

RIGHT FROM THE HEART MINISTRIES, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2020 AND 2019

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.:

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, 2020 and 2019, 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, 2020 and 2019, 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
December 16, 2020

Brooks, McGinnis & Company, LLC

RIGHT FROM THE HEART MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 262,997	\$ 265,191
Due from related party	-	1,702
Reimbursement receivable - leasehold improvements	-	25,000
Prepaid expenses	2,902	2,902
Property and equipment, net	86,290	43,951
 Total assets	 \$ 352,189	 \$ 338,746
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 105,213	\$ 102,554
Accounts payable - leasehold improvements	-	65,343
	105,213	167,897
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Expended for property and equipment, net	86,290	3,608
Board designated	112,232	72,250
Available for operations	30,541	94,991
Total net assets without donor restrictions	229,063	170,849
Total net assets with donor restrictions	17,913	-
Total net assets	246,976	170,849
 Total liabilities and net assets	 \$ 352,189	 \$ 338,746

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, 2020 AND 2019

	2020	2019
Changes in net assets without donor restrictions:		
Revenues, gains and support:		
Contributions	\$ 1,305,126	\$ 1,272,179
Support from Johnson Ferry Baptist Church, Inc.	285,725	245,000
Book and CD sales	1,504	2,876
Special events (net of direct costs of \$45,844 and \$44,693, respectively)	55,566	87,261
Interest income	39	62
Net assets released from restrictions	62	-
Total revenues, gains and support	1,648,022	1,607,378
Expenses:		
Program services	1,270,739	1,342,620
Supporting services:		
Management and general	223,474	155,900
Fundraising	95,595	73,135
Total supporting services	319,069	229,035
Total expenses	1,589,808	1,571,655
Increase in net assets without donor restrictions	58,214	35,723
Changes in net assets with donor restrictions:		
Contributions	17,975	-
Net assets released from restrictions	(62)	-
Increase in net assets with donor restrictions	17,913	-
Increase in net assets	76,127	35,723
Net assets at beginning of year	170,849	135,126
Net assets at end of year	\$ 246,976	\$ 170,849

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, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and personnel	\$ 412,706	\$ 190,893	\$ 78,038	\$ 681,637
Radio communications	539,197	-	-	539,197
Television and video communications	94,293	-	-	94,293
Advertising and promotion	5,068	-	17,252	22,320
Internet spots	24,176	-	-	24,176
Book and CD	14,262	-	-	14,262
Telephone and equipment rental	26,054	-	-	26,054
Printing	25,652	-	-	25,652
Office lease	72,333	-	-	72,333
Professional fees	11,776	28,713	-	40,489
Liability insurance	-	3,868	-	3,868
Office and computer supplies	17,590	-	-	17,590
Travel	6,093	-	-	6,093
Food and beverage	5,569	-	305	5,874
Depreciation	10,940	-	-	10,940
Other	5,030	-	-	5,030
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>1,270,739</u>	\$ <u>223,474</u>	\$ <u>95,595</u>	\$ <u>1,589,808</u>
Percentages	<u>80%</u>	<u>14%</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, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and personnel	\$ 371,829	\$ 133,266	\$ 43,477	\$ 548,572
Radio communications	618,862	-	-	618,862
Television and video communications	176,682	-	-	176,682
Advertising and promotion	17,290	-	27,670	44,960
Internet spots	12,451	-	-	12,451
Book and CD	18,988	-	-	18,988
Telephone and equipment rental	26,969	-	-	26,969
Printing	23,597	-	-	23,597
Office lease	49,122	-	-	49,122
Professional fees	-	18,999	-	18,999
Liability insurance	-	3,635	-	3,635
Office and computer supplies	13,136	-	-	13,136
Travel	299	-	-	299
Food and beverage	-	-	1,988	1,988
Depreciation	10,203	-	-	10,203
Other	3,192	-	-	3,192
	<u>\$ 1,342,620</u>	<u>\$ 155,900</u>	<u>\$ 73,135</u>	<u>\$ 1,571,655</u>
Total expenses				
Percentages	<u>85%</u>	<u>10%</u>	<u>5%</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, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 76,127	\$ 35,723
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation	10,940	10,203
Change in assets and liabilities:		
Decrease in due from related party	1,702	634
Increase in accounts payable and accrued expenses	2,659	34,652
Total adjustments	15,301	45,489
Net cash provided by operating activities	91,428	81,212
Cash flows from investing activities:		
Reimbursement receivable - leasehold improvements	25,000	(25,000)
Accounts payable - leasehold improvements	(65,343)	65,343
Purchase of property and equipment	(53,279)	(44,190)
Net cash used in investing activities	(93,622)	(3,847)
Net increase (decrease) in cash and cash equivalents	(2,194)	77,365
Cash and cash equivalents, beginning of year	265,191	187,826
Cash and cash equivalents, end of year	\$ 262,997	\$ 265,191

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

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020 AND 2019

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, 2020 AND 2019

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, 2020 and 2019, 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 Church's bank balances exceeded the FDIC limit by \$45,123 at September 30, 2020. There were no uninsured bank balances at September 30, 2019.

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

1. Nature of Organization and Significant Accounting Policies – Continued

New Accounting Policies

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This pronouncement requires retrospective application.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The guidance in this update should be applied on a modified prospective basis. Retrospective application is permitted.

The Ministry adopted these accounting policies for the year ended September 30, 2020. These new accounting policies did not affect total net assets for either the year ended September 30, 2020 or 2019.

Risks and Uncertainties

During the year ended September 30, 2020, the global coronavirus pandemic threatened to deeply harm global growth. This has affected the U.S. and global equity markets, as well as eroded consumer confidence and deepened unemployment. It is uncertain how this volatility in the financial markets and general economic conditions may affect the Ministry's operations in the future.

While the Ministry believes it has the resources to continue its programs, its ability to do so, and the extent to which they each continue are heavily dependent on public support. The strength of public support is largely dependent on current and future overall economic conditions.

Subsequent Events

Subsequent events have been evaluated through December 16, 2020, 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.

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, 2020 AND 2019

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 or specific purposes. 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 or donor restricted for specific use) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

	2020	2019
Cash and cash equivalents	\$ 262,997	\$ 265,191
Due from related party	-	1,702
Total financial assets	262,997	266,893
Less:		
Board designated cash	(112,232)	(72,250)
Donor restricted cash	(17,913)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 132,852	\$ 194,643

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 consist of the following as of September 30:

	2020	2019
Camera and video equipment	\$ 10,497	\$ 10,497
Computer and office equipment	58,815	47,536
Website	42,000	39,381
Leasehold improvements	40,343	-
Construction in process	-	40,343
	151,655	137,757
Less accumulated depreciation	(65,365)	(93,806)
Total property and equipment, net	\$ 86,290	\$ 43,951

Depreciation expense for the years ended September 30, 2020 and 2019 was \$10,940 and \$10,203, respectively.

RIGHT FROM THE HEART MINISTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020 AND 2019

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:

	2020	2019
Salary reserve fund	\$ 43,250	\$ 43,250
Special projects fund	36,179	29,000
Mentoring resource fund	32,803	-
Total board designated net assets	\$ 112,232	\$ 72,250

5. Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2020 are comprised of funds the Ministry has received for the video projects fund totaling \$17,913. For the year ended September 30, 2020, net assets released from restrictions for this purpose totaled \$62. There were no net assets with donor restrictions or net assets released from restrictions for the year ended September 30, 2019.

6. Lease Commitments

The Ministry has a building lease for office and storage space. Total rent expense for the years ended September 30, 2020 and 2019 was \$72,333 and \$49,122, 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:	
2021	\$ 74,031
2022	76,251
2023	78,539
2024	53,662
Total	\$ 282,483

RIGHT FROM THE HEART MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

7. 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, 2020 and 2019 was \$31,748 and \$55,748, respectively.

The Ministry, also through its business relationship with Johnson Ferry Baptist Church, Inc., provides its employees with a 409(a) Nonqualified Deferred Compensation Plan. The plan is administered by Guidestone Financial Resources of the Southern Baptist Convention. The purpose of the plan is to provide additional compensation to participants upon termination of employment or service with the Ministry. Contributions to the plan are determined by consultation with qualifying employees. The expenses incurred by the Ministry as a participant in the plan for the year ended September 30, 2020 and 2019, was \$2,692 and \$4,667, respectively.

8. Related Party Transactions

Right From the Heart Ministries, Inc. is a separately incorporated ministry headed by the previous Senior Pastor of Johnson Ferry Baptist Church, Inc (the Church). The Senior Pastor retired from the Church during fiscal 2020. 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 of support to the Ministry for each of the years ended September 30, 2020 and 2019. Additionally, starting on October 1, 2019, the Church began paying a portion of the Ministry's monthly rent and half of the administrative support salary cost. The total paid by the Church for the year ended September 30, 2020 was \$21,542 for rent and \$19,183 for salaries. As of September 30, 2019, there was \$1,702 due from the Church representing donated stock in transit. There were no amounts due from the Church as of September 30, 2020.