MUST MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2013

MUST MINISTRIES, INC.
FINANCIAL REPORT
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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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, 2013 and 2012, 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, 2013 and 2012, 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.

200 GALLERIA PARKWAY S.E., SUITE 1700 • ATLANTA, GA 30339-5946 • 770-955-8600 • 800-277-0080 • FAX 770-980-4489 • www.mjcpa.com
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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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 11, 2013, 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 11, 2013

MUST MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 382,613	$ 509,474
Grants and contracts receivable	263,610	173,893
Pledges receivable, net	248,025	394,773
Inventories	130,271	274,389
Prepaid expenses	55,913	52,059
Total current assets	1,080,432	1,404,588
NONCURRENT ASSETS		
Pledges receivable, net	241,266	145,046
Property and equipment, net	8,008,790	7,591,765
Investments held at the Community Foundation	116,439	100,000
Security deposits	19,688	19,020
Total noncurrent assets	8,386,183	7,855,831
Total Assets	$ 9,466,615	$ 9,260,419
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 71,569	$ 30,749
Accrued liabilities	178,522	151,526
Line of credit	215,000	220,000
Total current liabilities	465,091	402,275
LONG-TERM LIABILITIES		
Long-term debt	1,500,000	1,645,000
Total Liabilities	1,965,091	2,047,275
NET ASSETS		
Unrestricted	6,771,769	6,692,824
Temporarily restricted	729,755	520,320
Total net assets	7,501,524	7,213,144
Total Liabilities and Net Assets	$ 9,466,615	$ 9,260,419

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 1,593,706	$ 787,016	$ 2,380,722
Grants	1,241,498	50,000	1,291,498
Capital campaign	-	1,009,690	1,009,690
Program fees	87,932	-	87,932
In-kind contributions	2,632,248	-	2,632,248
Special events, net	654,927	-	654,927
Realized and unrealized gains	13,993	-	13,993
Other	35,043	1,753	36,796
Net assets released from restrictions			
Satisfaction of program and time restrictions	1,639,024	(1,639,024)	-
Total revenues, gains, and other support	7,898,371	209,435	8,107,806
EXPENSES AND LOSSES			
Program services	5,981,736	-	5,981,736
Supporting services			
Management and general	924,646	-	924,646
Fundraising	913,044	-	913,044
Total expenses and losses	1,837,690	-	1,837,690
Total program and supporting services	7,819,426	-	7,819,426
Change in net assets	78,945	209,435	288,380
Net Assets, beginning of year	6,692,824	520,320	7,213,144
Net Assets, end of year	$ 6,771,769	$ 729,755	$ 7,501,524

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 1,610,257	$ 550,021	$ 2,160,278
Grants	959,870	197,972	1,157,842
Capital campaign	-	958,268	958,268
Program fees	104,485	-	104,485
In-kind contributions	3,042,467	-	3,042,467
Special events, net	504,418	11,460	515,878
Other	156,160	-	156,160
Net assets released from restrictions			
Satisfaction of program and time restrictions	1,712,933	(1,712,933)	-
Total revenues, gains, and other support	8,090,590	4,788	8,095,378
EXPENSES AND LOSSES			
Program services	6,123,172	-	6,123,172
Supporting services			
Management and general	963,176	-	963,176
Fundraising	885,981	-	885,981
Total expenses and losses	1,849,157	-	1,849,157
Total program and supporting services	7,972,329	-	7,972,329
Change in net assets	118,261	4,788	123,049
Net Assets, beginning of year	6,574,563	515,532	7,090,095
Net Assets, end of year	$ 6,692,824	$ 520,320	$ 7,213,144

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

		Supporting Services		
	Program Services	Management and General	Fund-Raising	Totals
Salaries and related expenses	$ 1,904,301	$ 574,651	$ 418,632	$ 2,897,584
Professional fees	9,967	30,038	93,547	133,552
Insurance	38,939	16,170	1,290	56,399
Memberships, subscriptions, and registrations	7,560	9,720	5,993	23,273
Advertising	990	-	29,010	30,000
Supplies	73,567	9,559	9,434	92,560
Apparel	1,718	163	52,561	54,442
Food for direct services	13,555	-	-	13,555
Postage and shipping	479	769	46,079	47,327
Occupancy expenses and assistance	795,264	43,372	9,577	848,213
Repair and maintenance	79,144	4,458	1,334	84,936
Licenses and taxes	2,036	374	2,387	4,797
Venue and equipment rental	3,311	-	56,126	59,437
Non-capitalized furniture, fixtures, and equipment	94,303	14,055	24,481	132,839
Printing and copying	9,347	2,675	90,510	102,532
Travel and transportation	26,270	17,570	3,351	47,191
Meals and entertainment	6,944	17,311	26,150	50,405
Interest expense	-	58,789	-	58,789
Bank and credit card fees	-	24,807	2,882	27,689
Other including bad debt expense	3,019	29,800	16,257	49,076
Loss on disposals of equipment	-	27,467	-	27,467
Donated materials and services	2,753,077	-	-	2,753,077
Total expenses before depreciation	5,823,791	881,748	889,601	7,595,140
Depreciation	157,945	42,898	23,443	224,286
Total expenses	$ 5,981,736	$ 924,646	$ 913,044	$ 7,819,426

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Supporting Services: Management and General	Supporting Services: Fund-Raising	Totals
Salaries and related expenses	$ 1,962,150	$ 566,446	$ 490,368	$ 3,018,964
Professional fees	24,236	101,747	73,009	198,992
Insurance	30,338	16,265	795	47,398
Memberships, subscriptions, and registrations	8,566	17,819	7,360	33,745
Advertising	5,650	541	8,064	14,255
Supplies	80,551	14,943	12,888	108,382
Apparel	2,334	-	52,492	54,826
Food for direct services	13,794	-	-	13,794
Postage and shipping	991	1,508	55,555	58,054
Occupancy expenses and assistance	780,469	21,667	4,763	806,899
Repair and maintenance	73,357	14,712	2,383	90,452
Licenses and taxes	-	-	3,779	3,779
Venue and equipment rental	630	1,000	31,509	33,139
Non-capitalized furniture, fixtures, and equipment	27,831	28,345	13,924	70,100
Printing and copying	11,222	1,943	77,713	90,878
Travel and transportation	20,989	11,985	4,829	37,803
Meals and entertainment	8,698	15,584	21,259	45,541
Interest expense	-	71,949	-	71,949
Bank and credit card fees	34	25,667	2,475	28,176
Other including bad debt expense	270,367	2,649	7,826	280,842
Donated materials and services	2,658,312	-	2,980	2,661,292
Total expenses before depreciation	5,980,519	914,770	873,971	7,769,260
Depreciation	142,653	48,406	12,010	203,069
Total expenses	$ 6,123,172	$ 963,176	$ 885,981	$ 7,972,329

See Notes to Financial Statements.

MUST MINISTRIES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ 288,380	$ 123,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	224,286	203,069
Donated clothing and food inventory	144,118	(274,389)
Realized and unrealized gains on investments	(13,993)	-
Loss on fixed asset disposition	27,467	-
Bad debt	(33,009)	(266,921)
(Increase) decrease in:		
Grants and contracts receivable	(89,717)	62,627
Pledges receivable	83,537	1,192,484
Prepaid expenses	(3,854)	(15,768)
Security deposits	(668)	(1,520)
Other assets	-	25,000
Increase in:		
Accounts payable	40,820	4,890
Accrued liabilities	26,996	21,309
Net cash provided by operating activities	694,363	1,073,830
INVESTING ACTIVITIES		
Purchase of fixed assets	(668,778)	(1,271,268)
Purchase of investments	(2,446)	-
Net cash (used in) investing activities	(671,224)	(1,271,268)
FINANCING ACTIVITIES		
Proceeds from line of credit	-	220,000
Payments on line of credit	(5,000)	-
Payments on long-term debt	(145,000)	(500,000)
Net cash (used in) financing activities	(150,000)	(280,000)
Decrease in cash and cash equivalents	(126,861)	(477,438)
Cash and cash equivalents, beginning of year	509,474	986,912
Cash and cash equivalents, end of year	$ 382,613	$ 509,474
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 58,789	$ 71,949

See Notes to Financial Statements.

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 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, 2013 and 2012.

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, 2013 and 2012.

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.

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.

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, 2013 and 2012, 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. 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. With few exceptions, MUST is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2010.

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, 2013:

	Level 1	Level 2	Level 3	Total
Pooled Investment at Community Foundation	$ 116,439	$ -	$ -	$ 116,439
Total	$ 116,439	$ -	$ -	$ 116,439

MUST's assets at fair value as of June 30, 2012 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, 2013 and 2012 was $216,439 and $195,620, respectively. This amount includes earnings and contributions in the amount of $116,439 and $100,000 made by MUST which are reflected in the statement of financial position of MUST at June 30, 2013 and 2012, 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.

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, 2013:

	Operating	Capital Campaign	Total
Current	$ 45,295	$ 202,730	$ 248,025
Due in one to five years	51,844	229,819	281,663
	97,139	432,549	529,688
Less allowance for uncollectible pledges	(4,857)	(21,627)	(26,484)
Less time value discount	(2,552)	(11,361)	(13,913)
Net pledges receivable	$ 89,730	$ 399,561	$ 489,291

Pledges receivable consisted of the following at June 30, 2012:

	Operating	Capital Campaign	Total
Current	$ 92,307	$ 324,926	$ 417,233
Due in one to five years	89,385	349,403	438,788
	181,692	674,329	856,021
Less allowance for uncollectible pledges	(17,242)	(277,687)	(294,929)
Less time value discount	(4,564)	(16,619)	(21,273)
Net pledges receivable	$ 159,796	$ 380,023	$ 539,819

Pledge discount rate was 2% for the years ended June 30, 2013 and 2012.

NOTE 5. PROPERTY AND EQUIPMENT

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

	2013	2012
Vehicles	$ 109,128	$ 109,128
Equipment	430,400	299,499
Land	1,051,696	1,051,696
Buildings and improvements	7,775,276	6,165,309
Construction in progress	-	1,109,485
	9,366,500	8,735,117
Less accumulated depreciation	(1,357,710)	(1,143,352)
Net property and equipment	$ 8,008,790	$ 7,591,765

Depreciation expense for the years ended June 30, 2013 and 2012 was $224,286 and $203,069, 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 $105,465 and $103,560 are included in the statement of financial position at June 30, 2013 and 2012, 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. For the year ended June 30, 2012 MUST made matching contributions equal to 4% of current salaries for full time participating employees. The Organization suspended the match to the 403(b) plan during the year ended June 30, 2013. Contribution plan expense for the years ended June 30, 2013 and 2012 was $- and $27,995, respectively.

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 90% and 96% of the cash balance June 30, 2013 and 2012, respectively. Cash balances were in excess of the FDIC insured level by $148,112 and $294,111 as of June 30, 2013 and 2012, 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 year ended June 30, 2013. 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:

2014	$	144,724
2015		49,046
2016		50,518
2017		52,033
2018		13,364
Total	$	309,685

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 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,

2014	$	-
2015		289,135
2016		117,012
2017		1,093,853
Total	$	1,500,000

NOTE 11. LINE OF CREDIT

During the year ended June 30, 2013, 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 2015. The line of credit balance was $215,000 and $220,000 at June 30, 2013 and 2012, respectively.

NOTE 12. IN-KIND CONTRIBUTIONS

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

		2013		2012
Food and meals	$	1,818,776	$	1,942,850
Clothing		311,454		521,498
Program supplies and services		495,054		469,694
Property, plant, and equipment		6,964		108,425
	$	2,632,248	$	3,042,467

NOTE 13. TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Capital campaign	$ 310,875	$ 186,921
Property, plant, and equipment	50,133	123,286
Summer lunch program	229,927	194,178
Other	138,820	15,935
	$ 729,755	$ 520,320

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

	2013	2012
Cash	$ 330,194	$ 333,399
Pledges receivable	399,561	186,921
	$ 729,755	$ 520,320

NOTE 14. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2013 and 2012 by incurring expenditures satisfying the restricted purposes specified by donors as follows:

	2013	2012
Capital campaign	$ 885,737	$ 991,801
Property, plant, and equipment	76,402	127,714
Summer lunch program	106,828	91,229
Other	570,057	502,189
	$ 1,639,024	$ 1,712,933

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2013, 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, 2013

Programs	CFDA	Expenditures
MAJOR PROGRAMS		
U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT		
Supportive Housing Program	14.238	$ 217,018
Georgia Department of Community Affairs (2012 12S SPC 12C331):		
Shelter Plus Care	14.238	241,422
		458,440
TOTAL MAJOR PROGRAMS		458,440
NON MAJOR PROGRAMS		
U.S. DEPT. OF HOUSING & URBAN DEVELOPMENT		
CDBG - Entitlement Grants Cluster		
Cobb County Board of Commissioners (CD13-C13CJ-P):		
Community Development Block Grant	14.218	11,124
Cherokee County Board of Commissioners (CD12-MUST):		
Community Development Block Grant	14.218	150,000
		161,124
Cobb County Board of Commissioners (ES13-E13CJ):		
Emergency Shelter Grants Program	14.231	81,276
Georgia Department of Community Affairs (2012 HTF ETA 12C271):		
Emergency Shelter Grants Program	14.231	200,314
		281,590
U.S. DEPT. OF HEALTH & HUMAN SERVICES		
TANF Cluster		
Georgia Department of Family and Children Services (42700-040-0000013487):		
Community Partnership Investment	93.558	71,976
Cobb County Board of Commissioners (CSBG-132-C13L):		
Community Services Block Grant	93.569	79,230
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Emergency Food and Shelter National Board Program	97.024	54,063
TOTAL NON MAJOR PROGRAMS		647,983
TOTAL FEDERAL AWARDS		$ 1,106,423

The accompanying note is an integral part of this schedule.

MUST MINISTRIES, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

NOTE 1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of MUST Ministries, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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, 2013, 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 November 11, 2013

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
November 11, 2013

MAULDIN
& JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 11, 2013

MUST MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements:

Type of auditors' report issued	**Unqualified**	
	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	**Unqualified**	
Audit findings required to be reported in accordance with OMB Circular A-133, Section 510(a)	**No**	

Identification of major programs:

Shelter Plus Care & Supportive Housing Program	**14.238**	
Dollar threshold used to distinguish between type A and type B programs	**$ 300,000**	
	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, 2012

Section II – Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None