MUST MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2019

MUST MINISTRIES, INC.
FINANCIAL REPORT
JUNE 30, 2019

TABLE OF CONTENTS

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MUST Ministries, Inc.
Marietta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of **MUST Ministries, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 MUST Ministries, Inc. as of June 30, 2019 and 2018, 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.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2020, on our consideration of MUST Ministries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MUST Ministries, Inc.'s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 3, 2020

MUST MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ **1,848,796**	$ 2,051,845
Cash for temporarily restricted net assets	**3,311,748**	263,826
Grants and contracts receivable	**579,787**	449,975
Promises to give	**988,905**	412,594
Inventories	**385,803**	364,292
Prepaid expenses	**81,402**	74,658
Total current assets	**7,196,441**	3,617,190
NONCURRENT ASSETS		
Promises to give, net	**586,910**	349,733
Investments held at the Community Foundation	**168,784**	156,230
Security deposits	**17,583**	20,946
Total noncurrent assets	**773,277**	526,909
PROPERTY AND EQUIPMENT, NET	**12,231,180**	12,392,060
Total assets	$ **20,200,898**	$ 16,536,159
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ **163,921**	$ 54,836
Accrued liabilities	**264,078**	237,546
Lines of credit	-	150,000
Short-term debt	**400,542**	395,967
Total current liabilities	**828,541**	838,349
LONG-TERM LIABILITIES		
Deferred revenue	**139,723**	143,307
Long-term debt, net	**3,688,001**	4,070,734
Total long-term liabilities	**3,827,724**	4,214,041
Total liabilities	**4,656,265**	5,052,390
NET ASSETS		
Without donor restrictions	**10,674,883**	10,477,531
With donor restrictions	**4,869,750**	1,006,238
Total net assets	**15,544,633**	11,483,769
Total liabilities and net assets	$ **20,200,898**	$ 16,536,159

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 1,743,283	$ 772,303	$ 2,515,586
Capital campaign contributions	-	4,188,624	4,188,624
Grants	2,707,787	467,538	3,175,325
Program fees	112,163	8,697	120,860
In-kind contributions	3,344,057	-	3,344,057
Special events, net of direct costs	534,205	-	534,205
Realized and unrealized gain on investments	15,509	-	15,509
Other income	274,546	-	274,546
Net assets released from restrictions			
Satisfaction of program and time restrictions	1,573,650	(1,573,650)	-
Total revenues, gains, and other support	10,305,200	3,863,512	14,168,712
EXPENSES			
Program services	8,095,729	-	8,095,729
Supporting services			
Management and general	796,931	-	796,931
Fundraising	1,215,188	-	1,215,188
Total expenses	10,107,848	-	10,107,848
Change in net assets	197,352	3,863,512	4,060,864
Net assets, beginning of year	10,477,531	1,006,238	11,483,769
Net assets, end of year	$ 10,674,883	$ 4,869,750	$ 15,544,633

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 2,499,476	$ 325,127	$ 2,824,603
Capital campaign contributions	-	530,442	530,442
Grants	1,952,162	278,266	2,230,428
Program fees	89,387	3,874	93,261
In-kind contributions	3,226,638	-	3,226,638
Special events, net of direct costs	590,056	-	590,056
Realized and unrealized gain on investments	14,205	-	14,205
Other income	218,352	-	218,352
Net assets released from restrictions			
Satisfaction of program and time restrictions	1,185,879	(1,185,879)	-
Total revenues, gains, and other support	9,776,155	(48,170)	9,727,985
EXPENSES			
Program services	7,380,255	-	7,380,255
Supporting services			
Management and general	671,293	-	671,293
Fundraising	877,698	-	877,698
Total expenses	8,929,246	-	8,929,246
Change in net assets	846,909	(48,170)	798,739
Net assets, beginning of year	9,630,622	1,054,408	10,685,030
Net assets, end of year	$ 10,477,531	$ 1,006,238	$ 11,483,769

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

		Supporting Services		
	Program Services	Management and General	Fund-Raising	Totals
Salaries and related expenses	$ 2,438,750	$ 559,637	$ 621,405	$ 3,619,792
Professional fees	162,690	92,856	280,168	535,714
Insurance	66,842	5,434	5,500	77,776
Memberships, subscriptions, and registrations	16,704	15,084	5,132	36,920
Advertising	9,008	708	28,485	38,201
Supplies	173,612	5,668	9,479	188,759
Food for direct services	179,183	-	-	179,183
Postage and shipping	7,344	600	20,714	28,658
Occupancy expenses	302,346	23,423	15,666	341,435
Supportive housing rent, utilities, and financial assistance	933,076	-	-	933,076
Repair and maintenance	98,234	6,985	4,088	109,307
Licenses and taxes	25	-	-	25
Venue and equipment rental	1,044	-	-	1,044
Non-capitalized furniture, fixtures, and equipment	46,049	21,131	53,334	120,514
Printing and copying	38,427	2,529	92,688	133,644
Travel and transportation	37,462	7,305	3,385	48,152
Meals and entertainment	13,432	6,074	14,655	34,161
Interest expense	38,742	11,104	5,737	55,583
Bank and credit card fees	11,722	4,227	35,112	51,061
Other expenses including bad debt expense	3,057	-	-	3,057
Donated materials and services	3,174,142	-	134	3,174,276
Total expenses before depreciation	7,751,891	762,765	1,195,682	9,710,338
Depreciation	343,838	34,166	19,506	397,510
Total expenses	$ 8,095,729	$ 796,931	$ 1,215,188	$ 10,107,848

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

		Supporting Services		
	Program Services	Management and General	Fund-Raising	Totals
Salaries and related expenses	$ 2,248,628	$ 475,548	$ 643,007	$ 3,367,183
Professional fees	122,280	71,026	7,356	200,662
Insurance	65,626	5,338	4,958	75,922
Memberships, subscriptions, and registrations	7,692	11,989	24,482	44,163
Advertising	11,890	1,179	3,599	16,668
Supplies	154,046	8,831	3,011	165,888
Food for direct services	50,361	-	-	50,361
Postage and shipping	6,536	855	17,997	25,388
Occupancy expenses	279,572	12,287	6,593	298,452
Supportive housing rent, utilities, and financial assistance	680,994	-	-	680,994
Repair and maintenance	83,245	3,754	2,281	89,280
Licenses and taxes	7,206	634	39	7,879
Venue and equipment rental	345	-	-	345
Non-capitalized furniture, fixtures, and equipment	33,022	10,363	37,295	80,680
Printing and copying	47,628	4,533	59,692	111,853
Travel and transportation	32,623	5,702	1,560	39,885
Meals and entertainment	22,895	9,150	14,937	46,982
Interest expense	66,954	11,367	6,651	84,972
Bank and credit card fees	7,996	4,939	22,873	35,808
Other expenses including bad debt expense	4,504	3,420	4,024	11,948
Donated materials and services	3,124,521	-	-	3,124,521
Total expenses before depreciation	7,058,564	640,915	860,355	8,559,834
Depreciation	321,691	30,378	17,343	369,412
Total expenses	$ 7,380,255	$ 671,293	$ 877,698	$ 8,929,246

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ 4,060,864	$ 798,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	397,510	369,412
Realized and unrealized gain on investments	(15,509)	(14,205)
Bad debt (recovery) expense	(1,529)	2,602
Amortization of issue costs	3,361	2,665
Donated property and equipment	-	(22,739)
(Increase) decrease in:		
Grants and contracts receivable	(129,812)	(66,863)
Promises to give	(811,959)	59,028
Inventories	(21,511)	(13,252)
Prepaid expenses	(6,744)	22,313
Security deposits	3,363	-
Increase (decrease) in:		
Accounts payable	109,085	2,638
Accrued liabilities	26,532	29,387
Deferred revenue	(3,584)	127,026
Net cash provided by operating activities	3,610,067	1,296,751
INVESTING ACTIVITIES		
Purchase of property and equipment	(236,630)	(4,816,808)
Reinvested earnings	2,955	-
Net cash (used in) investing activities	(233,675)	(4,816,808)
FINANCING ACTIVITIES		
Proceeds from line of credit	-	150,000
Proceeds from long-term debt	-	3,608,000
Debt issuance costs	-	(25,216)
Payments on line of credit	(150,000)	-
Payments on long-term debt	(381,519)	(383,708)
Net cash (used in) provided by financing activities	(531,519)	3,349,076
Increase (decrease) in cash and cash equivalents	2,844,873	(170,981)
Cash and cash equivalents, beginning of year	2,315,671	2,486,652
Cash and cash equivalents, end of year	$ 5,160,544	$ 2,315,671
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 52,222	$ 82,307

See Notes to Financial Statements.

NOTE 1. ORGANIZATION

Now over 48 years old, MUST Ministries, Inc. ("MUST" or "Organization") began operations in 1971 as part of Urban Action, Inc. of Atlanta, GA. MUST was incorporated as a separate entity on January 20, 1993, pursuant to the Georgia Nonprofit Corporation Code. The mission of MUST is Serving our Neighbors in Need . . . transforming lives and communities in response to Christ's call. The Organization provides comprehensive, yet tailored solutions for individuals and families in poverty, which help to remove barriers of housing, clothing, and food insecurities, as well as assist in finding employment. MUST assists clients by helping to restore and maintain dignity, with the intent of empowering those it serves with a return to living independently. MUST provides services in 8 counties and has offices or facilities located in Marietta, Smyrna, and Canton, Georgia.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by MUST are set forth below.

Basis of Accounting

The financial statements of MUST have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

MUST presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Financial Statements of Not-for-Profit Entities* presentation and disclosure guidance. Under this guidance, MUST is required to report information regarding its financial position and activities according to two categories of net assets, as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) 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.

Cash and Cash Equivalents

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

Grants and Contracts Receivable

Grants and contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. MUST provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is MUST's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected and no allowance for doubtful accounts is determined to be needed. There were no grant or contract allowance for doubtful accounts at June 30, 2019 and 2018.

Promises to Give

Promises to give, less an allowance for uncollectible amounts, are discounted to reflect the time value of money. Contributions are considered available for general use unless specifically restricted by the donor.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In accordance with FASB, investments in equity securities with readily determinable fair values and all investments in debt securities shall be measured at fair value in the statement of financial position. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and investment income is recognized as revenue in the period earned. Gains and investment income that are limited to specific uses by donor-restrictions are reflected as increases in net assets without donor restrictions, if the restrictions are met in the same reporting period.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the fair market value on the date the asset is donated. Depreciation is computed over the estimated useful lives of these assets (5 to 40 years) using the straight-line method. Repairs and maintenance are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation are removed, and any gain or loss is included in operations.

MUST reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Inventory

Donated food and clothing items are recorded in inventory and recognized as in-kind support at the time of donation and expense upon distribution to MUST’s clients. Donated food and clothing inventory is recorded at the estimated fair market value using an industry standard valuation.

Revenue Recognition

In accordance with FASB, unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for general use unless specifically restricted by the donor. Amounts received and investment income earned that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

MUST records the value of donated property, goods or services when there is an objective basis available to measure their value. Donated property, materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statement of activities for volunteer services because the criteria for recognition of such volunteer effort under FASB guidance have not been satisfied. Nevertheless, volunteers have donated a substantial amount of their time to the program services of MUST.

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 statement of activities and changes in net assets, as net assets released from restrictions.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Support

MUST is funded, in part, by contracts with various federal, state, and local government agencies and other nonprofit agencies. These contracts are generally cost reimbursement contracts for specific expenses and require MUST to perform specific services to eligible populations. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by MUST with the terms of the contracts.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Presentation

As defined by FASB, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, MUST uses various methods including market, income, and cost approaches. Based on these approaches, MUST often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. MUST utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, MUST is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy expenses and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

MUST Ministries, Inc. qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is generally exempt from federal income taxes under Internal Revenue Code Section 501(a). It is however, required to file Federal Form 990 – Return of Organization Exempt from Income Tax. This is an informational return only. Accordingly, no provision for income taxes is made in the financial statements. Management evaluated MUST's tax positions and concluded that they have taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions on accounting for uncertainty in income taxes.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. MUST adopted the provisions of this new standard during the fiscal year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to functional allocation of expenses. The accompanying information from the 2018 financial statements has been adjusted to conform to the new presentation and disclosure requirements. This adjustment did not have an effect on total assets or the change in net assets for the fiscal year ended June 30, 2018.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$	1,848,796
Promises to give		17,813
	$	1,866,609

MUST structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the year, MUST anticipates covering its general expenditures by collecting sufficient contributions and grants and by utilizing donor-restricted resources from current and prior years' gifts.

NOTE 4. INVESTMENTS HELD AT THE COMMUNITY FOUNDATION

The following table sets forth by level, within the fair value hierarchy, MUST's investments at fair value as of June 30, 2019:

	Level 1	**Level 2**	**Level 3**	**Total**
Pooled Investment at Community Foundation	**$ -**	**$ 168,784**	**$ -**	**$ 168,784**
Total	**$ -**	**$ 168,784**	**$ -**	**$ 168,784**

MUST's investments at fair value as of June 30, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Pooled Investment at Community Foundation	$ -	$ 156,230	$ -	$ 156,230
Total	$ -	$ 156,230	$ -	$ 156,230

The Cobb Community Foundation ("Community Foundation") holds a donor-established advised fund ("Fund") for the benefit of MUST. Under the terms of the agreement establishing the Fund, the principal is intended to be an endowment held in perpetuity and the earnings from the Fund are to be made available to MUST to support its general operations. The agreement granted variance power to the Community Foundation. Thus, the Fund is owned by the Community Foundation, and the Community Foundation has final authority and control over the disposition of the assets and earnings of the Fund. The total amount of the funds held at the Community Foundation at June 30, 2019 and 2018 was $268,784 and $256,230, respectively. This amount includes earnings and contributions in the amount of $168,784 and $156,230 made by MUST which are reflected in the statement of financial position of MUST at June 30, 2019 and 2018, respectively.

It is the intention of the Board and management of MUST, to leave the contributions as part of the perpetual endowment, but MUST reserves the right to recover the funds in the future if MUST has the need for the funds. MUST has not recognized its potential for future distributions from the assets held in the Fund. Those distributions, if they occur, will be recognized as contributions when received or unconditionally promised.

NOTE 5. PROMISES TO GIVE

MUST receives capital contributions, both cash and promises to give, to allow for the acquisition and build-out of facilities to support the operations of MUST.

Promises to give consisted of the following at June 30, 2019:

	Operating	Capital	Total
Current	**$ 17,813**	**$ 971,092**	**$ 988,905**
Due in one to five years	**-**	**683,141**	**683,141**
	17,813	**1,654,233**	**1,672,046**
Less allowance for uncollectible promises to give	**-**	**(82,837)**	**(82,837)**
Less time value discount	**-**	**(13,394)**	**(13,394)**
Promises to give, net	**$ 17,813**	**$ 1,558,002**	**$ 1,575,815**

Promises to give consisted of the following at June 30, 2018:

	Operating	Capital	Total
Current	$ 23,350	$ 389,244	$ 412,594
Due in one to five years	6,007	441,486	447,493
	29,357	830,730	860,087
Less allowance for uncollectible promises to give	(1,470)	(83,592)	(85,062)
Less time value discount	(360)	(12,338)	(12,698)
Promises to give, net	$ 27,527	$ 734,800	$ 762,327

Promises to give discount rate was 2% for the years ended June 30, 2019 and 2018.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following as of June 30:

	2019	2018
Vehicles	**$ 215,826**	$ 209,392
Equipment	**727,901**	666,764
Land	**3,341,367**	3,265,696
Buildings and improvements	**10,644,573**	10,616,723
Construction in progress	**452,279**	386,741
	15,381,946	15,145,316
Less accumulated depreciation	**(3,150,766)**	(2,753,256)
Property and equipment, net	**$ 12,231,180**	$ 12,392,060

Depreciation expense for the years ended June 30, 2019 and 2018 was $397,510 and $369,412, respectively.

NOTE 7. VACATION AND SICK LEAVE PAYABLE

Employees earn vacation and sick leave depending on years of service. Accrued vacation is paid upon an employee's termination. Accrued sick leave is not paid upon employee termination and therefore has not been accrued at year-end. Liabilities for accumulated leave of $178,757 and $147,186 are included in the statement of financial position with accrued liabilities at June 30, 2019 and 2018, respectively.

NOTE 8. 403(b) THRIFT PLAN

MUST provides a 403(b) thrift plan which covers all eligible employees. Employees can make salary reduction contributions, and MUST may make matching contributions. Employees are eligible to participate in the salary reduction contributions after 30 days of employment and are eligible for an employer match after one year of employment. MUST matches 100% of the first 4% of salary reduction. MUST's contributions totaled $45,690 and $18,460 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9. CONCENTRATIONS

MUST maintains deposit accounts at various banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. MUST has substantially all cash deposited in one financial institution, a concentration that comprised approximately 90% and 79% of the cash balance at June 30, 2019 and 2018, respectively. Cash balances were in excess of the FDIC insured level by $4,651,427 and $1,892,106 as of June 30, 2019 and 2018, respectively. Management does not believe it is exposed to significant credit risk on cash and cash equivalents.

NOTE 10. COMMITMENTS

MUST had various operating leases in effect during the years ended June 30, 2019 and 2018. Rent expense for the years ended June 30, 2019 and 2018 was $428,097 and $420,000, respectively. The leases include rental of office space, warehouse space, and residential apartments. Future minimum lease payments over the remaining lease terms total $313,078 for the year ending June 30, 2020.

NOTE 11. LONG-TERM DEBT

In 2008 MUST purchased a building located at 1407 Cobb Parkway to provide space for day services and administrative offices to increase service delivery to clients. MUST obtained a loan agreement for a maximum principal amount of $6,800,000 for construction financing. The funds could be drawn down as necessary to purchase and build out the interior of the building. MUST solicited funding from donors through a capital fund-raising campaign to support the project.

In fiscal year 2017 MUST refinanced the loan. The refinanced loan agreement provides a maximum principal amount of $1,292,238. The loan carried an interest rate of 4.313% at June 30, 2019 and 2018. Principal and interest of $12,648 is paid monthly starting May 2017. The loan agreement is set to expire on April 5, 2027. The loan is collateralized by the facility at 1407 Cobb Parkway. The principal balance outstanding on the loan was $1,067,743 and $1,167,347 at June 30, 2019 and 2018, respectively.

In fiscal year 2018 MUST entered into a loan agreement to purchase a building located at 1280 Field Parkway to serve as a centralized donation center. The loan agreement provides a maximum principal amount of $1,394,000. The loan carried an interest rate of 2.07% at June 30, 2019 and 2018. Principal and interest of $5,201 is paid monthly starting November 2017. The loan agreement is set to expire on October 1, 2047. The loan is collateralized by the facility at 1280 Field Parkway. The principal balance outstanding on the loan was $1,334,243 and $1,366,158 at June 30, 2019 and 2018, respectively. MUST solicited funding from donors through a capital fund-raising campaign to support the project.

NOTE 11. LONG-TERM DEBT (Continued)

In fiscal year 2018 MUST entered into a loan agreement to purchase land located at 1260 Cobb Parkway for a future programmatic facility. The loan agreement provides a maximum principal amount of $2,214,000. The loan carried an interest rate of 1.33% at June 30, 2019 and 2018. Principal of $250,000 is to be paid annually starting in December 2017. A balloon payment will be made on the remaining outstanding balance on December 31, 2021 when the agreement is set to expire. The loan is collateralized by the land at 1260 Cobb Parkway. The principal balance outstanding on the loan was $1,714,000 and $1,964,000 at June 30, 2019 and 2018. MUST solicited $1,000,000 of conditional funding from a local government agency to support the project.

Scheduled maturities on long-term debt are as follows:

For the year ending June 30,

2020	$	400,542
2021		408,233
2022		1,377,168
2023		168,264
2024		173,524
Thereafter		1,588,255
		4,115,986
Less debt issuance costs		(27,443)
Total	$	4,088,543

NOTE 12. LINES OF CREDIT

On April 12, 2017, MUST renewed a line of credit of $220,000 with a financial institution to provide financing to maintain day-to-day operating activity. The line of credit bears interest at the financial institution's prime rate and matures in March 2020. The line of credit balance was $- as of June 30, 2019 and 2018. The line is collateralized by the facility at 460 Pat Mell Road and the Organization's receivables.

On April 12, 2017, MUST entered into a construction line of credit of $750,000 with a financial institution to finance future construction costs. The construction line of credit bears interest at the financial institution's prime rate and matures in March 2020. The line of credit balance was $ - and $150,000 as of June 30, 2019 and 2018. The line is collateralized by the facility at 1407 Cobb Parkway.

NOTE 13. IN-KIND CONTRIBUTIONS

In-kind contributions were received as follows for the year ended June 30:

		2019		2018
Food and meals	**$**	**2,069,761**	$	2,011,508
Clothing		**408,855**		428,218
Program supplies and services		**733,377**		786,912
		3,211,993		3,226,638
Special events supplies and services		**132,064**		-
	$	**3,344,057**	$	3,226,638

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at June 30:

	2019	2018
Capital	**$ 4,521,932**	$ 830,730
Summer lunch program	**187,472**	77,982
Time	**-**	8,000
Other programs	**160,346**	89,526
	$ 4,869,750	$ 1,006,238

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Cash	**$ 3,311,748**	$ 263,826
Promises to give	**1,558,002**	742,412
	$ 4,869,750	$ 1,006,238

NOTE 15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2019 and 2018 by incurring expenditures satisfying the restricted purposes specified by donors as follows:

	2019	2018
Capital	**$ 497,422**	$ 384,110
Summer lunch program	**329,958**	235,852
Other programs	**746,270**	565,917
	$ 1,573,650	$ 1,185,879

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 3, 2020, the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

MUST MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Programs	CFDA	Expenditures
MAJOR PROGRAMS		
U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT		
Continuum of Care Program	14.267	$ 466,483
Georgia Department of Community Affairs (GA0170L4B061708/809):		
Continuum of Care Program	14.267	320,970
TOTAL MAJOR PROGRAMS		787,453
NON MAJOR PROGRAMS		
U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT		
CDBG - Entitlement Grants Cluster		
Cobb County Board of Commissioners (CD18-C18YA-F, CD18-CJ-P, CD19-C19CJ-P):		
Community Development Block Grant	14.218	284,149
Cherokee County Board of Commissioners (CD18-MUST, CD19-MUST):		
Community Development Block Grant	14.218	27,712
		311,861
Emergency Solutions Grants Program	14.231	107,707
Cobb County Board of Commissioners (ES17 – E17CJ, ES18-E18CJ):		
Emergency Solutions Grants Program	14.231	55,665
Georgia Department of Community Affairs (18C176-18C-181):		
Emergency Solutions Grants Program	14.231	222,772
		386,144
Cobb County Board of Commissioners (H17-18CJ-R):		
HOME Investment Partnerships Program	14.239	140,578
U.S. DEPT. OF HEALTH & HUMAN SERVICES		
TANF Cluster		
Georgia Department of Family and Children Services (42700-040-0000063110/42700-040-0000075852):		
Temporary Assistance for Needy Families	93.558	115,623
Cobb County Board of Commissioners (CSBG-18-C18L, CSBG-19-C19L):		
Community Services Block Grant	93.569	54,895
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Emergency Food and Shelter National Board Program	97.024	70,000
TOTAL NON MAJOR PROGRAMS		1,079,101
TOTAL FEDERAL AWARDS		$ 1,866,554

The accompanying notes are an integral part of this schedule.

MUST MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of MUST Ministries, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
MUST Ministries, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MUST Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MUST Ministries, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MUST Ministries, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether MUST Ministries, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 3, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
MUST Ministries, Inc.

Report on Compliance for Each Major Federal Program

We have audited MUST Ministries, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MUST Ministries, Inc.'s major federal programs for the year ended June 30, 2019. MUST Ministries, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MUST Ministries, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MUST Ministries, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MUST Ministries, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, MUST Ministries, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

Management of MUST Ministries, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MUST Ministries, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MUST Ministries, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 3, 2020

MAULDIN & JENKINS

MUST MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS:
Financial Statements:

Type of auditors' report issued	**Unmodified**	
	Yes	**No**
Internal control over financial reporting:		
Material weaknesses identified?		**X**
Significant deficiencies identified not considered to be material weaknesses?		**None reported**
Noncompliance material to the financial statements noted?		**X**

Federal Awards:

Internal controls over major programs:		
Material weaknesses identified?		**X**
Significant deficiencies identified not considered to be material weaknesses?		**None reported**
Type of auditors' report issued on compliance for major programs	**Unmodified**	
Audit findings required to be reported in accordance with 2 CFR Section 200.516(a)	**No**	

Identification of major programs:

U.S. Department of Housing and Urban Development Continuum of Care Program	**14.267**	
Dollar threshold used to distinguish between type A and type B programs	**$ 750,000**	
	Yes	**No**
Auditee qualified as low-risk auditee?	**X**	
Financial statement findings?		**X**
Findings and questioned costs for Federal awards?		**X**

Section II – Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None

MUST MINISTRIES, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None