



Back to God Ministries International

Combined Financial Statements and
Supplementary Information
Years Ended June 30, 2018 and 2017

Back to God Ministries International

Combined Financial Statements and Supplementary Information
Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

Boards of Directors
Back to God Ministries International
Grand Rapids, Michigan

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, 2018 and 2017, 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, 2018 and 2017, 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 9, 2018

Combined Financial Statements

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Combined Statements of Financial Position

<i>June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	\$ 3,380,556	\$ 104,303	\$ 99,769	\$ 3,584,628
Investments held by CRCNA Funds, LLC	3,118,912	-	-	3,118,912
Beneficial interest in assets held by Barnabas Foundation	-	975,511	-	975,511
Other investments	44,305	42,938	-	87,243
Cash surrender value of life insurance	509,238	-	-	509,238
Due from Christian Reformed Church in North America, net	77,320	-	-	77,320
Accounts receivable and other	24,373	-	-	24,373
Interest receivable	6,381	-	-	6,381
Construction in progress	50,875	-	-	50,875
Property and equipment	283,203	-	-	283,203
Less accumulated depreciation	(226,521)	-	-	(226,521)
Total Assets	\$ 7,268,642	\$ 1,122,752	\$ 99,769	\$ 8,491,163
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 325,106	\$ -	\$ -	\$ 325,106
Due to Christian Reformed Church in North America, net	141,287	-	-	141,287
Refundable advances	283,361	-	-	283,361
Annuities payable	274,243	-	-	274,243
Total Liabilities	1,023,997	-	-	1,023,997
Net Assets				
Unrestricted:				
Operating	3,610,701	-	-	3,610,701
Board-designated	2,749,739	-	-	2,749,739
Foreign currency translation adjustment	(115,795)	-	-	(115,795)
Total unrestricted net assets	6,244,645	-	-	6,244,645
Temporarily restricted net assets	-	1,122,752	-	1,122,752
Permanently restricted net assets	-	-	99,769	99,769
Total Net Assets	6,244,645	1,122,752	99,769	7,467,166
Total Liabilities and Net Assets	\$ 7,268,642	\$ 1,122,752	\$ 99,769	\$ 8,491,163

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

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Combined Statements of Financial Position

<i>June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	\$ 1,699,772	\$ 122,708	\$ 99,769	\$ 1,922,249
Investments held by CRCNA Funds, LLC	2,936,324	-	-	2,936,324
Beneficial interest in assets held by Barnabas Foundation	-	950,647	-	950,647
Other investments	45,798	54,226	-	100,024
Cash surrender value of life insurance	478,632	-	-	478,632
Accounts receivable and other	37,648	-	-	37,648
Interest receivable	5,326	-	-	5,326
Property and equipment	2,246,091	-	-	2,246,091
Less accumulated depreciation	(1,885,757)	-	-	(1,885,757)
Total Assets	\$ 5,563,834	\$ 1,127,581	\$ 99,769	\$ 6,791,184
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 339,995	\$ -	\$ -	\$ 339,995
Due to Christian Reformed Church in North America, net	25,483	-	-	25,483
Refundable advances	274,089	-	-	274,089
Annuities payable	298,091	-	-	298,091
Total Liabilities	937,658	-	-	937,658
Net Assets				
Unrestricted:				
Operating	2,785,448	-	-	2,785,448
Board-designated	1,941,795	-	-	1,941,795
Foreign currency translation adjustment	(101,067)	-	-	(101,067)
Total unrestricted net assets	4,626,176	-	-	4,626,176
Temporarily restricted net assets	-	1,127,581	-	1,127,581
Permanently restricted net assets	-	-	99,769	99,769
Total Net Assets	4,626,176	1,127,581	99,769	5,853,526
Total Liabilities and Net Assets	\$ 5,563,834	\$ 1,127,581	\$ 99,769	\$ 6,791,184

*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, 2018</i>	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Denominational ministry shares	\$ 2,918,037	\$ -	\$ 2,918,037
Individual gifts and ministry support	3,489,365	32,500	3,521,865
Legacies	2,206,784	-	2,206,784
Gain on sale of property and equipment (Note 3)	807,944	-	807,944
Investment income	199,214	54,664	253,878
Net assets released from restrictions	91,993	(91,993)	-
Other	71,437	-	71,437
Total Revenues and Other Support	9,784,774	(4,829)	9,779,945
Expenses			
Program services:			
English	2,281,377	-	2,281,377
International	3,366,917	-	3,366,917
Total program services	5,648,294	-	5,648,294
Support services:			
Management and general	940,138	-	940,138
Resource development	1,563,145	-	1,563,145
Total support services	2,503,283	-	2,503,283
Total Expenses	8,151,577	-	8,151,577
Changes in Net Assets	\$ 1,633,197	\$ (4,829)	\$ 1,628,368

*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, 2017</i>	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Denominational ministry shares	\$ 2,962,854	\$ -	\$ 2,962,854
Individual gifts and ministry support	3,545,620	29,200	3,574,820
Legacies	1,161,421	-	1,161,421
Investment income	366,653	107,641	474,294
Net assets released from restrictions	85,426	(85,426)	-
Other	55,408	-	55,408
Total Revenues and Other Support	8,177,382	51,415	8,228,797
Expenses			
Program services:			
English	2,167,376	-	2,167,376
International	3,246,298	-	3,246,298
Total program services	5,413,674	-	5,413,674
Support services:			
Management and general	931,082	-	931,082
Resource development	1,546,887	-	1,546,887
Total support services	2,477,969	-	2,477,969
Total Expenses	7,891,643	-	7,891,643
Changes in Net Assets	\$ 285,739	\$ 51,415	\$ 337,154

*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, 2018</i>	Program Services			Support Services			Total
	English	International	Total	Management and General	Resource Development	Total	
Expenses							
Compensation:							
Salaries	\$ 908,899	\$ 955,728	\$ 1,864,627	\$ 263,727	\$ 531,078	\$ 794,805	\$ 2,659,432
Payroll taxes	54,228	44,447	98,675	13,404	32,858	46,262	144,937
Fringe benefits	284,614	160,613	445,227	88,566	128,420	216,986	662,213
Total compensation	1,247,741	1,160,788	2,408,529	365,697	692,356	1,058,053	3,466,582
Program:							
Media	44,571	1,054,331	1,098,902	-	-	-	1,098,902
Production	453,247	557,572	1,010,819	-	-	-	1,010,819
Printing	222,546	154,273	376,819	1,947	138,992	140,939	517,758
Mailing	124,435	44,399	168,834	1,646	102,725	104,371	273,205
Professional services	-	-	-	320,333	439,780	760,113	760,113
Total program	844,799	1,810,575	2,655,374	323,926	681,497	1,005,423	3,660,797
Operations:							
Occupancy	127,822	174,543	302,365	142,618	38,147	180,765	483,130
Travel	40,899	169,057	209,956	35,407	94,338	129,745	339,701
Depreciation	9,112	7,985	17,097	2,276	4,604	6,880	23,977
Miscellaneous	11,004	43,969	54,973	54,647	52,203	106,850	161,823
Interest	-	-	-	15,567	-	15,567	15,567
Total operations	188,837	395,554	584,391	250,515	189,292	439,807	1,024,198
Total Expenses	\$ 2,281,377	\$ 3,366,917	\$ 5,648,294	\$ 940,138	\$ 1,563,145	\$ 2,503,283	\$ 8,151,577

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, 2017</i>	Program Services			Support Services			Total
	English	International	Total	Management and General	Resource Development	Total	
Expenses							
Compensation:							
Salaries	\$ 854,115	\$ 948,144	\$ 1,802,259	\$ 294,521	\$ 561,165	\$ 855,686	\$ 2,657,945
Payroll taxes	53,017	44,430	97,447	15,666	37,939	53,605	151,052
Fringe benefits	274,637	165,725	440,362	106,931	115,321	222,252	662,614
Total compensation	1,181,769	1,158,299	2,340,068	417,118	714,425	1,131,543	3,471,611
Program:							
Media	44,288	1,250,295	1,294,583	-	-	-	1,294,583
Production	429,021	248,998	678,019	-	-	-	678,019
Printing	231,216	150,636	381,852	1,631	116,796	118,427	500,279
Mailing	113,709	55,717	169,426	1,094	94,618	95,712	265,138
Professional services	-	-	-	334,636	401,216	735,852	735,852
Total program	818,234	1,705,646	2,523,880	337,361	612,630	949,991	3,473,871
Operations:							
Occupancy	117,459	180,565	298,024	103,191	36,157	139,348	437,372
Travel	27,606	146,546	174,152	30,762	103,764	134,526	308,678
Depreciation	13,318	11,671	24,989	3,645	6,729	10,374	35,363
Miscellaneous	8,990	43,571	52,561	22,692	73,182	95,874	148,435
Interest	-	-	-	16,313	-	16,313	16,313
Total operations	167,373	382,353	549,726	176,603	219,832	396,435	946,161
Total Expenses	\$ 2,167,376	\$ 3,246,298	\$ 5,413,674	\$ 931,082	\$ 1,546,887	\$ 2,477,969	\$ 7,891,643

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, 2016	\$ 4,351,206	\$ 1,076,166	\$ 99,769	\$ 5,527,141
Changes in net assets	285,739	51,415	-	337,154
Foreign currency translation adjustment	(10,769)	-	-	(10,769)
Balance, June 30, 2017	4,626,176	1,127,581	99,769	5,853,526
Changes in net assets	1,633,197	(4,829)	-	1,628,368
Foreign currency translation adjustment	(14,728)	-	-	(14,728)
Balance, June 30, 2018	\$ 6,244,645	\$ 1,122,752	\$ 99,769	\$ 7,467,166

*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>	2018	2017
Cash Flows From (for) Operating Activities		
Changes in net assets	\$ 1,628,368	\$ 337,154
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Change in value of annuities payable	4,627	(71,977)
Net change in fair value of investments	(166,227)	(302,296)
Net gain on sale of investments	(11)	(14,514)
Increase in cash surrender value of life insurance	(18,956)	(31,141)
Depreciation	23,977	35,363
Gain on sale of property and equipment	(807,944)	-
Changes in assets and liabilities:		
Accounts receivable and other	13,196	284,260
Interest receivable	(1,055)	(505)
Due to/from Christian Reformed Church in North America, net	41,914	83,414
Accounts payable and accrued liabilities	(14,448)	(70,550)
Net Cash From Operating Activities	703,441	249,208
Cash Flows From (for) Investing Activities		
Purchases of property and equipment	(108,165)	(1,630)
Proceeds from sale of property and equipment	1,144,909	-
Purchases of investments	(101,158)	(153,895)
Proceeds from sale of investments	72,227	229,902
Premiums paid for life insurance policies	(11,650)	(11,650)
Net Cash From Investing Activities	996,163	62,727
Cash Flows From (for) Financing Activities		
Redemption of refundable advances	10,000	(5,000)
Payments on annuities payable	(28,475)	(35,623)
Net Cash for Financing Activities	(18,475)	(40,623)
Effect of Exchange Rates on Cash	(18,750)	(7,951)
Net Increase in Cash and Cash Equivalents	1,662,379	263,361
Cash and Cash Equivalents, beginning of year	1,922,249	1,658,888
Cash and Cash Equivalents, end of year	\$ 3,584,628	\$ 1,922,249
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 15,567	\$ 16,313

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 10 of the major world languages (those with over 100 million speaking the language). Responses have been received from nearly every country.

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 (GAAP). 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 and contributions 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, 2018 and 2017, 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 GAAP 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. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in the combined statements of activities.

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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 CRCNA's group exemption from income taxes. The Agency is not aware of any material uncertain tax positions.

Subsequent Events

Management has evaluated subsequent events through October 9, 2018, 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

The Agency is constructing a studio space in its Grand Rapids, Michigan facility that it leases from CRCNA which is estimated to be completed in October 2018 at a cost of approximately \$75,000. Construction in progress at June 30, 2018 of \$50,875 is stated at cost and not depreciated. The incurred cost will be transferred to leasehold improvements upon completion.

Property and equipment consist of the following:

<i>June 30,</i>	Useful Lives (in Years)	2018	2017
Land	-	\$ -	\$ 100,421
Building and improvements	20 - 40	-	1,488,322
Equipment, furniture and fixtures	2 - 10	283,203	657,348
		283,203	2,246,091
Accumulated depreciation		(226,521)	(1,885,757)
Net Property and Equipment		\$ 56,682	\$ 360,334

Depreciation expense was \$23,977 and \$35,363 in 2018 and 2017, respectively.

The Agency sold its Palos Heights, Illinois facility and moved its operations to Grand Rapids, Michigan in March 2018. This move provided closer proximity to the partners and agencies with whom it does ministry work. This transaction resulted in a gain of \$807,944. At this point in time, the Agency does not intend to make any changes to its legal structure and will continue to remain incorporated in the State of Illinois.

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.

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Notes to Combined Financial Statements

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.

Investments are summarized as follows:

<i>June 30,</i>	2018	2017
CRCNA Funds, LLC		
Fixed-income portfolio	\$ 323,032	\$ 323,197
Balanced portfolio	2,795,880	2,613,127
Investments Held by CRCNA Funds, LLC	\$ 3,118,912	\$ 2,936,324
Beneficial Interest in Assets Held by Barnabas Foundation	\$ 975,511	\$ 950,647
Other Investments		
Investment in International Stewardship Fund	\$ 42,938	\$ 54,226
Common stock	38,305	39,798
Agricultural real estate	6,000	6,000
Total Other Investments	\$ 87,243	\$ 100,024

Investments are carried at fair value. The Agency had investments of \$975,511 and \$950,647 at June 30, 2018 and 2017, respectively, held in a beneficial trust at Barnabas Foundation in a donor-established trust that designates the Agency as the primary beneficiary.

Total investment income for the year ended June 30, 2018 and 2017 includes investment and dividend income of approximately \$90,000 and \$70,000, respectively; net gain on sale of investments of approximately \$15,000 for the year ended June 30, 2017; unrealized gains on investments of approximately \$166,000 and \$302,000, respectively; and other net unrealized investment gain (loss) of approximately (\$2,000) and \$88,000, respectively.

5. Fair Value Measurements

In accordance with the Financial Accounting Standards Board 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

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Notes to Combined Financial Statements

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.

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:

<i>June 30, 2018</i>	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments held by CRCNA Funds, LLC	\$ 2,855,820	\$ 263,092	\$ -	\$ 3,118,912
Beneficial interest in assets held by Barnabas Foundation	-	975,511	-	975,511
Investment in International Stewardship Fund	42,938	-	-	42,938
Common stock	38,305	-	-	38,305
Agricultural real estate	-	-	6,000	6,000
Investments, at fair value	\$ 2,937,063	\$ 1,238,603	\$ 6,000	\$ 4,181,666
Annuities Payable	\$ -	\$ 274,243	\$ -	\$ 274,243

<i>June 30, 2017</i>	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments held by CRCNA Funds, LLC	\$ 2,696,439	\$ 239,885	\$ -	\$ 2,936,324
Beneficial interest in assets held by Barnabas Foundation	-	950,647	-	950,647
Investment in International Stewardship Fund	54,226	-	-	54,226
Common stock	39,798	-	-	39,798
Agricultural real estate	-	-	6,000	6,000
Investments, at fair value	\$ 2,790,463	\$ 1,190,532	\$ 6,000	\$ 3,986,995
Annuities Payable	\$ -	\$ 298,091	\$ -	\$ 298,091

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 GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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Notes to Combined Financial Statements

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 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. The goal of the Barnabas Foundation 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 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 - 2 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, 2018 and 2017, respectively, the Agency transferred \$47,300 and \$43,000 toward the general operations.

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Notes to Combined Financial Statements

The Agency has received conditional gifts from donors to make contributions to the Agency, primarily bequests, totaling approximately \$43,300,000. These gifts have not been recorded as of June 30, 2018 and won't be until the set conditions have been met.

In the fiscal year ended June 30, 2018, the Agency had the following changes in the temporarily and permanently restricted endowments:

	Temporarily Restricted	Permanently Restricted
Beginning Balance, July 1, 2017	\$ 950,647	\$ 99,769
Donor-restricted gifts	17,500	-
Released from restriction	(47,300)	-
Interest and dividends	10,515	-
Net realized gain	22,001	-
Unrealized gain	22,148	-
Ending Balance, June 30, 2018	\$ 975,511	\$ 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. 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 Internal Revenue Service life expectancy Tables for Males and Females) and the interest rate commensurate with the remaining expected term of the contract (3.17% to 6.67% at June 30, 2018). The resulting adjustment is netted against investment income in the combined statements of activities.

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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 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, 2018 and 2017 amounted to \$160,300 and \$176,000, respectively, for the Non-ordained Plan, and \$32,100 and \$30,800, 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 \$128,339,559. Net assets available for benefits of the Ordained Plans were \$113,103,224 and \$100,738,360 as of January 1, 2018 and 2017, respectively.

11. Transactions With Other Christian Reformed Church Entities

During the years ended June 30, 2018 and 2017, the Agency purchased printing and publication services from CRCNA totaling approximately \$273,000 and \$267,000, respectively, and incurred charges of approximately \$602,000 and \$436,000, respectively, for administrative support and other services. The Agency also incurred charges during the years ended June 30, 2018 and 2017 of approximately \$63,600 each year from the CRCNA for support charges related to the coordinated financial services function, and approximately \$72,500 and \$65,100, respectively, of allocated building occupancy expenses. At June 30, 2018 and 2017, accounts payable to other Christian Reformed Church entities included approximately \$141,000 and \$82,000, 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, 2018 and 2017, 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 \$1,000,000 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 9, 2018

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

<i>June 30, 2018</i>	United States \$			Canadian \$
	Combined	United States	Canada	Canada
Assets				
Cash and cash equivalents	\$ 3,584,628	\$ 2,755,843	\$ 828,785	\$ 1,091,367
Investments held by CRCNA Funds, LLC	3,118,912	3,118,912	-	-
Beneficial interest in assets held by Barnabas Foundation	975,511	975,511	-	-
Other investments	87,243	44,305	42,938	56,542
Cash surrender value of life insurance	509,238	509,238	-	-
Due from Christian Reformed Church in North America, net	77,320	-	77,320	101,817
Accounts receivable and other	24,373	16,622	7,751	10,207
Intercompany	-	(136)	136	179
Interest receivable	6,381	6,381	-	-
Construction in progress	50,875	50,875	-	-
Property and equipment	283,203	283,203	-	-
Less accumulated depreciation	(226,521)	(226,521)	-	-
Total Assets	\$ 8,491,163	\$ 7,534,233	\$ 956,930	\$ 1,260,112
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 325,106	\$ 297,130	\$ 27,976	\$ 36,839
Due to Christian Reformed Church in North America, net	141,287	117,356	23,931	31,513
Refundable advances	283,361	234,000	49,361	65,000
Annuities payable	274,243	274,243	-	-
Total Liabilities	1,023,997	922,729	101,268	133,352
Net Assets				
Unrestricted:				
Operating	3,610,701	2,682,182	928,519	1,070,218
Board-designated	2,749,739	2,749,739	-	-
Foreign currency translation adjustment	(115,795)	-	(115,795)	-
Total unrestricted net assets	6,244,645	5,431,921	812,724	1,070,218
Temporarily restricted net assets	1,122,752	1,079,814	42,938	56,542
Permanently restricted net assets	99,769	99,769	-	-
Total Net Assets	7,467,166	6,611,504	855,662	1,126,760
Total Liabilities and Net Assets	\$ 8,491,163	\$ 7,534,233	\$ 956,930	\$ 1,260,112

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

<i>June 30, 2017</i>	United States \$			Canadian \$
	Combined	United States	Canada	Canada
Assets				
Cash and cash equivalents	\$ 1,922,249	\$ 1,490,563	\$ 431,686	\$ 560,196
Investments held by CRCNA Funds, LLC	2,936,324	2,936,324	-	-
Beneficial interest in assets held by				
Barnabas Foundation	950,647	950,647	-	-
Other investments	100,024	45,798	54,226	70,368
Cash surrender value of life insurance	478,632	478,632	-	-
Accounts receivable and other	37,648	27,580	10,068	13,065
Intercompany	-	(341,893)	341,893	443,674
Interest receivable	5,326	5,326	-	-
Property and equipment	2,246,091	2,246,091	-	-
Less accumulated depreciation	(1,885,757)	(1,885,757)	-	-
Total Assets	\$ 6,791,184	\$ 5,953,311	\$ 837,873	\$ 1,087,303
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 339,995	\$ 313,459	\$ 26,536	\$ 34,436
Due to Christian Reformed Church				
in North America, net	25,483	-	25,483	33,069
Refundable advances	274,089	224,000	50,089	65,000
Annuities payable	298,091	298,091	-	-
Total Liabilities	937,658	835,550	102,108	132,505
Net Assets				
Unrestricted:				
Operating	2,785,448	2,002,842	782,606	884,430
Board-designated	1,941,795	1,941,795	-	-
Foreign currency translation adjustment	(101,067)	-	(101,067)	-
Total unrestricted net assets	4,626,176	3,944,637	681,539	884,430
Temporarily restricted net assets	1,127,581	1,073,355	54,226	70,368
Permanently restricted net assets	99,769	99,769	-	-
Total Net Assets	5,853,526	5,117,761	735,765	954,798
Total Liabilities and Net Assets	\$ 6,791,184	\$ 5,953,311	\$ 837,873	\$ 1,087,303

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

Year ended June 30, 2018	United States \$			Canadian \$
	Combined	United States	Canada	Canada
Revenues and Other Support				
Denominational ministry shares	\$ 2,918,037	\$ 2,064,483	\$ 853,554	\$ 1,090,246
Individual gifts and ministry support	3,521,865	2,408,023	1,113,842	1,422,713
Legacies	2,206,784	1,970,170	236,614	302,228
Gain on sale of property and equipment (Note 3)	807,944	807,944	-	-
Investment income	253,878	244,537	9,341	11,931
Other	71,437	51,539	19,898	25,413
Total Revenues and Other Support	9,779,945	7,546,696	2,233,249	2,852,531
Expenses				
Program services:				
English	2,281,377	1,596,508	684,869	895,534
International	3,366,917	2,356,169	1,010,748	1,270,277
Total program services	5,648,294	3,952,677	1,695,617	2,165,811
Support services:				
Management and general	940,138	806,228	133,910	171,044
Resource development	1,563,145	1,294,049	269,096	343,717
Total support services	2,503,283	2,100,277	403,006	514,761
Total Expenses	8,151,577	6,052,954	2,098,623	2,680,572
Changes in Net Assets	\$ 1,628,368	\$ 1,493,742	\$ 134,626	\$ 171,959

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, 2017</i>	United States \$			Canadian \$
	Combined	United States	Canada	Canada
Revenues and Other Support				
Denominational ministry shares	\$ 2,962,854	\$ 2,102,295	\$ 860,559	\$ 1,148,637
Individual gifts and ministry support	3,574,820	2,766,051	808,769	1,079,510
Legacies	1,161,421	1,106,469	54,952	73,347
Investment income	474,294	467,432	6,862	9,160
Other	55,408	35,918	19,490	26,015
Total Revenues and Other Support	8,228,797	6,478,165	1,750,632	2,336,669
Expenses				
Program services:				
English	2,167,376	1,641,788	525,588	687,167
International	3,246,298	2,459,835	786,463	1,076,773
Total program services	5,413,674	4,101,623	1,312,051	1,763,940
Support services:				
Management and general	931,082	824,365	106,717	142,442
Resource development	1,546,887	1,289,107	257,780	344,074
Total support services	2,477,969	2,113,472	364,497	486,516
Total Expenses	7,891,643	6,215,095	1,676,548	2,250,456
Changes in Net Assets	\$ 337,154	\$ 263,070	\$ 74,084	\$ 86,213

See accompanying independent auditor's report on supplementary information.