

MUST MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2016

MUST MINISTRIES, INC.
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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, 2016 and 2015, 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, 2016 and 2015, 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.

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 November 30, 2016, 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
November 30, 2016

MUST MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,574,221	\$ 1,084,463
Cash for temporarily restricted net assets	334,950	197,042
Grants and contracts receivable	272,465	231,965
Pledges receivable	121,833	192,417
Other receivables	4,740	-
Inventories	364,297	172,893
Prepaid expenses	53,992	65,992
Total current assets	2,726,498	1,944,772
NONCURRENT ASSETS		
Pledges receivable, net	12,700	119,029
Investments held at the Community Foundation	116,634	63,950
Security deposits	20,946	20,038
Total noncurrent assets	150,280	203,017
PROPERTY AND EQUIPMENT, NET		
	8,114,285	7,757,281
Total Assets	\$ 10,991,063	\$ 9,905,070
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 42,338	\$ 67,848
Accrued liabilities	209,803	130,045
Short-term debt	1,375,214	108,056
Total current liabilities	1,627,355	305,949
LONG-TERM LIABILITIES		
Deferred revenue	52,012	5,000
Long-term debt	-	1,374,408
Total long-term liabilities	52,012	1,379,408
Total Liabilities	1,679,367	1,685,357
NET ASSETS		
Unrestricted	8,878,041	7,731,776
Temporarily restricted	433,655	487,937
Total net assets	9,311,696	8,219,713
Total Liabilities and Net Assets	\$ 10,991,063	\$ 9,905,070

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,538,330	\$ 602,153	\$ 3,140,483
Grants	1,618,861	291,151	1,910,012
Program fees	66,447	-	66,447
In-kind contributions	3,766,585	-	3,766,585
Special events, net	632,329	-	632,329
Realized and unrealized loss on investments	(990)	-	(990)
Other	215,293	-	215,293
Net assets released from restrictions			
Satisfaction of program and time restrictions	947,586	(947,586)	-
Total revenues, gains, and other support	9,784,441	(54,282)	9,730,159
EXPENSES AND LOSSES			
Program services	7,320,676	-	7,320,676
Supporting services			
Management and general	657,337	-	657,337
Fundraising	660,163	-	660,163
Total expenses and losses	1,317,500	-	1,317,500
Total program and supporting services	8,638,176	-	8,638,176
Changes in net assets	1,146,265	(54,282)	1,091,983
Net Assets, beginning of year	7,731,776	487,937	8,219,713
Net Assets, end of year	\$ 8,878,041	\$ 433,655	\$ 9,311,696

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,301,157	\$ 386,301	\$ 2,687,458
Grants	1,138,304	217,042	1,355,346
Program fees	63,687	-	63,687
In-kind contributions	3,553,891	-	3,553,891
Special events, net	501,554	-	501,554
Realized and unrealized loss on investments	(3,674)	-	(3,674)
Other	185,523	-	185,523
Net assets released from restrictions			
Satisfaction of program and time restrictions	825,754	(825,754)	-
Total revenues, gains, and other support	8,566,196	(222,411)	8,343,785
EXPENSES AND LOSSES			
Program services	6,804,744	-	6,804,744
Supporting services			
Management and general	628,911	-	628,911
Fundraising	556,589	-	556,589
Total expenses and losses	1,185,500	-	1,185,500
Total program and supporting services	7,990,244	-	7,990,244
Changes in net assets	575,952	(222,411)	353,541
Net Assets, beginning of year	7,155,824	710,348	7,866,172
Net Assets, end of year	\$ 7,731,776	\$ 487,937	\$ 8,219,713

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services		Totals
		Management and General	Fund- Raising	
Salaries and related expenses	\$ 1,861,645	\$ 450,495	\$ 401,668	\$ 2,713,808
Professional fees	145,908	67,677	49,941	263,526
Insurance	56,550	5,397	3,684	65,631
Memberships, subscriptions, and registrations	3,881	17,439	4,650	25,970
Advertising	11,592	600	4,206	16,398
Supplies	144,138	1,464	4,283	149,858
Food for direct services	34,188	-	-	34,188
Postage and shipping	2,339	166	26,568	29,073
Occupancy expenses	284,719	18,998	10,399	314,116
Supportive housing rent, utilities, and financial assistance	644,719	-	-	644,719
Repair and maintenance	62,998	456	2,093	65,547
Licenses and taxes	857	136	74	1,067
Venue and equipment rental	627	69	38	734
Non-capitalized furniture, fixtures, and equipment	22,394	5,895	16,304	44,593
Printing and copying	37,644	2,809	64,792	105,245
Travel and transportation	29,164	4,418	4,135	38,447
Meals and entertainment	12,304	10,184	5,521	28,009
Interest expense	32,698	10,254	5,210	47,432
Bank and credit card fees	8,381	3,937	17,838	30,156
Other including bad debt expense	54,446	3,527	4,904	62,904
Loss on disposals of equipment	-	19,501	-	19,501
Donated materials and services	3,628,706	120	12,700	3,641,526
Total expenses before depreciation	<u>7,079,898</u>	<u>623,542</u>	<u>639,008</u>	<u>8,342,448</u>
Depreciation	<u>240,778</u>	<u>33,795</u>	<u>21,155</u>	<u>295,728</u>
Total expenses	<u>\$ 7,320,676</u>	<u>\$ 657,337</u>	<u>\$ 660,163</u>	<u>\$ 8,638,176</u>

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services		Totals
		Management and General	Fund- Raising	
Salaries and related expenses	\$ 1,736,183	\$ 460,669	\$ 362,688	\$ 2,559,540
Professional fees	83,674	29,491	24,378	137,543
Insurance	49,118	6,223	2,991	58,332
Memberships, subscriptions, and registrations	3,896	10,907	3,841	18,644
Advertising	3,776	371	1,459	5,606
Supplies	118,035	2,467	4,691	125,193
Food for direct services	23,989	-	-	23,989
Postage and shipping	5,706	244	18,216	24,166
Occupancy expenses	286,885	7,422	8,876	303,183
Supportive housing rent, utilities, and financial assistance	605,775	-	-	605,775
Repair and maintenance	42,816	2,552	1,290	46,658
Licenses and taxes	546	32	69	647
Non-capitalized furniture, fixtures, and equipment	11,028	5,098	18,264	34,390
Printing and copying	54,356	1,342	52,578	108,276
Travel and transportation	31,569	476	2,452	34,497
Meals and entertainment	7,927	8,775	7,096	23,798
Interest expense	-	44,848	4,198	49,046
Bank and credit card fees	8,051	5,760	12,391	26,202
Other including bad debt expense	3,503	5,652	6,616	15,771
Loss on disposals of equipment	-	4,232	-	4,232
Donated materials and services	3,508,649	-	-	3,508,649
Total expenses before depreciation	<u>6,585,482</u>	<u>596,561</u>	<u>532,094</u>	<u>7,714,137</u>
Depreciation	<u>219,262</u>	<u>32,350</u>	<u>24,495</u>	<u>276,107</u>
Total expenses	<u>\$ 6,804,744</u>	<u>\$ 628,911</u>	<u>\$ 556,589</u>	<u>\$ 7,990,244</u>

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ 1,091,983	\$ 353,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	295,728	276,107
Donated clothing and food inventory	(191,404)	(31,585)
Realized and unrealized losses on investments	990	3,674
Loss on disposal of equipment	19,501	4,232
Bad debt	54,425	8,849
(Increase) decrease in:		
Grants and contracts receivable	(40,500)	62,428
Pledges receivable	122,488	13,045
Other receivables	(4,740)	11,500
Prepaid expenses	12,000	3,066
Security deposits	(908)	(350)
Increase (decrease) in:		
Accounts payable	(25,510)	(31,854)
Accrued liabilities	79,758	(7,758)
Deferred revenue	47,012	(31,875)
Net cash provided by operating activities	1,460,823	633,020
INVESTING ACTIVITIES		
Purchase of property and equipment	(672,233)	(172,446)
Purchase of investments	(50,100)	(50,000)
Reinvested earnings	(3,574)	(893)
Net cash (used in) investing activities	(725,907)	(223,339)
FINANCING ACTIVITIES		
Payments on long-term debt	(107,250)	(17,536)
Net cash (used in) financing activities	(107,250)	(17,536)
Increase in cash and cash equivalents	627,666	392,145
Cash and cash equivalents, beginning of year	1,281,505	889,360
Cash and cash equivalents, end of year	\$ 1,909,171	\$ 1,281,505
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 47,432	\$ 49,046

See Notes to Financial Statements.

MUST MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Now over 44 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 located in Marietta, Smyrna, Canton and Kennesaw, 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 follows the requirements of the Financial Accounting Standards Board (FASB)’s *Financial Statements of Not-for-Profit Organizations*. Under this guidance, MUST is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. MUST had no permanently restricted net assets at June 30, 2016 and 2015.

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, 2016 and 2015.

Pledges Receivable

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

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 unrestricted net assets, if the restrictions are met in the same reporting period.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unrestricted 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 temporarily or permanently restricted support that increases those net asset classes. 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 activity 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 unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015, 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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTE 3. INVESTMENTS HELD AT THE COMMUNITY FOUNDATION

The following table sets forth by level, within the fair value hierarchy, MUST’s assets at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Pooled Investment at Community Foundation	\$ 116,634	\$ -	\$ -	\$ 116,634
Total	\$ 116,634	\$ -	\$ -	\$ 116,634

MUST’s assets at fair value as of June 30, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Pooled Investment at Community Foundation	\$ 63,950	\$ -	\$ -	\$ 63,950
Total	\$ 63,950	\$ -	\$ -	\$ 63,950

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 a permanent endowment 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, 2016 and 2015 was \$216,634 and \$163,950, respectively. This amount includes earnings and contributions in the amount of \$116,634 and \$63,950 made by MUST which are reflected in the statement of financial position of MUST at June 30, 2016 and 2015, respectively. The Community Foundation does not have variance power over the earnings or contributions.

It is the intention of the Board and management of MUST, to leave the contributions as part of the permanent 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PLEDGES RECEIVABLE

A capital fund-raising campaign began in 2007 to allow for the acquisition and build-out of facilities to support operations of MUST. All original pledges made toward the capital campaign are intended for use in such acquisitions. MUST continues to receive capital fund-raising campaign contributions, both cash and pledges, to improve and expand program services.

Pledges receivable consisted of the following at June 30, 2016:

	Operating	Capital Campaign	Total
Current	\$ 111,094	\$ 10,739	\$ 121,833
Due in one to five years	16,000	-	16,000
	127,094	10,739	137,833
Less allowance for uncollectible pledges	(1,955)	(1,034)	(2,989)
Less time value discount	(311)	-	(311)
Net pledges receivable	\$ 124,828	\$ 9,705	\$ 134,533

Pledges receivable consisted of the following at June 30, 2015:

	Operating	Capital Campaign	Total
Current	\$ 150,387	\$ 42,030	\$ 192,417
Due in one to five years	123,507	4,129	127,636
	273,894	46,159	320,053
Less allowance for uncollectible pledges	(2,942)	(2,116)	(5,058)
Less time value discount	(3,400)	(149)	(3,549)
Net pledges receivable	\$ 267,552	\$ 43,894	\$ 311,446

Pledge discount rate was 2% for the years ended June 30, 2016 and 2015.

NOTE 5. PROPERTY AND EQUIPMENT

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

	2016	2015
Vehicles	\$ 177,968	\$ 130,841
Equipment	578,730	515,508
Land	1,051,696	1,051,696
Buildings and improvements	8,415,912	7,936,814
Construction in progress	6,250	1,883
	10,230,556	9,636,742
Less accumulated depreciation	(2,116,271)	(1,879,461)
Net property and equipment	\$ 8,114,285	\$ 7,757,281

Depreciation expense for the years ended June 30, 2016 and 2015 was \$295,728 and \$276,107, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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 \$119,278 and \$83,819 are included in the statement of financial position with accrued liabilities at June 30, 2016 and 2015, respectively.

NOTE 7. 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. The Organization suspended the match to the 403(b) plan during the year ended June 30, 2013 and had no contribution plan expense for the years ended June 30, 2016 and 2015.

NOTE 8. 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 in order to adhere to a financial covenant related to the note payable. This concentration comprised approximately 75% and 82% of the cash balance June 30, 2016 and 2015, respectively. Cash balances were in excess of the FDIC insured level by \$1,532,925 and \$861,387 as of June 30, 2016 and 2015, respectively. Management does not believe it is exposed to significant credit risk on cash and cash equivalents.

NOTE 9. COMMITMENTS

MUST had various operating leases in effect during the years ended June 30, 2016 and 2015. Rent expense for the years ended June 30, 2016 and 2015 was \$350,147 and \$323,953, respectively. The leases include rental of office space, warehouse space, and residential apartments. The apartments are for use by consumers. The leases are one to three year operating leases with various starting and ending dates. Minimum rentals, on an annual basis, are as follows:

Year ending June 30:

2017	\$ 251,635
2018	13,365
Total	<u>\$ 265,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT

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

MUST refinanced this loan with BB&T with an effective date of March 29, 2010. The loan agreement provides a maximum principal amount of \$3,570,000. The loan carried an interest rate of 3.25% at June 30, 2016 and 2015. Principal and interest is paid monthly starting May 2015. The loan agreement is set to expire on April 5, 2017. Covenants consist of a cash flow to debt service coverage of 1.1. The loan is collateralized by the facility at 1407 Cobb Parkway.

Scheduled maturities on long-term debt are as follows:

For the year ending June 30,

2017	\$ 1,375,214
Total	<u>\$ 1,375,214</u>

NOTE 11. LINE OF CREDIT

On May 5, 2015, 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 May 2017. The line of credit balance was \$- as of June 30, 2016 and 2015. The line is collateralized by the facility at 460 Pat Mell Road and the Organization's receivables.

NOTE 12. IN-KIND CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Food and meals	\$ 2,174,870	\$ 1,958,783
Clothing	868,752	937,193
Program supplies and services	<u>722,963</u>	<u>657,915</u>
	<u>\$ 3,766,585</u>	<u>\$ 3,553,891</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	2016	2015
Capital campaign	\$ 117,152	\$ 129,605
Property and equipment	-	8,256
Summer lunch program	144,391	68,969
Time	89,000	121,928
Other	83,112	159,179
	\$ 433,655	\$ 487,937

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Cash	\$ 334,950	\$ 197,042
Pledges receivable	98,705	290,895
	\$ 433,655	\$ 487,937

NOTE 14. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2016 and 2015 by incurring expenditures satisfying the restricted purposes specified by donors as follows:

	2016	2015
Capital campaign	\$ 20,685	\$ 124,367
Property and equipment	58,256	1,828
Summer lunch program	187,001	183,867
Other	681,644	515,692
	\$ 947,586	\$ 825,754

NOTES TO FINANCIAL STATEMENTS

NOTE 15. ACQUISITION OF ALIVE MINISTRIES, INC.

On September 30, 2015, the MUST Ministries, Inc. acquired Alive Ministries, Inc. Effective October 1, 2015, the assets acquired and contribution income were recognized by MUST at their fair values. The following table summarizes the assets acquired and contribution income recognized at the acquisition date.

At September 30, 2015:

Assets acquired	
Cash	\$ 77,269
Inventory	69,810
Other assets	908
Property and equipment	49,241
	<u>\$ 197,228</u>
Contribution income recognized	<u>\$ 197,228</u>

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2016, the date the financial statements were available to be issued.