

ENCOURAGEMENT MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To Management  
Encouragement Ministries, Inc.  
Brentwood, Tennessee

Management is responsible for the accompanying financial statements of Encouragement Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The June 30, 2017 financial statements were audited by other accountants, and they expressed an unmodified opinion on them in their report dated February 27, 2018. They have not performed any auditing procedures since that date.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee  
March 8, 2019

ENCOURAGEMENT MINISTRIES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

ASSETS

	(Unaudited) 2018	2017
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 265,901	\$ 271,022
<u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	6,250	5,652
Transportation equipment	21,057	21,057
Total property and equipment	27,307	26,709
Less: accumulated depreciation	(22,043)	(17,061)
Net property and equipment	5,264	9,648
<u>OTHER ASSETS</u>		
Intangible assets, net	555	807
Total assets	\$ 271,720	\$ 281,477

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 2,210	\$ 3,282
Accrued payroll	10,434	-
Total liabilities	12,644	3,282
<u>NET ASSETS</u>		
Unrestricted	259,076	278,195
Total liabilities and net assets	\$ 271,720	\$ 281,477

See accompanying notes and independent accountant's compilation report.

ENCOURAGEMENT MINISTRIES, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2018 AND 2017

	(Unaudited) 2018	2017
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>		
Revenues:		
Contributions	\$ 198,451	\$ 221,990
In-kind contributions	5,151	10,820
Total revenue	<u>203,602</u>	<u>232,810</u>
Expenses:		
Program services	168,650	126,675
Management and general	37,271	8,429
Fundraising	16,701	51,334
Total functional expenses	<u>222,622</u>	<u>186,438</u>
Other income (expense):		
Other expense	(125)	(180)
Interest income	26	25
Total other income (expense)	<u>(99)</u>	<u>(155)</u>
<u>NET CHANGE IN UNRESTRICTED NET ASSETS</u>	(19,119)	46,217
<u>NET ASSETS - BEGINNING</u>	<u>278,195</u>	<u>231,978</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 259,076</u>	<u>\$ 278,195</u>

See accompanying notes and independent accountant's compilation report.

ENCOURAGEMENT MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)  
YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 154,819	\$ 14,397	\$ -	\$ 169,216
Payroll taxes	-	1,101	-	1,101
Employee benefits	-	4,407	-	4,407
Total compensation	<u>154,819</u>	<u>19,905</u>	<u>-</u>	<u>174,724</u>
Automobile and travel	5,724	-	-	5,724
Communications	-	-	288	288
Depreciation	4,514	171	297	4,982
Amortization	229	8	15	252
Dues and subscriptions	-	66	109	175
Insurance	1,102	475	-	1,577
Meal and entertainment	419	348	-	767
Miscellaneous	-	1,495	151	1,646
Postage	-	-	1,686	1,686
Printing	-	-	6,726	6,726
Professional	-	12,779	-	12,779
Rent	529	530	529	1,588
Special events	-	-	5,155	5,155
Supplies	14	14	447	475
Taxes and licenses	-	180	-	180
Telephone	868	868	867	2,603
Utilities	<u>432</u>	<u>432</u>	<u>431</u>	<u>1,295</u>
Total functional expenses	<u>\$ 168,650</u>	<u>\$ 37,271</u>	<u>\$ 16,701</u>	<u>\$ 222,622</u>

See accompanying notes and independent accountant's compilation report.

ENCOURAGEMENT MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 101,601	\$ 3,917	\$ 13,456	\$ 118,974
Payroll taxes	7,661	312	1,129	9,102
Employee benefits	3,117	120	413	3,650
Total compensation	<u>112,379</u>	<u>4,349</u>	<u>14,998</u>	<u>131,726</u>
Automobile and travel	1,868	-	-	1,868
Communications	-	180	-	180
Depreciation	4,279	162	281	4,722
Amortization	228	8	15	251
Dues and subscriptions	-	175	288	463
Insurance	1,062	475	-	1,537
Meal and entertainment	-	70	3,061	3,131
Miscellaneous	-	639	4,609	5,248
Postage	-	-	2,885	2,885
Printing	-	-	11,071	11,071
Professional	4,487	-	8,974	13,461
Rent	1,588	1,588	1,588	4,764
Supplies	87	87	2,867	3,041
Telephone	697	696	697	2,090
Total functional expenses	<u>\$ 126,675</u>	<u>\$ 8,429</u>	<u>\$ 51,334</u>	<u>\$ 186,438</u>

See accompanying notes and independent accountant's compilation report.

ENCOURAGEMENT MINISTRIES, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	(Unaudited) 2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (19,119)	\$ 46,217
Adjustments to change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,982	4,722
Amortization	252	251
Changes in:		
Accounts payable	(1,072)	1,331
Accrued payroll	10,434	-
Net cash provided by (used in) operating activities	<u>(4,523)</u>	<u>52,521</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(598)</u>	<u>(1,458)</u>
Net cash used in investing activities	<u>(598)</u>	<u>(1,458)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(5,121)	51,063
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>271,022</u>	<u>219,959</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 265,901</u>	<u>\$ 271,022</u>

See accompanying notes and independent accountant's compilation report.



ENCOURAGEMENT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Encouragement Ministries, Inc. (the Organization) is a nonprofit organization located in Brentwood, Tennessee. The mission of the Organization is to provide compassionate pastoral care and spiritual support for patients as they face serious illness and the possibility of death. The service area of the Organization is primarily in the middle Tennessee region. The Organization's support comes primarily from donations and grants from private individuals and foundations.

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for income taxes has been made. However, the Organization does file informational returns required by the Internal Revenue Service (IRS). The Organization is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2015.

Use of Estimates

The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Organization utilizes the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. Operating revenues and expenses include those items that increase or decrease unrestricted net assets.

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental not-for-profit organizations such as the Organization. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Organization to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted

Unrestricted net assets are free of grant-imposed or donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by grants or donors are included in this classification. All expenditures are reported in the unrestricted class of net assets since the use of restricted contributions in accordance with the grantors' or donors' stipulations results in the release of the restriction.

ENCOURAGEMENT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting (Cont'd)

Temporarily Restricted

Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. The Organization had no temporarily restricted net assets at June 30, 2018 and 2017.

Permanently Restricted

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets at June 30, 2018 and 2017.

Concentrations of Credit Risk and Funding

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization places its cash with federally-insured financial institutions.

Cash and Cash Equivalents

The Organization considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at historical cost or, if contributed, at estimated fair values at the date of receipt. Property and equipment with a unit cost of \$5,000 or greater and an estimated useful life of more than two years are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expenses as incurred. Capitalized assets are depreciated over their estimated useful life using the straight-line method.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Intangible Assets

The Organization amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives. Intangible assets are reviewed annually for impairment or when events or circumstances indicate their carrying amount may not be recoverable. No impairments were recorded for the years ended June 30, 2018 and 2017.

ENCOURAGEMENT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (Cont'd)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to support the Organization's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Codification 958-605-50-1 have not been satisfied. Donated property, professional services and other in-kind contributions are recognized in the financial statements at fair value when received.

Date of Management's Review

Subsequent events have been evaluated through March 8, 2019, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

At June 30, 2018 and 2017, cash and cash equivalents were represented by deposits at financial institutions totaling \$267,552 and \$267,818, respectively, of which \$250,000 and \$250,000, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC) and \$17,552 and \$17,818, respectively, was uninsured.

3. Intangible Assets

Intangible assets consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Website design	\$ 4,000	\$ 4,000
Logo	<u>2,500</u>	<u>2,500</u>
	6,500	6,500
Less: Accumulated amortization	<u>(5,945)</u>	<u>(5,693)</u>
	<u>\$ 555</u>	<u>\$ 807</u>

4. Related Party Transactions

The Organization rents office space from a member of the board of directors. Total paid for rent, telephone and internet service was \$1,588 and \$4,764 for the years ended June 30, 2018 and 2017, respectively.

5. Employee Benefit Plan

The Organization sponsors a SIMPLE IRA plan covering eligible employees. Plan expenses incurred by the Organization was \$4,407 and \$3,650 for the years ended June 30, 2018 and 2017, respectively.