

CBH MINISTRIES

FINANCIAL STATEMENTS

September 30, 2012 and 2011
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**

+ I have audited the accompanying statement of financial position of CBH Ministries (a nonprofit organization) as of September 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

JAMES H. QUIST CPA PLC

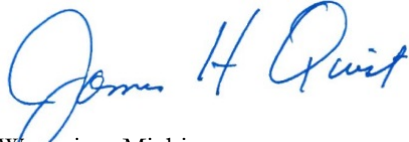
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2012 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The September 30, 2011 financial statements were reviewed by other accountants, and their report thereon, dated October 27, 2011, stated that they were not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the financial statements, amounts reported at September 30, 2011 for accrued payroll and payroll taxes and for salaries and wages and payroll taxes expense for the year ended September 30, 2011 have been corrected to reflect accurate totals.

My audit was conducted for the purpose of forming an opinion on the September 30, 2012 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 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 for the year ended September 30, 2012 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 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.

+ 
Wyoming, Michigan
March 26, 2013

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CBH MINISTRIES

Statements of Financial Position

	September 30,	
	2012 (Audited)	2011
ASSETS		
Cash and cash equivalents	\$ 99,194	\$ 3,139
Accounts receivable	2,354	-
Prepaid expenses	2,038	-
Inventory	90,862	111,131
Certificate of deposit	72,802	72,595
	267,250	186,865
Property and equipment		
Land	65,000	65,000
Buildings	1,084,745	1,084,745
Equipment	487,062	504,958
Accumulated depreciation	(674,958)	(660,659)
	961,849	994,044
Total Assets	\$ 1,229,099	\$ 1,180,909
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 27,226	\$ 35,471
Accrued payroll and payroll taxes - Note 6	13,669	13,770
	40,895	49,241
Total Liabilities	40,895	49,241
Net Assets		
Unrestricted - Note 6		
Undesignated	188,985	119,474
Net investment in property and equipment	961,849	994,044
	1,150,834	1,113,518
Temporarily restricted	37,370	18,150
	1,188,204	1,131,668
Total Net Assets	1,188,204	1,131,668
Total Liabilities and Net Assets	\$ 1,229,099	\$ 1,180,909

See accompanying notes to financial statements

CBH MINISTRIES

Statements of Activities

For the Years Ended September 30,

	2012 (Audited)			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Sales	\$ 341,374	\$ -	\$ 341,374	\$ 290,707	\$ -	\$ 290,707
Cost of goods sold	(30,061)	-	(30,061)	(25,768)	-	(25,768)
Gross Profit	311,313	-	311,313	264,939	-	264,939
Contributions	627,171	42,387	669,558	616,379	115,108	731,487
Royalties	56,033	-	56,033	37,564	-	37,564
Interest income	322	-	322	1,951	-	1,951
Loss on disposal of equipment	(2,152)	-	(2,152)	-	-	-
Total Support and Revenue	992,687	42,387	1,035,074	920,833	115,108	1,035,941
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	23,167	(23,167)	-	98,458	(98,458)	-
EXPENSES - Note 6						
Program services	664,914	-	664,914	789,981	-	789,981
Management and general	182,921	-	182,921	221,909	-	221,909
Fund-raising	130,703	-	130,703	103,006	-	103,006
Total Expenses	978,538	-	978,538	1,114,896	-	1,114,896
Change in Net Assets	37,316	19,220	56,536	(95,605)	16,650	(78,955)
Net Assets, Beginning of Year						
As previously reported	1,113,518	18,150	1,131,668	1,235,206	1,500	1,236,706
Prior year correction - Note 6	-	-	-	(26,083)	-	(26,083)
As corrected	1,113,518	18,150	1,131,668	1,209,123	1,500	1,210,623
Net Assets, End of Year	<u>\$ 1,150,834</u>	<u>\$ 37,370</u>	<u>\$ 1,188,204</u>	<u>\$ 1,113,518</u>	<u>\$ 18,150</u>	<u>\$ 1,131,668</u>

See accompanying notes to financial statements

CBH MINISTRIES

Statements of Cash Flows

	For the Years Ended September 30,	
	2012 (Audited)	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 56,536	\$ (78,955)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	39,177	44,068
Loss on disposal of equipment	2,152	-
Change in:		
Accounts receivable	(2,354)	-
Prepaid expenses	(2,038)	-
Inventory	20,269	(18,998)
Accounts payable	(8,245)	3,223
Accrued payroll and payroll taxes - Note 6	(101)	(14,329)
Net Cash Provided (Used) by Operating Activities	105,396	(64,991)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(207)	(72,595)
Purchase of property and equipment	(9,134)	(8,762)
Net Cash Used by Investing Activities	(9,341)	(81,357)
Change in Cash and Cash Equivalents	96,055	(146,348)
Cash and Cash Equivalents, Beginning of Period	3,139	149,487
Cash and Cash Equivalents, End of Period	\$ 99,194	\$ 3,139

See accompanying notes to financial statements

CBH MINISTRIES

Notes to Financial Statements

September 30, 2012 and 2011

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 disciples 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 consist of amounts due from CBHM's affiliate organization, CBH Canada for products sold in Canada and shared administrative costs. 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, 2012.

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, 2012 and 2011

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 \$39,177 and \$44,068 for the years ended September 30, 2012 and 2011, 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, 2012 and 2011

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, 2012 and 2011.

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 2011.

ADVERTISING

CBHM expenses advertising costs as they are incurred. Advertising costs totaled \$4,840 and \$3,160 for the years ended September 30, 2012 and 2011, respectively.

RECLASSIFICATIONS

Certain items in the 2011 financial statements have been reclassified to conform with 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,	
	2012	2011
Camp BE-YON-KEY/iToadU	\$ 5,388	\$ 17,650
Keys for Kids	25	-
Lost in the Queue	27,500	-
Seasons of Faith book project	1,106	-
Stones of Remembrance	3,351	-
Uncle Charlie	-	500
	<u>\$ 37,370</u>	<u>\$ 18,150</u>

4. CONCENTRATION

For the years ended September 30, 2012 and 2011, 14 percent of total contributions were received from two donors and 17 percent of total contributions were received from four donors, respectively.

CBH MINISTRIES

Notes to Financial Statements

September 30, 2012 and 2011

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, 2012, for which the firm was paid \$8,151.

6. PRIOR YEAR CORRECTION

Several errors affecting the amounts reported in the financial statements at and for the year ended September 30, 2011 were noted and corrected. The following summarizes these corrections.

	As Previously Reported	Effect on Net Assets	As Corrected
Accrued payroll and payroll taxes: reflects the accrual that should have been recorded at September 30, 2012	<u>\$ 5,570</u>	<u>\$ (8,200)</u>	<u>\$ 13,770</u>
Unrestricted net assets at September 30, 2010: reflects the accrual for payroll and payroll taxes that should have been recorded at September 30, 2010	<u>\$ 1,235,206</u>	<u>\$ (26,083)</u>	<u>\$ 1,209,123</u>
Support and revenue: reflects temporarily restricted contributions that should have been recorded as such for the year ended September 30, 2011 - see below	<u>\$ 1,019,265</u>	16,676	<u>\$ 1,035,941</u>
Expenses: reflects the net effect of the September 30, 2010 and 2011 payroll and payroll tax accruals and the reclassification of temporarily restricted contributions that had been netted with expenses rather than reported as contributions	<u>\$ 1,116,104</u>	<u>1,208</u>	<u>\$ 1,114,896</u>
Unrestricted net assets at September 30, 2011	<u>\$ 1,121,717</u>	<u>\$ (8,199)</u>	<u>\$ 1,113,518</u>

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 26, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTARY DATA

CBH MINISTRIES

Schedules of Functional Expenses

For the Years Ended September 30,

	2012				2011			
	Program Services	Management and General	Fund-Raising	Totals	Program Services	Management and General	Fund-Raising	Totals
Contributions	\$ 400	\$ -	\$ -	\$ 400	\$ 100	\$ -	\$ -	\$ 100
Salaries and wages	249,012	95,897	23,796	368,705	298,724	141,626	24,660	465,010
Other employee benefits	28,627	10,995	2,728	42,350	42,742	16,414	4,073	63,229
Payroll taxes	21,165	8,151	2,023	31,339	26,289	12,463	2,170	40,922
Professional fees - accounting	-	13,718	-	13,718	-	3,130	-	3,130
Professional fees - other	6,695	-	-	6,695	3,334	-	-	3,334
Advertising and promotion	98	9,858	20,993	30,949	2,246	7,586	12,568	22,400
Office	113,414	14,483	38,859	166,756	102,186	10,127	40,381	152,694
Information technology	66,705	3,624	3,550	73,879	65,508	2,620	4,336	72,464
Occupancy	8,650	11,601	6,412	26,663	9,820	13,338	7,175	30,333
Travel	1,001	1,507	3,414	5,922	1,576	1,350	6,078	9,004
Conferences, conventions and meetings	2,002	2,611	513	5,126	1,277	1,707	331	3,315
Depreciation	29,383	9,011	783	39,177	33,051	10,136	881	44,068
Insurance	5,495	1,465	366	7,326	5,294	1,412	353	7,059
Program production	36,670	-	-	36,670	84,195	-	-	84,195
Keys for Kids	71,991	-	-	71,991	85,377	-	-	85,377
Foreign projects	12,593	-	-	12,593	25,663	-	-	25,663
Camp BE-YON-KEY	11,013	-	-	11,013	2,599	-	-	2,599
Banquet expenses	-	-	27,266	27,266	-	-	-	-
Total Expenses	\$ 664,914	\$ 182,921	\$ 130,703	\$ 978,538	\$ 789,981	\$ 221,909	\$ 103,006	\$ 1,114,896