



INTERVARSITY CHRISTIAN
FELLOWSHIP/USA

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

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INDEPENDENT AUDITORS' REPORT

Audit Committee
InterVarsity Christian Fellowship/USA
Madison, Wisconsin

We have audited the accompanying consolidated financial statements of InterVarsity Christian Fellowship/USA which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Committee
InterVarsity Christian Fellowship/USA
Madison, Wisconsin

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of InterVarsity Christian Fellowship/USA as of June 30, 2021 and 2020, and the changes in the consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the consolidated financial statements, InterVarsity discontinued operations of Campus By The Sea and Cedar Campus during the years ended June 30, 2021 and 2020, respectively, which qualified as discontinued operations and resulted in the necessary disclosures on the consolidated statement of activities and footnotes. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Naperville, IL
October 15, 2021

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Consolidated Statements of Financial Position (in thousands)

	June 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 7,363	\$ 4,202
Investments	51,275	36,905
Property held for sale	965	-
Receivables:		
Trade and subscribers, less allowance for doubtful receivables and returns of \$192,000 and \$205,000 in 2021 and 2020, respectively	3,007	4,460
Donations	986	936
Royalty advances, less allowance for doubtful receivables of \$880,000 and \$936,000 in 2021 and 2020, respectively	2,874	2,555
Miscellaneous	177	178
Books and supplies inventory, net	3,733	3,655
Prepaid expenses, deposits and other assets	1,150	1,059
Land, buildings and equipment, net	10,462	12,518
Total Assets	\$ 81,992	\$ 66,468
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 4,010	\$ 3,856
Medical insurance claims payable	863	863
Trust and annuity agreements	300	265
Royalties payable	2,519	2,281
Deferred revenue	109	212
	7,801	7,477
Net assets:		
Net assets without donor restrictions	45,148	36,512
Net assets with donor restrictions	29,043	22,479
	74,191	58,991
Total Liabilities and Net Assets	\$ 81,992	\$ 66,468

See notes to consolidated financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Consolidated Statements of Activities

(in thousands)

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Donations	\$ 71,515	\$ 21,803	\$ 93,318	\$ 72,187	\$ 14,785	\$ 86,972
Sales of books and media	18,389	-	18,389	19,630	-	19,630
Conference fees	307	-	307	2,452	-	2,452
Royalties and commissions	724	-	724	622	-	622
Investment income	8,873	-	8,873	2,165	-	2,165
Other income	189	-	189	365	-	365
	99,997	21,803	121,800	97,421	14,785	112,206
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of program restrictions	15,239	(15,239)	-	16,021	(16,021)	-
	115,236	6,564	121,800	113,442	(1,236)	112,206
EXPENSES:						
Program	79,746	-	79,746	84,817	-	84,817
Administrative	12,508	-	12,508	13,618	-	13,618
Fundraising and communications	12,250	-	12,250	11,526	-	11,526
	104,504	-	104,504	109,961	-	109,961
Change in Net Assets from Continuing Operations	10,732	6,564	17,296	3,481	(1,236)	2,245
Discontinued operations—loss on discontinued operations (includes loss on disposal of \$1,293,000 and \$1,423,000 for 2021 and 2020, respectively) Note 14	(2,096)	-	(2,096)	(2,206)	-	(2,206)
Change in Net Assets	8,636	6,564	15,200	1,275	(1,236)	39
Net Assets, Beginning of Year	36,512	22,479	58,991	35,237	23,715	58,952
Net Assets, End of Year	\$ 45,148	\$ 29,043	\$ 74,191	\$ 36,512	\$ 22,479	\$ 58,991

See notes to consolidated financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Consolidated Statements of Cash Flows (in thousands)

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 15,200	\$ 39
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization of buildings and equipment	967	1,104
Unrealized and realized gains on investments	(8,025)	(1,324)
Donated land, buildings, and equipment	(965)	-
Loss on disposal of assets	1,293	1,423
Actuarial change in value of annuities and trusts, net of payments	10	(7)
Changes in:		
Receivables	1,085	(40)
Books and supplies inventory	(78)	83
Prepaid expenses, deposits and other assets	(91)	189
Accounts payable and other accrued liabilities	154	(849)
Royalties payable	238	202
Deferred revenue	(103)	(44)
Net Cash Provided by Operating Activities	9,685	776
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(34,566)	(3,890)
Proceeds from sales and maturities of investments	28,221	5,071
Purchases of buildings and equipment	(204)	(467)
Net Cash (Used) Provided by Investing Activities	(6,549)	714
CASH FLOWS FROM FINANCING ACTIVITIES:		
New annuity agreements	25	-
Annuity and trust payments	-	(27)
Net Cash Provided (Used) by Financing Activities	25	(27)
Net Change in Cash and Cash Equivalents	3,161	1,463
Cash and Cash Equivalents, Beginning of Year	4,202	2,739
Cash and Cash Equivalents, End of Year	\$ 7,363	\$ 4,202

See notes to consolidated financial statements

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 consolidated 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, operating reserves fund and InterVarsity Press (IVP), which is a publisher of Christian books, pamphlets and other written materials. Effective September 11, 2020, IVP became a separate single-member limited liability company organized in the state of Delaware. The sole member of IVP is InterVarsity, and, for federal tax purposes, IVP is disregarded as an entity separate from InterVarsity and subject to InterVarsity's tax exemption. InterVarsity Ministries includes the camp fund. All significant interfund and intercompany balances and transactions have been eliminated. The majority of InterVarsity's revenues result from donations, product sales and conference fees.

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

2. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis of accounting. The preparation of consolidated 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 and disclosures. Actual amounts could differ from these estimates. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

Amounts classified as cash and cash equivalents in the consolidated statements 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 InterVarsity's policy to liquidate the donated securities immediately.

InterVarsity has cash and cash equivalents deposited in financial institutions in which the balances exceed the federal government agency (FDIC) insured limit. At June 30, 2021 and 2020, InterVarsity's cash balances exceeded federally insured limits by \$6,667,000 and \$3,589,000, respectively. InterVarsity monitors the credit worthiness of the financial institutions which holds their cash and does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY HELD FOR SALE

Property held for sale at June 30, 2021, consists of donated property located in Livermore, California. The real estate held for sale was reported at the lower of its carrying amount or fair value less estimated selling costs. Subsequent to year end the property was sold.

INVESTMENTS

InterVarsity invests, along with several other not-for-profit organizations, in a captive insurance holding company, Lucent Insurance, Ltd. (Lucent). InterVarsity is accounting for this investment using the equity method. Lucent reinsures 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.

Investments in marketable equity securities with readily determinable fair values and all investment in debt securities are stated at fair value. Realized and unrealized gains and losses are reflected in the consolidated statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

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 and sales returns (\$320,000 and \$332,000 for 2021 and 2020, respectively). 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, 2021 and 2020, trade accounts receivable past due 90 days or more totaled \$61,000 and \$173,000, respectively.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ROYALTY ADVANCES

IVP has entered into book publishing agreements with various artists and authors. IVP 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 InterVarsity anticipates that the future product sales do not earn back the royalty advance, an allowance for doubtful royalties is recorded.

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 (in thousands):

	June 30,	
	2021	2020
Books and merchandise	\$ 3,832	\$ 3,672
Supplies	112	160
	<u>3,944</u>	<u>3,832</u>
Reserve for slow-moving inventory	<u>(211)</u>	<u>(177)</u>
	<u>\$ 3,733</u>	<u>\$ 3,655</u>

LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

Computer software owned by InterVarsity and 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. InterVarsity does not capitalize software development costs for software-as-a-services licenses. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	31.5 years to 39 years
Computer, software and equipment	3 - 5 years
Other equipment	3 years
Furniture and fixtures	7 years

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 support without donor restriction at the date of the gift, unless the gift portion is restricted by donor imposed stipulations. InterVarsity uses industry standard practices to calculate the actuarial annuity liability, using IRS published mortality rate tables at a 3.5% assumed rate of return. Assets related to annuity agreements are included in investments. In accordance with the regulations of the State of Wisconsin, InterVarsity maintains a cash reserve of the greater of \$100,000 or 10% of annuities payable as security for life annuities. As trustee, InterVarsity administers limited revocable 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 mission 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. See Note 7.

DEFERRED REVENUE

Income from the Urbana conference and camp fees are deferred and recognized in the period the event occurs. Performance obligations for conferences and camps are delivered over the term of the event. Consequently, associated revenues are earned and recognized over the course of each event as the services are delivered.

NET ASSETS

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

Net assets without donor restrictions are currently available for ministry purposes under the direction of the Board and those designated by the Board for a specific use.

Net assets with donor restrictions 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.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 support without donor restrictions. Current year amounts received for specific ministry programs that have not yet been expended at year-end are reported as support with donor restrictions. When such amounts are expended for the specific ministry program in future periods, they are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions are subject to a 13% administrative assessment, which is used to cover general and administrative costs, ministry support and grants to staff with financial needs. 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.

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 consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited and are allocated on estimated time and effort. The supporting activities are indispensable to the conduct of the program services and to InterVarsity's existence.

SHIPPING AND HANDLING COSTS

Total costs for shipping and handling were \$391,000 and \$450,000 for the years ended June 30, 2021 and 2020, respectively. Shipping and handling fees to customers of \$162,000 and \$148,000 for the years ended June 30, 2021 and 2020, respectively, were used to offset these costs and were netted against program postage and shipping expense.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

3. INVESTMENTS:

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

	June 30,	
	2021	2020
Fair market value:		
U.S. Treasury Notes	\$ 833	\$ 2,688
Money market funds	3,405	-
Mutual funds	45,149	32,716
	<u>49,387</u>	<u>35,404</u>
Equity method:		
Investment in Lucent captive insurance holding company	<u>1,888</u>	<u>1,501</u>
	<u>\$ 51,275</u>	<u>\$ 36,905</u>

Investments include \$603,000 and \$579,000 related to liabilities under annuity agreements at June 30, 2021 and 2020, respectively.

INVESTMENT IN CAPTIVE INSURANCE COMPANY

InterVarsity, along with 9 other nonprofit organizations, are members of an offshore captive insurance holding company, Lucent Insurance, Ltd. (Lucent). Beginning on September 11, 2018, there is one wholly-owned subsidiary of Lucent, Lucent Reinsurance, Ltd. (Lucent Re). InterVarsity owns a non-controlling interest of the common stock of the captive insurance and is accounting for the investment under the equity method, due to its ability to exercise significant influence over the operations of Lucent.

Lucent insures claims relating to workers' compensation, general liability, property and automobile liability. Lucent pays the first \$250,000 of any covered claim and Lucent Re pays the next \$100,000 with the remaining coverage paid by a primary insurance carrier.

InterVarsity's investment in Lucent was approximately \$1,888,000 and \$1,501,000 as of June 30, 2021 and 2020, respectively, which represents 12.7% and 12.8% of Lucent's total equity, respectively. Financial information is recorded as of May 31, which represents the most recent data available. InterVarsity is not aware of any material changes to these balances as of June 30, 2021 and 2020. InterVarsity has paid approximately \$333,000 and \$534,000 in premiums to Lucent during the years ended June 30, 2021 and 2020, respectively. InterVarsity has received approximately \$82,000 and \$159,000 in reimbursements from Lucent during the years ended June 30, 2021 and 2020, respectively. InterVarsity recorded dividends from Lucent of \$200,000, during both years ended June 30, 2021 and 2020, respectively.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

3. INVESTMENTS, continued:

Summary financial information of Lucent is as follows, rounded to the nearest thousand, at June 30:

	2021	2020
Total assets	\$ 20,973	\$ 17,734
Total liabilities	\$ 6,138	\$ 6,008
Comprehensive income (net of dividends)	\$ 1,901	\$ (50)

Amounts represent unaudited balances and activities through and for the years ended May 31, 2021 and 2020.

4. FAIR VALUE MEASUREMENTS:

InterVarsity adopted the provisions of the *Fair Value Measurements and Disclosure* topic of the FASB ASC. These standards define fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Fair value is defined under the standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurements date.

FASB ASC establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC fair value hierarchy in which the fair value measurements fall at, (in thousands):

	Fair Value	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
June 30, 2021:			
Financial assets:			
U.S. Treasury Notes	\$ 833	\$ -	\$ 833
Money market funds	3,405	3,405	-
Mutual funds:			
Equity fund	11,014	11,014	-
Bond funds	6,757	6,757	-
Balanced funds	27,378	27,378	-
	\$ 49,387	\$ 48,554	\$ 833

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
June 30, 2020:			
Financial assets:			
U.S. Treasury Notes	\$ 2,688	\$ -	\$ 2,688
Mutual funds:			
Equity fund	3,070	3,070	-
Bond funds	8,780	8,780	-
Balanced funds	20,866	20,866	-
	\$ 35,404	\$ 32,716	\$ 2,688

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Level 1 Fair Value Measurements

The fair values of mutual funds are based on quoted market prices.

Level 2 Fair Value Measurements

The fair value of corporate obligations and U.S. Treasury Notes are based on yields currently available on comparable securities with similar credit ratings.

5. LAND, BUILDINGS AND EQUIPMENT, NET:

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

	June 30,	
	2021	2020
Buildings and improvements	\$ 15,264	\$ 19,685
Computer equipment	3,114	3,108
Other equipment	1,106	1,576
Furniture and fixtures	1,824	2,188
	21,308	26,557
Less accumulated depreciation and amortization	(11,907)	(15,228)
	9,401	11,329
Land	1,061	1,189
	\$ 10,462	\$ 12,518

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

6. MEDICAL INSURANCE CLAIMS PAYABLE:

InterVarsity self insures the medical expenses of eligible employees. Under the self insurance plan, InterVarsity is responsible for the first \$300,000 of covered medical expenses per person per year. Claims of any individual in excess of this amount are covered by an excess loss insurance policy. An accrued liability for claims payable is recorded 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 liability may exist. Management believes the liability reflected in the consolidated statements of financial position is adequate to cover future losses. Claims expense and insurance costs under this program totaled \$9,197,000 and \$9,965,000 for the years ended June 30, 2021 and 2020, respectively.

7. TRUST AND ANNUITY AGREEMENTS:

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

	June 30,	
	2021	2020
Gift annuity liability	\$ 223	\$ 198
Revocable trusts and loan agreements	77	67
	\$ 300	\$ 265

8. 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 2021 and 2020, InterVarsity incurred rent expense of \$376,000 and \$498,000, respectively, under these leases and others that operate on a month to month basis.

In 2015, InterVarsity was assigned a lease on property in Wisconsin. The original lease began in 2000 with a 50 year life and provides two options to extend for terms of 20 years each. The property is evaluated every five years for increases in property value with the lease payments adjusted accordingly. Land lease expense was \$105,000 and \$100,000 for the years ended June 30, 2021 and 2020, respectively.

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

Year ending June 30,	
2022	\$ 252
2023	111
2024	109
2025	109
2026	114
Thereafter	3,415
	\$ 4,110

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following activities as of (in thousands):

	June 30,	
	2021	2020
Ministry expenses for specific staff	\$ 13,972	\$ 9,380
Area, regional and national programs and projects	9,047	8,409
Support for the work at specific schools	4,476	3,483
Scholarships for camps and conferences	1,548	1,207
	\$ 29,043	\$ 22,479

10. FUNCTIONAL EXPENSES:

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

	June 30, 2021			
	Program	Management and General	Fundraising	Total
Salaries & payroll taxes	\$ 52,569	\$ 6,761	\$ 9,602	\$ 68,932
Benefits	9,600	1,210	745	11,555
Cost of sales	7,084	-	-	7,084
Travel	1,495	63	119	1,677
Office expenses	2,167	388	1,006	3,561
Information technology	1,204	968	127	2,299
Conference, conventions & meetings	453	46	32	531
Professional fees	1,394	1,536	535	3,465
Occupancy	310	327	-	637
Advertising/promotion	1,579	44	-	1,623
Depreciation	352	615	-	967
Equipment	542	312	18	872
Education & training	441	18	11	470
Support to other missions	298	-	-	298
Other	146	1	12	159
Insurance	92	219	1	312
Interest	20	-	42	62
	\$ 79,746	\$ 12,508	\$ 12,250	\$ 104,504
% of Total Expenses	76.3%	12.0%	11.7%	

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

10. FUNCTIONAL EXPENSES, continued:

	June 30, 2020			
	Program	Management and General	Fundraising	Total
Salaries & payroll taxes	\$ 51,734	\$ 6,985	\$ 9,092	\$ 67,811
Benefits	9,886	1,421	655	11,962
Cost of sales	7,239	-	-	7,239
Travel	5,185	256	263	5,704
Office expenses	2,138	342	884	3,364
Information technology	1,135	1,795	93	3,023
Conference, conventions & meetings	2,694	76	94	2,864
Professional fees	1,048	1,109	346	2,503
Occupancy	834	611	16	1,461
Advertising/promotion	1,202	22	-	1,224
Depreciation	485	619	-	1,104
Equipment	456	354	28	838
Education & training	400	28	9	437
Support to other missions	326	-	-	326
Other	55	-	14	69
Interest	-	-	32	32
	<u>\$ 84,817</u>	<u>\$ 13,618</u>	<u>\$ 11,526</u>	<u>\$ 109,961</u>
 % of Total Expenses	 77.1%	 12.4%	 10.5%	

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

11. RETIREMENT PLAN:

InterVarsity maintains a defined contribution retirement plan (the Plan), under Section 403(b) of the IRC, for the benefit of all eligible employees as defined in the plan document. The Plan provides for InterVarsity to match 50% of the first 6% contributed by employees. In addition, InterVarsity makes a base contribution for each eligible employee based on years of service that ranges from 2% to 4%. For the years ended June 30, 2021 and 2020, retirement plan expense was approximately \$3,548,000 and \$3,340,000, respectively.

12. COMMITMENTS:

InterVarsity has available a \$3,000,000 unsecured line of credit which carries an interest rate of 2% and expires November 22, 2021. There was no outstanding indebtedness under this agreement as of June 30, 2021 and 2020.

InterVarsity has signed contracts for several hotels and a conference center for the Urbana 2022 conference. Each contract contains a liquidated damages provision that is triggered if InterVarsity cancels the agreement without cause at any time after the contract is signed and increases the amount of liquidated damages owed for any such cancellation as the date of the conference gets closer.

A contract was signed by InterVarsity for the 2024 National Staff Conference for a conference center. This event is typically held every three years. The contract contains a liquidated damages provision that is triggered if InterVarsity cancels the agreement without cause at any time after the contract is signed and increases the amount of liquidated damages owed for any such cancellation as the date of the conference gets closer.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

13. LIQUIDITY AND AVAILABILITY OF RESOURCES:

InterVarsity regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds in accordance with the investment policy annually reviewed and affirmed by the Board of Trustees. The following reflects the financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or because the governing board has set aside the funds for specific contingency reserves and projects within one year of the balance sheet date. Board designations could be drawn upon if the Board approves that action.

	June 30,	
	2021	2020
Financial assets: (in thousands)		
Cash and cash equivalents	\$ 7,363	\$ 4,202
Investments	51,275	36,905
Receivables:		
Trade	3,007	4,460
Donations	986	936
Financial assets, at year-end	62,631	46,503
Less those unavailable for operating needs within on year, due to:		
Investment in captive insurance company	1,888	1,501
Investments held in annuity trust	300	265
Donor restricted net assets	3,439	3,116
	5,627	4,882
Financial assets available to meet cash needs for general expenditures within one year	\$ 57,004	\$ 41,621

As part of liquidity management, InterVarsity has a policy to structure its financial assets to be available as its general operating needs, liabilities, and other obligations come due and part of this strategy includes the ability to draw on a line of credit for operating need up to \$3,000,000. InterVarsity has \$29,043,000 in net assets with donor restrictions for campus staff and project support as of June 30, 2021. Approximately \$25,604,000 of these funds are considered available to meet needs for general expenditures within one year.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

14. DISCONTINUED OPERATIONS:

During the year ended June 30, 2021, InterVarsity made a strategic decision to divest of Campus By The Sea. InterVarsity signed an operational transfer agreement effective May 18, 2021, for another organization to take over operations of the camp. A sublease agreement was also signed on May 18, 2021, where InterVarsity will sublease the Campus By The Sea property, plant and equipment to the new operating organization through December 31, 2021. Per the operational transfer agreement, at the conclusion of the sublease, InterVarsity commits to transfer all fixed assets to the new organization for consideration of \$1. As a result, property, plant, and equipment of Campus By The Sea was considered held for sale at year end and a loss on assets held for sale of \$1,293,000 was recorded.

During the year ended June 30, 2020, InterVarsity made a strategic decision to divest of Cedar Campus. InterVarsity signed an agreement to transfer ownership of Cedar Campus and its related assets to new owners to take effect on September 30, 2020. As a result, property, plant, and equipment of Cedar Campus was considered held for sale at year end and a loss on assets held for sale of \$1,423,000 was recorded.

The net change in net assets from this program is shown as discontinued operations on the consolidated statements of activities. The following activity is included in discontinued operations:

	June 30,	
	2021	2020
Support and revenue:		
Donations	\$ 287	\$ 154
Sales of books and media	52	25
Conference fees	157	603
Loss on disposal of assets	(1,293)	(1,423)
	<u>(797)</u>	<u>(641)</u>
Expenses:		
Program	1,299	1,565
	<u>1,299</u>	<u>1,565</u>
Loss on discontinued operations	<u>\$ (2,096)</u>	<u>\$ (2,206)</u>

15. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of InterVarsity for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 15, 2021, which represents the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Audit Committee
InterVarsity Christian Fellowship/USA
Madison, Wisconsin

We have audited the consolidated financial statements of InterVarsity Christian Fellowship/USA as of and for the years ended June 30, 2021 and 2020, and our report thereon dated October 15, 2021, which expresses an unmodified opinion on those consolidated financial statements, appears on page 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedule of consolidated statements of activities of the individual ministry areas are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Naperville, IL
October 15, 2021

INTERVARSITY CHRISTIAN FELLOWSHIP/USA

Supplemental Schedule - Activities by Ministry Area

Consolidated Statements of Activities

(in thousands)

	Year Ended June 30, 2021							Year Ended June 30, 2020						
	Without Donor Restrictions					With Donor Restrictions	Total	Without Donor Restrictions					With Donor Restrictions	Total
	Core Ministries	IVP	Camps	Urbana	Strategic Plan			Core Ministries	IVP	Camps	Urbana	Strategic Plan		
SUPPORT AND REVENUE:														
Donations	\$ 64,539	\$ 11	\$ 58	\$ 124	\$ 6,783	\$ 21,803	\$ 93,318	\$ 67,406	\$ 1	\$ 261	\$ 149	\$ 4,370	\$ 14,785	\$ 86,972
Sales of books and media	489	17,898	-	2	-	-	18,389	(72)	19,634	54	15	(1)	-	19,630
Conference and rental fees	158	-	123	-	26	-	307	1,074	-	1,378	-	-	-	2,452
Royalties and commissions	104	620	-	-	-	-	724	110	512	-	-	-	-	622
Investment income	8,861	12	-	-	-	-	8,873	2,165	-	-	-	-	-	2,165
Other income	189	-	-	-	-	-	189	363	1	1	-	-	-	365
Net assets released from restrictions	13,204	-	-	-	2,035	(15,239)	-	11,259	-	-	-	4,762	(16,021)	-
	<u>87,544</u>	<u>18,541</u>	<u>181</u>	<u>126</u>	<u>8,844</u>	<u>6,564</u>	<u>121,800</u>	<u>82,305</u>	<u>20,148</u>	<u>1,694</u>	<u>164</u>	<u>9,131</u>	<u>(1,236)</u>	<u>112,206</u>
EXPENSES:														
Program	65,049	12,749	344	745	859	-	79,746	68,145	12,867	2,405	523	877	-	84,817
Administrative	6,747	4,465	-	-	1,296	-	12,508	7,593	4,080	-	-	1,945	-	13,618
Fundraising and communications	11,069	-	-	-	1,181	-	12,250	10,233	-	-	-	1,293	-	11,526
Inter-company cost allocations	(556)	585	13	2	(44)	-	-	(1,063)	993	152	1	(83)	-	-
	<u>82,309</u>	<u>17,799</u>	<u>357</u>	<u>747</u>	<u>3,292</u>	<u>-</u>	<u>104,504</u>	<u>84,908</u>	<u>17,940</u>	<u>2,557</u>	<u>524</u>	<u>4,032</u>	<u>-</u>	<u>109,961</u>
Change in Net Assets from Continuing Operations	5,235	742	(176)	(621)	5,552	6,564	17,296	(2,603)	2,208	(863)	(360)	5,099	(1,236)	2,245
Discontinued Operations	-	-	(2,096)	-	-	-	(2,096)	-	-	(2,206)	-	-	-	(2,206)
Change in Net Assets	5,235	742	(2,272)	(621)	5,552	6,564	15,200	(2,603)	2,208	(3,069)	(360)	5,099	(1,236)	39
Net Assets, Beginning of Year	22,485	15,341	(3,504)	(1,033)	3,223	22,479	58,991	25,088	13,133	(435)	(673)	(1,876)	23,715	58,952
Net Assets, End of Year	<u>\$ 27,720</u>	<u>\$ 16,083</u>	<u>\$ (5,776)</u>	<u>\$ (1,654)</u>	<u>\$ 8,775</u>	<u>\$ 29,043</u>	<u>\$ 74,191</u>	<u>\$ 22,485</u>	<u>\$ 15,341</u>	<u>\$ (3,504)</u>	<u>\$ (1,033)</u>	<u>\$ 3,223</u>	<u>\$ 22,479</u>	<u>\$ 58,991</u>

Note: The last Urbana convention occurred in the fiscal year ending June 30, 2019, and the next Urbana convention is December 28-31, 2022.

Note: InterVarsity has adopted the policy that restricted gifts received and used in the same year are considered donations without donor restrictions. Gifts restricted for the Strategic Plan, for example, that were received and released in the current year are shown as without donor restriction