



CHILDREN'S BIBLE HOUR
DBA KEYS FOR KIDS MINISTRIES

FINANCIAL STATEMENTS

With Independent Auditor's Report

September 30, 2016 and 2015

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Enhancing Trust

CHILDREN'S BIBLE HOUR
DBA KEYS FOR KIDS MINISTRIES

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying statements of financial position of Children's Bible Hour DBA Keys For Kids Ministries (a nonprofit organization) as of September 30, 2016, 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 from 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 audit. I conducted my audit 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 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.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Bible Hour DBA Keys For Kids Ministries as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

The financial statements as of and for the year ended September 30, 2015 were reviewed by me and my report thereon, dated May 9, 2016, stated I was not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

My audit of the basic financial statement as of and for the year ended September 30, 2016 was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary data provided on page 10 for the year ended September 30, 2016 is presented only for additional analysis purposes and is not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

My review of the basic financial statements as of and for the year ended September 30, 2015 was conducted for the purpose of expressing a conclusion that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary data provided on page 10 for the year ended September 30, 2015 is presented only for additional analysis purposes and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made thereto.



Wyoming, Michigan
May 18, 2017

CHILDREN'S BIBLE HOUR
DBA KEYS FOR KIDS MINISTRIES

Statements of Financial Position

	September 30,	
	2016	2015
		(Reviewed)
ASSETS		
Cash and cash equivalents	\$ 219,611	\$ 161,851
Accounts and contribution receivable	15,517	5,352
Prepaid expenses	1,000	260
Inventory	50,139	85,506
Certificate of deposit	73,045	73,009
	359,312	325,978
Property and equipment		
Land	50,000	50,000
Buildings	445,363	445,363
Equipment	134,037	168,378
Accumulated depreciation	(122,858)	(144,661)
	506,542	519,080
Total Assets	\$ 865,854	\$ 845,058
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 40,893	\$ 55,437
Accrued payroll and payroll taxes	17,983	9,135
	58,876	64,572
Total Liabilities	58,876	64,572
Net Assets		
Unrestricted		
Undesignated	154,292	210,604
Net investment in property and equipment	506,542	519,080
	660,834	729,684
Temporarily Restricted	146,144	50,802
	806,978	780,486
Total Net Assets	806,978	780,486
Total Liabilities and Net Assets	\$ 865,854	\$ 845,058

See accompanying notes to financial statements

CHILDREN'S BIBLE HOUR
DBA KEYS FOR KIDS MINISTRIES

Statements of Activities

For the Years Ended September 30,

	2016			2015 (Reviewed)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Sales	\$ 89,346	\$ -	\$ 89,346	\$ 106,843	\$ -	\$ 106,843
Cost of goods sold	(59,981)	-	(59,981)	(40,055)	-	(40,055)
Gross profit	29,365	-	29,365	66,788	-	66,788
Contributions	838,493	136,500	974,993	828,514	15,260	843,774
Royalties	36,723	-	36,723	55,067	-	55,067
Interest income	300	-	300	226	-	226
Loss on disposal of property and equipment	(13,764)	-	(13,764)	-	-	-
Total Support and Revenue	891,117	136,500	1,027,617	950,595	15,260	965,855
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	41,158	(41,158)	-	2,635	(2,635)	-
EXPENSES						
Program services	646,552	-	646,552	667,948	-	667,948
Management and general	197,461	-	197,461	194,784	-	194,784
Fund-raising	157,112	-	157,112	116,012	-	116,012
Total Expenses	1,001,125	-	1,001,125	978,744	-	978,744
Change in Net Assets	(68,850)	95,342	26,492	(25,514)	12,625	(12,889)
Net Assets, Beginning of Year	729,684	50,802	780,486	755,198	38,177	793,375
Net Assets, End of Year	\$ 660,834	\$ 146,144	\$ 806,978	\$ 729,684	\$ 50,802	\$ 780,486

See accompanying notes to financial statements

CHILDREN'S BIBLE HOUR
DBA KEYS FOR KIDS MINISTRIES

Statements of Cash Flows

	For the Years Ended September 30,	
	2016	2015 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 26,492	\$ (12,889)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,658	23,577
Loss on disposal of property and equipment	13,764	-
Change in:		
Accounts and contribution receivable	(10,165)	(2,529)
Prepaid expenses	(740)	(81)
Inventory	35,367	5,369
Accounts payable	(14,544)	19,672
Accrued payroll and payroll taxes	8,848	(18,668)
Net Cash Provided by Operating Activities	74,680	14,451
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(36)	(37)
Purchase of property and equipment	(16,884)	(19,628)
Net Cash Used by Investing Activities	(16,920)	(19,665)
Change in Cash and Cash Equivalents	57,760	(5,214)
Cash and Cash Equivalents, Beginning of Period	161,851	167,065
Cash and Cash Equivalents, End of Period	\$ 219,611	\$ 161,851

See accompanying notes to financial statements

CHILDREN'S BIBLE HOUR
DBA KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2016 and 2015

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 beginning 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 (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 AND CONTRIBUTION RECEIVABLE

Accounts and contribution 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, 2016 or 2015.

Accounts and contribution receivable at September 30, 2016 consist of a contribution receivable of \$5,000 and expense reimbursements due to KFK. Accounts receivable at December 31, 2015 consist of amounts due from customers and vendor credits.

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
DBA KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2016 and 2015

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 \$15,658 and \$23,577 for the years ended September 30, 2016 and 2015, 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
DBA KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2016 and 2015

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.

ADVERTISING

KFK expenses advertising costs as they are incurred. Advertising costs totaled \$4,209 and \$4,573 for the years ended September 30, 2016 and 2015, respectively.

RECLASSIFICATIONS

Certain reclassifications pertaining to the reporting of revenues and the functional allocation of expenses have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported change in net assets.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	September 30,	
	2016	2015
Camp BE-YON-KEY/iToadu	\$ 25,971	\$ 25,971
Growth Initiative	99,390	-
Language translation projects	18,562	22,610
Seasons of Faith book project	2,221	2,221
	<u>\$ 146,144</u>	<u>\$ 50,802</u>

4. CONCENTRATION

For the years ended September 30, 2016 and 2015, the top five donors provided approximately 31 percent and 19 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, 2016 and 2015, for which the firm was paid \$1,596 and \$1,270, respectively.

CHILDREN'S BIBLE HOUR
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Notes to Financial Statements

September 30, 2016 and 2015

6. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through May 18, 2017, the date these financial statements were available to be issued. No such significant events or transactions were identified.

SUPPLEMENTARY DATA

CHILDREN'S BIBLE HOUR
DBA KEYS FOR KIDS MINISTRIES

Schedules of Functional Expenses

For the Years Ended September 30,

	2016				2015 (Reviewed)			
	Program Services	Management and General	Fund-Raising	Totals	Program Services	Management and General	Fund-Raising	Totals
Grants to other organizations	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ 400
Salaries and wages	296,968	103,487	44,905	445,360	286,931	116,480	37,900	441,311
Other employee benefits	41,628	14,151	6,140	61,919	28,925	11,686	3,802	44,413
Payroll taxes	21,968	7,655	3,322	32,945	21,598	8,768	2,853	33,219
Professional fees - accounting	-	4,676	-	4,676	-	4,573	-	4,573
Professional fees - other	41,897	1,625	27,273	70,795	45,635	1,500	611	47,746
Advertising and promotion	19,692	2,937	9,547	32,176	18,261	1,338	32,620	52,219
Office	32,612	14,393	24,991	71,996	35,081	14,708	8,821	58,610
Information technology	27,006	19,621	11,940	58,567	24,545	5,913	13,087	43,545
Occupancy	11,733	18,767	6,821	37,321	10,699	16,908	6,345	33,952
Travel	1,975	2,105	6,829	10,909	1,262	1,779	4,665	7,706
Conferences, conventions and meetings	1,873	2,501	486	4,860	3,376	4,241	846	8,463
Depreciation	11,744	3,601	313	15,658	17,682	5,423	472	23,577
Insurance	3,906	1,042	260	5,208	3,872	1,033	258	5,163
Program production	21,277	-	-	21,277	60,921	-	97	61,018
Keys for Kids	81,600	-	-	81,600	91,342	-	-	91,342
Radio	30,673	900	-	31,573	17,201	-	-	17,201
Banquet expenses	-	-	14,285	14,285	-	-	3,563	3,563
Property taxes	-	-	-	-	217	434	72	723
Total Expenses	\$ 646,552	\$ 197,461	\$ 157,112	\$ 1,001,125	\$ 667,948	\$ 194,784	\$ 116,012	\$ 978,744

See independent auditor's report and notes to financial statements