INTERVARSITY CHRISTIAN FELLOWSHIP/USA

COMBINED FINANCIAL STATEMENTS

June 30, 2008 and 2007

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Table of Contents

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 351 South Main Place, Suite 210 Carol Stream, IL 60188 630.682.9797 630.682.8625 fax

INDEPENDENT AUDITORS' REPORT

Board of Directors
InterVarsity Christian Fellowship/USA
Madison, Wisconsin

We have audited the accompanying combined statement of financial position of InterVarsity Christian Fellowship/USA as of June 30, 2008, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these combined financial statements based upon our audit. The financial statements of InterVarsity Christian Fellowship/USA as of June 30, 2007, were audited by other auditors whose report dated October 1, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of InterVarsity Christian Fellowship/USA as of June 30, 2008, and the changes in its combined net assets and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Capin Crouse LLP

Carol Stream, Illinois
October 13, 2008

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Financial Position
(in thousands)

	June 30, 2008	June 30, 2007
ASSETS:		
Cash and cash equivalents	$ 9,934	$ 10,079
Investments	15,762	14,772
Receivables:		
Trade and subscribers, less allowance for doubtful receivables of $105,000 in 2008 and $82,000 in 2007	2,562	2,583
Donations	1,350	1,275
Royalty advances, less allowance for doubtful receivables of $52,000 in 2008 and $66,000 in 2007	1,409	1,180
Miscellaneous	337	232
Books and supplies inventory, net	3,120	3,023
Prepaid expenses, deposits and other assets	1,347	767
Land, buildings and equipment, net	9,686	9,319
	$ 45,507	$ 43,230
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other accrued liabilities	$ 3,823	$ 3,764
Medical insurance claims payable	683	600
Trust and annuity agreements	705	660
Royalties payable	1,260	1,209
Deferred revenue	135	224
Accrued pension liability	-	1,076
	6,606	7,533
Net assets:		
Unrestricted:		
Net investment in land, buildings and equipment	9,686	9,319
Undesignated	15,254	14,429
	24,940	23,748
Temporarily restricted	13,961	11,949
	38,901	35,697
	$ 45,507	$ 43,230

See notes to combined financial statments

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Activities
(in thousands)

	For the Year Ended June 30,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE (Note 14):						
Donations	$ 52,689	$ 7,328	$ 60,017	$ 53,472	$ 5,471	$ 58,943
Sales of books and media	14,688	-	14,688	15,725	13	15,738
Conference fees	5,445	-	5,445	9,564	9	9,573
Royalties and commissions	327	-	327	260	-	260
Investment income	1,257	3	1,260	1,275	96	1,371
Other income	7	-	7	211	-	211
	74,413	7,331	81,744	80,507	5,589	86,096
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of program restrictions	5,319	(5,319)	-	3,694	(3,694)	-
	79,732	2,012	81,744	84,201	1,895	86,096
EXPENSES (Note 14):						
Program	66,471	-	66,471	69,046	-	69,046
Administrative	6,587	-	6,587	6,770	-	6,770
Fund-raising and communications	5,482	-	5,482	5,388	-	5,388
	78,540	-	78,540	81,204	-	81,204
Change in net assets before effect of adoption of FASB Statement No. 158	1,192	2,012	3,204	2,997	1,895	4,892
Effect of adoption of recognition provisions of FASB Statement No. 158	-	-	-	(223)	-	(223)
Change in net assets	1,192	2,012	3,204	2,774	1,895	4,669
Net assets, beginning of year	23,748	11,949	35,697	20,974	10,054	31,028
Net assets, end of year	$ 24,940	$ 13,961	$ 38,901	$ 23,748	$ 11,949	$ 35,697

See notes to combined financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Combined Statements of Cash Flows
(in thousands)

	For the Year Ended June 30, 2008	For the Year Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,204	$ 4,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	635	582
Gain on investments	(124)	(210)
Actuarial change in value of annuities, net of payments	101	(104)
Changes in:		
Receivables	(388)	(509)
Books and supplies inventory	(97)	38
Prepaid expenses, deposits and other assets	(580)	(141)
Accounts payable and other accrued liabilities	59	314
Medical insurance claims payable	83	172
Royalties payable	51	104
Deferred revenue	(89)	(959)
Accrued pension liability	(1,076)	268
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,779	4,224
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,986)	(5,986)
Proceeds from sales and maturities of investments	5,120	5,595
Purchases of buildings and equipment	(1,002)	(1,903)
NET CASH USED BY INVESTING ACTIVITIES	(1,868)	(2,294)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Annuity and trust payments	(78)	(72)
Face value of new annuities	46	96
Gift portion of new annuities	(23)	(36)
Matured annuities	(1)	(35)
NET CASH USED BY FINANCING ACTIVITIES	(56)	(47)
Net change in cash and cash equivalents	(145)	1,883
Cash and cash equivalents, beginning of year	10,079	8,196
Cash and cash equivalents, end of year	$ 9,934	$ 10,079
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 80	$ 81
Disposal of fully depreciated equipment	$ 156	$ -

See notes to combined financial statements

1. NATURE OF ORGANIZATION:

In response to God's love, grace and truth, the purpose of InterVarsity Christian Fellowship/USA (InterVarsity) is to establish and advance at colleges and universities witnessing communities of students and faculty who follow Jesus as Savior and Lord, growing in love for God, God's Word, God's people of every ethnicity and culture and God's purposes in the world.

The combined financial statements include the accounts and transactions of the funds operating as InterVarsity Christian Fellowship/USA and InterVarsity Ministries. The funds of InterVarsity include general operating, general capital, specific purpose, conference, charitable funds, staff salary reserve fund and InterVarsity Press (the Press), which is a publisher of Christian books, pamphlets and other written materials. InterVarsity Ministries includes the camp fund. All significant interfund and intercompany balances and transactions have been eliminated.

InterVarsity is incorporated under the laws of the State of Illinois. It is classified by the Internal Revenue Service (IRS) as a tax-exempt publicly supported 501(c)(3) religious organization, which is not a private foundation under Section 509(a) of the Internal Revenue Code (IRC). Accordingly, it is exempt from federal and state income taxes and contributions are tax deductible within the limitations prescribed by the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

The combined financial statements have been prepared on the accrual basis of accounting. The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from these estimates. Certain amounts in the prior year combined financial statements have been reclassified to conform with the current year presentation. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

Amounts classified as cash and cash equivalents in the combined statement of financial position include checking and savings accounts, money market funds, all highly liquid debt instruments purchased with original maturities of three months or less and all highly liquid donated securities pending sale. As donations of securities are received, it is the Fellowship's policy to liquidate the donated securities immediately. Therefore, for purposes of the combined statement of cash flows, receipt and sale of donated securities are treated as operating activities.

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

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS AND ASSETS HELD UNDER TRUST AND ANNUITY AGREEMENTS
InterVarsity invests, along with several other nonprofit organizations, in a captive insurance holding company, Lucent Insurance, Ltd. (Lucent). InterVarsity holds a 5% and 10% ownership interest in the captive as of June 30, 2008 and 2007, respectively. InterVarsity's equity in Lucent was $193,000 and $250,000 as of June 30, 2008 and 2007, respectively. InterVarsity is accounting for this investment using the equity method. 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.

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. Trade accounts receivable become past due when they exceed their contractual due dates, usually 30 to 90 days from the date of sale. The allowance for doubtful accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall trade receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns from the customer, financial condition of the customer, other known facts and circumstances and general economic conditions. This process is based on estimates, and ultimate loss may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known. At June 30, 2008 and 2007, trade accounts receivable past due 90 days or more and continuing to accrue interest totaled $80,000 and $94,000, respectively.

ROYALTY ADVANCES
The Press has entered into book publishing agreements with various artists and authors. The Press agrees to pay the artists and authors a nonrefundable advance against future royalties earned. Future royalties are based on a percentage of net sales as defined in the agreements. In the event that the future product sales do not earn back the royalty advance, the royalty is written off to royalty and copyright expense in the period the advance is determined uncollectible.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

BOOKS AND SUPPLIES INVENTORY

Books and supplies inventory is stated at the lower of cost, determined principally by the first-in, first-out method, or market. Inventory consists of the following at June 30 (in thousands):

	2008	2007
Books and merchandise	$ 2,749	$ 2,655
Supplies	521	499
	3,270	3,154
Reserve for slow-moving inventory	(150)	(131)
	$ 3,120	$ 3,023

LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

Computer equipment over $5,000 and other items over $3,000 are capitalized at cost, or if the asset was contributed, at estimated fair market value at the date of the contribution. The values are determined from publications, appraisals and other sources that assist in establishing a market value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows:

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

TRUST AND ANNUITY AGREEMENTS

InterVarsity has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the assets received, recognized at fair value, and the liability for future payments, determined on an actuarial basis, is recognized as unrestricted support at the date of the gift, unless the gift portion is restricted. InterVarsity uses published mortality rate tables adopted by the IRS at an assumed rate of return of 3.5% to determine the present value of the actuarially determined liability. Assets related to annuity agreements are included in investments. The State of Wisconsin requires that InterVarsity maintain a cash reserve of the greater of $100,000 or 10% of annuities payable as security for life annuities.

As trustee, InterVarsity administers limited revocability trusts that provide a beneficial interest to InterVarsity at the grantor's death. The agreements are revocable, in whole or in part, upon the written request of the grantor, if there is an adverse change in the grantors’ financial circumstances or a change in the identity of InterVarsity. As a result of these conditional rights, the principal amounts provided are recorded as liabilities. All income paid is reportable by the grantor for tax purposes. At the grantor's death, the remaining trust amount will be recorded as contribution income. Assets related to trust agreements are included in investments.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS
The combined financial statements report amounts by class of net assets:

Unrestricted net assets are currently available for ministry purposes under the direction of the Board, those designated by the Board for a specific use and those resources invested in property and equipment.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

REVENUE AND EXPENSE RECOGNITION
InterVarsity reports amounts received for general ministry purposes and those received pursuant to appeals, grant awards or agreements to perform specific programs which are expended in the same fiscal year as received as unrestricted support. Current year amounts received for specific ministry programs that have not yet been expended at year-end are reported as temporarily restricted support. When such amounts are expended for the specific ministry program in future periods, they are reclassified to the unrestricted class and reported in the statement of activities as net assets released from restrictions. Donations received between July 1, 2008 and July 11, 2008, and between July 1, 2007 and July 10, 2007, that are designated by the donor to apply to the previous year, are recognized as revenue and as donations receivable at June 30. Donations that are unconditionally pledged are recorded as revenue and as donations receivable when the pledge is received. Estate gifts are recorded as donations receivable and revenue at the time InterVarsity has an established right to the gift and the proceeds are measurable.

Sales revenue is recognized when goods are shipped or otherwise delivered to customers. Revenues and expenses from conferences and camp fees are deferred until the event occurs. All other revenues are recognized when earned and expenses when incurred in accordance with the accrual basis of accounting.

Urbana (tri-annual missions convention) donations received are recognized as donation revenue in the period in which they are received. Urbana registration revenue is deferred until the event occurs.

FUNCTIONAL ALLOCATION OF EXPENSES
The costs of providing the various program services and supporting activities of InterVarsity have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The supporting activities are indispensable to the conduct of the program services and to InterVarsity’s existence. All expenses are recorded when incurred in accordance with the accrual basis of accounting.

ADVERTISING
Advertising and promotion costs are expensed as they are incurred. Advertising and promotion expense was $684,000 and $749,000 for the years ended June 30, 2008 and 2007, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SHIPPING AND HANDLING COSTS
Total costs for shipping and handling were $615,000 and $634,000 for the years ended June 30, 2008 and 2007, respectively. These costs are included in program postage and shipping costs.

NEW ACCOUNTING PRONOUNCEMENTS
In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 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 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2007.

In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007.

In February 2007, FASB issued Statement of Financial Accounting Standards (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 will be effective for fiscal years beginning after November 15, 2007.

InterVarsity has not yet determined the effect adoption of these new pronouncements will have, if any, on it future combined financial statements.

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

	2008	2007
Fair market value:		
U.S. government and government agency obligations	$ 10,395	$ 10,421
Corporate obligations	4,583	3,493
Mutual funds	502	551
Annuities	89	57
	15,569	14,522
Equity method:		
Lucent - common stock	193	250
	$ 15,762	$ 14,772

3. INVESTMENTS, continued:

Investments include $1,048,000 and $994,000 related to liabilities under annuity agreements at June 30, 2008 and 2007, respectively.

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

	2008	2007
Fair market value:		
Interest and dividends on investments	$ 680	$ 662
Interest on cash and cash equivalents	456	499
Unrealized and realized gains on investments	181	210
	1,317	1,371
Equity method:		
Unrealized and realized gains on investments	(57)	-
	$ 1,260	$ 1,371

4. LAND, BUILDINGS AND EQUIPMENT, NET:

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

	2008	2007
Buildings and improvements	$ 14,084	$ 13,353
Computer equipment	742	709
Other equipment	1,876	1,859
Furniture and fixtures	2,186	2,078
	18,888	17,999
Less accumulated depreciation and amortization	(10,884)	(10,406)
	8,004	7,593
Land	1,682	1,682
Construction in process	-	44
	$ 9,686	$ 9,319

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Combined Financial Statements
June 30, 2008 and 2007

5. RETIREMENT PLANS:

InterVarsity froze its defined benefit plan on March 31, 2007, and terminated the plan in fiscal year 2008. Participants had the option of a lump sum or an annuity. Defined benefit plan participants were moved to the defined contribution plan on April 1, 2007.

InterVarsity used a June 30 measurement date for its defined benefit plan. The following table presents details about InterVarsity's defined benefit pension plan, including projected benefit obligation, fair value of plan assets, funded status and components of net periodic benefit cost (in thousands):

	2008	2007
Change in benefit obligation (in thousands):		
Benefit obligation at beginning of year	$ 22,067	$ 20,817
Service cost	-	770
Interest cost	552	1,275
Amendments (curtailment gain)	-	(8,191)
Actuarial (gain) loss	(859)	7,589
Benefits paid	(21,760)	(193)
Benefit obligation at end of year	$ -	$ 22,067
Change in plan assets (in thousands):		
Fair value of plan assets at beginning of year	$ 20,991	$ 19,385
Actual return on plan assets	399	1,299
Employer contribution	370	500
Benefits paid	(21,760)	(193)
Fair value of plan assets at end of year	$ -	$ 20,991
Funded status (accrued pension liability)	$ -	$ (1,076)
Components of net periodic benefit cost (in thousands):		
Service cost	$ -	$ 770
Interest cost	552	1,275
Expected return on plan assets	(525)	(1,534)
Amortization of prior service cost	-	34
Net periodic benefit cost	27	545
Settlement	(510)	-
Total	$ (483)	$ 545

5. RETIREMENT PLANS, continued:

Other changes in plan assets and benefit obligations (in thousands):

	2008	2007
Net gain	$ (734)	$ (342)
Settlement recognition	510	-
Curtailment recognition	-	(23)
Amortization of prior service cost	-	(35)
	$ (224)	$ (400)
Total recognized in change in net assets	$ (707)	$ 145

InterVarsity did not have any plan assets returned during the years ended June 30, 2008 or 2007.

As of June 30, 2007, the InterVarsity's projected benefit obligation under its pension plan exceeded the fair value of the plan assets by $1,076,000. Thus, the plan was under-funded. InterVarsity adopted SFAS No. 158 during the year ended June 30, 2007. This change in accounting principle had the following effect on InterVarsity's combined statement of financial position as of June 30, 2007 (in thousands):

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

Weighted averaged assumptions used to determine benefit obligations and net periodic benefit cost at June 30, 2008 and 2007, and for the years then ended were (in thousands):

	2008	2007
Discount rate	5.00%	5.00%
Expected long-term return on plan assets	8.00%	8.00%
Rate of compensation increase	4.95%	4.95%

InterVarsity 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.

During fiscal 2008, InterVarsity terminated the defined benefit plan and distributed all plan assets to plan participants. Estimated future benefit payments of $22,067,000, which reflect expected future service, as appropriate, were paid during the year ended June 30, 2008. In order to fully fund the plan termination beyond plan assets, InterVarsity made a contribution of $370,000.

5. RETIREMENT PLANS, continued:

InterVarsity's deferred benefit plan weighted average asset allocations at June 30, by asset category, are as follows (in thousands):

Asset category	2008	2007
Debt securities	0%	97%
Cash and cash equivalents	0%	3%
Total	0%	100%

InterVarsity has an investment policy that dictates which asset types are permissible, investment philosophy, guidelines and delegation of specific duties. Because of the termination of the defined benefit plan in fiscal year 2007, the assets were shifted from equities to short term bonds (less than 1 year) and cash equivalents.

InterVarsity also has a defined contribution 403(b) plan covering substantially all employees. Under the plan, InterVarsity 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, 2008 and 2007, were $410,000 and $389,000, respectively.

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

Additionally, InterVarsity added four transitional benefits for the defined benefit plan participants who were switched to the defined contribution plan. Qualification for transitional benefits is 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 $1,033,000 and $343,000 for the years ended June 30, 2008 and 2007, respectively. Transition benefit contributions were $825,000 and $194,000 for the years ended June 30, 2008 and 2007, respectively.

6. MEDICAL INSURANCE CLAIMS PAYABLE:

InterVarsity self insures the medical expenses of those employees under which InterVarsity is responsible for the first $175,000 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. There is also an individual lifetime maximum limit of $2 million. The accrual is based on an estimate of outstanding claims at June 30; however, the actual liability is unknown and exposure to losses in excess of the accrued reserve may exist. Management believes the liability reflected in the combined statements of financial position is adequate to cover future losses. Claims expense and insurance costs under this program totaled $5,288,000 and $5,253,000 for the years ended June 30, 2008 and 2007, respectively.

7. DEFERRED COMPENSATION LIABILITY:

InterVarsity has a non-qualified supplemental pension and deferred compensation program. The deferred compensation is accrued during employment years and payments are subsequently charged against the liability. Upon retirement or termination of employment, there are various payment options available. Upon death, proceeds will be distributed in a lump sum. InterVarsity did not make a contribution in 2008 and 2007. Interest expense on deferred compensation liabilities was $5,000 at both June 30, 2008 and 2007. The deferred compensation liability totaled $107,000 and $83,000 for the years ended June 30, 2008 and 2007, respectively, and is included in accounts payable and accrued liabilities in the combined statement of financial position.

8. TRUST AND ANNUITY AGREEMENTS:

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

	2008	2007
Gift annuity liability	$ 545	$ 541
Revocable trusts and loan agreements	160	119
Total	$ 705	$ 660

9. COMMITMENTS:

InterVarsity has available a $2 million unsecured line of credit which expired October 31, 2007. The line of credit was not renewed during 2008. There was no outstanding indebtedness under this line as of June 30, 2008 and 2007. Also available to InterVarsity is an unsecured standby letter of credit in the amount of $200,000, which expires December 31, 2008. There was no outstanding balance at June 30, 2008. A balance of $93,000 existed as of June 30, 2007.

As of June 30, 2007, InterVarsity has a commitment for office renovations for $338,000. There were no outstanding commitments at June 30, 2008.

10. OPERATING LEASES:

InterVarsity leases various facilities under operating leases expiring at various times through 2020. Generally, the leases provide that InterVarsity pays taxes, insurance, maintenance and other costs associated with use of the facilities. In 2008 and 2007, InterVarsity incurred rent expense of $361,000 and $392,000, respectively, under these leases.

Future minimum lease payments under InterVarsity's non-cancelable operating leases are as follows (in thousands):

Years ending June 30,		
2009	$	171
2010		53
2011		5
2012		5
2013		1
	$	235

11. RELATED PARTY TRANSACTIONS:

During fiscal year 2008, the Press began co-printing a book with InterVaristy Press - United Kingdom (IVP-UK). IVP-UK's copies are printed and shipped from the United States then billed by the Press to IVP-UK. The receivable due to InterVarsity at June 30, 2008 is $101,000. The total amount billed to IVP-UK during the year ended June 30, 2008 was $120,000.

12. INCOME TAXES:

InterVarsity has received a determination dated May 1985 from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. InterVarsity does pay unrelated business income tax on certain of its activities which are deemed to be unrelated to its exempt purpose; however, InterVarsity is currently not paying any unrelated business income tax due to federal and state operating loss carryforwards of $63,000. The carryforwards expire as follows (in thousands):

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
$	63		$	63	

13. TEMPORARILY RESTRICTED NET ASSETS:

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

	2008	2007
Ministry expenses for specific staff	$ 5,414	$ 4,841
Area and regional programs and projects	4,757	4,828
Chapter growth and building initiatives	1,599	715
Support for the work at specific schools	1,094	824
Evangelism initiatives on campus	576	243
Scholarships for camps and conferences	521	498
	$ 13,961	$ 11,949

14. URBANA MISSIONS CONVENTION:

Overall revenue and expenses for the year ended June 30, 2008 were down from the prior fiscal year. The primary reason for this change is that every three years, InterVarsity sponsors the Urbana Missions Convention which was held during last fiscal year. Urbana 2006 revenue and expenses were $7,211,000 and $6,857,000, respectively, in the year ended June 30, 2007. See supplemental schedule for more information.

15. FUNCTIONAL EXPENSES:

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

	2008			
	Program	Management and general	Fund-raising	Total
Salaries & payroll taxes	$ 34,734	$ 3,494	$ 3,933	$ 42,161
Education & training	197	20	12	229
Benefits	6,131	625	752	7,508
Professional fees	1,112	990	131	2,233
Supplies	802	131	11	944
Telephone, email & web access	533	95	11	639
Postage & shipping	974	47	165	1,186
Occupancy	1,162	317	5	1,484
Equipment	541	349	17	907
Depreciation	360	275	-	635
Printing & publications	948	48	258	1,254
Travel	5,183	168	89	5,440
Conference, conventions & meetings	4,450	98	32	4,580
Advertising/promotion	658	26	-	684
Bad debts	-	80	-	80
Support to other missions	3,104	-	-	3,104
Interest	-	-	80	80
Interdepartmental charges	250	(232)	(18)	-
Cost of sales	5,090	-	-	5,090
Other	242	56	4	$ 302
	$ 66,471	$ 6,587	$ 5,482	$ 78,540
% of total expenses	84.6%	8.4%	7.0%	

Notes to Combined Financial Statements
June 30, 2008 and 2007

15. FUNCTIONAL EXPENSES, continued:

	2007			
	Program	Management and general	Fund-raising	Total
Salaries & payroll taxes	$ 32,846	$ 3,661	$ 3,775	$ 40,282
Education & 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 & web access	513	96	12	621
Postage & shipping	1,000	48	169	1,217
Occupancy	1,338	550	6	1,894
Equipment	675	380	26	1,081
Printing & publications	1,192	58	228	1,478
Travel	5,843	249	109	6,201
Conference, conventions & meetings	5,774	97	183	6,054
Advertising/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
% of total expenses	85.1%	8.3%	6.6%	

SUPPLEMENTAL INFORMATION

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 351 South Main Place, Suite 210 Carol Stream, IL 60188 630.682.9797 630.682.8625 fax

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

Board of Directors
InterVarsity Christian Fellowship/USA
Madison, Wisconsin

Our report on our audit of the combined financial statements of InterVarsity Christian Fellowship/USA as of June 30, 2008, appears on page one. This audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The information on the following page has been subjected to the auditing procedures applied in the audits of the combined financial statements and is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual ministry areas. Accordingly, we do not express an opinion on the financial position and changes in net assets of the individual ministry areas. However, in our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Capin Crouse LLP

Carol Stream, Illinois
October 13, 2008

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Supplemental Schedule - Activities by Ministry Area

Combined Statements of Activities

(in thousands)

	For the Year Ended June 30, 2008						For the Year Ended June 30, 2007					
	Unrestricted				Temporarily		Unrestricted				Temporarily	
	Core Ministries	Press	Camps	Urbana	Restricted	Total	Core Ministries	Press	Camps	Urbana	Restricted	Total
SUPPORT AND REVENUE:												
Donations	$ 51,996	$ 33	$ 478	$ 182	$ 7,328	$ 60,017	$ 50,674	$ 93	$ 626	$ 2,079	$ 5,471	$ 58,943
Sales of books and media	332	14,202	140	14	-	14,688	471	14,144	158	952	13	15,738
Conference fees	2,567	-	2,878	-	-	5,445	2,478	-	2,390	4,696	9	9,573
Royalties and commissions	45	282	-	-	-	327	9	251	-	-	-	260
Investment income	1,250	-	7	-	3	1,260	1,262	-	13	-	96	1,371
Other income	-	7	-	-	-	7	2	8	-	201	-	211
Net assets released from restrictions	5,534	-	(55)	(160)	(5,319)	-	4,442	(10)	(21)	(717)	(3,694)	-
	61,724	14,524	3,448	36	2,012	81,744	59,338	14,486	3,166	7,211	1,895	86,096
EXPENSES:												
Program	51,459	11,338	3,109	565	-	66,471	49,086	11,156	2,962	5,842	-	69,046
Administrative	4,086	2,501	-	-	-	6,587	4,682	2,088	-	-	-	6,770
Fund-raising and communications	5,482	-	-	-	-	5,482	5,388	-	-	-	-	5,388
Inter-company cost allocations	(817)	590	227	-	-	-	(1,815)	572	228	1,015	-	-
FASB statement No. 158 effect	-	-	-	-	-	-	223	-	-	-	-	223
	60,210	14,429	3,336	565	-	78,540	57,564	13,816	3,190	6,857	-	81,427
Change in net assets	1,514	95	112	(529)	2,012	3,204	1,774	670	(24)	354	1,895	4,669
Net assets, beginning of year	12,151	10,357	651	589	11,949	35,697	10,377	9,687	675	235	10,054	31,028
Net assets, end of year	$ 13,665	$ 10,452	$ 763	$ 60	$ 13,961	$ 38,901	$ 12,151	$ 10,357	$ 651	$ 589	$ 11,949	$ 35,697