

Combined financial statements and report of independent certified public accountants

**InterVarsity Christian Fellowship/USA**

June 30, 2006 and 2005

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

Board of Trustees  
**InterVarsity Christian Fellowship/USA**

We have audited the accompanying combined statements of financial position of InterVarsity Christian Fellowship/USA (an Illinois not-for-profit corporation) as of June 30, 2006 and 2005, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit 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 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 combined financial position of InterVarsity Christian Fellowship/USA as of June 30, 2006 and 2005, and the combined results of its activities and its combined cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

GRANT THORNTON LLP  
Madison, Wisconsin  
September 20, 2006

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**INTERVARSITY CHRISTIAN FELLOWSHIP/USA  
COMBINED STATEMENTS OF FINANCIAL POSITION**

June 30,  
(Thousands)

<b>ASSETS</b>	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,196	\$ 5,347
Investments	3,464	4,637
Receivables		
Trade and subscribers, less allowance for doubtful receivables of \$100 in 2006 and \$103 in 2005	2,165	2,389
Donations	1,317	1,658
Royalty advances, less allowance for doubtful receivables of \$60 in 2006 and \$101 in 2005	1,030	699
Miscellaneous	249	302
	<u>4,761</u>	<u>5,048</u>
Books and supplies inventory	3,061	2,989
Prepaid expenses and deposits	626	517
Intangible pension asset	-	103
	<u>-</u>	<u>103</u>
<b>Total current assets</b>	20,108	18,641
<b>INVESTMENTS</b>	10,707	9,224
<b>PROPERTY AND EQUIPMENT - AT COST</b>		
Buildings and improvements	12,009	11,556
Computer equipment	703	757
Other equipment	1,405	1,462
Furniture and fixtures	2,031	1,805
	<u>16,148</u>	<u>15,580</u>
Less accumulated depreciation and amortization	9,832	9,507
	<u>6,316</u>	<u>6,073</u>
Land	1,682	1,590
	<u>7,998</u>	<u>7,663</u>
<b>TOTAL ASSETS</b>	<u>\$ 38,813</u>	<u>\$ 35,528</u>

The accompanying notes are an integral part of these statements.

<b>LIABILITIES AND NET ASSETS</b>	<u>2006</u>	<u>2005</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and other accrued liabilities	\$ 3,326	\$ 3,227
Medical insurance claims payable	428	428
Trust agreements and annuities	299	290
Royalties payable	1,105	1,077
Deferred revenue	1,183	204
Accrued pension liability	<u>808</u>	<u>663</u>
<b>Total current liabilities</b>	7,149	5,889
<b>LONG-TERM LIABILITIES</b>		
Annuities, less current portion	513	527
Endowments	36	34
Deferred compensation	<u>87</u>	<u>118</u>
<b>Total long-term liabilities</b>	636	679
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted		
Net investment in property and equipment	7,998	7,663
Operating	12,976	11,181
Total unrestricted net assets	<u>20,974</u>	<u>18,844</u>
Temporarily restricted	10,054	10,116
<b>Total net assets</b>	<u>31,028</u>	<u>28,960</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 38,813</u>	<u>\$ 35,528</u>

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**COMBINED STATEMENT OF ACTIVITIES**

Year ended June 30, 2006

(Thousands)

	Unrestricted	Temporarily restricted	Total
<b>Revenues, gains and other support</b>			
Donations	\$ 47,886	\$ 7,078	\$ 54,964
Sales of books and media	13,387	75	13,462
Conference fees	2,530	2,146	4,676
Royalties and commissions	213	-	213
Investment income	442	72	514
Unclassified	36	-	36
Net assets released from restrictions	9,433	(9,433)	-
<b>Total revenues, gains and other support</b>	73,927	(62)	73,865
<b>Expenses</b>			
Program	54,952	-	54,952
Administrative	6,428	-	6,428
Fundraising and communications	5,486	-	5,486
Cost of sales	4,498	-	4,498
Depreciation and amortization	567	-	567
<b>Total expenses</b>	71,931	-	71,931
<b>Increase (decrease) in net assets before minimum pension liability adjustment</b>	1,996	(62)	1,934
Minimum pension liability adjustment	134	-	134
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,130	(62)	2,068
Net assets at July 1, 2005	18,844	10,116	28,960
Net assets at June 30, 2006	\$ 20,974	\$ 10,054	\$ 31,028

The accompanying notes are an integral part of this statement.

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**COMBINED STATEMENT OF ACTIVITIES**

Year ended June 30, 2005

(Thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>Revenues, gains and other support</b>			
Donations	\$ 44,936	\$ 6,690	\$ 51,626
Sales of books and media	13,294	14	13,308
Conference fees	3,680	886	4,566
Royalties and commissions	214	6	220
Investment income	281	74	355
Unclassified	26	-	26
Net assets released from restrictions	6,668	(6,668)	-
	<u>69,099</u>	<u>1,002</u>	<u>70,101</u>
<b>Total revenues, gains and other support</b>			
	69,099	1,002	70,101
<b>Expenses</b>			
Program	53,233	-	53,233
Administrative	6,089	-	6,089
Fundraising and communications	5,149	-	5,149
Cost of sales	4,533	-	4,533
Depreciation and amortization	606	-	606
	<u>69,610</u>	<u>-</u>	<u>69,610</u>
<b>Total expenses</b>			
	69,610	-	69,610
<b>Increase (decrease) in net assets before minimum pension liability adjustment</b>	(511)	1,002	491
Minimum pension liability adjustment	(134)	-	(134)
	<u>(645)</u>	<u>1,002</u>	<u>357</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>			
	(645)	1,002	357
Net assets at July 1, 2004	<u>19,489</u>	<u>9,114</u>	<u>28,603</u>
Net assets at June 30, 2005	<u>\$ 18,844</u>	<u>\$ 10,116</u>	<u>\$ 28,960</u>

The accompanying notes are an integral part of this statement.

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**COMBINED STATEMENTS OF CASH FLOWS**

Years ended June 30,  
(Thousands)

	2006	2005
<b>Cash flows from operating activities</b>		
Increase in net assets for the year	\$ 2,068	\$ 357
Adjustments to reconcile the increase in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	567	606
Loss on investments	364	192
Deferred compensation expense	10	7
Deferred compensation payments	(41)	(25)
Changes in operating assets and liabilities:		
Receivables	287	545
Books and supplies inventory	(72)	(98)
Prepaid expenses and deposits	(109)	(314)
Accounts payable and other accrued liabilities	99	1,366
Trust agreements, annuities and endowments	(3)	10
Royalties payable	28	12
Deferred revenue	979	(29)
Accrued pension liability	248	(1,075)
	4,425	1,554
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchases of investments	(7,594)	(23,955)
Proceeds from sales and maturities of investments	6,920	23,881
Additions to property and equipment	(902)	(787)
	(1,576)	(861)
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,849	693
Cash and cash equivalents at beginning of year	5,347	4,654
Cash and cash equivalents at end of year	\$ 8,196	\$ 5,347
<b>Supplemental disclosure of cash flow information</b>	\$ 87	\$ 90
Interest paid		

The accompanying notes are an integral part of these statements.

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE A - PURPOSE OF THE FELLOWSHIP**

In response to God's love, grace and truth: The purpose of InterVarsity Christian Fellowship/USA (the Fellowship) 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.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Fellowship's significant accounting policies consistently applied in the preparation of the accompanying combined financial statements follows.

**1. Reporting Entity and Principles of Combination**

The combined financial statements include the accounts and transactions of the funds operating as InterVarsity Christian Fellowship/USA and InterVarsity Ministries. The funds of the Fellowship include general operating, general capital, specific purpose, conference, charitable funds, staff salary reserve fund and InterVarsity 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.

**2. Use of Estimates**

In preparing combined financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Cash and Cash Equivalents**

For purposes of the combined statements of cash flows, the Fellowship considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Amounts classified as cash and cash equivalents in the accompanying combined financial statements include checking and savings accounts and money market funds.

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**4. Investments**

The Fellowship invests, along with several other nonprofit organizations, in a captive insurance holding company, Lucent Insurance, Ltd. (Lucent). As of June 30, 2006 and 2005, the Fellowship holds a 12% interest in Lucent with an investment of \$250,000. The Fellowship is accounting for this investment using the cost method as a fair value is not readily determinable. Fellowship management is not aware of any circumstances which would indicate that the market value of this investment is less than cost. 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.

All other investments are carried at market value. Realized and unrealized gains and losses are reflected in the statements 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.

**5. 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. The allowance for doubtful accounts is determined by considering the number of days past due, collection history and any specific circumstances related to an individual account. Accounts receivable are written-off when they become uncollectible, and payments subsequently received are credited to the allowance for doubtful accounts.

**6. 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:

	2006	2005
Books and merchandise	\$ 2,607	\$ 2,599
Supplies	566	530
Reserve for slow-moving inventory	(112)	(140)
	\$ 3,061	\$ 2,989

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**7. Depreciation and Amortization**

Depreciation and amortization are provided in amounts sufficient to relate the cost of the related assets to activities over their estimated service lives by the straight-line method as follows:

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

**8. Asset Valuation**

Gifts of real and personal property donated to the Fellowship are generally recorded at current market values on the date the gifts are received. These values are determined from publications, appraisals and other sources that assist in establishing a market value. Purchased assets are recorded at cost.

**9. Revenue and Expense Recognition**

Donations received between July 1, 2006 and July 12, 2006 and between July 1, 2005 and July 12, 2005, that are designated by the donor to apply to the previous year, are recognized as revenue at June 30. Donations that are unconditionally pledged are recorded as revenue when the pledge is received.

Temporarily restricted donations include amounts received for staff and projects that were not expended as of year-end. Donor restricted donations, whose restrictions are met in the same reporting period, are reported as unrestricted donations.

Revenues and expenses from conferences and camp fees are deferred until the event occurs.

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. Expenses are recognized as prepaid if they have a future benefit; otherwise, they are recognized in the period they are incurred.

**10. Advertising**

Advertising costs are expensed as they are incurred. Advertising expense was \$577 and \$601 for the years ended June 30, 2006 and 2005, respectively.

**11. Reclassifications**

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 presentation.

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE C - CONCENTRATION OF CREDIT RISK**

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

**NOTE D - INVESTMENTS**

Investments, except for the common stock of Lucent, the captive insurance company, which is valued at cost, are valued at market value as determined by quoted market prices for individual investment securities. Investments consist of the following at June 30:

	2006		2005	
	Cost	Market value	Cost	Market value
U.S. government and government agency obligations	\$ 9,963	\$ 9,675	\$ 9,490	\$ 9,415
Corporate obligations	3,834	3,690	4,167	4,099
Mutual funds	490	487	-	-
Lucent - common stock	250	250	250	250
Annuities	69	69	97	97
	<u>\$ 14,606</u>	<u>\$ 14,171</u>	<u>\$ 14,004</u>	<u>\$ 13,861</u>
Amount classified as short-term	\$ 3,542	\$ 3,464	\$ 4,698	4,637
Amount classified as long-term	11,064	10,707	9,306	9,224
	<u>\$ 14,606</u>	<u>\$ 14,171</u>	<u>\$ 14,004</u>	<u>\$ 13,861</u>

Investment income consists of the following for the years ended June 30:

	2006	2005
Interest and dividends on investments	\$ 638	\$ 499
Interest on cash and cash equivalents	240	48
Unrealized and realized loss on investments	(364)	(192)
	<u>\$ 514</u>	<u>\$ 355</u>

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005

(Dollars in thousands)

**NOTE E - RETIREMENT PLANS**

The Fellowship has a defined benefit plan that covers substantially all employees who have completed six months of service and are at least 21 years of age. The Fellowship uses a June 30 measurement date for its defined benefit plan. The following table presents details about the Fellowship's defined benefit pension plan, including projected benefit obligation, fair value of plan assets, funded status and components of net periodic benefit cost.

	2006	2005
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 24,960	\$ 18,635
Service cost	1,340	1,005
Interest cost	1,362	1,200
Actuarial (gain) loss	(6,572)	4,253
Benefits paid	(273)	(133)
Projected benefit obligation at end of year	\$ 20,817	\$ 24,960
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 16,166	\$ 12,311
Actual return on plan assets	1,992	1,468
Employer contribution	1,500	2,520
Benefits paid	(273)	(133)
Fair value of plan assets at end of year	\$ 19,385	\$ 16,166
Reconciliation of accrued benefit cost		
Funded status	\$ (1,432)	\$ (8,794)
Unrecognized net actuarial loss	567	8,265
Unrecognized prior service cost	57	103
Accrued benefit cost	\$ (808)	\$ (426)
Components of net periodic benefit cost		
Service cost	\$ 1,340	\$ 1,005
Interest cost	1,362	1,200
Expected return on plan assets	(1,278)	(1,131)
Amortization of prior service cost	46	46
Amortization of net loss	412	191
Net periodic benefit cost	\$ 1,882	\$ 1,311

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE E - RETIREMENT PLANS - Continued**

The amounts recognized in the combined statements of financial position as of June 30 consist of the following:

	<u>2006</u>	<u>2005</u>
Accrued pension liability	\$ (808)	\$ (426)
Additional minimum liability	-	(134)
	<u>(808)</u>	<u>(560)</u>
Intangible pension asset	-	(103)
Net amount recognized	<u>\$ (808)</u>	<u>\$ (663)</u>

The accumulated benefit obligation for the pension plan, which is the pension obligation based upon current salaries, was \$15,528 and \$16,829 at June 30, 2006 and 2005, respectively.

Weighted-average assumptions used to determine benefit obligations at June 30 were:

	<u>2006</u>	<u>2005</u>
Discount rate	6.50%	5.50%
Rate of compensation increase	4.95	5.00

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30 were:

	<u>2006</u>	<u>2005</u>
Discount rate	5.50%	6.50%
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	5.00	5.00

The Fellowship considers various factors in estimating the expected long-term rate of return on plan assets. Factors considered include the historical long-term returns on plan assets, the current and expected allocation of plan assets, and input from actuaries and investment consultants.

The Fellowship's deferred benefit plan weighted-average asset allocations at June 30, by asset category, are as follows:

<u>Asset category</u>	<u>2006</u>	<u>2005</u>
Equity securities	14%	68%
Debt securities	67	24
Real estate	-	2
Cash and cash equivalents	19	6
Total	<u>100%</u>	<u>100%</u>

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE E - RETIREMENT PLANS - Continued**

The Fellowship has an investment policy that dictates which asset types are permissible, investment philosophy, guidelines and delegation of specific duties. The target ranges for the average asset allocation percentages over a three- to five-year period are as follows: 40 - 70% equity securities, 30 - 60% fixed income securities and 0 - 20% cash equivalents. The long-term investment strategy is to fund plan liabilities and preserve and maintain the funded status of the plan. Investment goals include preservation of capital and preservation of purchasing power.

Estimated future benefit payments which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending June 30,		
2007	\$	415
2008		411
2009		419
2010		443
2011		465
2012 - 2015		<u>3,577</u>
	<u>\$</u>	<u>5,730</u>

The Fellowship's funding policy is to make annual contributions as deemed necessary on an actuarial basis made in accordance with minimum funding requirements and maximum deductible limitations. The Fellowship does not expect to make a contribution to its pension plan for the year ended June 30, 2007.

The Fellowship also has a defined contribution 403(b) plan covering substantially all employees. Under the plan, the Fellowship makes a matching contribution to the plan of \$.35 for each \$1.00 contributed by the employee up to 4% of the employee's compensation. The matching amounts contributed for the years ended June 30, 2006 and 2005 were \$332 and \$310, respectively.

Effective January 1, 2005, the Fellowship adopted an enhanced defined contribution plan for all employees hired after June 30, 2004. Under the plan, the Fellowship makes a contribution equal to 2% of eligible employees' compensation. The amount contributed was \$86 for the year ended June 30, 2006 and \$34 for the period from January 1, 2005 through June 30, 2005. The existing defined benefit plan will continue in effect for employees hired prior to June 30, 2004, until such time when the Fellowship decides to terminate the plan.

**NOTE F - MEDICAL INSURANCE CLAIMS PAYABLE**

The Fellowship self-insures the medical expenses of those employees outside the Madison and Chicago area through a program under which the Fellowship is responsible for the first \$175 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. Claims expense and insurance costs under this program are charged to activities and totaled \$3,143 and \$3,297 for the years ended June 30, 2006 and 2005, respectively.

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE G - GIFT ANNUITIES**

The Fellowship records gift annuity assets received at their fair value. The present value of the future annuity cash flows required to be paid to the donors or their beneficiaries is recorded as a liability in the combined statements of financial position. The Fellowship records the difference between the fair value of the gift annuities and the present value of future annuity cash flows as donation revenue in the year the gift annuity is received.

	2006	2005
Gift annuity liability		
Current	\$ 79	\$ 82
Long-term	513	527
Total	\$ 592	\$ 609
Annuity contracts	\$ 62	\$ 61
Segregated investments for gift annuities	\$ 944	\$ 918

**NOTE H - DEFERRED COMPENSATION LIABILITY**

The Fellowship has a nonqualified 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. The Fellowship did not make a contribution in 2006 or 2005. Interest expense on deferred compensation liabilities was \$5 and \$7 as of June 30, 2006 and 2005, respectively.

**NOTE I - COMMITMENTS**

The Fellowship has available a \$2 million unsecured line of credit which expires October 31, 2006. Interest on any outstanding borrowings is at the one-month LIBOR rate plus 225 basis points (effective rate of 7.38% at June 30, 2006). There was no outstanding indebtedness under this line as of June 30, 2006 or 2005.

Also available to the Fellowship is an unsecured standby letter of credit in the amount of \$200, which expires December 31, 2007. A balance of \$94 and \$79 was outstanding as of June 30, 2006 and 2005, respectively.

As of June 30, 2006, the Fellowship has a commitment for the construction of an addition to the InterVarsity Press warehouse for \$1,929.

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE J - FUNCTIONAL EXPENSES**

Expenses of the Fellowship by function are as follows for the year ended June 30:

	2006			
	Program	Management and general	Fundraising	Total
Salaries and payroll taxes	\$ 30,620	\$ 3,665	\$ 3,852	\$ 38,137
Education and training	209	21	16	246
Benefits	5,740	619	701	7,060
Professional fees	1,037	652	100	1,789
Supplies	665	116	74	855
Telephone, email, web access	496	86	20	602
Postage and shipping	900	57	183	1,140
Occupancy	1,178	415	2	1,595
Equipment	668	470	14	1,152
Printing and publications	1,024	58	217	1,299
Travel	4,925	315	190	5,430
Conference, conventions and meetings	4,170	121	20	4,311
Promotion/advertising	551	30	-	581
Bad debts	-	75	-	75
Support to other missions	2,832	-	-	2,832
Interest	-	-	82	82
Interdepartmental charges	(70)	(174)	12	(232)
Cost of sales	4,498	-	-	4,498
Other	438	38	3	479
	<u>\$ 59,881</u>	<u>\$ 6,564</u>	<u>\$ 5,486</u>	<u>\$ 71,931</u>
Percent of total expense	<u>83.3%</u>	<u>9.1%</u>	<u>7.6%</u>	

**INTERVARSITY CHRISTIAN FELLOWSHIP/USA**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006 and 2005  
(Dollars in thousands)

**NOTE J - FUNCTIONAL EXPENSES - Continued**

	2005			
	Program	Management and general	Fundraising	Total
Salaries and payroll taxes	\$ 30,252	\$ 3,637	\$ 3,557	\$ 37,446
Education and training	218	33	4	255
Benefits	5,258	577	671	6,506
Professional fees	956	610	122	1,688
Supplies	646	113	63	822
Telephone	475	133	15	623
Postage and shipping	838	87	250	1,175
Occupancy	1,163	464	5	1,632
Equipment	557	410	10	977
Printing and publications	923	6	252	1,181
Travel	4,586	294	154	5,034
Conference, conventions and meetings	4,190	113	40	4,343
Promotion/advertising	576	25	-	601
Bad debts	-	90	-	90
Support to other missions	2,687	-	-	2,687
Interest	-	-	82	82
Interdepartmental charges	(120)	(239)	(87)	(446)
Cost of sales	4,533	-	-	4,533
Other	337	33	11	381
	<b>\$ 58,075</b>	<b>\$ 6,386</b>	<b>\$ 5,149</b>	<b>\$ 69,610</b>
Percent of total expense	83.4%	9.2%	7.4%	

**NOTE K - INCOME TAXES**

The Fellowship has received a determination letter 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.