

RIGHT FROM THE HEART MINISTRIES, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2016 AND 2015

RIGHT FROM THE HEART MINISTRIES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Right From the Heart Ministries, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Right From the Heart Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Right From the Heart Ministries, Inc. as of September 30, 2016 and 2015, and the 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
January 10, 2017

Two Premier Plaza • 5607 Glenridge Drive • Suite 650 • Atlanta, Georgia • 30342
T 404-531-4940 • F 404-531-4950 • www.brooksmcginnis.com

RIGHT FROM THE HEART MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 195,816	\$ 198,718
Accounts receivable	-	3,930
Due from related party	13,031	2,005
Prepaid expenses	2,902	2,818
Property and equipment, net	31,009	37,018
 Total assets	\$ 242,758	\$ 244,489
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 62,696	\$ 57,143
Commitments and contingencies		
Net assets:		
Unrestricted:		
Expended for property and equipment, net	31,009	37,018
Available for operations	149,053	150,328
Total unrestricted net assets	180,062	187,346
 Total liabilities and net assets	\$ 242,758	\$ 244,489

The accompanying notes are an integral part of these financial statements.

RIGHT FROM THE HEART MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Changes in unrestricted net assets:		
Revenues, gains and support:		
Contributions	\$ 929,929	\$ 910,859
Support from Johnson Ferry Baptist Church	245,000	245,000
Book and CD sales	4,680	6,240
Special events (net of direct costs of \$31,696 and \$37,384, respectively)	45,275	47,149
Interest income	79	103
Total unrestricted revenues, gains and support	1,224,963	1,209,351
Expenses:		
Program services	1,031,565	1,011,275
Supporting services:		
Management and general	122,512	106,983
Fundraising	78,170	71,050
Total supporting services	200,682	178,033
Total expenses	1,232,247	1,189,308
Increase (decrease) in net assets	(7,284)	20,043
Net assets at beginning of year	187,346	167,303
Net assets at end of year	\$ 180,062	\$ 187,346

The accompanying notes are an integral part of these financial statements.

RIGHT FROM THE HEART MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and personnel	\$ 266,983	\$ 99,196	\$ 34,595	\$ 400,774
Radio communications	509,639	-	-	509,639
Television and video communications	120,562	-	-	120,562
Book and CD	13,665	-	-	13,665
Telephone and equipment rental	23,829	-	-	23,829
Printing	27,620	-	-	27,620
Charitable contributions	3,700	-	-	3,700
Office lease	36,045	-	-	36,045
Liability insurance	-	5,130	-	5,130
Office and computer supplies	13,492	-	-	13,492
Travel	4,015	-	-	4,015
Food and beverage	-	-	3,179	3,179
Professional fees	-	18,186	-	18,186
Advertising and promotion	-	-	40,396	40,396
Depreciation	9,844	-	-	9,844
Other	2,171	-	-	2,171
	<u>2,171</u>	<u>-</u>	<u>-</u>	<u>2,171</u>
 Total expenses	 \$ <u>1,031,565</u>	 \$ <u>122,512</u>	 \$ <u>78,170</u>	 \$ <u>1,232,247</u>
 Percentages	 <u>84%</u>	 <u>10%</u>	 <u>6%</u>	 <u>100%</u>

The accompanying notes are an integral part of these financial statements.

RIGHT FROM THE HEART MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and personnel	\$ 247,775	\$ 92,985	\$ 31,945	\$ 372,705
Radio communications	502,233	-	-	502,233
Television and video communication	131,110	-	-	131,110
Book and CD	12,452	-	-	12,452
Telephone and equipment rental	19,435	-	-	19,435
Printing	30,447	-	-	30,447
Charitable contributions	2,500	-	-	2,500
Office lease	34,524	-	-	34,524
Liability insurance	-	3,489	-	3,489
Office and computer supplies	19,094	-	-	19,094
Travel	859	-	-	859
Food and beverage	-	-	1,571	1,571
Professional fees	-	10,509	-	10,509
Advertising and promotion	-	-	37,534	37,534
Depreciation	8,691	-	-	8,691
Other	2,155	-	-	2,155
	<u>\$ 1,011,275</u>	<u>\$ 106,983</u>	<u>\$ 71,050</u>	<u>\$ 1,189,308</u>
Total expenses				
Percentages	<u>85%</u>	<u>9%</u>	<u>6%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

RIGHT FROM THE HEART MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ <u>(7,284)</u>	\$ <u>20,043</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	9,844	8,691
Change in assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	(84)	(24)
Accounts receivable	3,930	(3,930)
Due from related party	(11,026)	(2,005)
Increase (decrease) in:		
Accounts payable	<u>5,553</u>	<u>(8,975)</u>
Total adjustments	<u>8,217</u>	<u>(6,243)</u>
Net cash provided by operating activities	<u>933</u>	<u>13,800</u>
Cash flows from financing activities:		
Purchase of property and equipment	<u>(3,835)</u>	<u>(5,782)</u>
Net cash used in financing activities	<u>(3,835)</u>	<u>(5,782)</u>
Net increase (decrease) in cash and cash equivalents	(2,902)	8,018
Cash and cash equivalents, beginning of year	<u>198,718</u>	<u>190,700</u>
Cash and cash equivalents, end of year	<u>\$ <u>195,816</u></u>	<u>\$ <u>198,718</u></u>

The accompanying notes are an integral part of these financial statements.

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies

Organization

The accompanying financial statements include the accounts of Right From the Heart Ministries, Inc. (the Ministry), a nonprofit organization. The Ministry was established in 1991 and is located in Cobb County, Georgia. The Ministry is supported primarily through contributions from individuals. The Ministry's defined mission is to reach and disciple people for Jesus Christ through the use of media.

Method of Reporting

The Ministry's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Ministry reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets or permanently restricted net assets based on stipulations made by the donor.

Contributions

Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions which limit the use of the donated assets.

Accordingly, the Ministry reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as unrestricted contributions and pledges receivable.

The Ministry records gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

Land held for sale, other assets and marketable securities acquired by gift are recorded at their fair market value on the date of receipt. No amounts have been reflected in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of their time to the Ministry's programs and supporting services. If donated services received either created or enhanced non-financial assets or required specialized skills which would need to be purchased if not donated, the value of those donated professional services would be recorded.

Cash and Cash Equivalents

The Ministry considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents.

Accounts Receivable

For the year ended September 30, 2015, accounts receivable consisted primarily of an overpayment for radio broadcasts. The Ministry had determined that all amounts recorded as accounts receivable at September 30, 2015 were collectible; accordingly, no allowance for doubtful accounts had been established. There were no accounts receivable for the year ended September 30, 2016.

Property and Equipment

It is the policy of the Ministry to capitalize property and equipment in excess of \$1,000. The cost of the property, or fair market value as of the date of receipt if donated, is depreciated over the estimated useful lives of the related assets using the straight-line method. Ministry property is depreciated over lives ranging from 3 to 7 years.

Advertising Expenses

It is the policy of the Ministry to expense advertising costs as incurred.

Functional Allocation of Expenses

The costs of providing the program and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services.

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status

The Ministry is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as an organization other than a private foundation. Income from certain activities not directly related to the Ministry's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended September 30, 2016 and 2015, the Ministry did not have any unrelated business income, and accordingly, no unrelated business income tax. The Ministry believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Ministry's income tax returns are subject to examination by the appropriate regulatory authorities, and as of September 30, 2016, the Ministry's federal tax returns remain open to examination for the last three years.

Concentration of Credit Risk

The Ministry maintains a bank account with one financial institution. The balance in the Ministry's bank account, as reflected in the bank's records, is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance at September 30, 2016 and 2015 was within the insured limits.

Reclassification of Amounts

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

Subsequent Events

Subsequent events have been evaluated through January 10, 2017, which is the date the financial statements were available to be issued. There were no significant subsequent events.

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

2. Property and Equipment, Net

Property and equipment consists of the following at September 30:

	2016	2015
Camera and video equipment	\$ 10,497	\$ 10,497
Computer and office equipment	46,553	48,907
Website	39,381	39,381
	96,431	98,785
Less accumulated depreciation	(65,422)	(61,767)
Total property and equipment, net	\$ 31,009	\$ 37,018

Depreciation expense for the years ended September 30, 2016 and 2015 was \$9,844 and \$8,691, respectively.

3. Lease Commitments

The Ministry has a building lease for office and storage space. Total rent expense for the years ended September 30, 2016 and 2015 was \$36,045 and \$34,524, respectively.

The Ministry had an operating lease agreement for copier equipment. Rent paid under this operating lease for the each of the years ended September 30, 2016 and 2015 was \$2,658.

The future minimum rental commitments under these non-cancelable operating leases that have initial non-cancelable lease terms in excess of one year are as follows:

Year Ended September 30:	
2017	\$ 36,735
2018	37,856
2019	25,812
Total	\$ 100,403

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

4. Retirement Plan

The Ministry, through its business relationship with Johnson Ferry Baptist Church, Inc., participates with the Church in a pension plan administered by Guidestone Financial Resources of the Southern Baptist Convention. The plan is a defined-contribution plan whereby the Ministry contributes a percentage of each employee's annual salary. The Ministry's contribution to the plan on behalf of its executive director equals 10% of the employee's annual salary upon employment. Contributions on behalf of the Ministry's support staff begin after three years of service at 3% of their annual salary and increase 1% annually to a maximum contribution of 5% of their annual salary. The expense incurred by the Ministry as a participant in the plan for the years ended September 30, 2016 and 2015 was \$35,190 and \$37,019, respectively.

5. Related Party Transactions

Right From The Heart Ministries, Inc. is a separately incorporated ministry headed by the Senior Pastor of Johnson Ferry Baptist Church, Inc. Johnson Ferry Baptist Church, Inc. provides accounting services and other supporting services, as well as use of facilities, to Right From the Heart Ministries, Inc. They also provided \$245,000 of support to the Ministry for each of the years ended September 30, 2016 and 2015. At September 30, 2016 and 2015, there was \$13,031 and \$2,005, respectively, due from Johnson Ferry Baptist Church, Inc.