

RIGHT FROM THE HEART MINISTRIES, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2018 AND 2017

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, 2018 and 2017, 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 audit 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, 2018 and 2017, 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
November 16, 2018

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RIGHT FROM THE HEART MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 187,826	\$ 249,852
Due from related party	2,336	2,950
Prepaid expenses	2,902	2,902
Property and equipment, net	9,964	20,462
Total assets	\$ 203,028	\$ 276,166
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 67,902	\$ 108,280
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Expended for property and equipment, net	9,964	20,462
Board designated	52,395	53,625
Available for operations	72,767	93,799
Total net assets without donor restrictions	135,126	167,886
Total liabilities and net assets	\$ 203,028	\$ 276,166

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, 2018 AND 2017

	2018	2017
Changes in net assets without donor restrictions:		
Revenues, gains and support:		
Contributions	\$ 1,157,422	\$ 1,172,347
Support from Johnson Ferry Baptist Church, Inc.	245,000	270,000
Book and CD sales	2,041	3,246
Special events (net of direct costs of \$39,551 and \$29,416, respectively)	45,970	54,299
Interest income	44	42
Total revenues, gains and support	1,450,477	1,499,934
Expenses:		
Program services	1,236,898	1,226,108
Supporting services:		
Management and general	158,195	150,053
Fundraising	88,144	135,949
Total supporting services	246,339	286,002
Total expenses	1,483,237	1,512,110
Decrease in net assets without donor restrictions	(32,760)	(12,176)
Net assets at beginning of year	167,886	180,062
Net assets at end of year	\$ 135,126	\$ 167,886

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, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and personnel	\$ 319,206	\$ 136,946	\$ 43,148	\$ 499,300
Radio communications	584,985	-	-	584,985
Television and video communications	202,453	-	-	202,453
Advertising and promotion	-	-	43,439	43,439
Book and CD	14,732	-	-	14,732
Telephone and equipment rental	25,764	-	-	25,764
Printing	25,223	-	-	25,223
Office lease	38,565	-	-	38,565
Professional fees	-	17,867	-	17,867
Liability insurance	-	3,382	-	3,382
Office and computer supplies	12,450	-	-	12,450
Travel	344	-	-	344
Food and beverage	-	-	1,557	1,557
Depreciation	10,498	-	-	10,498
Other	2,678	-	-	2,678
	<u>\$ 1,236,898</u>	<u>\$ 158,195</u>	<u>\$ 88,144</u>	<u>\$ 1,483,237</u>
Total expenses				
Percentages	<u>83%</u>	<u>11%</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, 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
Advertising and promotion	-	-	91,135	91,135
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
Professional fees	-	21,211	-	21,211
Liability insurance	-	3,260	-	3,260
Office and computer supplies	14,028	-	-	14,028
Travel	208	-	-	208
Food and beverage	-	-	3,005	3,005
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Decrease in net assets	\$ <u>(32,760)</u>	\$ <u>(12,176)</u>
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operations:		
Depreciation	10,498	10,547
Change in assets and liabilities:		
Decrease in due from related party	614	10,081
Increase (decrease) in accounts payable and accrued expenses	<u>(40,378)</u>	<u>45,584</u>
Total adjustments	<u>(29,266)</u>	<u>66,212</u>
Net cash provided by (used in) operating activities	<u>(62,026)</u>	<u>54,036</u>
Net increase (decrease) in cash and cash equivalents	(62,026)	54,036
Cash and cash equivalents, beginning of year	<u>249,852</u>	<u>195,816</u>
Cash and cash equivalents, end of year	<u>\$ 187,826</u>	<u>\$ 249,852</u>

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

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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 contributions without donor restrictions, investment income, and related expenses associated with the Ministry's core activities. At times, the governing board may earmark otherwise net assets without donor restrictions 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, 2018 AND 2017

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 support with donor restrictions. 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, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various program and supporting 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 utilities, equipment maintenance, and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, office expenses, insurance, and other which are allocated on the basis of estimates of time and effort.

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, 2018 and 2017, 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. There were no uninsured bank balances as of September 30, 2018.

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Subsequent Events

Subsequent events have been evaluated through November 16, 2018, which is the date the financial statements were available to be issued. There were no significant subsequent events that required recognition or disclosure in the financial statements.

2. Liquidity and Availability of Financial Assets

The Ministry is supported primarily by contributions without donor restrictions and support from Johnson Ferry Baptist Church, Inc. However, the Board may designate amounts for various programs. The Ministry maintains those board designated funds so 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, administrative, or fundraising purposes. The Ministry's financial assets at September 30 (reduced by amounts Board designated for use) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

	2018	2017
Total financial assets	\$ 190,162	\$ 252,802
Less internal designations:		
Board designated cash	(52,395)	(53,625)
Financial assets available to meet cash needs for general expenditures within one year	\$ 137,767	\$ 199,177

The Ministry structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Ministry holds its cash in deposit accounts.

3. Property and Equipment, Net

Property and equipment consists of the following as of September 30:

	2018	2017
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	(86,467)	(75,969)
Total property and equipment, net	\$ 9,964	\$ 20,462

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

3. Property and Equipment, Net – Continued

Depreciation expense for the years ended September 30, 2018 and 2017 was \$10,498 and \$10,547, respectively.

4. Board Designated Net Assets

Board designated net assets are funds that have been designated by the Ministry for use in specific areas. Board designated net assets consist of the following as of September 30:

	2018	2017
Salary reserve fund	\$ 29,000	\$ 17,000
Special projects fund	23,395	36,625
Total board designated net assets	\$ 52,395	\$ 53,625

5. Lease Commitments

The Ministry has a building lease for office and storage space. Total rent expense for the years ended September 30, 2018 and 2017 was \$38,565 and \$36,828, 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 Ending September 30:	
2019	\$ 50,828
2020	52,353
2021	53,923
2022	36,843
Total	\$ 193,947

6. 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, 2018 and 2017 was \$42,956 and \$35,839, respectively.

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

7. 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 (the Church). The Church provides accounting services and other supporting services, as well as use of facilities, to Right From the Heart Ministries, Inc. The Church also provided \$245,000 and \$270,000 of support to the Ministry for the years ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, there was \$2,336 and \$2,950, respectively, due from the Church representing donated stock in transit.