

CHRISTIAN WORSHIP HOUR

FINANCIAL STATEMENTS

DECEMBER 31, 2023

**CHRISTIAN WORSHIP HOUR
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Mitchell J. Merkel, CPA, P.C.
Certified Public Accountant and Consultant
Ellendale, North Dakota

Independent Auditor's Report

To the Board of Directors
Christian Worship Hour
Aberdeen, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Christian Worship Hour, which comprise the statements of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian Worship Hour as of December 31, 2023, and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Christian Worship Hour, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Worship Hour's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Christian Worship Hour's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Worship Hour's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Mitchell J. Merkel, CPA, P.C.

Ellendale, North Dakota
March 19, 2025

**CHRISTIAN WORSHIP HOUR
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

	2023
ASSETS	
Cash and Cash Equivalents	\$ 636,094
Investments	1,765,093
Contributions Receivable	96,019
Prepaid Expenses	115,955
Land, Buildings and Equipment, Net	<u>98,077</u>
TOTAL ASSETS	<u>\$ 2,711,238</u>
LIABILITIES AND NET ASSETS	
Accounts Payable	<u>\$ 137,077</u>
TOTAL LIABILITIES	<u>137,077</u>
NET ASSETS	
Without Donor Restriction	2,570,410
With Donor Restriction	<u>3,750</u>
TOTAL NET ASSETS	<u>2,574,160</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,711,238</u></u>

See Notes to the Financial Statements

**CHRISTIAN WORSHIP HOUR
STATEMENT OF ACTIVITES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Direct Contributions	3,314,581	26,400	3,340,981
Net Investmen Return	52,417	-	52,417
Net Assets Released From Restriction	34,400	(34,400)	-
	<u>3,401,398</u>	<u>(8,000)</u>	<u>3,393,398</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>3,401,398</u>	<u>(8,000)</u>	<u>3,393,398</u>
EXPENSES			
Program Services	2,776,212	-	2,776,212
Supporting Activities:			
General and Administrative	244,556	-	244,556
Fundraising	84,534	-	84,534
TOTAL EXPENSES	<u>3,105,301</u>	<u>-</u>	<u>3,105,301</u>
CHANGE IN NET ASSETS	296,096	(8,000)	288,096
NET ASSETS, BEGINNING OF YEAR	<u>2,274,314</u>	<u>11,750</u>	<u>2,286,064</u>
NET ASSETS, END OF YEAR	<u><u>2,570,410</u></u>	<u><u>3,750</u></u>	<u><u>2,574,160</u></u>

See Notes to the Financial Statements

**CHRISTIAN WORSHIP HOUR
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2023**

	Program Expenses Ministry	General and Administrative	Fundraising and Development	Total
Broadcast and Production	\$ 2,434,504	\$ -	\$ 34,021	\$ 2,468,525
Salaries and Benefits	169,259	146,904	3,194	319,357
Postage and Mailing	129,116	8,672	8,673	146,461
Office Supplies, Equipment and Other	16,859	33,719	16,859	67,437
Facility and Occupancy	14,715	19,101	10,914	44,730
Professional Fees	-	24,851	-	24,851
Bank and Credit Card Fees	-	10,868	10,868	21,735
Printing and Publication	3,183	442	5	3,630
Depreciation	8,575	-	-	8,575
TOTAL	\$ 2,776,212	\$ 244,556	\$ 84,534	\$ 3,105,301

See Notes to the Financial Statements

**CHRISTIAN WORSHIP HOUR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 288,096
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (used) by operating activities:	
Depreciation	8,575
Realized and Unrealized Gain on Investments	(27,747)
Net Change In:	
Contributions Receivable	(32,673)
Prepaid Expense	58,432
Accounts Payable	(146,950)
	147,733
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOW FROM INVESTING ACTIVITIES:	
Investment Purchases	(539,205)
Proceeds From Sale of Investments	549,647
	10,442
NET CASH USED IN INVESTING ACTIVITIES	
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	158,175
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	477,919
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 636,094

See Notes to the Financial Statements

**CHRISTIAN WORSHIP HOUR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Christian Worship Hour (the Organization) is a nonprofit organization providing telecasted or radio worship services which are aired on television stations or broadcast on radio stations across the United States, Canada and internationally. The vision of the Organization is to offer a worship service to individuals who are housebound.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less and include all checking and money market accounts.

Contribution Receivable

The Organization records contributions receivable that are expected to be collected within one year at net realizable value. All contributions receivable at December 31, 2023, were expected to be collected within one year. Allowance for contributions receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. At December 31, 2023 there were no allowances on the contributions receivable.

Prepaid Expenses

The Organization records all expenses that are paid prior to year-end and relate to broadcasting or software expenses to be provided in a future period as a prepaid expense.

Property and Equipment

Property and equipment additions over \$10,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2023.

Investments

The Organization records investment purchases at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less external investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has not made any designations from net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in with donor-

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

-restricted net assets. When a restriction expires, with donor-restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis, as well as salaries and benefits, office supplies and expenses, broadcast and production, and postage and mailing, which are allocated on the basis of estimated time and effort.

Income Taxes

The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Internal Revenue Code Section 501(c)(3), qualifies for charitable contribution deduction, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization could be subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

In-kind Contributions

In-kind contributions include donated professional services and other in-kind contributions which are recorded at the respective fair values of the goods and services received. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed

CHRISTIAN WORSHIP HOUR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended December 31, 2023. The Organization's policy is to sell contributed assets upon receipt and investment in accordance with their policy.

Note 2 Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>
Cash	\$ 636,094
Contributions receivable	<u>96,019</u>
	<u>\$ 732,114</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Organization receives contributions with donor restrictions and considers contributions with donor restrictions for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures if those expenses are expected to be spent in the next 12 months. All donor-restricted funds are expected to be spent within the next 12 months and, so, are included in table above.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days' operating expenses. It also has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments. These assets can be liquidated as needed to pay for operating activities.

Note 3 Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

**CHRISTIAN WORSHIP HOUR
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Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds and equity securities with readily determinable fair values based on daily redemption values. Certificates of deposit are invested and traded in the financial markets. Annuity contracts are invested with an insurance and annuity company. Those certificates of deposit and annuity contract are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2023:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments				
Mutual Funds and Equity Securities	\$ 866,751	\$ 866,751	\$ -	\$ -
Fixed Annuity	424,316	-	424,316	-
Negotiable Certificates of Deposit	474,026	-	474,026	-
	<u>\$ 1,765,093</u>	<u>\$ 866,751</u>	<u>\$ 898,342</u>	<u>\$ -</u>

Note 4 Investment Return

Investment return consists of the following for the years ended December 31, 2023:

	<u>2023</u>
Interest and Dividends	\$ 24,669.90
Net Realized and Unrealized Gain (Loss)	<u>27,747.07</u>
	<u>\$ 52,416.97</u>

**CHRISTIAN WORSHIP HOUR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Note 5 Operating Lease

The Organization leases office space on a month-to-month lease and receives an in-kind donation from a member of the board (See Note 6).

Note 6 Related Party Transactions

The Organization maintains cash, cash equivalents and investments with an investment company which employs a board member of the Christian Worship Hour. At December 31, 2023 the Organization had cash, cash equivalents and investments totaling \$1,722,520 held by that investment company.

During 2023, the Organization entered into a rental agreement for their office building which is owned by a board member of Christian Worship Hour. In lieu of rent payments, Christian Worship Hour is responsible for building upkeep, taxes and repairs.

During 2023, the Organization had donations from board members totaling approximately \$20,000. During 2023, the Organization paid entities which were owned by board members for film expenses, marketing expenses, and office supplies totaling \$19,936.

Note 7 Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2023</u>
Subject to Expenditure for Specified Purpose Specific Radio Stations	<u>\$3,750.00</u>

Note 8 Joint Costs of Activities That Include a Fund-Raising Appeal

A monthly newsletter is produced that includes programmatic and administrative information, together with a request for contributions in mission support. During the year ended December 31, 2023, the costs of producing the newsletter included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories based on content included in the newsletter and formal request for money included in the letter as follows:

	<u>2023</u>
Christian Ministry Program	\$ 84,162
Administrative and General	4,676
Fundraising and Development	<u>4,676</u>
	<u>\$ 93,514</u>

Note 9 Subsequent Events

The Organization has evaluated subsequent events through March 19, 2025, the date on which the financial statements were available to be issued.