



Back to God Ministries International

Combined Financial Statements and Supplementary Information Years Ended June 30, 2016 and 2015

Back to God Ministries International

Combined Financial Statements and Supplementary Information
Years Ended June 30, 2016 and 2015

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Independent Auditor's Report

Boards of Directors
Back to God Ministries International
Palos Heights, Illinois

We have audited the accompanying combined financial statements of Back to God Ministries International (the Agency), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the combined 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 Agency's internal control. Accordingly, we 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Back to God Ministries International as of June 30, 2016 and 2015, and the combined changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 28, 2016

Combined Financial Statements

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Combined Statements of Financial Position

<i>June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	\$ 1,415,005	\$ 144,114	\$ 99,769	\$ 1,658,888
Investments held by CRCNA Funds, LLC	2,688,310	-	-	2,688,310
Beneficial interest in assets held by Barnabas Foundation	-	867,795	-	867,795
Other investments	126,399	64,257	-	190,656
Cash surrender value of life insurance	435,841	-	-	435,841
Due from Christian Reformed Church in North America (net)	60,595	-	-	60,595
Accounts receivable and other	321,768	-	-	321,768
Interest receivable	4,821	-	-	4,821
Property and equipment	2,288,514	-	-	2,288,514
Less accumulated depreciation	(1,894,448)	-	-	(1,894,448)
Total Assets	\$ 5,446,805	\$ 1,076,166	\$ 99,769	\$ 6,622,740
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 410,585	\$ -	\$ -	\$ 410,585
Refundable advances	279,323	-	-	279,323
Annuities payable	405,691	-	-	405,691
Total Liabilities	1,095,599	-	-	1,095,599
Net Assets				
Unrestricted:				
Operating	2,499,706	-	-	2,499,706
Board-designated	1,941,795	-	-	1,941,795
Foreign currency translation adjustment	(90,295)	-	-	(90,295)
Total unrestricted net assets	4,351,206	-	-	4,351,206
Temporarily restricted net assets	-	1,076,166	-	1,076,166
Permanently restricted net assets	-	-	99,769	99,769
Total Net Assets	4,351,206	1,076,166	99,769	5,527,141
Total Liabilities and Net Assets	\$ 5,446,805	\$ 1,076,166	\$ 99,769	\$ 6,622,740

*See accompanying independent auditor's report
and notes to combined financial statements.*

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Combined Statements of Financial Position

<i>June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	\$ 1,014,630	\$ 152,464	\$ 99,769	\$ 1,266,863
Investments held by CRCNA Funds, LLC	2,659,000	-	-	2,659,000
Beneficial interest in assets held by Barnabas Foundation	-	823,467	-	823,467
Other investments	65,063	78,314	-	143,377
Cash surrender value of life insurance	411,255	-	-	411,255
Due from Christian Reformed Church in North America (net)	55,386	-	-	55,386
Accounts receivable and other	13,880	-	-	13,880
Interest receivable	5,507	-	-	5,507
Property and equipment	2,299,232	-	-	2,299,232
Less accumulated depreciation	(1,838,593)	-	-	(1,838,593)
Total Assets	\$ 4,685,360	\$ 1,054,245	\$ 99,769	\$ 5,839,374
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 362,794	\$ -	\$ -	\$ 362,794
Refundable advances	286,042	-	-	286,042
Annuities payable	526,860	-	-	526,860
Total Liabilities	1,175,696	-	-	1,175,696
Net Assets				
Unrestricted:				
Operating	1,622,042	-	-	1,622,042
Board-designated	1,941,795	-	-	1,941,795
Foreign currency translation adjustment	(54,173)	-	-	(54,173)
Total unrestricted net assets	3,509,664	-	-	3,509,664
Temporarily restricted net assets	-	1,054,245	-	1,054,245
Permanently restricted net assets	-	-	99,769	99,769
Total Net Assets	3,509,664	1,054,245	99,769	4,663,678
Total Liabilities and Net Assets	\$ 4,685,360	\$ 1,054,245	\$ 99,769	\$ 5,839,374

*See accompanying independent auditor's report
and notes to combined financial statements.*

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Combined Statements of Activities

<i>Year ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Denominational ministry shares	\$ 3,049,652	\$ -	\$ 3,049,652
Individual gifts and ministry support	3,082,142	42,755	3,124,897
Legacies	2,935,369	45,000	2,980,369
Investment income (loss)	100,323	(19,372)	80,951
Net assets released from restrictions	46,462	(46,462)	-
Other	106,910	-	106,910
Total Revenues and Other Support	9,320,858	21,921	9,342,779
Expenses			
Program services:			
English	2,214,052	-	2,214,052
International	3,641,998	-	3,641,998
Total program services	5,856,050	-	5,856,050
Support services:			
Management and general	929,010	-	929,010
Resource development	1,662,926	-	1,662,926
Total support services	2,591,936	-	2,591,936
Total Expenses	8,447,986	-	8,447,986
Changes in Net Assets	\$ 872,872	\$ 21,921	\$ 894,793

*See accompanying independent auditor's report
and notes to combined financial statements.*

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Combined Statements of Activities

<i>Year ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Denominational ministry shares	\$ 3,194,441	\$ -	\$ 3,194,441
Individual gifts and ministry support	3,568,358	16,400	3,584,758
Legacies	1,394,383	-	1,394,383
Investment income	120,932	21,999	142,931
Net assets released from restrictions	91,847	(91,847)	-
Other	129,489	-	129,489
Total Revenues and Other Support	8,499,450	(53,448)	8,446,002
Expenses			
Program services:			
English	2,419,787	-	2,419,787
International	4,020,612	-	4,020,612
Total program services	6,440,399	-	6,440,399
Support services:			
Management and general	799,095	-	799,095
Resource development	1,715,675	-	1,715,675
Total support services	2,514,770	-	2,514,770
Total Expenses	8,955,169	-	8,955,169
Changes in Net Assets	\$ (455,719)	\$ (53,448)	\$ (509,167)

*See accompanying independent auditor's report
and notes to combined financial statements.*

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Combined Statements of Functional Expenses

<i>Year ended June 30, 2016</i>	Program Services			Support Services			Total
	English	International	Total	Management and General	Resource Development	Total	
Expenses							
Compensation:							
Salaries	\$ 912,431	\$ 1,000,414	\$ 1,912,845	\$ 276,831	\$ 616,937	\$ 893,768	\$ 2,806,613
Payroll taxes	53,793	46,713	100,506	14,337	40,898	55,235	155,741
Fringe benefits	282,351	179,937	462,288	96,461	136,444	232,905	695,193
Total compensation	1,248,575	1,227,064	2,475,639	387,629	794,279	1,181,908	3,657,547
Program:							
Media	27,864	1,564,436	1,592,300	-	-	-	1,592,300
Production	390,262	246,675	636,937	-	-	-	636,937
Printing	241,773	143,042	384,815	574	116,115	116,689	501,504
Mailing	122,966	68,168	191,134	1,909	82,316	84,225	275,359
Professional services	-	-	-	376,577	448,843	825,420	825,420
Total program	782,865	2,022,321	2,805,186	379,060	647,274	1,026,334	3,831,520
Operations:							
Occupancy	120,699	184,200	304,899	101,206	34,889	136,095	440,994
Travel	18,881	141,318	160,199	44,751	134,554	179,305	339,504
Depreciation	25,118	22,011	47,129	6,753	12,691	19,444	66,573
Miscellaneous	17,914	45,084	62,998	(7,065)	39,239	32,174	95,172
Interest	-	-	-	16,676	-	16,676	16,676
Total operations	182,612	392,613	575,225	162,321	221,373	383,694	958,919
Total Expenses	\$ 2,214,052	\$ 3,641,998	\$ 5,856,050	\$ 929,010	\$ 1,662,926	\$ 2,591,936	\$ 8,447,986

See accompanying independent auditor's report and notes to combined financial statements.

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Combined Statements of Functional Expenses

<i>Year ended June 30, 2015</i>	Program Services			Support Services			Total
	English	International	Total	Management and General	Resource Development	Total	
Expenses							
Compensation:							
Salaries	\$ 899,950	\$ 1,130,903	\$ 2,030,853	\$ 265,270	\$ 656,516	\$ 921,786	\$ 2,952,639
Payroll taxes	55,902	55,687	111,589	13,884	43,640	57,524	169,113
Fringe benefits	274,187	201,974	476,161	87,639	129,915	217,554	693,715
Total compensation	1,230,039	1,388,564	2,618,603	366,793	830,071	1,196,864	3,815,467
Program:							
Media	52,372	1,706,685	1,759,057	-	-	-	1,759,057
Production	512,846	233,041	745,887	-	-	-	745,887
Printing	235,915	183,552	419,467	472	76,564	77,036	496,503
Mailing	147,317	114,888	262,205	3,180	91,735	94,915	357,120
Professional services	-	-	-	347,063	491,885	838,948	838,948
Total program	948,450	2,238,166	3,186,616	350,715	660,184	1,010,899	4,197,515
Operations:							
Occupancy	127,861	204,858	332,719	96,864	41,030	137,894	470,613
Travel	70,234	124,738	194,972	38,336	129,816	168,152	363,124
Depreciation	32,605	28,572	61,177	8,622	16,474	25,096	86,273
Miscellaneous	10,598	35,714	46,312	(79,789)	38,100	(41,689)	4,623
Interest	-	-	-	17,554	-	17,554	17,554
Total operations	241,298	393,882	635,180	81,587	225,420	307,007	942,187
Total Expenses	\$ 2,419,787	\$ 4,020,612	\$ 6,440,399	\$ 799,095	\$ 1,715,675	\$ 2,514,770	\$ 8,955,169

See accompanying independent auditor's report and notes to combined financial statements.

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Combined Statements of Changes in Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1, 2014	\$ 4,157,794	\$ 1,107,693	\$ 99,769	\$ 5,365,256
Changes in net assets	(455,719)	(53,448)	-	(509,167)
Foreign currency translation adjustment	(192,411)	-	-	(192,411)
Balance, June 30, 2015	3,509,664	1,054,245	99,769	4,663,678
Changes in net assets	872,872	21,921	-	894,793
Foreign currency translation adjustment	(31,330)	-	-	(31,330)
Balance, June 30, 2016	\$ 4,351,206	\$ 1,076,166	\$ 99,769	\$ 5,527,141

*See accompanying independent auditor's report
and notes to combined financial statements.*

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Combined Statements of Cash Flows

<i>Year ended June 30,</i>	2016	2015
Cash Flows From (for) Operating Activities		
Changes in net assets	\$ 894,793	\$ (509,167)
Adjustments to reconcile changes in net assets to net cash from (for) operating activities:		
Change in value of annuities payable	(36,349)	(36,880)
Net change in fair value of investments	630,001	95,938
Net gain on sale of investments	(592,068)	(180,979)
Gain on life insurance redemption	-	(58,395)
Increase in cash surrender value of life insurance	(12,936)	(14,814)
Depreciation	66,573	86,273
Changes in assets and liabilities:		
Accounts receivable and other	(308,056)	110,852
Interest receivable	686	4,931
Due to/from Christian Reformed Church in North America (net)	(6,850)	(85,061)
Accounts payable and accrued liabilities	49,170	(137,690)
Net Cash From (for) Operating Activities	684,964	(724,992)
Cash Flows From (for) Investing Activities		
Purchase of equipment	-	(31,521)
Purchase of investments	(2,839,605)	(133,399)
Proceeds from sale of investments	2,677,865	669,092
Premiums paid for life insurance policies	(11,650)	(11,650)
Redemption of life insurance policy	-	217,442
Net Cash From (for) Investing Activities	(173,390)	709,964
Cash Flows From (for) Financing Activities		
Change in amount borrowed by the Christian Reformed Church in North America	-	4,000
Redemption of refundable advances	(5,000)	-
Payments on annuities payable	(84,820)	(24,592)
Net Cash for Financing Activities	(89,820)	(20,592)
Effect of Exchange Rates on Cash	(29,729)	(192,411)
Net Increase (Decrease) in Cash and Cash Equivalents	392,025	(228,031)
Cash and Cash Equivalents, beginning of year	1,266,863	1,494,894
Cash and Cash Equivalents, end of year	\$ 1,658,888	\$ 1,266,863
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 16,676	\$ 17,553

See accompanying independent auditor's report and notes to combined financial statements.

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Notes to Combined Financial Statements

1. Organization

The combined financial statements include the accounts of Back to God Ministries International (an Illinois nonprofit corporation) and Back to God Ministries International (a Canadian nonprofit corporation) (collectively, the Agency or Agencies). The Agency operates under the direction of the Synod of the Christian Reformed Church in North America (CRCNA). The purpose of the Agency is to proclaim God's word using electronic media and to engage in appropriate follow-up with those who respond.

The Agency's Program Services are described as follows:

- English - The Agency uses media such as radio, the internet, printed discipleship and devotional materials throughout North America.
- International - Using media appropriate to each culture, the Agency carries out programming internationally in ten of the major world languages. Responses have been received from nearly 189 countries.

Each Agency is exempt from income taxes in their respective countries, and contributions are deductible for federal tax purposes.

2. Summary of Significant Accounting Policies

Combined Financial Statements

The combined financial statements are expressed in United States dollars and are prepared in accordance with accounting principles generally accepted in the United States of America. All interagency balances, accounts and transactions have been eliminated.

Net assets and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Included in unrestricted net assets are net assets which have been designated by the Board for certain projects.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. The donors of these assets have stipulated that the net assets be invested and that any income earned be utilized for unrestricted purposes.

Revenues, contributions and investment income are reported as follows:

- Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Restricted

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Notes to Combined Financial Statements

contributions received and expended for the designated purpose in the same year are reflected in unrestricted net assets.

- Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Denominational ministry shares are recommended gifts from churches based on active professing members age 18 and over. Legacies are gifts received through estates based on donor bequests.

Functional Currency

The functional currency for foreign activities is the applicable local currency. The translation from the applicable foreign currency to United States dollars is performed in accounts of the combined statements of financial position using current exchange rates in effect at June 30, 2016, and for revenue and expense accounts using an average exchange rate during the year. Gains or losses resulting from foreign currency translations are included as a separate component of net assets. Gains or losses from foreign currency transactions were not material and are reflected in management and general expenses.

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid debt instruments with original maturities of less than three months when purchased.

Investments

Investments are carried at fair value as determined by quoted market prices.

Accounts Receivable and Other

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

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Notes to Combined Financial Statements

Investment Income

Investment income consists of interest, dividends, realized and unrealized gains and losses on investments, and the change in the present value of annuities payable.

Income Taxes

Back to God Ministries International (U.S.) is included in the Christian Reformed Church in North America's group exemption. The Agency is not aware of any material uncertain tax positions.

Subsequent Events

Management has evaluated subsequent events through October 28, 2016, the date the financial statements were available to be issued. Based on evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

3. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	Useful Lives	2016	2015
Land	-	\$ 100,421	\$ 100,421
Building and improvements	20 - 40 years	1,488,322	1,488,322
Equipment, furniture and fixtures	2 - 10 years	699,771	710,489
Total		\$ 2,288,514	\$ 2,299,232

4. Investments

The Agency directs certain investments through CRCNA Funds, LLC (CRCNA Funds), a related party. CRCNA Funds holds investments of participating agencies of the Christian Reformed Church. Participating agencies direct their investments into the balanced portfolio and/or the fixed-income portfolio, and are allocated their share of investment earnings and losses.

Investment Risk

The Agency invests in various securities including government securities, corporate bonds and other debt instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined statements of financial position.

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Notes to Combined Financial Statements

Investments are summarized as follows:

<i>June 30,</i>	2016	2015
CRCNA Funds, LLC		
Fixed-income portfolio	\$ 323,494	\$ 320,249
Balanced portfolio	2,364,816	2,338,751
Investments Held by CRCNA Funds, LLC	\$ 2,688,310	\$ 2,659,000
Beneficial Interest in Assets Held by Barnabas Foundation	\$ 867,795	\$ 823,467
Other Investments		
Investment in International Stewardship Fund	\$ 64,257	\$ 78,314
Common stock	120,399	59,063
Agricultural real estate	6,000	6,000
Total Other Investments	\$ 190,656	\$ 143,377

Investments are carried at fair value. The Agency had investments of \$867,795 and \$823,467 at June 30, 2016 and 2015, respectively, held in a beneficial trust at Barnabas Foundation in a donor-established trust that designates the Agency as the primary beneficiary.

Investments and cash with an aggregate carrying value of approximately \$1,163,000 and \$1,345,000 at June 30, 2016 and 2015, respectively, have been segregated, and the related investment income is used for payments on annuity agreements and refundable advances.

Total investment income of approximately \$81,000 for the year ended June 30, 2016 represents investment and dividend income of approximately \$58,000, net gain on sale of investments of approximately \$592,000, unrealized loss on investments of approximately \$630,000, and other net unrealized investment gain of approximately \$61,000. Total investment income of approximately \$143,000 for the year ended June 30, 2015 represents investment and dividend income of approximately \$95,000, net gain on sale of investments of approximately \$181,000, unrealized loss on investments of approximately \$96,000, and other net unrealized investment losses of approximately \$37,000.

5. Fair Value Measurements

In accordance with the Financial Accounting Standards Board (FASB) standard relating to fair value measurements, the Agency classifies its investments and annuities payable into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to investments and annuities payable not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to investments valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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Notes to Combined Financial Statements

The following tables set forth by level within the fair value hierarchy a summary of the Agency's investments and annuities payable measured at fair value on a recurring basis:

	Fair Value Measurements			
<i>June 30, 2016</i>	Level 1	Level 2	Level 3	Total
Investments held by CRCNA Funds, LLC	\$ 2,450,903	\$ 237,407	\$ -	\$ 2,688,310
Beneficial interest in assets held by Barnabas Foundation	-	867,795	-	867,795
Investment in International Stewardship Fund	64,257	-	-	64,257
Common stock	120,399	-	-	120,399
Agricultural real estate	-	-	6,000	6,000
Investments, at fair value	\$ 2,635,559	\$ 1,105,202	\$ 6,000	\$ 3,746,761
Annuities Payable	\$ -	\$ 405,691	\$ -	\$ 405,691

	Fair Value Measurements			
<i>June 30, 2015</i>	Level 1	Level 2	Level 3	Total
Investments held by CRCNA Funds, LLC	\$ 2,189,670	\$ 469,330	\$ -	\$ 2,659,000
Beneficial interest in assets held by Barnabas Foundation	-	823,467	-	823,467
Investment in International Stewardship Fund	78,314	-	-	78,314
Common stock	59,063	-	-	59,063
Agricultural real estate	-	-	6,000	6,000
Investments, at fair value	\$ 2,327,047	\$ 1,292,797	\$ 6,000	\$ 3,625,844
Annuities Payable	\$ -	\$ 526,860	\$ -	\$ 526,860

6. Endowments

The Agency's temporarily restricted endowment consists of a fund established to support Chinese Language Ministry, whereas the Agency's permanently restricted endowment was established to support general funding and daily operations of the Agency. Its endowments consist only of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Agency's Board had interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of the interpretation, the Agency classifies as permanently restricted net assets (a) the

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Notes to Combined Financial Statements

original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund.
- (2) the purpose of the Agency and the donor-restricted endowment fund.
- (3) general economic conditions.
- (4) the possible effect of inflation and deflation.
- (5) the expected total return from income and the appreciation of investments.
- (6) other resources of the Agency.
- (7) the investment policies of the Agency.

Return Objectives and Risk Parameters

The Agency's endowment is invested through the Barnabas Foundation and CRCNA Funds, LLC. The goal of the Barnabas portfolio is to gain long-term growth with managing risk through investment allocation to a broad diversification of investments. The investment strategy is geared for perpetually reinvested accounts with low to moderate liquidity needs. The weighting of the portfolio is approximately 35% equity-link investments, 20% fixed-income investments and 45% alternative investments. The portfolio primarily includes cash equivalents, bond, equity and mutual fund investments.

The CRCNA Funds, LLC portfolio is invested in both a balanced fund and a fixed-income fund. The investment objective of the balanced fund is a combination of fixed-income and equity securities to offer a higher return potential than the fixed-income fund alone. Investment into this style is assumed to have a relatively long (three to five years) time horizon. It is also assumed that cash flows should be minimal. The asset mix of the balanced fund range between equities and fixed-income, with a minimal amount included in cash equivalents. The investment objective of the fixed-income fund is a short bond style, which is intended to provide enhanced returns to a money market fund while retaining a low-risk profile. In order to control risk, a relatively short (approximately 1.5 to two years) duration approach is used. Investment into this style is assumed to be a secondary source of liquidity. The asset mix of the fixed-income fund is mainly fixed-income with 10% or less invested in cash equivalents. The distributions of the restricted funds are based solely on CRCNA Funds' needs of the funds within the stipulated donor restrictions.

The Agency ordinarily will take approximately 5% of the temporarily restricted endowment fund to general operations each year if the balance exceeds approximately \$500,000 in accordance with the endowment agreement. In the fiscal years ended June 30, 2016 and 2015, respectively, the Agency transferred \$0 and \$35,900 toward the general operations.

The Agency has received conditional gifts from donors to make contributions to the Agency, primarily bequests, totaling approximately \$41,500,000. These gifts have not been recorded as of June 30, 2016 and won't be until the set conditions have been met.

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Notes to Combined Financial Statements

In the fiscal year ended June 30, 2016, the Agency had the following changes in the temporarily and permanently restricted endowments:

	Temporarily Restricted	Permanently Restricted
Beginning Balance, July 1, 2015	\$ 823,467	\$ 99,769
Donor-restricted gifts	63,700	-
Interest and dividends	9,337	-
Net realized gain	(4,293)	-
Unrealized loss	(24,416)	-
Ending Balance, June 30, 2016	\$ 867,795	\$ 99,769

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

7. Cash Surrender Value of Life Insurance

Life insurance policies held are valued based on cash surrender value of the policies. During the year ended June 30, 2015, there was a redemption of \$159,047 and the payout received by the Agency was \$217,442. Premiums paid and unrealized gains or losses are included in other revenue.

8. Annuities Payable

Donors have transferred assets to the Agency in exchange for the right to receive a predetermined return during their lifetime (an annuity). A portion of the transfer is considered to be a charitable contribution for income tax purposes. Upon receipt of the transfer, the Agency recorded a liability for the annuity payable at the present value of future payments based on life expectancy and the midterm federal rate for U.S. Treasury Bills for the month the contract is written with the same maturity as the average life expectancy of the annuitants. The difference between the liability recognized for the annuity and the amount of the transfer was recognized as unrestricted contribution income at the date of the gift unless the gift portion was restricted. Annuity payments are charged against the liability which, at the end of each fiscal year, is adjusted to the present value of future payments based on life expectancy (utilizing the IRS life expectancy Tables for Males and Females) and the interest rate commensurate with the remaining expected term of the contract (3.17% to 6.64% at June 30, 2016). The resulting adjustment is netted against investment income in the combined statements of activities.

9. Refundable Advances

Refundable advances represent assets transferred to the Agency under revocable gift agreements wherein the Agency agrees to pay the donor an amount equal to a designated percentage rate. The donor has the right to revoke the gift at any time. If not previously called by the donor, upon

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Notes to Combined Financial Statements

the death of the donor, the principal transfers to the Agency. The designated percentage rates range from 4.0% to 7.0% per annum and are payable either semiannually or annually.

10. Employee Retirement Plans

The Agency contributes to the CRCNA's Employees' Savings Plan, a defined contribution retirement plan for the benefit of covered non-ordained employees (Non-ordained Plan), and to the Retirement Plan for Ministers of the Christian Reformed Church in the United States (U.S. Ordained Plan), a defined benefit retirement plan for ordained employees. Retirement plan contributions for ordained employees of Back to God Ministries International are made to the Retirement Fund for Ministers of the Christian Reformed Church in Canada (Canada Ordained Plan), a defined benefit retirement plan. The Agency's obligation for the Non-ordained Plan is limited to a matching contribution of up to 4% of eligible wages, with employer discretionary contributions of up to 6% of eligible wages of qualified employees. For the Ordained Plans, all organized churches are required to pay church assessments determined at an amount per professing member age 18 years and older or, if greater, the direct costs of their first or only pastor's participation in the organized church, based on reported membership statistic.

Retirement plan contribution expense for the years ended June 30, 2016 and 2015 amounted to \$196,710 and \$205,390, respectively, for the Non-ordained Plan, and \$30,810 and \$37,880, respectively, for the Ordained Plans.

Separate information with respect to plan assets and accumulated plan benefits for the defined benefit plans is not available. However, for information purposes, the estimated actuarial present value of accumulated plan benefits and plan assets, assuming an 8% interest rate for the Ordained Plans, as of the most recent valuation was \$114,283,808. Net assets available for benefits of the Ordained Plans were \$101,360,708 and \$107,137,566 as of January 1, 2016 and 2015, respectively.

11. Transactions With Other Christian Reformed Church Entities

During the years ended June 30, 2016 and 2015, the Agency purchased printing and publication services from CRCNA totaling approximately \$239,000 and \$214,000, respectively, and incurred charges of approximately \$478,000 and \$450,000, respectively, for administrative support, printing and other services. The Agency also incurred charges during the years ended June 30, 2016 and 2015 of approximately \$60,000 and \$60,000, respectively, from the CRCNA for support charges related to the coordinated financial services function and approximately \$65,000 and \$60,000, respectively, of allocated building occupancy expenses. At June 30, 2016 and 2016, accounts payable to other Christian Reformed Church entities included approximately \$61,000 and \$47,000, respectively.

The Agency manages its cash in conjunction with the CRCNA consolidated cash management system, which holds all funds in a single bank. As part of this process, the CRCNA may borrow funds of participating entities. At June 30, 2016 and 2015, the CRCNA borrowed \$0 from the Agency. The Agency has authorized the use of its funds held in the consolidated cash management system as collateral for borrowings of the Christian Reformed Church in North America, up to a \$2,000,000 limit.

Supplementary Information



Independent Auditor's Report on Supplementary Information

Our audits of the combined financial statements included in the preceding section of this report were performed for the purpose of forming an opinion on those statements taken as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

BDO USA, LLP

October 28, 2016

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Combining Summary of Financial Position Information - United States and Canada in United States Dollars, and Canada in Canadian Dollars

	United States \$			Canadian \$
<i>June 30, 2016</i>	Combined	United States	Canada	Canada
Assets				
Cash and cash equivalents	\$ 1,658,888	\$ 1,222,814	\$ 436,074	\$ 563,257
Investments held by CRCNA Funds, LLC	2,688,310	2,688,310	-	-
Beneficial interest in assets held by				
Barnabas Foundation	867,795	867,795	-	-
Other investments	190,656	126,399	64,257	82,998
Cash surrender value of life insurance	435,841	435,841	-	-
Due from Christian Reformed Church in				
North America (net)	60,595	-	60,595	78,268
Accounts receivable and other	321,768	317,453	4,315	5,573
Intercompany	-	(181,568)	181,568	234,523
Interest receivable	4,821	4,821	-	-
Property and equipment	2,288,514	2,288,514	-	-
Less accumulated depreciation	(1,894,448)	(1,894,448)	-	-
Total Assets	\$ 6,622,740	\$ 5,875,931	\$ 746,809	\$ 964,619
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 410,585	\$ 386,559	\$ 24,026	\$ 31,033
Refundable advances	279,323	229,000	50,323	65,000
Annuities payable	405,691	405,691	-	-
Total Liabilities	1,095,599	1,021,250	74,349	96,033
Net Assets				
Unrestricted:				
Operating	2,499,706	1,801,208	698,498	785,588
Board-designated	1,941,795	1,941,795	-	-
Foreign currency translation adjustment	(90,295)	-	(90,295)	-
Total unrestricted net assets	4,351,206	3,743,003	608,203	785,588
Temporarily restricted net assets	1,076,166	1,011,909	64,257	82,998
Permanently restricted net assets	99,769	99,769	-	-
Total Net Assets	5,527,141	4,854,681	672,460	868,586
Total Liabilities and Net Assets	\$ 6,622,740	\$ 5,875,931	\$ 746,809	\$ 964,619

See accompanying independent auditor's report on supplementary information.

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Combining Summary of Financial Position Information - United States and Canada in United States Dollars, and Canada in Canadian Dollars

	United States \$			Canadian \$
<i>June 30, 2015</i>	Combined	United States	Canada	Canada
Assets				
Cash and cash equivalents	\$ 1,266,863	\$ 1,021,750	\$ 245,113	\$ 306,148
Investments held by CRCNA Funds, LLC	2,659,000	2,659,000	-	-
Beneficial interest in assets held by Barnabas Foundation	823,467	823,467	-	-
Other investments	143,377	65,063	78,314	97,814
Cash surrender value of life insurance	411,255	411,255	-	-
Due from Christian Reformed Church in North America (net)	55,386	-	55,386	69,180
Accounts receivable and other	13,880	9,078	4,802	5,996
Intercompany	-	(540,796)	540,796	675,455
Interest receivable	5,507	5,507	-	-
Property and equipment	2,299,232	2,299,232	-	-
Less accumulated depreciation	(1,838,593)	(1,838,593)	-	-
Total Assets	\$ 5,839,374	\$ 4,914,963	\$ 924,411	\$ 1,154,593
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 362,794	\$ 328,389	\$ 34,405	\$ 42,974
Refundable advances	286,042	234,000	52,042	65,000
Annuities payable	526,860	526,860	-	-
Total Liabilities	1,175,696	1,089,249	86,447	107,974
Net Assets				
Unrestricted:				
Operating	1,622,042	808,219	813,823	948,805
Board-designated	1,941,795	1,941,795	-	-
Foreign currency translation adjustment	(54,173)	-	(54,173)	-
Total unrestricted net assets	3,509,664	2,750,014	759,650	948,805
Temporarily restricted net assets	1,054,245	975,931	78,314	97,814
Permanently restricted net assets	99,769	99,769	-	-
Total Net Assets	4,663,678	3,825,714	837,964	1,046,619
Total Liabilities and Net Assets	\$ 5,839,374	\$ 4,914,963	\$ 924,411	\$ 1,154,593

See accompanying independent auditor's report on supplementary information.

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Combining Summary of Activities Information - United States and Canada in United States Dollars, and Canada in Canadian Dollars

<i>Year ended June 30, 2016</i>	United States \$		Canadian \$	
	Combined	United States	Canada	Canada
Revenues and Other Support				
Denominational ministry shares	\$ 3,049,652	\$ 2,167,456	\$ 882,196	\$ 1,170,486
Individual gifts and ministry support	3,124,897	2,334,309	790,588	1,048,943
Legacies	2,980,369	2,848,507	131,862	174,953
Investment income	80,951	79,794	1,157	1,536
Other	106,910	86,841	20,069	26,626
Total Revenues and Other Support	9,342,779	7,516,907	1,825,872	2,422,544
Expenses				
Program services:				
English	2,214,052	1,606,013	608,039	806,739
International	3,641,998	2,641,851	1,000,147	1,326,995
Total program services	5,856,050	4,247,864	1,608,186	2,133,734
Support services:				
Management and general	929,010	830,791	98,219	130,315
Resource development	1,662,926	1,409,285	253,641	336,528
Total support services	2,591,936	2,240,076	351,860	466,843
Total Expenses	8,447,986	6,487,940	1,960,046	2,600,577
Changes in Net Assets	\$ 894,793	\$ 1,028,967	\$ (134,174)	\$ (178,033)

See accompanying independent auditor's report on supplementary information.

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Combining Summary of Activities Information - United States and Canada in United States Dollars, and Canada in Canadian Dollars

<i>Year ended June 30, 2015</i>	United States \$		Canadian \$	
	Combined	United States	Canada	Canada
Revenues and Other Support				
Denominational ministry shares	\$ 3,194,441	\$ 2,208,730	\$ 985,711	\$ 1,153,958
Individual gifts and ministry support	3,584,758	2,597,976	986,782	1,155,213
Legacies	1,394,383	1,247,119	147,264	172,399
Investment income	142,931	133,205	9,726	11,386
Other	129,489	107,557	21,932	25,673
Total Revenues and Other Support	8,446,002	6,294,587	2,151,415	2,518,629
Expenses				
Program services:				
English	2,419,787	1,573,144	846,643	1,045,052
International	4,020,612	2,615,561	1,405,051	1,595,611
Total program services	6,440,399	4,188,705	2,251,694	2,640,663
Support services:				
Management and general	799,095	776,856	22,239	26,035
Resource development	1,715,675	1,425,190	290,485	340,066
Total support services	2,514,770	2,202,046	312,724	366,101
Total Expenses	8,955,169	6,390,751	2,564,418	3,006,764
Changes in Net Assets	\$ (509,167)	\$ (96,164)	\$ (413,003)	\$ (488,135)

See accompanying independent auditor's report on supplementary information.