

CBH MINISTRIES
FINANCIAL STATEMENTS

September 30, 2013 and 2012

With Independent Auditor's Report

JAMES H. QUIST CPA PLC

CBH MINISTRIES

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September 30, 2013 and 2012

With Independent Auditor's Report



Enhancing Trust

CBH MINISTRIES

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
CBH Ministries
Grand Rapids, Michigan**

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

I have audited the accompanying statements of financial position of CBH Ministries (a nonprofit organization), which consist of the statements of financial position as of September 30, 2013 and 2012 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



INDEPENDENT AUDITOR'S REPORT, continued

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBH Ministries as of September 30, 2013 and 2012, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data on page 10 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink, appearing to read "James H. Quist".

Wyoming, Michigan
June 27, 2014

CBH MINISTRIES

Statements of Financial Position

	September 30,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 201,426	\$ 99,194
Accounts receivable	7,080	2,354
Prepaid expenses	25,543	2,038
Inventory	102,530	90,862
Certificate of deposit	72,945	72,802
	<u>409,524</u>	<u>267,250</u>
Property and equipment		
Land	65,000	65,000
Buildings	1,086,945	1,084,745
Equipment	149,786	487,062
Accumulated depreciation	(354,122)	(674,958)
	<u>947,609</u>	<u>961,849</u>
Total Assets	<u>\$ 1,357,133</u>	<u>\$ 1,229,099</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 20,100	\$ 27,226
Accrued payroll and payroll taxes	14,975	13,669
	<u>35,075</u>	<u>40,895</u>
Total Liabilities	35,075	40,895
Net Assets		
Unrestricted		
Undesignated	327,082	188,985
Net investment in property and equipment	947,609	961,849
	<u>1,274,691</u>	<u>1,150,834</u>
Temporarily restricted	47,367	37,370
	<u>1,322,058</u>	<u>1,188,204</u>
Total Net Assets	<u>1,322,058</u>	<u>1,188,204</u>
Total Liabilities and Net Assets	<u>\$ 1,357,133</u>	<u>\$ 1,229,099</u>

See accompanying notes to financial statements

CBH MINISTRIES

Statements of Activities

For the Years Ended September 30,

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Sales	\$ 309,097	\$ -	\$ 309,097	\$ 341,374	\$ -	\$ 341,374
Cost of goods sold	(22,628)	-	(22,628)	(30,061)	-	(30,061)
Gross profit	286,469	-	286,469	311,313	-	311,313
Contributions	624,702	91,450	716,152	627,171	42,387	669,558
Royalties	63,111	-	63,111	56,033	-	56,033
Interest income	299	-	299	322	-	322
Gain (loss) on sale of equipment	17,874	-	17,874	(2,152)	-	(2,152)
Total Support and Revenue	992,455	91,450	1,083,905	992,687	42,387	1,035,074
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	81,453	(81,453)	-	23,167	(23,167)	-
EXPENSES						
Program services	612,284	-	612,284	668,615	-	668,615
Management and general	215,745	-	215,745	176,692	-	176,692
Fund-raising	122,022	-	122,022	133,231	-	133,231
Total Expenses	950,051	-	950,051	978,538	-	978,538
Change in Net Assets	123,857	9,997	133,854	37,316	19,220	56,536
Net Assets, Beginning of Year	1,150,834	37,370	1,188,204	1,113,518	18,150	1,131,668
Net Assets, End of Year	<u>\$ 1,274,691</u>	<u>\$ 47,367</u>	<u>1,322,058</u>	<u>\$ 1,150,834</u>	<u>\$ 37,370</u>	<u>1,188,204</u>

See accompanying notes to financial statements

CBH MINISTRIES

Statements of Cash Flows

	For the Years Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 133,854	\$ 56,536
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,912	39,177
(Gain) loss on disposal of equipment	(17,874)	2,152
Change in:		
Accounts receivable	(4,726)	(2,354)
Prepaid expenses	(23,505)	(2,038)
Inventory	(11,668)	20,269
Accounts payable	(7,126)	(8,245)
Accrued payroll and payroll taxes	1,306	(101)
Net Cash Provided by Operating Activities	109,173	105,396
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(143)	(207)
Proceeds from disposal of equipment	17,874	-
Purchase of property and equipment	(24,672)	(9,134)
Net Cash Used by Investing Activities	(6,941)	(9,341)
Change in Cash and Cash Equivalents	102,232	96,055
Cash and Cash Equivalents, Beginning of Period	99,194	3,139
Cash and Cash Equivalents, End of Period	\$ 201,426	\$ 99,194

See accompanying notes to financial statements

CBH MINISTRIES

Notes to Financial Statements

September 30, 2013 and 2012

1. NATURE OF ORGANIZATION

CBH Ministries (CBHM) is an international Christian ministry based on the gospel of Jesus Christ, producing and distributing excellent media resources to evangelize and disciple children and their families.

From its early beginnings in 1942, CBHM has produced radio programs and print devotionals to reach children ages 6-12. With the addition of internet based Bible studies over the past few years our world-wide outreach has grown significantly.

CBHM is a nonprofit organization supported primarily by contributions and sales. Incorporated in Michigan and exempt from federal income taxes under section 501(c)(3) of the United States Internal Revenue Code and comparable state law, CBHM has been classified as a publicly supported organization that is not a private foundation under section 509(a) of the code. Contributions to CBHM are tax deductible within the limits prescribed by the code.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of CBHM are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies that have been adopted by CBMH are described below.

CASH, CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

Cash and cash equivalents includes checking, money market and other highly liquid investment accounts which are not included in the holdings of the managed portfolio for investments held for long-term purposes. While balances in these accounts may at times exceed federally insured limits, CBHM has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on these accounts.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at net realizable value. Management believes all receivable balances will be collected; therefore, no provision for uncollectible accounts was made. Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. However, because management believes all receivable balances will be collected, no provision for uncollectible accounts has been recorded.

CBHM considers an account to be past due when items billed on the account have not been paid by the due date. Past due accounts are subject to internal collection efforts. No late fee is assessed on past due accounts. There were no past due accounts at September 30, 2013 or 2012.

Accounts receivable at December 31, 2013 consist of vendor credits. Accounts receivable at December 31, 2012 consist of amounts due from CBHM's affiliate organization, CBH Canada for products sold in Canada and shared administrative costs.

INVENTORY

Inventory consists of books, pamphlets and recorded media, and is valued at the lower of cost or market using the first-in, first-out method of inventory valuation.

CBH MINISTRIES

Notes to Financial Statements

September 30, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CERTIFICATE OF DEPOSIT

The certificate of deposit is reported in the statements of financial position at cost, which approximates fair value. Donated investments are reported at market value at the date of donation and thereafter carried at fair value.

PROPERTY AND EQUIPMENT

Expenditures for property and equipment in excess of \$1,000 are capitalized at cost when purchased. Donated items are reported at their estimated fair market values as of the dates the gifts were received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Depreciation expense was \$38,912 and \$39,177 for the years ended September 30, 2013 and 2012, respectively.

NET ASSETS

The financial statements report amounts separately by classes of net assets.

UNRESTRICTED NET ASSETS are those available for current purposes under the direction of the Board (undesignated net assets), those designated by the Board for specific uses and those invested in capitalized property and equipment less related debt.

TEMPORARILY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations that may or will be met either by actions of CBHM or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

PERMANENTLY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations to be maintained permanently by an organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. To date, CBHM has received no permanently restricted contributions.

SUPPORT AND REVENUE

Contributions are recognized when cash is received, unconditional promises are made or ownership of donated assets are transferred. Contributions received are reported as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions of assets other than cash are reported at their estimated fair value. CBHM reports donations of property and equipment as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time.

CBH MINISTRIES

Notes to Financial Statements

September 30, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued

SUPPORT AND REVENUE, continued

Sales revenue and cost of sales are reported net of discounts.

All other revenues are reported when earned.

GIFTS-IN-KIND

Donated goods and services are reflected as contributions at their fair market value on the date of donation. There were no in-kind contributions received during the years ended September 30, 2013 and 2012.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported as incurred. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefitting from those expenditures. CBHM incurred no joint costs during the years ended September 30, 2012 and 2012.

ADVERTISING

CBHM expenses advertising costs as they are incurred. Advertising costs totaled \$4,423 and \$4,840 for the years ended September 30, 2013 and 2012, respectively.

RECLASSIFICATIONS

Certain items in the 2012 fiscal year financial statements have been reclassified to conform to the current year's presentation. Net assets and changes in net assets are unchanged as a result of these reclassifications.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	September 30,	
	2013	2012
Camp BE-YON-KEY/iToadU	\$ 35,383	\$ 5,388
Keys for Kids	-	25
Lost in the Queue	-	27,500
Seasons of Faith book project	1,821	1,106
Stones of Remembrance	10,163	3,351
	<u>\$ 47,367</u>	<u>\$ 37,370</u>

4. CONCENTRATION

For the years ended September 30, 2013 and 2012, the top five donors provided approximately 26 percent and 21 percent, respectively, of total contributions.

5. RELATED PARTY TRANSACTIONS

The president of CBH's board is the managing partner of an accounting firm which provided services to CBH during the year ended September 30, 2013 and 2012, for which the firm was paid \$6,943 and \$8,151, respectively.

CBH MINISTRIES

Notes to Financial Statements

September 30, 2013 and 2012

6. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 27, 2014, which is the date the financial statements were available to be issued.

In November 2013, the board approved changing the name of the organization to Keys for Kids Ministries, Inc., effective March 2014.

In December 2013, CBH entered into a real estate purchase agreement for the sale of its building for \$675,000, net of expenses, which include the realtor commission, owner's title insurance and one-half of any fees charged by the escrow or closing agents and real estate transfer taxes. The net book value of the building as of September 30, 2013 is approximately \$838,000. Closing should occur in May 2014.

In April 2014, CBH entered into a buy-sell agreement to purchase a building for \$295,000. An earnest deposit of \$5,000 has been placed in escrow until closing. CBH will pay for any needed environmental assessments or inspections. Closing of this purchase will follow the closing of the sale of the old facility.

In April 2014, it was discovered an employee should have received a higher level of compensation over the past several months. Management has decided to compensate the employee an additional \$23,000 during the remainder of calendar year 2014. Because there was no contractual obligation to compensate the employee at a higher level, management has concluded that the expense for this additional compensation will be incurred as paid, rather than as a prior period correction.

SUPPLEMENTARY DATA

CBH MINISTRIES

Schedules of Functional Expenses

For the Years Ended September 30,

	2013				2012			
	Program Services	Management and General	Fund-Raising	Totals	Program Services	Management and General	Fund-Raising	Totals
Contributions	\$ 402	\$ -	\$ -	\$ 402	\$ 400	\$ -	\$ -	\$ 400
Salaries and wages	250,762	129,045	25,871	405,678	249,012	95,897	23,796	368,705
Other employee benefits	25,098	11,274	2,260	38,632	26,190	13,447	2,713	42,350
Payroll taxes	18,576	9,559	1,916	30,051	21,165	8,151	2,023	31,339
Professional fees - accounting	-	14,547	-	14,547	-	13,718	-	13,718
Professional fees - other	-	720	-	720	6,695	-	-	6,695
Advertising and promotion	1,450	1,218	24,741	27,409	98	1,089	20,993	22,180
Office	98,439	11,358	35,921	145,718	119,552	14,571	41,402	175,525
Information technology	66,870	2,898	7,450	77,218	66,705	3,624	3,550	73,879
Occupancy	13,138	20,434	7,995	41,567	8,650	11,601	6,412	26,663
Travel	2,189	2,424	7,492	12,105	1,001	1,507	3,414	5,922
Conferences, conventions and meetings	1,592	2,068	407	4,067	2,002	2,611	513	5,126
Depreciation	29,184	8,950	778	38,912	29,383	9,011	783	39,177
Insurance	4,687	1,250	312	6,249	5,495	1,465	366	7,326
Program production	(511)	-	-	(511)	36,670	-	-	36,670
Keys for Kids	97,711	-	-	97,711	71,991	-	-	71,991
Foreign projects	1,089	-	-	1,089	12,593	-	-	12,593
Camp BE-YON-KEY	1,608	-	-	1,608	11,013	-	-	11,013
Banquet expenses	-	-	6,879	6,879	-	-	27,266	27,266
Total Expenses	\$ 612,284	\$ 215,745	\$ 122,022	\$ 950,051	\$ 668,615	\$ 176,692	\$ 133,231	\$ 978,538