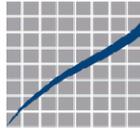


FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ransomed Heart Ministries
Colorado Springs, Colorado

We have audited the accompanying financial statements of Ransomed Heart Ministries (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and cash flow for the year 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.

Accountant's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 judgement, 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 Ransomed Heart Ministries as of December 31, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2016 financial statements were reviewed by us, and in our report thereon, dated July 21, 2017, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

BiggsKofford, P.C

Colorado Springs, Colorado
June 20, 2018

RANSOMED HEART MINISTRIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017 (AUDITED)	2016 (REVIEWED)
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 2,474,885	\$ 2,292,623
Certificates of deposit	407,761	405,282
Inventory	156,306	315,204
Prepaid expenses and other current assets	46,047	29,985
Total current assets	3,084,999	3,043,094
Intangible assets, net	47,856	-
Property and equipment, net	1,298,229	1,306,425
Total assets	\$ 4,431,084	\$ 4,349,519
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 91,074	\$ 49,737
Unearned revenue	218,920	609,487
Total current liabilities	309,994	659,224
Total unrestricted net assets	4,121,090	3,690,295
Total liabilities and unrestricted net assets	\$ 4,431,084	\$ 4,349,519

The accompanying notes and independent auditor's report should be read with these financial statements.

RANSOMED HEART MINISTRIES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017 (AUDITED)	2016 (REVIEWED)
<u>UNRESTRICTED SUPPORT AND REVENUE</u>		
Contributions	\$ 2,973,598	\$ 2,921,581
Conference income	1,110,398	799,224
Product sales, net of costs of goods sold	118,096	138,251
Other income	3,791	1,915
Total unrestricted support and revenue	4,205,883	3,860,971
<u>EXPENSES</u>		
Program services	2,892,405	2,724,569
General and administrative	669,533	740,076
Fundraising	213,150	218,820
Total expenses	3,775,088	3,683,465
Change in unrestricted net assets	430,795	177,506
Unrestricted net assets, beginning of year	3,690,295	3,512,789
Unrestricted net assets, end of year	\$ 4,121,090	\$ 3,690,295

The accompanying notes and independent auditor's report
should be read with these financial statements.

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RANSOMED HEART MINISTRIES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u> <u>(AUDITED)</u>	<u>2016</u> <u>(REVIEWED)</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 430,795	\$ 177,506
Adjustments to reconcile change in net assets		
Depreciation	52,881	50,446
Amortization	6,016	-
Loss on disposal of property and equipment	-	14,590
(Increase) decrease in operating assets:		
Inventory	158,898	(31,556)
Prepaid expenses and other current assets	(16,062)	(4,942)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	41,337	(28,285)
Unearned revenue	(390,567)	607,087
Net cash provided by operating activities	<u>283,298</u>	<u>784,846</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of intangible assets	(53,872)	-
Purchase of property and equipment	(44,685)	-
Net change in certificates of deposit	(2,479)	(1,353)
Net cash used in investing activities	<u>(101,036)</u>	<u>(1,353)</u>
Net increase in cash and equivalents	182,262	783,493
Cash and equivalents, beginning of year	<u>2,292,623</u>	<u>1,509,130</u>
Cash and equivalents, end of year	<u>\$ 2,474,885</u>	<u>\$ 2,292,623</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

RANSOMED HEART MINISTRIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

1. ORGANIZATION

Nature of organization

The Ransomed Heart Ministries ("RHM" or "Organization") is a Colorado not-for-profit corporation located in Colorado Springs, Colorado. The Organization exists to restore men and women to live from their heart - as God's intimate allies - by recovering the treasure of the Gospel of Jesus Christ, entrusting that message to the men and women who have been transformed by it, and to train them to do the same for others. RHM accomplishes their Mission and Purpose by developing and recording teachings, Daily Readings, monthly newsletters, audio podcasts, and developing other resources all available through the website: www.ransomedheart.com. RHM holds two to four Wild at Heart Retreats each year for approximately 500 men each, and two Captivating Retreats each year for approximately 430 women, and an annual Intensive event for men in their 30's. RHM helps people connect through the Allies Network and through a Facebook group page, a Women's Facebook page, and an &Sons Facebook page for younger men. The ministry answers emails and mail correspondence, and produces, orders and stocks books, study guides, CD's, and DVD's that are all available via the website. There is a quarterly online magazine for young men titled &Sons Magazine at: andsonsmagazine.com.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion and the net investment in property and equipment, intangible assets; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represent resources for which use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of December 31, 2017 and 2016, the Organization has no permanently or temporarily restricted net assets.

See independent auditor's report.

RANSOMED HEART MINISTRIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

2. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Cash and equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains its cash and equivalents in financial institutions that at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2017, the Organization had approximately \$2,225,000 in excess of FDIC limits. The Organization does not anticipate nonperformance by these financial institutions.

Certificates of deposit

Certificate of deposit are classified based on the initial maturities of the deposits and consists of various certificates of deposit with initial maturities of 6 to 12 months. All certificates of deposit are carried at cost plus accrued interest.

Inventory

Inventory consists of purchased goods, primarily books and audio and video materials, and are stated at the lower of cost or market value using the first-in, first-out method of accounting.

See independent auditor's report.

RANSOMED HEART MINISTRIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

2. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized and recorded at cost, or fair value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets:

Furniture and equipment	3 - 7 years
Vehicles	7 years
Building and building improvements	10 - 39 years

Unearned revenue

Unearned revenue consists of advance deposits and registration fees received for conferences that are conducted by the Organization. This unearned revenue will be recognized as revenue when the conferences are held.

Revenue recognition

In accordance with US GAAP, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of donor restrictions, if applicable.

Contribution revenue is recognized when cash is received, when unconditional promises are made, or when ownership of contributed assets are transferred to the Organization. Donor-restricted contributions with restrictions that are met in the same reporting period as the contribution is recognized are reported as unrestricted support. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Conference income is recognized at the time the conference is conducted.

Product sales, includes related freight and handling charges, are recognized upon shipment of goods or upon payment of order via approved credit card transaction. An allowance for estimated returns and rebates is provided at the time of sale.

See independent auditor's report.

RANSOMED HEART MINISTRIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

2. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense allocation

Expenses are recognized when incurred in accordance with the accrual basis of accounting.

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as salaries and benefits and depreciation, have been allocated among the program services and supporting activities benefited.

Income tax status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and is not a private foundation under Section 509(a)(2) of the Code.

The Organization evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for the Organization. The Organization's Federal Return of Organization Exempt from Income Tax, Form 990, for the years ended December 31, 2014 and later are subject to examination by the IRS, generally for three years after they were filed.

Subsequent events

Management has evaluated subsequent events through the date of the attached independent auditor's report, the date on which the financial statements were available to be issued. There were no material subsequent events that requires recognition or addition disclosures in the financial statements.

See independent auditor's report.

RANSOMED HEART MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. INTANGIBLE ASSETS

Intangible assets consists of the following as of December 31:

	<u>2017</u>
Website	\$ 53,872
Accumulated amortization	<u>(6,016)</u>
Intangible assets, net	<u>\$ 47,856</u>

Amortization expense for the year ended December 31, 2017 totaled \$6,016.

As of December 31, 2017, future amortization of the website (intangible assets) is as follows:

<u>Years ending December 31</u>	
2018	\$ 17,957
2019	17,957
2020	<u>11,942</u>
	<u>\$ 47,856</u>

See independent auditor's report.

RANSOMED HEART MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2017	2016
Furniture and equipment	\$ 46,839	\$ 46,839
Vehicles	41,201	41,201
Building and building improvements	1,888,274	1,843,589
	1,976,314	1,931,629
Accumulated depreciation	(678,085)	(625,204)
Property and equipment, net	\$ 1,298,229	\$ 1,306,425

Depreciation expense for the year ended December 31, 2017 and 2016 totaled \$52,881 and \$50,446, respectively.

5. COMMITMENTS

The Organization leases office equipment under a noncancelable operating lease with monthly payments of \$425. The lease expires on October 27, 2019. Lease expense under this operating lease totaled \$5,100 for the years ended December 31, 2017 and 2016.

Future minimum lease payments under this operating lease is as follows:

Years ending December 31		
2018	\$	5,100
2019		4,250
	\$	9,350

See independent auditor's report.

RANSOMED HEART MINISTRIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

6. EMPLOYEE BENEFITS

The Organization maintains a 403(b) Plan ("Plan") for all employees who are eligible. Employees may elect to defer a portion of their salary to the Plan from the first day of employment, up to the limits imposed by the Code. After six months of full time employment the Organization contributes a match of 100% of up to 6% of each full time employee's salary that is voluntarily deferred. Total employer contributions for the year ended December 31, 2017 and 2016 were approximately \$54,000 and \$66,500, respectively.

7. RELATED PARTIES

The Organization contracted with an entity, Pacific Wildfire, LLC, owned by a Member of the Board for speaking and discipleship of constituents. The Organization paid the entity approximately \$178,000 and \$67,000 for these services for the years ended December 31, 2017 and 2016, respectively.

The Organization received contributions from members of the board of directors that total approximately \$153,000 and \$108,000 for the years ended December 31, 2017 and 2016, respectively.

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See independent auditor's report.

