

CHILDREN'S BIBLE HOUR

FINANCIAL STATEMENTS

September 30, 2014 and 2013

JAMES H. QUIST CPA PLC

CHILDREN'S BIBLE HOUR

FINANCIAL STATEMENTS

September 30, 2014 and 2013



keys
for
kids®

MINISTRIES

God's Story opening hearts.



Enhancing Trust

CHILDREN'S BIBLE HOUR

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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**Board of Directors
Children's Bible Hour
dba Keys for Kids Ministries
Grand Rapids, Michigan**

I have reviewed the accompanying statement of financial position of Children's Bible Hour as of September 30, 2014 and the related statements of activities and cash flows for the year then ended. A review includes applying primarily analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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JAMES H. QUIST CPA PLC

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying September 30, 2014 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

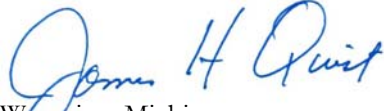
The September 30, 2013 financial statements were audited by me and I expressed an unqualified opinion on them in my report dated June 27, 2014. I have not performed any auditing procedures since that date. However, during the review of the September 30, 2014 financial statements, I became aware that net asset balances as reported in the September 30, 2013 financial statements were reported incorrectly. As detailed in Note 6 to the financial statements, the September 30, 2013 financial statements have been restated to reflect correct net asset balances.

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My review as of and for the year ended September 30, 2014 was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. My audit as of and for the year ended September 30, 2013 was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data appearing on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and has been derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended September 30, 2014 has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements and I did not become aware of any material modifications that should be made to such information.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT, continued

The information for the year ended September 30, 2013 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 that reads "James H. Quist". The signature is written in a cursive style with a large initial "J".

Wyoming, Michigan
July 13, 2015

CHILDREN'S BIBLE HOUR

Statements of Financial Position

	September 30,	
	2014	2013 (Audited)
ASSETS		
Cash and cash equivalents	\$ 167,065	\$ 201,426
Accounts receivable	2,823	7,080
Prepaid expenses	179	25,543
Inventory	90,875	102,530
Certificate of deposit	72,972	72,945
	333,914	409,524
Property and equipment		
Land	50,000	65,000
Buildings	440,375	1,086,945
Equipment	153,738	149,786
Accumulated depreciation	(121,084)	(354,122)
	523,029	947,609
Total Assets	\$ 856,943	\$ 1,357,133
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 35,765	\$ 20,100
Accrued payroll and payroll taxes	27,803	14,975
	63,568	35,075
Total Liabilities	63,568	35,075
Net Assets - Note 6		
Unrestricted		
Undesignated	217,169	326,682
Net investment in property and equipment	523,029	947,609
	740,198	1,274,291
Designated - iToadu Project	15,000	15,000
	755,198	1,289,291
Total Unrestricted	755,198	1,289,291
Temporarily Restricted	38,177	32,767
	793,375	1,322,058
Total Net Assets	793,375	1,322,058
Total Liabilities and Net Assets	\$ 856,943	\$ 1,357,133

See accompanying notes and independent accountant's review report

CHILDREN'S BIBLE HOUR

Statements of Activities

For the Years Ended September 30,

	2014			2013 (Audited)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
	SUPPORT AND REVENUE					
Sales	\$ 106,226	\$ -	\$ 106,226	\$ 309,097	\$ -	\$ 309,097
Cost of goods sold	(66,242)	-	(66,242)	(72,293)	-	(72,293)
Gross profit	39,984	-	39,984	236,804	-	236,804
Contributions - Note 6	711,845	8,160	720,005	639,302	76,850	716,152
Royalties	46,332	-	46,332	63,111	-	63,111
Interest income	567	-	567	299	-	299
(Loss) gain on sale of property & equipment	(251,216)	-	(251,216)	17,874	-	17,874
Total Support and Revenue	547,512	8,160	555,672	957,390	76,850	1,034,240
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	2,750	(2,750)	-	81,453	(81,453)	-
EXPENSES						
Program services	733,183	-	733,183	577,519	-	577,519
Management and general	258,762	-	258,762	215,248	-	215,248
Fund-raising	92,410	-	92,410	107,619	-	107,619
Total Expenses	1,084,355	-	1,084,355	900,386	-	900,386
Change in Net Assets	(534,093)	5,410	(528,683)	138,457	(4,603)	133,854
Net Assets, Beginning of Year	1,289,291	32,767	1,322,058	1,150,834	37,370	1,188,204
Net Assets, End of Year - Note 6	\$ 755,198	\$ 38,177	793,375	\$ 1,289,291	\$ 32,767	1,322,058

See accompanying notes and independent accountant's review report

CHILDREN'S BIBLE HOUR

Statements of Cash Flows

	For the Years Ended September 30,	
	2014	2013 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (528,683)	\$ 133,854
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	41,270	38,912
Loss (gain) on disposal of property and equipment	251,216	(17,874)
Change in:		
Accounts receivable	4,257	(4,726)
Prepaid expenses	25,364	(23,505)
Inventory	11,655	(11,668)
Accounts payable	15,665	(7,126)
Accrued payroll and payroll taxes	12,828	1,306
	(166,428)	109,173
Net Cash (Used) Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(27)	(143)
Proceeds from disposal of property and equipment	626,420	17,874
Purchase of property and equipment	(494,326)	(24,672)
	132,067	(6,941)
Net Cash Provided (Used) by Investing Activities		
Change in Cash and Cash Equivalents	(34,361)	102,232
Cash and Cash Equivalents, Beginning of Period	201,426	99,194
Cash and Cash Equivalents, End of Period	\$ 167,065	\$ 201,426

See accompanying notes and independent accountant's review report

CHILDREN'S BIBLE HOUR

Notes to Financial Statements

September 30, 2014 and 2013

1. NATURE OF ORGANIZATION

Children's Bible Hour, doing business as Keys for Kids Ministries (KFK) (doing business formerly as CBH Ministries), 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, KFK 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 KFK's world-wide outreach has grown significantly.

KFK 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, KFK has been classified as a publicly supported organization that is not a private foundation under section 509(a) of the code. Contributions to KFK are tax deductible within the limits prescribed by the code.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of KFK 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 KFK 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, KFK 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 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.

KFK 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, 2014 or 2013.

Accounts receivable at September 30, 2014 consist of vendor credits. Accounts receivable at December 31, 2013 consist of vendor credits, KFK 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.

CHILDREN'S BIBLE HOUR

Notes to Financial Statements

September 30, 2014 and 2013

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 \$41,270 and \$38,912 for the years ended September 30, 2014 and 2013, 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 KFK 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, KFK 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. KFK 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.

CHILDREN'S BIBLE HOUR

Notes to Financial Statements

September 30, 2014 and 2013

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.

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. KFK incurred no joint costs during the years ended September 30, 2014 and 2013.

ADVERTISING

KFK expenses advertising costs as they are incurred. Advertising costs totaled \$938 and \$4,423 for the years ended September 30, 2014 and 2013, respectively.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	September 30,	
	2014	2013 (Audited)
Camp BE-YON-KEY/iToadu	\$ 20,383	\$ 20,383
Seasons of Faith book project	2,221	2,221
Language translation project	5,410	-
Stones of Remembrance	10,163	10,163
	<u>\$ 38,177</u>	<u>\$ 32,767</u>

4. CONCENTRATION

For the years ended September 30, 2014 and 2013, the top five donors provided approximately 19 percent and 25 percent, respectively, of total contributions.

5. RELATED PARTY TRANSACTIONS

The president of KFK's board is the managing partner of an accounting firm which provided services to KFK during the years ended September 30, 2014 and 2013, for which the firm was paid \$1,678 and \$6,943, respectively.

CHILDREN'S BIBLE HOUR

Notes to Financial Statements

September 30, 2014 and 2013

6. PRIOR YEAR CORRECTION

Several errors affecting the amounts reported in the financial statements at and for the year ended September 30, 2013 were noted and corrected. The following summarizes these corrections.

	<u>As Previously Reported</u>	<u>Effect on Net Assets</u>	<u>As Corrected</u>
Temporarily restricted net assets:			
Camp BE-YON-KEY/iToadU - correct classification of net assets designated by the board for IToadU project	\$ 35,383	\$ (15,000)	\$ 20,383
Seasons of Faith - correct temporarily restricted contribution received during the year ended September 30, 2013 reported previously as an unrestricted contribution	1,821	400	2,221
Stones of Remembrance	<u>10,163</u>	<u>-</u>	<u>10,163</u>
Total Temporarily Restricted Net Assets	47,367	(14,600)	32,767
Unrestricted Undesignated Net Assets: correct classification of Seasons of Faith contribution to temporarily restricted net assets	1,274,691	(400)	1,274,291
Unrestricted Designated Net Assets: correct classification of Camp BE-YON-KEY/iToadU designated net assets from temporarily restricted net assets	<u>\$ -</u>	<u>15,000</u>	<u>\$ 15,000</u>
Total net assets at September 30, 2013	<u><u>\$ 1,322,058</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,322,058</u></u>

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through July 13, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY DATA

CHILDREN'S BIBLE HOUR

Schedules of Functional Expenses

For the Years Ended September 30,

	2014				2013 (Audited)			
	Program Services	Management and General	Fund-Raising	Totals	Program Services	Management and General	Fund-Raising	Totals
Contributions	\$ 602	\$ -	\$ -	\$ 602	\$ 402	\$ -	\$ -	\$ 402
Salaries and wages	293,927	139,176	27,133	460,236	250,762	129,045	25,871	405,678
Other employee benefits	23,878	11,007	2,146	37,031	25,098	11,274	2,260	38,632
Payroll taxes	22,135	10,481	2,043	34,659	18,576	9,559	1,916	30,051
Professional fees - accounting	-	18,950	-	18,950	-	14,547	-	14,547
Professional fees - other	-	1,632	-	1,632	-	720	-	720
Advertising and promotion	3,350	2,435	9,428	15,213	1,450	1,218	24,741	27,409
Office	49,093	12,487	18,192	79,772	63,674	10,861	21,518	96,053
Information technology	76,235	7,957	19,250	103,442	66,870	2,898	7,450	77,218
Occupancy	17,637	28,507	10,068	56,212	13,138	20,434	7,995	41,567
Travel	511	1,174	2,537	4,222	2,189	2,424	7,492	12,105
Conferences, conventions and meetings	1,564	2,016	398	3,978	1,592	2,068	407	4,067
Depreciation	30,953	9,492	825	41,270	29,184	8,950	778	38,912
Insurance	5,535	1,476	369	7,380	4,687	1,250	312	6,249
Program production	112,935	1,505	21	114,461	(511)	-	-	(511)
Keys for Kids	94,036	-	-	94,036	97,711	-	-	97,711
Foreign projects	792	-	-	792	1,089	-	-	1,089
Camp BE-YON-KEY	-	-	-	-	1,608	-	-	1,608
Banquet expenses	-	-	-	-	-	-	6,879	6,879
Property taxes	-	10,467	-	10,467	-	-	-	-
Total Expenses	\$ 733,183	\$ 258,762	\$ 92,410	\$ 1,084,355	\$ 577,519	\$ 215,248	\$ 107,619	\$ 900,386

See independent accountant's review report and notes to financial statements