

RIGHT FROM THE HEART MINISTRIES, INC.

---

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2017 AND 2016

RIGHT FROM THE HEART MINISTRIES, INC.

TABLE OF CONTENTS

---

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position as of September 30, 2017 and 2016	2
Statements of Activities for the Years Ended September 30, 2017 and 2016	3
Statement of Functional Expenses for the Year Ended September 30, 2017	4
Statement of Functional Expenses for the Year Ended September 30, 2016	5
Statements of Cash Flows for the Years Ended September 30, 2017 and 2016	6
Notes to Financial Statements	7



## 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, 2017 and 2016, 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, 2017 and 2016, 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.

Atlanta, Georgia  
January 16, 2018

*Brooks, McGinnis & Company, LLC*

Two Premier Plaza • 5607 Glenridge Drive • Suite 650 • Atlanta, Georgia • 30342  
T 404-531-4940 • F 404-531-4950 • [www.brooksmcginis.com](http://www.brooksmcginis.com)

RIGHT FROM THE HEART MINISTRIES, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 249,852	\$ 195,816
Due from related party	2,950	13,031
Prepaid expenses	2,902	2,902
Property and equipment, net	20,462	31,009
Total assets	\$ 276,166	\$ 242,758
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 108,280	\$ 62,696
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Expended for property and equipment, net	20,462	31,009
Board designated	53,625	24,431
Available for operations	93,799	124,622
Total net assets without donor restrictions	167,886	180,062
Total liabilities and net assets	\$ 276,166	\$ 242,758

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, 2017 AND 2016

	2017	2016
Changes in net assets without donor restrictions:		
Revenues, gains and support:		
Contributions	\$ 1,172,347	\$ 929,929
Support from Johnson Ferry Baptist Church, Inc.	270,000	245,000
Book and CD sales	3,246	4,680
Special events (net of direct costs of \$29,416 and \$31,696, respectively)	54,299	45,275
Interest income	42	79
Total revenues, gains and support	1,499,934	1,224,963
Expenses:		
Program services	1,226,108	1,009,013
Supporting services:		
Management and general	150,053	139,231
Fundraising	135,949	84,003
Total supporting services	286,002	223,234
Total expenses	1,512,110	1,232,247
Decrease in net assets without donor restrictions	(12,176)	(7,284)
Net assets at beginning of year	180,062	187,346
Net assets at end of year	\$ 167,886	\$ 180,062

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, 2017

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and personnel	\$ 308,894	\$ 125,582	\$ 41,809	\$ 476,285
Radio communications	570,203	-	-	570,203
Television and video communications	206,275	-	-	206,275
Book and CD	21,816	-	-	21,816
Telephone and equipment rental	26,579	-	-	26,579
Printing	27,328	-	-	27,328
Office lease	36,828	-	-	36,828
Liability insurance	-	3,260	-	3,260
Office and computer supplies	14,028	-	-	14,028
Travel	208	-	-	208
Food and beverage	-	-	3,005	3,005
Professional fees	-	21,211	-	21,211
Advertising and promotion	-	-	91,135	91,135
Depreciation	10,547	-	-	10,547
Other	3,402	-	-	3,402
	<u>\$ 1,226,108</u>	<u>\$ 150,053</u>	<u>\$ 135,949</u>	<u>\$ 1,512,110</u>
Total expenses				
Percentages	<u>81%</u>	<u>10%</u>	<u>9%</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, 2016

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and personnel	\$ 244,431	\$ 115,915	\$ 40,428	\$ 400,774
Radio communications	509,639	-	-	509,639
Television and video communicati	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>\$ 1,009,013</u>	<u>\$ 139,231</u>	<u>\$ 84,003</u>	<u>\$ 1,232,247</u>
Total expenses	<u>\$ 1,009,013</u>	<u>\$ 139,231</u>	<u>\$ 84,003</u>	<u>\$ 1,232,247</u>
Percentages	<u>82%</u>	<u>11%</u>	<u>7%</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, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Decrease in net assets	\$ (12,176)	\$ (7,284)
Adjustments to reconcile decrease in net assets to net cash provided by operations:		
Depreciation	10,547	9,844
Change in assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	-	(84)
Accounts receivable	-	3,930
Due from related party	10,081	(11,026)
Increase in:		
Accounts payable and accrued expenses	45,584	5,553
Total adjustments	66,212	8,217
Net cash provided by operating activities	54,036	933
Cash flows from financing activities:		
Purchase of property and equipment	-	(3,835)
Net cash used in financing activities	-	(3,835)
Net increase (decrease) in cash and cash equivalents	54,036	(2,902)
Cash and cash equivalents, beginning of year	195,816	198,718
Cash and cash equivalents, end of year	\$ 249,852	\$ 195,816

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



RIGHT FROM THE HEART MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

---

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 two classes of net assets as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this net asset category include unrestricted contributions, investment income, and program service fees and related expenses associated with the Ministry's core activities. At times, the governing board may earmark otherwise unrestricted net assets for a specified purpose. Since this is not a donor-imposed restriction, the designated asset is classified and reported a part of net assets without donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor, or certain grantor, 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. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

Unconditional promises to give and contributions received are recorded as contributions either with or without donor restrictions depending on the existence or nature of donor restrictions which limit the use of the donated assets.

RIGHT FROM THE HEART MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

---

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

Accordingly, the Ministry reports gifts of cash and other assets as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 contributions and pledges receivable without donor restrictions.

The Ministry records gifts of land, buildings, and equipment as support without donor restrictions 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.

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.

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.

RIGHT FROM THE HEART MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

---

1. Nature of Organization and Significant Accounting Policies – Continued

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. These expenses are generally allocated based on an analysis of either time or the square footage devoted to program or supporting function.

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, 2017 and 2016, 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 for all open years, which typically include the last three years filed.

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 uninsured portion of the bank balance as of September 30, 2017 totaled \$20,277. The balance at September 30, 2016 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.

RIGHT FROM THE HEART MINISTRIES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

New Accounting Policies

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The guidance requires retrospective application. The Ministry early adopted this guidance for the year ended September 30, 2017. Accordingly, the financial statements as of and for the year ended September 30, 2016 have been modified to conform to this new presentation. The adoption of this new accounting policy had no effect on net assets. The implementation only affected financial statement presentation and note disclosure.

Subsequent Events

Subsequent events have been evaluated through January 16, 2018, which is the date the financial statements were available to be issued. There were no significant subsequent events.

2. Liquidity and Availability of Financial Assets

The Ministry is supported primarily by contributions and other revenues. However, the Board may designate amounts for various programs. The Ministry maintains those board designated funds so that they are available to meet the specific designations until they are spent or re-designated by the board. General expenditures may be incurred for program, fundraising, or administrative purposes. The Ministry's financial assets at September 30 (reduced by amounts not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

	2017	2016
Total financial assets	\$ 252,802	\$ 208,847
Less internal designations:		
Board designated cash	(53,625)	(24,431)
Financial assets available to meet cash needs for general expenditures within one year	\$ 199,177	\$ 184,416

The Ministry structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due; such liabilities aggregated \$108,280 and \$62,696 at September 30, 2017 and 2016, respectively. As part of its liquidity management, the Ministry holds its cash in deposit accounts.

RIGHT FROM THE HEART MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

3. Property and Equipment, Net

Property and equipment consists of the following at September 30:

	2017	2016
Camera and video equipment	\$ 10,497	\$ 10,497
Computer and office equipment	46,553	46,553
Website	39,381	39,381
	96,431	96,431
Less accumulated depreciation	(75,969)	(65,422)
Total property and equipment, net	\$ 20,462	\$ 31,009

Depreciation expense for the years ended September 30, 2017 and 2016 was \$10,547 and \$9,844, respectively.

4. Lease Commitments

The Ministry has a building lease for office and storage space. Total rent expense for the years ended September 30, 2017 and 2016 was \$36,828 and \$36,045, respectively.

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:	
2018	\$ 37,856
2019	25,812
Total	\$ 63,668

5. 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, 2017 and 2016 was \$35,839 and \$35,190, respectively.

RIGHT FROM THE HEART MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

---

6. 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 \$270,000 and \$245,000 of support to the Ministry for the years ended September 30, 2017 and 2016, respectively. At September 30, 2017 and 2016, there was \$2,950 and \$13,031, respectively, due from Johnson Ferry Baptist Church, Inc. representing donated stock in transit.