



**BIBLICAL EDUCATION BY
EXTENSION, INC.**

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

BIBLICAL EDUCATION BY EXTENSION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

Board of Directors
Biblical Education by Extension, Inc.
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Biblical Education by Extension, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Biblical Education by Extension, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Biblical Education by Extension, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Biblical Education by Extension, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Biblical Education by Extension, Inc.
Colorado Springs, Colorado

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Biblical Education by Extension, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Biblical Education by Extension, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Colorado Springs, Colorado
April 25, 2023

BIBLICAL EDUCATION BY EXTENSION, INC.

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 2,353,730	\$ 1,563,377
Pledge receivable	-	50,000
Prepays, advances, and other assets	48,535	42,550
Board-designated cash	-	380,000
Curriculum development costs–net	6,200	10,373
Financing lease–right of use asset	32,831	-
Property and equipment–net	820,805	851,219
Assets held for deferred compensation plan	200,239	227,184
	<u>200,239</u>	<u>227,184</u>
 Total Assets	 <u>\$ 3,462,340</u>	 <u>\$ 3,124,703</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 63,753	\$ 33,877
Financing lease obligation	33,143	-
Deferred compensation plan	200,239	227,184
Total liabilities	<u>297,135</u>	<u>261,061</u>
 Net assets:		
Board-designated funds	-	380,000
Without donor restrictions	1,052,316	452,062
With donor restrictions	2,112,889	2,031,580
Total net assets	<u>3,165,205</u>	<u>2,863,642</u>
 Total Liabilities and Net Assets	 <u>\$ 3,462,340</u>	 <u>\$ 3,124,703</u>

See notes to financial statements

BIBLICAL EDUCATION BY EXTENSION, INC.

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions and grants	\$ 452,660	\$ 3,445,874	\$ 3,898,534	\$ 513,688	\$ 3,029,741	\$ 3,543,429
Interest income and other gains (losses)	23,537	-	23,537	(1,386)	-	(1,386)
Other income	21,192	-	21,192	23,945	-	23,945
Total Support and Revenue	497,389	3,445,874	3,943,263	536,247	3,029,741	3,565,988
NET ASSETS RELEASED:						
Purpose and time restrictions	3,123,089	(3,123,089)	-	2,779,481	(2,779,481)	-
Administrative assessments	241,476	(241,476)	-	239,353	(239,353)	-
	3,364,565	(3,364,565)	-	3,018,834	(3,018,834)	-
EXPENSES:						
Program services	2,711,020	-	2,711,020	2,476,801	-	2,476,801
Supporting activities:						
General and administrative	626,282	-	626,282	581,238	-	581,238
Fund-raising	304,398	-	304,398	267,558	-	267,558
	930,680	-	930,680	848,796	-	848,796
Total Expenses	3,641,700	-	3,641,700	3,325,597	-	3,325,597
Change in Net Assets	220,254	81,309	301,563	229,484	10,907	240,391
Net Assets, Beginning of Year	832,062	2,031,580	2,863,642	602,578	2,020,673	2,623,251
Net Assets, End of Year	\$ 1,052,316	\$ 2,112,889	\$ 3,165,205	\$ 832,062	\$ 2,031,580	\$ 2,863,642

See notes to financial statements

BIBLICAL EDUCATION BY EXTENSION, INC.

Statements of Functional Expenses

Year Ended December 31,								
2022					2021			
Program Services	Supporting Activities:		Total		Program Services	Supporting Activities:		Total
	General and Administrative	Fund- Raising				General and Administrative	Fund- Raising	
Personnel and labor	\$ 1,567,661	\$ 353,571	\$ 242,969	\$ 2,164,201	\$ 1,595,668	\$ 321,864	\$ 238,423	\$ 2,155,955
Travel and hospitality	301,883	26,549	52,198	380,630	154,874	14,762	22,614	192,250
Funds to foreign churches	376,928	-	-	376,928	310,260	-	-	310,260
Seminar and translation expense	241,303	-	-	241,303	179,858	-	-	179,858
Professional fees	5,859	146,186	-	152,045	1,000	144,536	-	145,536
Office expenses	62,145	19,725	4,838	86,708	59,243	19,703	4,275	83,221
Depreciation and amortization	35,224	35,224	-	70,448	27,223	27,223	-	54,446
Fees and dues	35,139	19,258	3,698	58,095	28,839	14,024	1,579	44,442
Curriculum development	54,942	-	-	54,942	70,069	-	-	70,069
Equipment and facilities	19,289	19,289	-	38,578	33,079	33,079	-	66,158
Communication expenses	10,647	6,480	695	17,822	16,688	6,047	667	23,402
Total Expenses	<u>\$ 2,711,020</u>	<u>\$ 626,282</u>	<u>\$ 304,398</u>	<u>\$ 3,641,700</u>	<u>\$ 2,476,801</u>	<u>\$ 581,238</u>	<u>\$ 267,558</u>	<u>\$ 3,325,597</u>
Percent of Total Expenses	<u>75%</u>	<u>17%</u>	<u>8%</u>	<u>100%</u>	<u>75%</u>	<u>17%</u>	<u>8%</u>	<u>100%</u>

See notes to financial statements

BIBLICAL EDUCATION BY EXTENSION, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 301,563	\$ 240,391
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	70,448	54,446
Non-cash effect of change in accounting principle	117	-
Changes in operating assets and liabilities:		
Pledge receivable	50,000	(20,000)
Prepays, advances, and other assets	(5,985)	824
Accounts payable and other liabilities	29,876	(11,588)
Net Cash Provided by Operating Activities	<u>446,019</u>	<u>264,073</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(26,699)</u>	<u>(20,276)</u>
Net Cash Used by Investing Activities	<u>(26,699)</u>	<u>(20,276)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on financing lease obligation	<u>(8,967)</u>	<u>-</u>
Net Cash Used by Financing Activities	<u>(8,967)</u>	<u>-</u>
Change in Cash, Cash Equivalents, and Board-Designated Cash	410,353	243,797
Cash, Cash Equivalents, and Board-Designated Cash, Beginning of Year	<u>1,943,377</u>	<u>1,699,580</u>
Cash, Cash Equivalents, and Board-Designated Cash, End of Year	<u>\$ 2,353,730</u>	<u>\$ 1,943,377</u>
SUMMARY OF CASH, CASH EQUIVALENTS, AND BOARD-DESIGNATED CASH:		
Cash and cash equivalents	\$ 2,353,730	\$ 1,563,377
Board-designated cash	<u>-</u>	<u>380,000</u>
	<u>\$ 2,353,730</u>	<u>\$ 1,943,377</u>
NON-CASH TRANSACTION AND SUPPLEMENTAL DISCLOSURE:		
Right-of-use assets obtained in exchange for financing lease obligations	<u>\$ 41,993</u>	<u>\$ -</u>
Interest paid related to financing lease	<u>\$ 513</u>	<u>\$ -</u>

See notes to financial statements

BIBLICAL EDUCATION BY EXTENSION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

Biblical Education by Extension, Inc. (BEE) is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, BEE is subject to federal income tax on any unrelated business taxable income. In addition, BEE is not classified as a private foundation within the meaning of Section 509(a) of the IRC. BEE is primarily supported by contributions from organizations and individuals.

The mission of BEE is to assist the Church, primarily in closed countries, in the establishment of continuing, indigenous Church-based Training Centers in which servant-leaders are equipped to develop growing and reproducing churches. They do this by prayerfully researching and identifying target countries. Using the BEE curriculum, they provide Biblical training to pastors and lay leaders in each location. These men are then asked to multiply the training by carrying it forward to others in their specific countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BEE maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of 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 of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH, CASH EQUIVALENTS, AND BOARD-DESIGNATED CASH

Cash, cash equivalents, and board-designated cash consist of amounts held in checking accounts. As of December 31, 2022 and 2021, BEE has cash and cash equivalents on deposit with financial institutions that exceed the federally insured balance by approximately \$1,956,000 and \$1,542,000, respectively.

PLEDGE RECEIVABLE

As of December 31, 2022 and 2021, the pledge receivable consisted of a donor's unconditional promise to match up to \$0 and \$50,000, respectively, of donations given to BEE. Donations that qualified for the match as of December 31, 2022 and 2021 totaled \$0 and \$50,000, respectively. The pledge receivable as of December 31, 2021 was collected in full during the year ended December 31, 2022.

CURRICULUM DEVELOPMENT COSTS

Curriculum development costs greater than \$1,000 are capitalized and amortized over their estimated useful lives, which management has determined to be ten years. Accumulated amortization was \$252,913 and \$248,740 and at December 31, 2022 and 2021, respectively.

BIBLICAL EDUCATION BY EXTENSION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FINANCING LEASE—RIGHT OF USE ASSET AND OBLIGATION

BEE adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022, which resulted in the recognition of a financing lease right of use asset totaling \$32,831 as of December 31, 2022, as well as financing lease obligation totaling \$33,143. BEE elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Note 6.

PROPERTY AND EQUIPMENT—NET

Property and equipment is stated at cost or, if donated, at its fair market value on the date of the gift. BEE capitalizes all fixed assets greater than \$1,000. Depreciation is computed on the straight-line basis over estimated useful lives of three years for computer equipment, seven to ten years for furniture and other equipment, and thirty years for the building.

DEFERRED COMPENSATION PLAN

BEE has established a deferred compensation plan for a key employee under a non-qualified deferred compensation plan. The deferred compensation plan is discretionary and may extend to additional employees in the future. BEE may continue to make discretionary payments for the remaining employment life of the covered employee. Payments to the employee are to be paid after retirement. The fund is fully vested and funded as of December 31, 2022 and 2021.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions consist of resources that are available for current operations and those resources designated by the board for specific use. During the years ended December 31, 2022 and 2021, board designated funds for BEE's operating reserve totaled \$0 and \$380,000, respectively.

Net assets with donor restrictions include donor-restricted contributions for specified exempt purposes.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor. Donated assets are recorded at their fair market value on the date of donation. Donations that are restricted for a specific purpose are assessed an administrative charge of 8.5% during the years ended, December 31, 2022 and 2021.

BIBLICAL EDUCATION BY EXTENSION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

Grants are received by BEE and recorded as contributions. These grants are recorded as with donor restrictions and without donor restrictions based on the grantor's stated purpose of the grant.

Interest and other income or losses is recorded when earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting, such as missionary support and ministry projects.

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses report certain categories of expenses that are attributable to program or support activities of BEE. These expenses include depreciation and equipment and facilities, which are allocated based on square footage occupancy. Personnel and labor, as well as professional fees are allocated based on time and effort. The costs of other categories are allocated based on the purpose of the expense. Expenses are recorded when earned, in accordance with the accrual basis of accounting.

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. BEE adopted this update for the year ended December 31, 2022. One of BEE's contracts contain the right to control the use of property or assets and is therefore considered a lease. BEE elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. BEE elected the short-term accounting policy election in which only contracts with terms of more than 12 months are recognized. BEE also elected the practical expedient to not separate lease and non-lease components. The additional lease disclosures can be found in Note 6. The effect of the adjustment to the opening balance of net assets totaled \$117. As it was deemed immaterial, the net asset difference was adjusted through equipment and facilities expenses on the statements of activities and functional expenses. This amount is reported as a non-cash effect of change in accounting principle on the statements of cash flows.

BIBLICAL EDUCATION BY EXTENSION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects BEE's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the board of directors has set aside funds.

	December 31,	
	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	\$ 2,353,730	\$ 1,563,377
Pledge receivable	-	50,000
Board-designated cash	-	380,000
Assets for the deferred compensation plan	200,239	227,184
	<u>2,553,969</u>	<u>2,220,561</u>
Less those unavailable for general expenditures within one year, due to:		
Deferred compensation plan	(200,239)	(227,184)
Board designations	-	(380,000)
Restricted funds not expected to be used within one year	<u>(245,891)</u>	<u>(307,372)</u>
	<u>(446,130)</u>	<u>(914,556)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,107,839</u>	<u>\$ 1,306,005</u>

BEE has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through board meetings and detailed financial analysis.

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of the following:

	December 31,	
	2022	2021
Building and improvements	\$ 1,182,263	\$ 1,182,263
Furniture and other equipment	36,536	36,536
Computer equipment	378,322	334,846
	<u>1,597,121</u>	<u>1,553,645</u>
Accumulated depreciation	<u>(776,316)</u>	<u>(719,203)</u>
	820,805	834,442
Work in progress	-	16,777
	<u>\$ 820,805</u>	<u>\$ 851,219</u>

BIBLICAL EDUCATION BY EXTENSION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

5. FAIR VALUE MEASUREMENTS:

Assets held for deferred compensation plan consist of mutual funds and cash and cash equivalents. Mutual funds are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value Measurements topic of the Financial Accounting Standards Board (FASB) Codification.

Assets held for deferred compensation plan consist of:

	December 31,	
	2022	2021
Assets held at fair value:		
Fixed income mutual funds	\$ 86,677	\$ 93,510
U.S. equities and growth funds	65,628	80,606
International equities and other funds	17,692	22,870
	<u>169,997</u>	<u>196,986</u>
Assets held at other than fair value:		
Cash and cash equivalents	<u>30,242</u>	<u>30,198</u>
	<u>\$ 200,239</u>	<u>\$ 227,184</u>

6. FINANCING LEASE—RIGHT OF USE ASSET AND OBLIGATION:

BEE leases copiers under one noncancelable finance lease expiring at in July 2026. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms. The lease requires monthly payments totaling \$790 per month. The discount rate on this lease is 1.35%.

	December 31, 2022
Financing lease right of use asset	\$ 32,831
Financing lease obligation	\$ 33,143
Financing lease costs:	
Amortization of right of use asset	\$ 9,162
Interest on lease obligation	\$ 513
Variable lease cost	\$ 2,340
Weighted-average discount rate	1.35%
Weighted-average remaining lease term	3.5 years

BIBLICAL EDUCATION BY EXTENSION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

6. FINANCING LEASE—RIGHT OF USE ASSET AND OBLIGATION, continued:

Future minimum lease payments required under the finance lease that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 9,480
2024	9,480
2025	9,480
2026	5,530
	<u>\$ 33,970</u>
Less imputed interest	<u>(827)</u>
	<u><u>\$ 33,143</u></u>

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, BEE was applying Topic 840 in relation to operating leases. During the year ended December 31, 2021, BEE had operating lease expenses of \$15,553.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Individual support	\$ 1,239,360	\$ 1,231,435
Foreign church support	287,247	416,639
Ministry projects	586,282	333,506
Time restrictions:		
Pledge receivable	<u>-</u>	<u>50,000</u>
	<u><u>\$ 2,112,889</u></u>	<u><u>\$ 2,031,580</u></u>

8. PENSION PLAN:

BEE has established a 403(b) pension plan covering all personnel. All contributions are salary reductions from employees.

9. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2022 and 2021, BEE received donations from members of the board of directors totaling approximately \$715,000 and \$433,000, respectively.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 25, 2023, which is the date the financial statements were available to be issued.