MUST MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2011

MUST MINISTRIES, INC.
FINANCIAL REPORT
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TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities and changes in net assets	3 and 4
Statements of functional expenses	5 and 6
Statements of cash flows	7
Notes to financial statements	8-16

MUST MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS		2011		2010
CURRENT ASSETS				
Cash and cash equivalents	$	**986,912**	$	853,183
Grants and contracts receivable		**236,520**		355,485
Pledges receivable, net		**624,014**		1,499,324
Prepaid expenses		**36,291**		-
Other assets		**25,000**		-
Total current assets		**1,908,737**		2,707,992
NONCURRENT ASSETS				
Pledges receivable, net		**841,368**		1,216,389
Property and equipment, net		**6,523,566**		6,679,027
Investments held at the Community Foundation		**100,000**		100,000
Security deposits		**17,500**		17,226
Total noncurrent assets		**7,482,434**		8,012,642
Total Assets	**$**	**9,391,171**	$	10,720,634
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	**$**	**25,859**	$	26,830
Accrued liabilities		**130,217**		79,132
Current portion of long-term debt		**-**		550,000
Total current liabilities		**156,076**		655,962
LONG-TERM LIABILITIES				
Long-term debt, net of current portion		**2,145,000**		2,895,000
Total Liabilities		**2,301,076**		3,550,962
NET ASSETS				
Unrestricted		**6,574,563**		6,982,923
Temporarily restricted		**515,532**		186,749
Total net assets		**7,090,095**		7,169,672
Total Liabilities and Net Assets	**$**	**9,391,171**	$	10,720,634

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 1,508,810	$ 726,683	$ 2,235,493
Grants	345,041	1,707,119	2,052,160
Capital campaign	-	287,154	287,154
In-kind contributions	2,816,195	25,000	2,841,195
Investment income	350	-	350
Special events, net	426,982	-	426,982
Other	55,721	4,716	60,437
Net assets released from restrictions			
Satisfaction of program and time restrictions	2,421,889	(2,421,889)	-
Total revenues, gains, and other support	7,574,988	328,783	7,903,771
EXPENSES AND LOSSES			
Program services	6,332,503	-	6,332,503
Supporting services			
Management and general	916,635	-	916,635
Fundraising	734,210	-	734,210
Total expenses and losses	1,650,845	-	1,650,845
Total program and supporting services	7,983,348	-	7,983,348
Change in net assets	(408,360)	328,783	(79,577)
Net Assets, beginning of year	6,982,923	186,749	7,169,672
Net Assets, end of year	$ 6,574,563	$ 515,532	$ 7,090,095

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 1,296,770	$ 728,657	$ 2,025,427
Grants	1,554	1,426,380	1,427,934
Capital campaign	-	975,696	975,696
In-kind contributions	2,387,740	-	2,387,740
Investment income	1,650	-	1,650
Special events, net	398,257	-	398,257
Other	13,136	10,898	24,034
Net assets released from restrictions			
Satisfaction of program and time restrictions	2,967,181	(2,967,181)	-
Total revenues, gains, and other support	7,066,288	174,450	7,240,738
EXPENSES AND LOSSES			
Program services	5,655,680	-	5,655,680
Supporting services			
Management and general	540,550	-	540,550
Fundraising	825,778	-	825,778
Total expenses and losses	1,366,328	-	1,366,328
Total program and supporting services	7,022,008	-	7,022,008
Change in net assets	44,280	174,450	218,730
Net Assets, beginning of year as previously stated	6,714,023	12,299	6,726,322
Prior period adjustments (see Note 14)	224,620	-	224,620
Net Assets, beginning of year as restated	6,938,643	12,299	6,950,942
Net Assets, end of year	$ 6,982,923	$ 186,749	$ 7,169,672

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

		Supporting Services		
	Program Services	Management and General	Fund-Raising	Totals
Salaries and related expenses	$ 1,604,202	$ 579,676	$ 413,096	$ 2,596,974
Professional fees	23,437	50,634	53,251	127,322
Insurance	22,277	18,059	725	41,061
Memberships, subscriptions, and registrations	12,543	11,760	13,152	37,455
Advertising	-	-	7,970	7,970
Supplies	65,347	14,406	13,457	93,210
Apparel	368	160	31,535	32,063
Food for direct services	7,158	-	-	7,158
Postage and shipping	1,812	998	44,018	46,828
Utilities and utilities assistance	1,478,937	24,857	4,776	1,508,570
Repair and maintenance	52,055	2,602	259	54,916
Licenses and taxes	102	520	100	722
Venue and equipment rental	1,650	-	15,968	17,618
Non-capitalized FFE	41,974	17,517	2,961	62,452
Printing and copying	10,253	2,834	89,159	102,246
Travel and transportation	29,340	11,635	4,502	45,477
Meals and entertainment	4,343	14,050	26,757	45,150
Interest expense	-	82,042	-	82,042
Bank and CC fees	848	15,215	3,039	19,102
Loss on disposal of equipment	-	4,144	-	4,144
Other and miscellaneous expense	42,185	8,723	18	50,926
Donated materials and services	2,810,600	-	-	2,810,600
Total expenses before depreciation	6,209,431	859,832	724,743	7,794,006
Depreciation	123,072	56,803	9,467	189,342
Total expenses	$ 6,332,503	$ 916,635	$ 734,210	$ 7,983,348

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	Program Services	Supporting Services: Management and General	Supporting Services: Fund-Raising	Totals
Salaries and related expenses	$ 1,679,142	$ 240,137	$ 306,855	$ 2,226,134
Professional fees	1,287	47,006	151,514	199,807
Insurance	64,259	4,414	-	68,673
Memberships, subscriptions, and registrations	13,891	24,273	5,382	43,546
Advertising	-	-	32,115	32,115
Supplies	68,858	26,842	15,988	111,688
Apparel	-	-	24,772	24,772
Food for direct services	765	10,168	32,467	43,400
Postage and shipping	777	1,411	64,282	66,470
Utilities and utilities assistance	1,111,573	33,160	300	1,145,033
Repair and maintenance	45,291	603	-	45,894
Venue and equipment rental	-	326	20,534	20,860
Non-capitalized FFE	18,399	35,002	-	53,401
Printing and copying	98	2,082	68,524	70,704
Travel and transportation	25,746	10,183	1,731	37,660
Interest expense	111,366	51,400	8,567	171,333
Website expenses	-	-	8,580	8,580
Other and miscellaneous expense	106	153	2,379	2,638
Bad debt and pledge discount	-	-	75,396	75,396
Donated materials and services	2,387,740	-	-	2,387,740
Total expenses before depreciation	5,529,298	487,160	819,386	6,835,844
Depreciation	126,382	53,390	6,392	186,164
Total expenses	$ 5,655,680	$ 540,550	$ 825,778	$ 7,022,008

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING ACTIVITIES		
Change in net assets	$ (79,577)	$ 218,730
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	189,342	186,164
Loss on fixed asset disposition	4,144	-
Donated property and equipment	(5,678)	-
Change in grants and contracts receivable	118,965	(167,704)
Change in pledges receivable	1,250,331	556,330
Change in prepaid expenses	(36,291)	-
Change in security deposits	(274)	(1,762)
Change in other assets	(25,000)	-
Change in accounts payable	(971)	25,768
Change in accrued liabilities	51,085	(18,836)
Net cash provided by operating activities	1,466,076	798,690
INVESTING ACTIVITIES		
Purchase of fixed assets	(32,347)	(262,183)
Net cash (used in) investing activities	(32,347)	(262,183)
FINANCING ACTIVITIES		
Payments on long-term debt	(1,300,000)	(560,728)
Net cash (used in) financing activities	(1,300,000)	(560,728)
Increase (decrease) in cash and cash equivalents	133,729	(24,221)
Cash and cash equivalents, beginning of year	853,183	877,404
Cash and cash equivalents, end of year	$ 986,912	$ 853,183
Supplemental disclosures of amounts paid for:		
Interest	$ 82,042	$ 171,333

See Notes to Financial Statements.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of **MUST Ministries, Inc.** (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and, changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of MUST Ministries, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America.. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 31, 2011

NOTE 1. ORGANIZATION

MUST Ministries, Inc. (MUST) is a non-profit organization that was organized to provide for the needs of people in crisis, including the poor and the homeless to assist them in maintaining and restoring their dignity with the intent of empowering them to return to an independent living status. MUST began operations in 1971 as a part of Urban Action, Inc. of Atlanta, Georgia. MUST was incorporated as a separate entity on January 20, 1993, pursuant to the Georgia Nonprofit Corporation Code. MUST has offices 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 follows the requirements of Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, 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.

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

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 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.

Pledges Receivable

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

Investments

In accordance with FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is 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.

Food and Clothing Inventory

Donated food and clothing items are recognized as in-kind support and expense upon distribution to MUST's clients. Due to the unknown amount of obsolescence in inventory items on hand at year-end, management has determined that the net amount of inventory is insignificant to the financial statements taken as a whole. Therefore, no inventory has been recorded at June 30, 2011 or 2010.

Revenue Recognition

In accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, 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.

In-kind contributions are recorded as revenue and expense in the accompanying financial statements. These contributions consist primarily of food and meals, clothing, and other program supplies, all of which are recorded at their estimated fair values.

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 ASC 958-605 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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.

There were no conditional promises to give at June 30, 2011 and 2010.

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 its 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 in accordance with generally accepted accounting principles 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

Effective January 1, 2008, MUST adopted the FASB's fair value measurements and disclosure guidance (ASC 820-10-50), which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820-10-50 applies to all financial instruments that are being measured and reported on a fair value basis.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Presentation (Continued)

As defined in ASC 820-10-50, 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 years ended June 30, 2011 and 2010, 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.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

MUST 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.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. The reclassifications had no effect on net assets or change in net assets.

NOTE 3. 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, 2011:

	Level 1	Level 2	Level 3	Total
Pooled Investment at				
Community Foundation	**$ 100,000**	**$ -**	**$ -**	**$ 100,000**
Total	**$ 100,000**	**$ -**	**$ -**	**$ 100,000**

MUST's investments at fair value as of June 30, 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Pooled Investment at				
Community Foundation	$ 100,000	$ -	$ -	$ 100,000
Total	$ 100,000	$ -	$ -	$ 100,000

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 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, 2011 and 2010 was $285,773 and $238,165, respectively. This amount includes a matching contribution in the amount of $100,000 made by MUST and is reflected in the statement of financial position of MUST at June 30, 2011 and 2010 as The Community Foundation does not have variance power over the $100,000 of matching funds.

It is the intention of the Board and management of MUST to leave the matching contribution 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.

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.

NOTE 4. PLEDGES RECEIVABLE (Continued)

Pledges receivable consisted of the following at June 30, 2011:

	Operating	Capital Campaign	Total
Current	**$ 109,150**	**$ 539,397**	**$ 648,547**
Due in one to five years	**152,620**	**792,787**	**945,407**
	261,770	**1,332,184**	**1,593,954**
Less allowance for uncollectible pledges	**(16,792)**	**(18,923)**	**(35,715)**
Less time value discount	**(14,990)**	**(77,867)**	**(92,857)**
Net pledges receivable	**$ 229,988**	**$ 1,235,394**	**$ 1,465,382**

Pledges receivable consisted of the following at June 30, 2010:

	Operating	Capital Campaign	Total
Current	$ 97,650	$ 1,449,189	$ 1,546,839
Due in one to five years	238,189	1,155,730	1,393,919
	335,839	2,604,919	2,940,758
Less allowance for uncollectible pledges	(16,792)	(39,578)	(56,370)
Less time value discount	(18,500)	(150,175)	(168,675)
Net pledges receivable	$ 300,547	$ 2,415,166	$ 2,715,713

The pledge discount rate was approximately 3-5% for the years ended June 30, 2011 and 2010.

NOTE 5. PROPERTY AND EQUIPMENT

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

	2011	2010
Vehicles	**$ 78,376**	$ 78,376
Equipment	**227,487**	197,977
Land	**1,051,696**	1,051,696
Buildings and improvements	**6,106,290**	6,105,193
	7,463,849	7,433,242
Less accumulated depreciation	**(940,283)**	(754,215)
Net property and equipment	**$ 6,523,566**	$ 6,679,027

Depreciation expense for the years ended June 30, 2011 and 2010 amounted to $189,342 and $186,164, respectively.

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 $86,663 and $79,132 are included in the statement of financial position as accrued liabilities at June 30, 2011 and 2010, 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 makes matching contributions. For the years ended June 30, 2011 and 2010, MUST made matching contributions equal to 4% of current salaries for full time participating employees. Contribution expense for the years ended June 30, 2011 and 2010 was $16,252 and $15,139, respectively.

NOTE 8. CONCENTRATIONS

MUST maintains several bank accounts at various banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. MUST has a significant concentration of cash deposited in one financial institution. This concentration comprised approximately 59% of the cash balance at June 30, 2011 and 66% at June 30, 2010. Cash balances were in excess of the FDIC insured level by $391,613 and $314,073 as of June 30, 2011 and 2010, respectively.

NOTE 9. COMMITMENTS

MUST had various operating leases in effect at June 30, 2011. 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. Future minimum rentals, on an annual basis, are as follows:

Year ending June 30:

2012	$ 159,578
2013	16,875
Total	$ 176,453

NOTE 10. CONSTRUCTION LOAN

During 2008, MUST purchased a new building located at 1407 Cobb Parkway, which will 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 has solicited funding from members through a capital fund-raising campaign to support the project. As pledges are collected, the proceeds are used to reduce the principal balance. The loan carries an interest rate of Prime plus .65%. Interest is paid monthly. The loan agreement expired on January 5, 2010.

NOTE 10. CONSTRUCTION LOAN (Continued)

MUST refinanced the loan with BB&T on March 29, 2010. The loan agreement provides a maximum principal amount of $3,570,000. The loan carries an interest rate of the one month LIBOR rate plus 2.25%. Interest is paid monthly. The loan agreement is set to expire on April 5, 2017. Covenants consist of a cash flow to debt service coverage of 1.1 and minimum liquidity of $375,000 in liquid assets and average liquidity of $500,000 in liquid assets.

Scheduled maturities on long-term debt are as follows:

For the year ended June 30,

2012	$	-
2013		-
2014		-
2015		285,637
2016		95,619
Later Years		1,763,744
Total	$	2,145,000

NOTE 11. IN-KIND CONTRIBUTIONS

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

		2011		2010
Food and meals	$	**1,745,410**	$	1,478,429
Clothing		**489,404**		441,654
Program supplies		**575,703**		458,057
Property, plant, and equipment		**30,678**		-
Rent		-		9,600
Total	$	**2,841,195**	$	2,387,740

In-kind contributions are recorded as revenues and expenses at fair market value as of the date of the contribution.

NOTE 12. TEMPORARILY RESTRICTED NET ASSETS

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

		2011		2010
Capital fund-raising campaign	$	**220,454**	$	131,587
Property, plant, and equipment		**151,000**		-
United way critical needs		-		9,361
Summer lunch program		**144,078**		45,801
Total	$	**515,532**	$	186,749

NOTE 12. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

	2011	2010
Cash	$ 359,532	$ 55,162
Pledges receivable	131,000	131,587
Other assets	25,000	-
Total	$ 515,532	$ 186,749

NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2011 and 2010 by incurring expenditures satisfying the restricted purposes specified by donors. Purpose restrictions accomplished are as follows:

	2011	2010
Capital fund-raising campaign	$ 198,287	$ 844,108
Federal grants	1,572,999	1,402,639
Other	650,603	720,434
Total restrictions released	$ 2,421,889	$ 2,967,181

NOTE 14. PRIOR PERIOD ADJUSTMENTS

MUST's net assets at June 30, 2009 have been restated to reflect unconditional promises to give that were earned during fiscal year 2009 and not recorded in MUST's financial statements. The adjustment had the effect of increasing unrestricted net assets by $195,200, increasing pledges receivable by $167,700, and increasing contribution revenue by $27,500 at June 30, 2009.

MUST's net assets at June 30, 2009 have been restated to reflect grant revenue earned in fiscal year 2009 and not recorded in MUST's financial statements. The adjustment had the effect of increasing unrestricted net assets and government grant revenue by $29,420 at June 30, 2009.

NOTE 15. LINE OF CREDIT

During the year ended June 30, 2011, 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 of 2013. The line of credit balance was $0 at June 30, 2011 and 2010.

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2011, the date the financial statements were available to be issued.