

Combined financial statements and report of independent certified public accountants

InterVarsity Christian Fellowship/USA

June 30, 2007 and 2006

CONTENTS

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Combined Statements of Financial Position	4
Combined Statement of Activities - Year Ended June 30, 2007	6
Combined Statement of Activities - Year Ended June 30, 2006	7
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9

**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, 2007 and 2006 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 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, 2007 and 2006 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
October 1, 2007

This page intentionally left blank.

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

June 30,
(Thousands)

ASSETS	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,079	\$ 8,196
Investments	4,606	3,464
Receivables		
Trade and subscribers, less allowance for doubtful receivables of \$82 in 2007 and \$100 in 2006	2,583	2,165
Donations	1,275	1,317
Royalty advances, less allowance for doubtful receivables of \$66 in 2007 and \$60 in 2006	1,180	1,030
Miscellaneous	232	249
	5,270	4,761
Books and supplies inventory	3,023	3,061
Prepaid expenses, deposits and other assets	664	626
	23,642	20,108
Total current assets		
INVESTMENTS	10,166	10,707
PROPERTY AND EQUIPMENT - AT COST		
Buildings and improvements	13,353	12,009
Computer equipment	709	703
Other equipment	1,859	1,405
Furniture and fixtures	2,078	2,031
	17,999	16,148
Less accumulated depreciation and amortization	10,406	9,832
	7,593	6,316
Land	1,682	1,682
Construction in process	44	-
	9,319	7,998
OTHER ASSETS	103	-
	43,230	38,813
TOTAL ASSETS		

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities	\$ 3,664	\$ 3,326
Medical insurance claims payable	600	428
Trust agreements and annuities	191	299
Royalties payable	1,209	1,105
Deferred revenue	224	1,183
Accrued pension liability	<u>1,076</u>	<u>808</u>
Total current liabilities	6,964	7,149
LONG-TERM LIABILITIES		
Annuities, less current portion	469	513
Endowments	37	36
Deferred compensation	<u>63</u>	<u>87</u>
Total long-term liabilities	569	636
COMMITMENTS		
NET ASSETS		
Unrestricted		
Net investment in property and equipment	9,319	7,998
Operating	<u>14,429</u>	<u>12,976</u>
Total unrestricted net assets	23,748	20,974
Temporarily restricted	<u>11,949</u>	<u>10,054</u>
Total net assets	<u>35,697</u>	<u>31,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,230</u>	<u>\$ 38,813</u>

INTERVARSITY CHRISTIAN FELLOWSHIP/USA
COMBINED STATEMENT OF ACTIVITIES

Year ended June 30, 2007

(Thousands)

	Unrestricted	Temporarily restricted	Total
Revenues, gains and other support			
Donations	\$ 53,472	\$ 5,471	\$ 58,943
Sales of books and media	15,725	13	15,738
Conference fees	9,564	9	9,573
Royalties and commissions	260	-	260
Investment income	1,275	96	1,371
Unclassified	211	-	211
Net assets released from restrictions	3,694	(3,694)	-
	84,201	1,895	86,096
Expenses			
Program	63,630	-	63,630
Administrative	6,522	-	6,522
Fundraising and communications	5,388	-	5,388
Cost of sales	5,082	-	5,082
Depreciation and amortization	582	-	582
	81,204	-	81,204
Increase in net assets before effect of adoption of FASB Statement No. 158	2,997	1,895	4,892
Effect of adoption of recognition provisions of FASB Statement No. 158	223	-	223
	2,774	1,895	4,669
INCREASE IN NET ASSETS	2,774	1,895	4,669
Net assets at July 1, 2006	20,974	10,054	31,028
	20,974	10,054	31,028
Net assets at June 30, 2007	\$ 23,748	\$ 11,949	\$ 35,697
	\$ 23,748	\$ 11,949	\$ 35,697

The accompanying notes are an integral part of this statement.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA
COMBINED STATEMENT OF ACTIVITIES

Year ended June 30, 2006

(Thousands)

	Unrestricted	Temporarily restricted	Total
Revenues, gains and other support			
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)	-
Total revenues, gains and other support	73,927	(62)	73,865
Expenses			
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
Total expenses	71,931	-	71,931
Increase (decrease) in net assets before minimum pension liability adjustment	1,996	(62)	1,934
Minimum pension liability adjustment	134	-	134
INCREASE (DECREASE) IN NET ASSETS	2,130	(62)	2,068
Net assets at July 1, 2005	18,844	10,116	28,960
Net assets at June 30, 2006	<u>\$ 20,974</u>	<u>\$ 10,054</u>	<u>\$ 31,028</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)

	2007	2006
Cash flows from operating activities		
Increase in net assets for the year	\$ 4,669	\$ 2,068
Adjustments to reconcile the increase in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	582	567
Loss (gain) on investments	(210)	364
Deferred compensation expense	1	10
Deferred compensation payments	(25)	(41)
Changes in operating assets and liabilities:		
Receivables	(509)	287
Books and supplies inventory	38	(72)
Prepaid expenses, deposits and other assets	(141)	(109)
Accounts payable and other accrued liabilities	338	99
Medical insurance claims payable	172	-
Trust agreements, annuities and endowments	(151)	(3)
Royalties payable	104	28
Deferred revenue	(959)	979
Accrued pension liability	268	248
	4,177	4,425
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of investments	(5,986)	(7,594)
Proceeds from sales and maturities of investments	5,595	6,920
Additions to property and equipment	(1,903)	(902)
	(2,294)	(1,576)
Net cash used in investing activities		
Cash flows from financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,883	2,849
Cash and cash equivalents at beginning of year	8,196	5,347
Cash and cash equivalents at end of year	\$ 10,079	\$ 8,196
Supplemental disclosure of cash flow information		
Interest paid	\$ 86	\$ 87

The accompanying notes are an integral part of these statements.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA
NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2007 and 2006
(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 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, 2007 and 2006
(Dollars in thousands)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Investments

The Fellowship invests, along with several other non-profit organizations, in a captive insurance holding company, Lucent Insurance, Ltd. (Lucent). The Fellowship holds a 10% and 12% ownership interest in Lucent as of June 30, 2007 and 2006, respectively. The Fellowship has made a \$250,000 investment in Lucent. 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 combined 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:

	2007	2006
Books and merchandise	\$ 2,655	\$ 2,607
Supplies	499	566
Reserve for slow-moving inventory	(131)	(112)
	\$ 3,023	\$ 3,061

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

June 30, 2007 and 2006
(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, 2007 and July 10, 2007 and between July 1, 2006 and July 12, 2006, 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.

10. Advertising

Advertising and promotion costs are expensed as they are incurred. Advertising and promotion expense was \$749 and \$577 for the years ended June 30, 2007 and 2006, respectively.

11. Change in Accounting Principle

Effective June 30, 2007, the Fellowship adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined-Benefit Pension and Other Postretirement Plans* (Statement 158), which changed the method of accounting for the Fellowship's defined benefit plan (the plan). Under the new method, the Fellowship is required to recognize the funded status of its plan as an asset or liability in the statement of financial position and changes in that funded status are to be recognized in unrestricted net assets on the statement of activities in the year in which the change occurs.

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Fellowship does not expect the adoption of FIN 48 in fiscal 2008 to have a material effect on the Fellowship's financial position, results of operations or cash flows.

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:

	2007		2006	
	Cost	Market value	Cost	Market value
U.S. government and government agency obligations	\$ 10,580	\$ 10,421	\$ 9,963	\$ 9,675
Corporate obligations	3,533	3,493	3,834	3,690
Mutual funds	490	551	490	487
Lucent - common stock	250	250	250	250
Annuities	57	57	69	69
	<u>\$ 14,910</u>	<u>\$ 14,772</u>	<u>\$ 14,606</u>	<u>\$ 14,171</u>
Amount classified as short-term	\$ 4,615	\$ 4,606	\$ 3,542	3,464
Amount classified as long-term	<u>10,295</u>	<u>10,166</u>	<u>11,064</u>	<u>10,707</u>
	<u>\$ 14,910</u>	<u>\$ 14,772</u>	<u>\$ 14,606</u>	<u>\$ 14,171</u>

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE D - INVESTMENTS - Continued

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

	2007	2006
Interest and dividends on investments	\$ 662	\$ 638
Interest on cash and cash equivalents	499	240
Unrealized and realized gain (loss) on investments	210	(364)
	\$ 1,371	\$ 514

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 Fellowship froze the defined benefit plan on March 31, 2007 and plans to terminate the plan in fiscal year 2008. Participants will have the option of a lump sum or an annuity. Defined benefit plan participants were moved to the defined contribution plan on April 1, 2007.

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.

	2007	2006
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 20,817	\$ 24,960
Service cost	770	1,340
Interest cost	1,275	1,362
Amendments (curtailment gain)	(8,191)	-
Actuarial (gain) loss	7,589	(6,572)
Benefits paid	(193)	(273)
Projected benefit obligation at end of year	\$ 22,067	\$ 20,817

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE E - RETIREMENT PLANS - Continued

	2007	2006
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 19,385	\$ 16,166
Actual return on plan assets	1,299	1,992
Employer contribution	500	1,500
Benefits paid	(193)	(273)
Fair value of plan assets at end of year	\$ 20,991	\$ 19,385
Funded status	\$ (1,076)	\$ (1,432)
Components of net periodic benefit cost		
Service cost	\$ 770	\$ 1,340
Interest cost	1,275	1,362
Expected return on plan assets	(1,534)	(1,278)
Amortization of prior service cost	34	46
Amortization of net loss	-	412
Net periodic benefit cost	\$ 545	\$ 1,882

The accumulated benefit obligation for the pension plan, which is the pension obligation based upon current salaries, was \$22,067 and \$15,528 at June 30, 2007 and 2006, respectively.

As of June 30, 2007, the Fellowship's projected benefit obligation under its pension plan exceeded the fair value of the plan assets by \$1,076. Thus, the plan is under-funded. The adoption of Statement 158 had the following effect on the Fellowship's statement of financial position as of June 30, 2007:

	Prior to adoption of Statement 158	Effect of adopting Statement 158	As adjusted
Accrued pension liability	\$ 853	\$ 223	\$ 1,076

The Fellowship does not expect to amortize any net gain or loss or prior service cost or credit into net periodic benefit cost during the year ended June 30, 2008.

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE E - RETIREMENT PLANS - Continued

The amounts not yet recognized as a component of net periodic benefit cost at June 30, 2007 are as follows:

Net loss	\$	223
Transition obligation		-
Prior service cost		-
		-
Total amount to be recognized	\$	223

The Fellowship does not expect to have any plan assets returned during the year ended June 30, 2008.

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

	2007	2006
Discount rate	5.00%	6.50%
Rate of compensation increase	4.95	4.95

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

	2007	2006
Discount rate	5.00%	5.50%
Expected long-term return on plan assets	8.00	8.00
Rate of compensation increase	4.95	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>	2007	2006
Equity securities	-%	14%
Debt securities	97	67
Cash and cash equivalents	3	19
Total	100%	100%

The Fellowship has an investment policy that dictates which asset types are permissible, investment philosophy, guidelines and delegation of specific duties. Because of the anticipated termination of the defined benefit plan in fiscal year 2008, the assets have been shifted from equities to short-term bonds (less than 1 year) and cash equivalents.

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE E - RETIREMENT PLANS - Continued

Estimated future benefit payments of \$22,067, which reflect expected future service, as appropriate, are expected to be paid by the year ended June 30, 2008.

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 expects to make a contribution in 2008 to the pension plan of \$1,076, the projected amount needed to terminate the plan.

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, 2007 and 2006 were \$389 and \$332, respectively.

Effective January 1, 2005, the Fellowship adopted an enhanced defined contribution plan for all employees hired after June 30, 2004. Due to the anticipated termination of the defined benefit plan, the Fellowship amended their defined contribution plan in 2007. Under the amended plan, the Fellowship makes a base contribution dependant on years of service: 0 to 4.99 years of service - 2%, 5 to 9.99 years of service - 2.5%, 10 to 14.99 years of service - 3%, and 15 or more years of service - 4%.

Additionally, the Fellowship added four transitional benefits for the defined benefit plan participants who were switched to the defined contribution plan. Qualification for transitional benefits are based on a combination of years of service and age, range in percentages from 2 to 2.5% each and have fixed terms of 5 to 7 years.

The base amount contributed was \$343 and \$86 for the years ended June 30, 2007 and 2006, respectively. Transition benefit contributions for the period from April 1, 2007 to June 30, 2007 were \$194.

NOTE F - MEDICAL INSURANCE CLAIMS PAYABLE

The Fellowship self-insures the medical expenses of its employees (employees based in Madison and Hawaii are covered by an HMO or the self-insured plan) 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 \$5,253 and \$3,799 for the years ended June 30, 2007 and 2006, respectively.

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

June 30, 2007 and 2006
(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.

	2007	2006
Gift annuity liability		
Current	\$ 72	\$ 79
Long-term	469	513
Total	\$ 541	\$ 592
Annuity contracts	\$ 55	\$ 62
Segregated investments for gift annuities	\$ 994	\$ 944

NOTE H - DEFERRED COMPENSATION LIABILITY

The Fellowship 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. The Fellowship did not make a contribution in 2007 or 2006. Interest expense on deferred compensation liabilities was \$5 for the years ended June 30, 2007 and 2006.

NOTE I - COMMITMENTS

The Fellowship has available a \$2 million unsecured line of credit which expires October 31, 2007. Interest on any outstanding borrowings is at the one-month LIBOR rate plus 225 basis points (effective rate of 7.57% at June 30, 2007). There was no outstanding indebtedness under this line as of June 30, 2007 or 2006. 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 \$93 and \$94 was outstanding as of June 30, 2007 and 2006, respectively.

As of June 30, 2007, the Fellowship has a commitment for office renovations for \$338.

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE J - OPERATING LEASES

The Fellowship leases various facilities under operating leases expiring at various times through 2020. Generally, the leases provide that the Fellowship pays taxes, insurance, maintenance and other costs associated with use of the facilities. In 2007 and 2006, the Fellowship incurred rent expense of \$392 and \$371, respectively, under these leases.

Future minimum lease payments under the Fellowship's non-cancelable operating leases are as follows:

Years ending June 30,	
2008	\$ 193
2009	119
2010	51
2011	5
2012	5
2013	4
	<hr/>
	<u>\$ 377</u>

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. The Fellowship does pay unrelated business income tax on certain of its activities which are deemed to be unrelated to its exempt purpose; however, the Fellowship is currently not paying any unrelated business income tax due to federal and state operating loss carryforwards of \$63. The carryforwards expire as follows:

Federal net operating loss available	Expiration date	State net operating loss available	Expiration date
\$ 1	June 30, 2015	\$ 1	June 30, 2010
4	June 30, 2017	4	June 30, 2012
5	June 30, 2019	5	June 30, 2014
8	June 30, 2020	8	June 30, 2015
27	June 30, 2022	27	June 30, 2017
13	June 30, 2023	13	June 30, 2018
5	June 30, 2024	5	June 30, 2019
<hr/>		<hr/>	
<u>\$ 63</u>		<u>\$ 63</u>	

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following activities as of June 30:

	2007	2006
Ministry expenses for specific staff	\$ 4,841	\$ 4,201
Area and regional programs and projects	4,616	3,770
Support for the work at specific schools	824	711
Chapter growth and building initiatives	715	376
Scholarships for camps and conferences	498	452
Evangelism initiatives on campus	243	278
Leadership development	212	266
	\$ 11,949	\$ 10,054

NOTE M - FUNCTIONAL EXPENSES

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

	2007			
	Program	Management and general	Fundraising	Total
Salaries and payroll taxes	\$ 32,846	\$ 3,661	\$ 3,775	\$ 40,282
Education and training	223	32	7	262
Benefits	6,271	619	727	7,617
Professional fees	2,321	738	121	3,180
Supplies	802	130	25	957
Telephone, email and web access	513	96	12	621
Postage and shipping	1,000	48	169	1,217
Occupancy	1,338	550	6	1,894
Equipment	675	380	26	1,081
Printing and publications	1,192	58	228	1,478
Travel	5,843	249	109	6,201
Conference, conventions and meetings	5,774	97	183	6,054
Advertising and promotion	722	27	-	749
Bad debts	3	53	-	56
Support to other missions	4,142	-	-	4,142
Interest	-	-	81	81
Interdepartmental charges	(178)	(27)	(82)	(287)
Cost of sales	5,082	-	-	5,082
Other	477	59	1	537
	\$ 69,046	\$ 6,770	\$ 5,388	\$ 81,204
Percent of total expense	85.1%	8.3%	6.6%	

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

June 30, 2007 and 2006
(Dollars in thousands)

NOTE M - FUNCTIONAL EXPENSES - Continued

	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 and 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
Advertising and promotion	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>	