



**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**September 30, 2017 and 2016**

**CHILDREN'S BIBLE HOUR**  
DBA **KEYS FOR KIDS MINISTRIES**

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*Enhancing Trust*

**CHILDREN'S BIBLE HOUR**  
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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, 2017 and 2016, the related statements of activities, functional expenses 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 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 audits 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, 2017 and 2016 and the changes in its net assets, its functional expenses and its 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 6 to the financial statements, the financial statements as of and for the year ended September 30, 2016 have been restated to correct a misstatement. My opinion is not modified with respect to this matter.

  
Wyoming, Michigan  
April 19, 2018

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**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**Statements of Financial Position**

	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 283,124	\$ 219,611
Accounts and contribution receivable	20,212	15,517
Prepaid expense	1,450	1,000
Inventory	26,283	50,139
Certificate of deposit	73,082	73,045
	404,151	359,312
Property and equipment		
Land	50,000	50,000
Buildings	445,363	445,363
Equipment	134,037	134,037
Accumulated depreciation	(138,729)	(122,858)
	490,671	506,542
<b>Total Assets</b>	<b>\$ 894,822</b>	<b>\$ 865,854</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 41,358	\$ 40,893
Accrued payroll and payroll taxes	16,414	17,983
	57,772	58,876
<b>Total Liabilities</b>	<b>57,772</b>	<b>58,876</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated	158,440	150,244
Designated for future projects - Note 6	33,679	50,802
Net investment in property and equipment	490,671	506,542
	682,790	707,588
Temporarily Restricted - Note 6	154,260	99,390
	837,050	806,978
<b>Total Net Assets</b>	<b>837,050</b>	<b>806,978</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 894,822</b>	<b>\$ 865,854</b>

See accompanying notes to financial statements

**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**Statements of Activities**

**For the Years Ended September 30,**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Sales	\$ 151,853	\$ -	\$ 151,853	\$ 89,346	\$ -	\$ 89,346
Cost of goods sold	(36,857)	-	(36,857)	(59,981)	-	(59,981)
Gross profit	114,996	-	114,996	29,365	-	29,365
Contributions	870,963	90,000	960,963	838,493	136,500	974,993
Royalties	26,364	-	26,364	36,723	-	36,723
Interest income	419	-	419	300	-	300
Loss on disposal of property and equipment	-	-	-	(13,764)	-	(13,764)
<b>Total Support and Revenue</b>	<b>1,012,742</b>	<b>90,000</b>	<b>1,102,742</b>	<b>891,117</b>	<b>136,500</b>	<b>1,027,617</b>
<b>RECLASSIFICATIONS</b>						
Net assets released for satisfaction of purpose restrictions - Note 6	35,130	(35,130)	-	37,110	(37,110)	-
<b>EXPENSES</b>						
Program services	739,075	-	739,075	646,552	-	646,552
Management and general	179,470	-	179,470	197,461	-	197,461
Fund-raising	154,125	-	154,125	157,112	-	157,112
<b>Total Expenses</b>	<b>1,072,670</b>	<b>-</b>	<b>1,072,670</b>	<b>1,001,125</b>	<b>-</b>	<b>1,001,125</b>
Change in Net Assets	(24,798)	54,870	30,072	(72,898)	99,390	26,492
<b>Net Assets, Beginning of Year</b>						
As originally stated	707,588	99,390	806,978	729,684	50,802	780,486
Corrections - Note 6	-	-	-	50,802	(50,802)	-
<b>As corrected</b>	<b>707,588</b>	<b>99,390</b>	<b>806,978</b>	<b>780,486</b>	<b>-</b>	<b>780,486</b>
<b>Net Assets, End of Year</b>	<b>\$ 682,790</b>	<b>\$ 154,260</b>	<b>\$ 837,050</b>	<b>\$ 707,588</b>	<b>\$ 99,390</b>	<b>\$ 806,978</b>

See accompanying notes to financial statements

**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**Statements of Functional Expenses**

For the Years Ended September 30,

	<u>2017</u>				<u>2016</u>			
	Program Services	Management and General	Fund-Raising	Totals	Program Services	Management and General	Fund-Raising	Totals
Salaries and wages	\$ 330,056	\$ 90,734	\$ 47,529	\$ 468,319	\$ 296,968	\$ 103,487	\$ 44,905	\$ 445,360
Other employee benefits	31,524	8,323	4,467	44,314	41,628	14,151	6,140	61,919
Payroll taxes	24,789	6,598	3,541	34,928	21,968	7,655	3,322	32,945
Professional fees - accounting	-	7,075	-	7,075	-	4,676	-	4,676
Professional fees - other	39,608	6,704	9,700	56,012	41,897	1,625	27,273	70,795
Advertising and promotion	24,025	938	10,564	35,527	19,692	2,937	9,547	32,176
Office	32,487	15,323	33,795	81,605	32,612	14,393	24,991	71,996
Information technology	32,365	20,811	11,009	64,185	27,006	19,621	11,940	58,567
Occupancy	8,765	12,060	6,308	27,133	11,733	18,767	6,821	37,321
Travel	1,766	1,747	6,341	9,854	1,975	2,105	6,829	10,909
Conferences, conventions and meetings	2,571	3,372	660	6,603	1,873	2,501	486	4,860
Depreciation	11,903	3,650	318	15,871	11,744	3,601	313	15,658
Insurance	4,631	1,235	309	6,175	3,906	1,042	260	5,208
Program production	16,247	-	-	16,247	21,277	-	-	21,277
Keys for Kids	131,763	-	-	131,763	81,600	-	-	81,600
Radio	46,575	900	-	47,475	30,673	900	-	31,573
Banquet expenses	-	-	19,584	19,584	-	-	14,285	14,285
<b>Total Expenses</b>	<b>\$ 739,075</b>	<b>\$ 179,470</b>	<b>\$ 154,125</b>	<b>\$ 1,072,670</b>	<b>\$ 646,552</b>	<b>\$ 197,461</b>	<b>\$ 157,112</b>	<b>\$ 1,001,125</b>

See accompanying notes to financial statements

**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**Statements of Cash Flows**

	<b>For the Years Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 30,072	\$ 26,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,871	15,658
Loss on disposal of property and equipment	-	13,764
Change in:		
Accounts and contribution receivable	(4,695)	(10,165)
Prepaid expense	(450)	(740)
Inventory	23,856	35,367
Accounts payable	465	(14,544)
Accrued payroll and payroll taxes	(1,569)	8,848
	63,550	74,680
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	(37)	(36)
Purchase of property and equipment	-	(16,884)
	(37)	(16,920)
Net Cash Used by Investing Activities		
Change in Cash and Cash Equivalents	63,513	57,760
Cash and Cash Equivalents, Beginning of Period	219,611	161,851
	283,124	219,611
Cash and Cash Equivalents, End of Period	\$ 283,124	\$ 219,611

See accompanying notes to financial statements



**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**Notes to Financial Statements**

**September 30, 2017 and 2016**

**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 was established under the laws of the state of Michigan to operate as a charitable organization within the meaning of section 501(c)(3) of the United States Internal Revenue Code (code). It is exempt from federal and state income taxes, and contributions by the public are deductible within the limitations prescribed by the code. The organization has been classified as a public organization that is not a private foundation under section 509(a) of the code.

KFK is supported primarily by contributions and sales.

**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**

KFK considers all cash on deposit and highly liquid investments as cash and cash equivalents. 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, 2017 or 2016.

Accounts and contribution receivable at September 30, 2017 consist of a contribution receivable of \$5,000, billings for Keys for Camps and expense reimbursements due to KFK. Accounts receivable at September 30, 2016 consist a contribution receivable of \$5,000 and expense reimbursements due to KFK.

**PREPAID EXPENSE**

Prepaid expense represents the unused balance of postage at September 30, 2017 and 2016.

**CHILDREN'S BIBLE HOUR**  
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**Notes to Financial Statements**

**September 30, 2017 and 2016**

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 \$15,871 and \$15,658 for the years ended September 30, 2017 and 2016, 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.

**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**Notes to Financial Statements**

**September 30, 2017 and 2016**

2. SIGNIFICANT ACCOUNTING POLICIES, continued

SUPPORT AND REVENUE, continued

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.

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 \$4,420 and \$4,209 for the years ended September 30, 2017 and 2016, respectively.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	September 30,	
	2017	2016
Growth Initiative	\$ 84,438	\$ 99,390
Outreach Initiative	69,822	-
	<u>\$ 154,260</u>	<u>\$ 99,390</u>

See also Note 6.

4. CONCENTRATION

For the years ended September 30, 2017 and 2016, the top five donors provided approximately 22 percent and 31 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, 2017 and 2016, for which the firm was paid \$1,555 and \$1,596, respectively.

**CHILDREN'S BIBLE HOUR**  
**DBA KEYS FOR KIDS MINISTRIES**

**Notes to Financial Statements**

**September 30, 2017 and 2016**

**6. PRIOR YEAR CORRECTIONS**

The financial statements as of and for the year ended September 30, 2016 have been retroactively restated to correct the classification of net assets from temporarily restricted to board designated. Changes to the financial statements as of September 30, 2016 and for the year then ended are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets at September 30, 2015 as originally reported	\$ 729,684	\$ 50,802	\$ 780,486
Correct net assets that should have been reported as designated	<u>50,802</u>	<u>(50,802)</u>	<u>-</u>
Net assets at September 30, 2015 as corrected	<u>780,486</u>	<u>-</u>	<u>780,486</u>
Change in net assets for the year ended September 30, 2016 as originally reported	(68,850)	95,342	26,492
Correct temporarily restricted net assets released for satisfaction of purpose restrictions during the year ended September 30, 2016	<u>(4,048)</u>	<u>4,048</u>	<u>-</u>
Change in net assets for the year ended September 30, 2016 as corrected	<u>(72,898)</u>	<u>99,390</u>	<u>26,492</u>
Net assets at September 30, 2016 as corrected	<u><u>\$ 707,588</u></u>	<u><u>\$ 99,390</u></u>	<u><u>\$ 806,978</u></u>

**7. SUBSEQUENT EVENTS**

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through April 19, 2018, the date these financial statements were available to be issued.

During the year ending September 30, 2018, KFK began the Keys for Kids NEXT Initiative (Initiative). The Initiative is a two-year plan with a goal to raise \$573,500 to:

- fund renovations of a section of the building;
- support the work that will move into that part of the building;
- provide space for the exponential growth of the Keys for Camps and storyteller programs;
- provide space for the new teen devotional staff, video studio and development and marketing team;
- fund improvements needed to get the facility ready for more traffic;
- fund need parking lot renovations and
- fund purchasing of a generator to keep the radio network on the air during power outages.

As of the date of these financial statements, \$320,000 in written and verbal commitments have been raised for this project.