL OPERATING EXPENSES	1,355,688	5,053,108	1,919,475	3,065,703	10,000	11,403,974	47,051	2,927,957	463,492	172,805	3,611,305	15,015,279

The accompanying notes are an integral part of these financial statements.

BIBLE STUDY FELLOWSHIP

SCHEDULE OF FINANCIAL POSITION - FOREIGN

AUGUST 31, 2008

	Canada	Australia	Europe	Africa	Asia	Latin America	Total
Current Assets:							
Cash on deposit	--	364,834	61,276	7,647	226,222	--	659,979
Due from classes	1,496	42,180	3,537	3,672	154,632	274	205,791
Interest receivable/AA advances	--	16,736	213	--	15,685	--	32,634
Total Current Assets	<u>1,496</u>	<u>423,750</u>	<u>65,026</u>	<u>11,319</u>	<u>396,539</u>	<u>274</u>	<u>898,404</u>
Property and Equipment:							
Office equipment	--	--	1,828	--	--	--	1,828
Less: Accumulated depreciation	--	--	1,828	--	--	--	1,828
Net Property and Equipment	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Liabilities -							
AP/deposits payable/accrued expenses	--	15,073	2,597	992	21,584	--	40,246
NET ASSETS	<u><u>1,496</u></u>	<u><u>408,677</u></u>	<u><u>62,429</u></u>	<u><u>10,327</u></u>	<u><u>374,955</u></u>	<u><u>274</u></u>	<u><u>858,158</u></u>

BIBLE STUDY FELLOWSHIP

SCHEDULE OF FINANCIAL POSITION - FOREIGN

AUGUST 31, 2007

	Canada	Australia	Europe	Africa	Asia	Latin America	Total
Current Assets:							
Cash on deposit	--	331,709	84,925	11,019	363,103	--	790,756
Due from classes	1,635	15,123	2,683	12,181	88,771	195	120,588
Interest receivable/AA advances	--	10,445	--	--	3,658	--	14,103
Total Current Assets	1,635	357,277	87,608	23,200	455,532	195	925,447
Property and Equipment:							
Office equipment	--	--	2,026	--	--	--	2,026
Less: Accumulated depreciation	--	--	2,026	--	--	--	2,026
Net Property and Equipment	--	--	--	--	--	--	--
Liabilities -							
AP/deposits payable/accrued expenses	--	26,292	--	1,069	16,938	--	44,299
NET ASSETS	1,635	330,985	87,608	22,131	438,594	195	881,148

BIBLE STUDY FELLOWSHIP

STATEMENTS OF REVENUES AND EXPENSES - FOREIGN

FOR THE YEAR ENDED AUGUST 31, 2008

	Canada	Australia	Europe	Africa	Asia	Latin America	Intl Fund Hdqtrs	Total
Revenues:								
Class contributions	163,091	314,700	161,495	99,545	733,890	15,098	1,487,819	2,975,638
Individual contributions	--	13,981	14,126	2,826	5,631	--	487,946	524,510
Interest	--	20,613	1,930	--	300	--	24,689	47,532
Other income	--	--	--	--	--	--	10	10
Total Revenues	163,091	349,294	177,551	102,371	739,821	15,098	2,000,464	3,547,690
Operating Expenses:								
(1) Administration	--	24,813	15,787	2,768	23,838	(3)	75,828	143,031
(2) Leadership training	--	165,639	94,789	73,680	273,089	3,870	3,278,925	3,889,992
Local classes	42,608	99,075	46,052	37,899	267,407	3,935	7,740	504,716
(3) Production expenses	--	--	--	--	41,578	--	364,008	405,586
Exchange rate difference	(4,032)	(17,925)	5,868	(172)	(32,871)	--	13,410	(35,722)
Total Operating Expenses	38,576	271,602	162,496	114,175	573,041	7,802	3,739,911	4,907,603
Excess Revenue Over (Under) Expenses	124,515	77,692	15,055	(11,804)	166,780	7,296	(1,739,447)	(1,359,913)
Net Assets beginning of year	1,635	330,985	87,608	22,131	438,594	195	--	881,148
Transfers (to) from Headquarters	(124,654)	--	(40,234)	--	(230,419)	(7,217)	1,739,447	1,336,923
NET ASSETS END OF YEAR	1,496	408,677	62,429	10,327	374,955	274	--	858,158

This Schedule is intended to present operating results from classes outside the U.S. and program costs that can be directly attributed to these operations. Most program costs are incurred domestically from centralized operations at headquarters and benefit both domestic and foreign operations. A detailed allocation of all program costs is impractical to determine and beyond the scope of these financial statements. However, a hypothetical allocation of these program costs to foreign operations based on adult lessons shipped to areas outside the U.S. would result in additional Administration, Leadership Training and Production costs of (1) \$258,688, (2) \$487,836 and (3) \$392,439, respectively.

BIBLE STUDY FELLOWSHIP

SCHEDULE OF REVENUES AND EXPENSES - FOREIGN

FOR THE YEAR ENDED AUGUST 31, 2007

	Canada	Australia	Europe	Africa	Asia	Latin America	Intl Fund Hdqtrs	Total
Revenues:								
Class contributions	156,482	314,496	153,600	91,239	629,584	15,971	2,675	1,364,047
Individual contributions	--	8,762	16,177	--	3,229	--	735,447	763,615
Interest	--	16,070	1,471	--	6,447	--	3,589	27,577
Gain on investments	--	--	--	--	--	--	--	--
Gain on sale of fixed assets	--	--	--	--	--	--	--	--
Total Revenues	156,482	339,328	171,248	91,239	639,260	15,971	741,711	2,155,239
Operating Expenses:								
(1) Administration	--	27,175	6,136	549	4,768	--	8,423	47,051
(2) Leadership training	--	222,303	83,238	49,251	261,752	4,382	2,340,472	2,961,398
Local classes	40,708	95,657	46,247	30,986	240,251	4,462	5,181	463,492
(3) Production expenses	--	--	--	--	26,461	--	146,344	172,805
Exchange rate difference	8,883	(21,578)	(3,919)	(1,363)	(15,464)	--	--	(33,441)
Total Operating Expenses	49,591	323,557	131,702	79,423	517,768	8,844	2,500,420	3,611,305
Excess Revenue Over (Under) Expenses	106,891	15,771	39,546	11,816	121,492	7,127	(1,758,709)	(1,456,066)
Net Assets beginning of year	1,601	315,214	48,062	12,894	488,597	88	--	866,456
Transfers (to) from Headquarters	(106,857)	--	--	(2,579)	(171,495)	(7,020)	1,758,709	1,470,758
NET ASSETS END OF YEAR	1,635	330,985	87,608	22,131	438,594	195	--	881,148

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This Schedule is intended to present operating results from classes outside the U.S. and program costs that can be directly attributed to these operations. Most program costs are incurred domestically from centralized operations at headquarters and benefit both domestic and foreign operations. A detailed allocation of all program costs is impractical to determine and beyond the scope of these financial statements. However, a hypothetical allocation of these program costs to foreign operations based on adult lessons shipped to areas outside the U.S. would result in additional Administration, Leadership Training and Production costs of (1) \$187,841, (2) \$700,245 and (3) \$424,836, respectively.