



KEYS FOR KIDS MINISTRIES

FINANCIAL STATEMENTS

September 30, 2018 and 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**Board of Directors
Keys For Kids Ministries
Grand Rapids, Michigan**

I have reviewed the accompanying financial statements of Keys For Kids Ministries (a not-for-profit organization), which consist of the statement of financial position as of September 30, 2018, the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements. 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.

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.

ACCOUNTANT'S RESPONSIBILITY


Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

ACCOUNTANT'S CONCLUSION

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

OTHER MATTER

The September 30, 2017 financial statements were audited by me and I expressed an unmodified opinion on them in my report dated April 19, 2018. I have not performed any auditing procedures since that date.


Wyoming, Michigan
August 26, 2019

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KEYS FOR KIDS MINISTRIES

Statements of Financial Position

	September 30,	
	2018	2017 (Audited)
ASSETS		
Cash and cash equivalents	\$ 453,494	\$ 283,124
Accounts and contribution receivable	15,895	20,212
Prepaid expense	-	1,450
Inventory	8,125	26,283
Certificate of deposit	-	73,082
	477,514	404,151
Property and equipment		
Land	50,000	50,000
Buildings	449,214	445,363
Equipment	116,835	134,037
Accumulated depreciation	(132,226)	(138,729)
	483,823	490,671
Total Assets	\$ 961,337	\$ 894,822
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 82,264	\$ 41,358
Accrued payroll and payroll taxes	16,223	16,414
	98,487	57,772
Total Liabilities	98,487	57,772
Net Assets		
Unrestricted		
Undesignated	59,974	158,440
Designated for future projects	-	33,679
Net investment in property and equipment	483,823	490,671
	543,797	682,790
Temporarily Restricted	319,053	154,260
	862,850	837,050
Total Net Assets	862,850	837,050
Total Liabilities and Net Assets	\$ 961,337	\$ 894,822

See accompanying notes and independent accountant's review report

KEYS FOR KIDS MINISTRIES

Statements of Activities

For the Years Ended September 30,

	2018			2017 (Audited)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
	SUPPORT AND REVENUE					
Sales	\$ 155,922	\$ -	\$ 155,922	\$ 152,573	\$ -	\$ 152,573
Cost of goods sold	(28,457)	-	(28,457)	(36,857)	-	(36,857)
Gross profit	127,465	-	127,465	115,716	-	115,716
Contributions	850,154	228,870	1,079,024	870,243	90,000	960,243
Donated professional services	1,557	-	1,557	1,462	-	1,462
Royalties	21,793	-	21,793	26,364	-	26,364
Interest income	406	-	406	419	-	419
Total Support and Revenue	<u>1,001,375</u>	<u>228,870</u>	<u>1,230,245</u>	<u>1,014,204</u>	<u>90,000</u>	<u>1,104,204</u>
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	64,077	(64,077)	-	35,130	(35,130)	-
EXPENSES						
Program services	741,091	-	741,091	739,075	-	739,075
Management and general	263,667	-	263,667	180,932	-	180,932
Fund-raising	199,687	-	199,687	154,125	-	154,125
Total Expenses	<u>1,204,445</u>	<u>-</u>	<u>1,204,445</u>	<u>1,074,132</u>	<u>-</u>	<u>1,074,132</u>
Change in Net Assets	(138,993)	164,793	25,800	(24,798)	54,870	30,072
Net Assets, Beginning of Year	<u>682,790</u>	<u>154,260</u>	<u>837,050</u>	<u>707,588</u>	<u>99,390</u>	<u>806,978</u>
Net Assets, End of Year	<u><u>\$ 543,797</u></u>	<u><u>\$ 319,053</u></u>	<u><u>\$ 862,850</u></u>	<u><u>\$ 682,790</u></u>	<u><u>\$ 154,260</u></u>	<u><u>\$ 837,050</u></u>

See accompanying notes and independent accountant's review report

KEYS FOR KIDS MINISTRIES

Statements of Functional Expenses

For the Years Ended September 30,

	2018				2017 (Audited)			
	Program Services	Management and General	Fund-Raising	Totals	Program Services	Management and General	Fund-Raising	Totals
Salaries and wages	\$ 281,893	\$ 165,219	\$ 79,669	\$ 526,781	\$ 330,056	\$ 90,734	\$ 47,529	\$ 468,319
Other employee benefits	23,339	13,185	6,432	42,956	31,524	8,323	4,467	44,314
Payroll taxes	21,309	12,334	6,017	39,660	24,789	6,598	3,541	34,928
Professional fees - accounting	-	10,740	-	10,740	-	10,238	-	10,238
Professional fees - other	36,868	2,228	1,272	40,368	39,608	5,002	9,700	54,310
Advertising and promotion	21,103	924	19,710	41,737	24,025	938	10,564	35,527
Office	29,888	15,377	34,379	79,644	32,487	15,323	33,795	81,605
Information technology	26,192	19,616	9,348	55,156	32,365	20,811	11,009	64,185
Occupancy	10,492	15,719	6,756	32,967	8,765	12,061	6,308	27,134
Travel	1,832	1,685	6,497	10,014	1,766	1,747	6,341	9,854
Conferences, conventions and meetings	816	1,188	223	2,227	2,571	3,372	660	6,603
Depreciation	10,813	3,316	288	14,417	11,903	3,650	318	15,871
Insurance	4,635	1,236	309	6,180	4,631	1,235	309	6,175
Program production	20,456	-	-	20,456	16,247	-	-	16,247
Keys for Kids	214,154	-	-	214,154	131,763	-	-	131,763
Radio	37,301	900	-	38,201	46,575	900	-	47,475
Banquet expenses	-	-	28,787	28,787	-	-	19,584	19,584
Total Expenses	\$ 741,091	\$ 263,667	\$ 199,687	\$ 1,204,445	\$ 739,075	\$ 180,932	\$ 154,125	\$ 1,074,132

See accompanying notes and independent accountant's review report

KEYS FOR KIDS MINISTRIES

Statements of Cash Flows

	For the Years Ended September 30,	
	2018	2017 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,800	\$ 30,072
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,417	15,871
Change in:		
Accounts and contribution receivable	4,317	(4,695)
Prepaid expense	1,450	(450)
Inventory	18,158	23,856
Accounts payable	40,906	465
Accrued payroll and payroll taxes	(191)	(1,569)
	104,857	63,550
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	(13)	(37)
Proceeds from sale of certificate of deposit	73,095	-
Purchase of property and equipment	(7,569)	-
	65,513	(37)
Net Cash Provided (Used) by Investing Activities		
Change in Cash and Cash Equivalents	170,370	63,513
Cash and Cash Equivalents, Beginning of Period	283,124	219,611
Cash and Cash Equivalents, End of Period	\$ 453,494	\$ 283,124

See accompanying notes and independent accountant's review report

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2018 and 2017

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 at September 30, 2018 consist of billings for Keys for Camps and expense reimbursements due to KFK. Accounts and contribution receivable at September 30, 2017 consist of a contribution receivable of \$5,000 and billings for Keys for Camps and expense reimbursements due to KFK. The contribution receivable is due within one year.

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, 2018 and 2017.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

PREPAID EXPENSE

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

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 was reported in the statements of financial position at cost, which approximates fair value. The certificate of deposit was redeemed in January 2018. 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 \$14,417 and \$15,871 for the years ended September 30, 2018 and 2017, 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.

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2018 and 2017

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.

DONATED PROFESSIONAL SERVICES

During the years ended September 30, 2018 and 2017, KFK received donated professional accounting services totaling \$1,557 and \$1,462, respectively, via discounted billings from the accounting firm. See also Note 7.

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 \$1,800 and \$4,420 for the years ended September 30, 2018 and 2017, respectively.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	September 30,	
	2018	2017
Growth initiative	\$ 61,497	\$ 84,438
Maranatha StoryTeller 2018	38,400	-
Next initiative	133,320	-
Other future projects	85,836	-
Outreach initiative	57,548	69,822
Unlocked	28,030	-
	<u>\$ 404,631</u>	<u>\$ 154,260</u>

KEYS FOR KIDS MINISTRIES

Notes to Financial Statements

September 30, 2018 and 2017

4. LEASES

In January 2014 KFK leased office equipment under an operating lease agreement requiring 20 quarterly payments of \$1,788.

In August 2014 KFK leased office equipment under an operating lease agreement requiring 60 monthly payments of \$730.

Total lease expense for both years ended September 30, 2018 and 2017 was \$15,912.

Future minimum annual payments remaining under the terms of these leases total \$9,438 and are due during the year ending September 30, 2019.

5. COMMITMENT

KFK has an intellectual property agreement with an individual, requiring the annual payment of \$750 to the individual for rights to sell and distribute product under a licensed brand name. No liability has been recorded for KFK's financial obligation under this agreement because of the perpetual nature of the agreement.

6. CONCENTRATION

For the years ended September 30, 2018 and 2017, the top five donors provided approximately 25 percent and 22 percent, respectively, of total contributions.

7. 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, 2018 and 2017, for which KFK paid \$1,560 and \$1,555, respectively.

A board member owns a business which provided web-hosting services to KFK during the year ended September 30, 2018, for which KFK paid \$343.

8. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through August 26, 2019, the date these financial statements were available to be issued.

In August 2018, KFK contracted with a construction company to perform renovations to a portion of its building. The estimated cost for these renovations is approximately \$86,900. Other than some demolition, no significant work commenced on this project prior to September 30, 2018.

In October 2018, KFK leased office equipment requiring 60 monthly payments of \$1,283.

In October 2018, KFK contracted with an organization for assistance with growing planned giving to KFK. This agreement is for a one-year period, entailing the payment of \$1,784 per month.

No other such events or transactions were identified.