# MUST MINISTRIES, INC.

## FINANCIAL REPORT

## JUNE 30, 2014

# MUST MINISTRIES, INC.
# FINANCIAL REPORT
# JUNE 30, 2014

## TABLE OF CONTENTS

MAULDIN & JENKINS

# INDEPENDENT AUDITOR'S REPORT

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

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, 2014 and 2013, 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. 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.

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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, 2014 and 2013, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 25, 2014

# MUST MINISTRIES, INC.

## STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2014 AND 2013

| ASSETS | 2014 | 2013 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 462,958 | $ 52,419 |
| Cash for temporarily restricted net assets | 426,402 | 330,194 |
| Grants and contracts receivable | 294,393 | 263,610 |
| Pledges receivable | 181,056 | 248,025 |
| Other receivables | 11,500 | - |
| Inventories | 141,308 | 130,271 |
| Prepaid expenses | 69,058 | 55,913 |
| Total current assets | 1,586,675 | 1,080,432 |
| **NONCURRENT ASSETS** | | |
| Pledges receivable, net | 152,284 | 241,266 |
| Investments held at the Community Foundation | 16,731 | 116,439 |
| Security deposits | 19,688 | 19,688 |
| Total noncurrent assets | 188,703 | 377,393 |
| **PROPERTY AND EQUIPMENT, NET** | 7,865,174 | 8,008,790 |
| **Total Assets** | $ 9,640,552 | $ 9,466,615 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 99,702 | $ 71,569 |
| Accrued liabilities | 137,803 | 178,522 |
| Line of credit | - | 215,000 |
| Short-term debt | 17,671 | - |
| Total current liabilities | 255,176 | 465,091 |
| **LONG-TERM LIABILITIES** | | |
| Deferred revenue | 36,875 | - |
| Long-term debt | 1,482,329 | 1,500,000 |
| Total long-term liabilities | 1,519,204 | 1,500,000 |
| **Total Liabilities** | 1,774,380 | 1,965,091 |
| **NET ASSETS** | | |
| Unrestricted | 7,155,824 | 6,771,769 |
| Temporarily restricted | 710,348 | 729,755 |
| Total net assets | 7,866,172 | 7,501,524 |
| **Total Liabilities and Net Assets** | $ 9,640,552 | $ 9,466,615 |

**See Notes to Financial Statements.**

# MUST MINISTRIES, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
## FOR THE YEAR ENDED JUNE 30, 2014

| | Unrestricted | Temporarily Restricted | Totals |
|---|---|---|---|
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | |
| Contributions | $ 2,034,703 | $ 897,994 | $ 2,932,697 |
| Grants | 1,169,422 | 148,200 | 1,317,622 |
| Capital campaign | - | 200 | 200 |
| Program fees | 97,519 | - | 97,519 |
| In-kind contributions | 3,119,857 | 12,282 | 3,132,139 |
| Special events, net | 527,116 | 4,000 | 531,116 |
| Realized and unrealized gains | 14,460 | - | 14,460 |
| Other | 102,000 | 94 | 102,094 |
| Net assets released from restrictions | | | |
| Satisfaction of program and time restrictions | 1,082,177 | (1,082,177) | - |
| **Total revenues, gains, and other support** | 8,147,254 | (19,407) | 8,127,847 |
| **EXPENSES AND LOSSES** | | | |
| Program services | 6,400,925 | - | 6,400,925 |
| Supporting services | | | |
| Management and general | 569,683 | - | 569,683 |
| Fundraising | 792,591 | - | 792,591 |
| Total expenses and losses | 1,362,274 | - | 1,362,274 |
| **Total program and supporting services** | 7,763,199 | - | 7,763,199 |
| **Changes in net assets** | 384,055 | (19,407) | 364,648 |
| Net Assets, beginning of year | 6,771,769 | 729,755 | 7,501,524 |
| Net Assets, end of year | $ 7,155,824 | $ 710,348 | $ 7,866,172 |

**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 | 451,259 | - | 451,259 |
| 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** | 7,694,703 | 209,435 | 7,904,138 |
| **EXPENSES AND LOSSES** | | | |
| Program services | 5,981,736 | - | 5,981,736 |
| Supporting services | | | |
| Management and general | 924,646 | - | 924,646 |
| Fundraising | 709,376 | - | 709,376 |
| Total expenses and losses | 1,634,022 | - | 1,634,022 |
| **Total program and supporting services** | 7,615,758 | - | 7,615,758 |
| **Changes 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 FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED JUNE 30, 2014

| | Program Services | Supporting Services: Management and General | Supporting Services: Fund-Raising | Totals |
|---|---|---|---|---|
| Salaries and related expenses | $ 1,819,600 | $ 345,424 | $ 435,127 | $ 2,600,151 |
| Professional fees | 13,762 | 24,416 | 62,079 | 100,257 |
| Insurance | 49,288 | 6,613 | 1,659 | 57,560 |
| Memberships, subscriptions, and registrations | 3,478 | 8,487 | 5,172 | 17,137 |
| Advertising | 7,728 | - | 523 | 8,251 |
| Supplies | 77,510 | 3,992 | 4,717 | 86,219 |
| Apparel | 1,758 | 455 | 36 | 2,249 |
| Food for direct services | 14,933 | - | - | 14,933 |
| Postage and shipping | 23,251 | 229 | 38,113 | 61,593 |
| Occupancy expenses and assistance | 958,826 | 22,272 | 19,631 | 1,000,729 |
| Repair and maintenance | 45,657 | 3,761 | 1,161 | 50,579 |
| Licenses and taxes | 3,839 | 644 | - | 4,483 |
| Venue and equipment rental | 388 | 527 | 930 | 1,845 |
| Non-capitalized furniture, fixtures, and equipment | 26,616 | 4,685 | 23,601 | 54,902 |
| Printing and copying | 15,094 | 1,332 | 57,257 | 73,683 |
| Travel and transportation | 29,647 | 9,787 | 2,537 | 41,971 |
| Meals and entertainment | 5,431 | 6,885 | 8,280 | 20,596 |
| Interest expense | 342 | 53,662 | - | 54,004 |
| Bank and credit card fees | 830 | 23,882 | 1,667 | 26,379 |
| Other including bad debt expense | 3,825 | 6,731 | 105,835 | 116,391 |
| Loss on disposals of equipment | - | 3,237 | - | 3,237 |
| Donated materials and services | 3,097,154 | - | - | 3,097,154 |
| Total expenses before depreciation | 6,198,957 | 527,021 | 768,325 | 7,494,303 |
| Depreciation | 201,968 | 42,662 | 24,266 | 268,896 |
| Total expenses | $ 6,400,925 | $ 569,683 | $ 792,591 | $ 7,763,199 |

**See Notes to Financial Statements.**

# MUST MINISTRIES, INC.

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

| | Program Services | Supporting Services: Management and General | Supporting Services: Fund-Raising | Totals |
|---|---|---|---|---|
| Salaries and related expenses | $ 1,904,301 | $ 574,651 | $ 418,632 | $ 2,897,584 |
| Professional fees | 9,967 | 30,038 | 43,477 | 83,482 |
| Insurance | 38,939 | 16,170 | 1,290 | 56,399 |
| Memberships, subscriptions, and registrations | 7,560 | 9,720 | 5,980 | 23,260 |
| Advertising | 990 | - | 24,210 | 25,200 |
| Supplies | 73,567 | 9,559 | 5,092 | 88,218 |
| Apparel | 1,718 | 163 | - | 1,881 |
| Food for direct services | 13,555 | - | - | 13,555 |
| Postage and shipping | 479 | 769 | 44,882 | 46,130 |
| Occupancy expenses and assistance | 795,264 | 43,372 | 7,802 | 846,438 |
| Repair and maintenance | 79,144 | 4,458 | 1,334 | 84,936 |
| Licenses and taxes | 2,036 | 374 | 168 | 2,578 |
| Venue and equipment rental | 3,311 | - | 1,223 | 4,534 |
| Non-capitalized furniture, fixtures, and equipment | 94,303 | 14,055 | 24,448 | 132,806 |
| Printing and copying | 9,347 | 2,675 | 77,132 | 89,154 |
| Travel and transportation | 26,270 | 17,570 | 3,156 | 46,996 |
| Meals and entertainment | 6,944 | 17,311 | 11,170 | 35,425 |
| Interest expense | - | 58,789 | - | 58,789 |
| Bank and credit card fees | - | 24,807 | - | 24,807 |
| Other including bad debt expense | 3,019 | 29,800 | 15,937 | 48,756 |
| 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 | 685,933 | 7,391,472 |
| Depreciation | 157,945 | 42,898 | 23,443 | 224,286 |
| Total expenses | $ 5,981,736 | $ 924,646 | $ 709,376 | $ 7,615,758 |

**See Notes to Financial Statements.**

# MUST MINISTRIES, INC.

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

| | **2014** | 2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Change in net assets | **$ 364,648** | $ 288,380 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | **268,896** | 224,286 |
| Donated clothing and food inventory | **(11,037)** | 144,118 |
| Realized and unrealized gains on investments | **(14,460)** | (13,993) |
| Loss on fixed asset disposition | **3,237** | 27,467 |
| Bad debt | **99,774** | 33,009 |
| (Increase) decrease in: | | |
| Grants and contracts receivable | **(30,783)** | (89,717) |
| Pledges receivable | **56,177** | 17,519 |
| Other receivables | **(11,500)** | - |
| Prepaid expenses | **(13,145)** | (3,854) |
| Security deposits | **-** | (668) |
| Increase (decrease) in: | | |
| Accounts payable | **28,133** | 40,820 |
| Accrued liabilities | **(40,719)** | 26,996 |
| Deferred revenue | **36,875** | - |
| Net cash provided by operating activities | **736,096** | 694,363 |
| **INVESTING ACTIVITIES** | | |
| Purchase of fixed assets | **(128,517)** | (668,778) |
| Reinvested earnings | **(832)** | (2,446) |
| Sale of investments | **115,000** | - |
| Net cash (used in) investing activities | **(14,349)** | (671,224) |
| **FINANCING ACTIVITIES** | | |
| Payments on line of credit | **(215,000)** | (5,000) |
| Payments on long-term debt | **-** | (145,000) |
| Net cash (used in) financing activities | **(215,000)** | (150,000) |
| Increase (decrease) in cash and cash equivalents | **506,747** | (126,861) |
| Cash and cash equivalents, beginning of year | **382,613** | 509,474 |
| Cash and cash equivalents, end of year | **$ 889,360** | $ 382,613 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Interest paid | **$ 54,004** | $ 58,789 |

**See Notes to Financial Statements.**

## NOTE 1. ORGANIZATION

Now over 43 years old, MUST 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, 2014 and 2013.

### 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, 2014 and 2013.

### 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, 2014 and 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Functional Expenses

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

### 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 2011.

## 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, 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Pooled Investment at Community Foundation** | **$ 16,731** | **$ -** | **$ -** | **$ 16,731** |
| **Total** | **$ 16,731** | **$ -** | **$ -** | **$ 16,731** |

MUST's assets at fair value as of June 30, 2013 are as follows:

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

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, 2014 and 2013 was $116,731 and $216,439, respectively. This amount includes earnings and contributions in the amount of $16,731 and $116,439 made by MUST which are reflected in the statement of financial position of MUST at June 30, 2014 and 2013, 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, 2014:

| | Operating | Capital Campaign | Total |
|---|---|---|---|
| **Current** | **$ 99,394** | **$ 81,662** | **$ 181,056** |
| **Due in one to five years** | **117,548** | **45,423** | **162,971** |
| | **216,942** | **127,085** | **344,027** |
| **Less allowance for uncollectible pledges** | **(1,283)** | **(5,713)** | **(6,996)** |
| **Less time value discount** | **(677)** | **(3,014)** | **(3,691)** |
| **Net pledges receivable** | **$ 214,982** | **$ 118,358** | **$ 333,340** |

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 |

Pledge discount rate was 2% for the years ended June 30, 2014 and 2013.

## NOTE 5. PROPERTY AND EQUIPMENT

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

| | **2014** | 2013 |
|---|---|---|
| **Vehicles** | **$ 109,128** | $ 109,128 |
| **Equipment** | **452,479** | 430,400 |
| **Land** | **1,051,696** | 1,051,696 |
| **Buildings and improvements** | **7,853,677** | 7,775,276 |
| **Construction in progress** | **3,015** | - |
| | **9,469,995** | 9,366,500 |
| **Less accumulated depreciation** | **(1,604,821)** | (1,357,710) |
| **Net property and equipment** | **$ 7,865,174** | $ 8,008,790 |

Depreciation expense for the years ended June 30, 2014 and 2013 was $268,896 and $224,286, 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 $89,664 and $105,465 are included in the statement of financial position at June 30, 2014 and 2013, 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, 2014 and 2013.

## 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 63% and 90% of the cash balance June 30, 2014 and 2013, respectively. Cash balances were in excess of the FDIC insured level by $420,886 and $148,112 as of June 30, 2014 and 2013, 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, 2014. Rent expense for the years ended June 30, 2014 and 2013 was $304,529 and $388,762, 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:

| | |
|---|---|
| 2015 | $ 186,179 |
| 2016 | 50,518 |
| 2017 | 52,033 |
| 2018 | 13,364 |
| Total | $ 302,094 |

## 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, 2014 and 2013. 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. The loan is collateralized by the facility at 1407 Cobb Parkway.

Scheduled maturities on long-term debt are as follows:

For the year ended June 30,

| | |
|---|---|
| 2015 | $ 17,671 |
| 2016 | 108,056 |
| 2017 | 1,374,273 |
| 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 $- and $215,000 at June 30, 2014 and 2013, respectively. 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:

| | **2014** | 2013 |
|---|---|---|
| Food and meals | **$ 1,858,272** | $ 1,818,776 |
| Clothing | **680,235** | 311,454 |
| Program supplies and services | **593,632** | 495,054 |
| Property, plant, and equipment | **-** | 6,964 |
| | **$ 3,132,139** | $ 2,632,248 |

## NOTE 13. TEMPORARILY RESTRICTED NET ASSETS

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

| | 2014 | 2013 |
|---|---|---|
| Capital campaign | **$ 253,973** | $ 310,875 |
| Property and equipment | **10,084** | 50,133 |
| Summer lunch program | **182,165** | 229,927 |
| Time | **165,588** | - |
| Other | **98,538** | 138,820 |
| | **$ 710,348** | $ 729,755 |

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

| | 2014 | 2013 |
|---|---|---|
| Cash | **$ 426,402** | $ 330,194 |
| Pledges receivable | **283,946** | 399,561 |
| | **$ 710,348** | $ 729,755 |

## NOTE 14. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2014 and 2013 by incurring expenditures satisfying the restricted purposes specified by donors as follows:

| | 2014 | 2013 |
|---|---|---|
| Capital campaign | **$ 57,102** | $ 885,737 |
| Property and equipment | **40,050** | 76,402 |
| Summer lunch program | **168,215** | 106,828 |
| Donation center and marketplace | **175,630** | - |
| Other | **641,180** | 570,057 |
| | **$ 1,082,177** | $ 1,639,024 |

## NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2014, the date the financial statements were available to be issued.