

MUST MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2023

MUST MINISTRIES, INC.
FINANCIAL REPORT
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MUST Ministries, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MUST Ministries, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MUST Ministries, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MUST Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 December 14, 2023 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 solely 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 the effectiveness of MUST Ministries, Inc.'s 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
December 14, 2023

MUST MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 431,138	\$ 4,524,669
Restricted cash - board designated	1,164,216	1,177,087
Restricted cash - donor restricted	4,098,261	8,409,288
Grants and contracts receivable	1,112,144	977,647
Promises to give, net	34,908	136,776
Other receivables	1,044,989	980,993
Inventories	615,091	723,960
Prepaid expenses	141,260	418,111
Total current assets	<u>8,642,007</u>	<u>17,348,531</u>
NONCURRENT ASSETS		
Promises to give, net	-	67,950
Investments	2,614,364	184,470
Security deposits	62,485	39,583
Right of use asset	869,005	-
Total noncurrent assets	<u>3,545,854</u>	<u>292,003</u>
PROPERTY AND EQUIPMENT, NET	<u>24,380,034</u>	<u>20,986,924</u>
Total assets	<u><u>\$ 36,567,895</u></u>	<u><u>\$ 38,627,458</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 357,128	\$ 373,341
Accrued liabilities	323,893	495,438
Operating lease liabilities	150,274	-
Short-term debt	302,252	37,475
Total current liabilities	<u>1,133,547</u>	<u>906,254</u>
LONG-TERM LIABILITIES		
Deferred revenue	61,452	726,517
Operating lease liabilities, less current portion	720,924	-
Long-term debt, less current portion and unamortized debt issuance costs	1,135,134	1,732,600
Total long-term liabilities	<u>1,917,510</u>	<u>2,459,117</u>
Total liabilities	<u>3,051,057</u>	<u>3,365,371</u>
NET ASSETS		
Without donor restrictions		
Undesignated	28,219,453	25,465,413
Designated by the board	1,164,216	1,177,087
Total without donor restrictions	<u>29,383,669</u>	<u>26,642,500</u>
With donor restrictions	4,133,169	8,619,587
Total net assets	<u>33,516,838</u>	<u>35,262,087</u>
Total liabilities and net assets	<u><u>\$ 36,567,895</u></u>	<u><u>\$ 38,627,458</u></u>

See Notes to Financial Statements.

MUST MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 4,815,590	\$ 1,287,667	\$ 6,103,257
Capital campaign grants and contributions	-	558,994	558,994
Grants	11,200,419	1,795,374	12,995,793
Program fees	156,238	-	156,238
In-kind contributions	9,097,156	-	9,097,156
Special events, net of direct benefits to donors	567,546	-	567,546
Realized and unrealized gain on investments	28,384	-	28,384
Other auxiliary sales and fees	934,647	-	934,647
Net assets released from restrictions			
Satisfaction of program and time restrictions	8,128,453	(8,128,453)	-
Total revenues, gains, and other support	<u>34,928,433</u>	<u>(4,486,418)</u>	<u>30,442,015</u>
EXPENSES			
Program services	29,419,289	-	29,419,289
Supporting services			
Management and general	1,602,206	-	1,602,206
Fundraising	1,165,029	-	1,165,029
Total expenses	<u>32,186,524</u>	<u>-</u>	<u>32,186,524</u>
OTHER (LOSS)			
Loss on disposal of fixed assets	(740)	-	(740)
Total other (loss)	<u>(740)</u>	<u>-</u>	<u>(740)</u>
Change in net assets	2,741,169	(4,486,418)	(1,745,249)
Net assets, beginning of year	<u>26,642,500</u>	<u>8,619,587</u>	<u>35,262,087</u>
Net assets, end of year	<u>\$ 29,383,669</u>	<u>\$ 4,133,169</u>	<u>\$ 33,516,838</u>

See Notes to Financial Statements.

MUST MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 5,280,875	\$ 1,060,108	\$ 6,340,983
Capital campaign grants and contributions	-	3,655,893	3,655,893
Grants	14,036,535	1,123,698	15,160,233
Program fees	100,158	-	100,158
In-kind contributions	6,744,454	-	6,744,454
Special events, net of direct benefits to donors	595,094	-	595,094
Realized and unrealized (loss) on investments	(37,095)	-	(37,095)
Other auxiliary sales and fees	659,805	-	659,805
Net assets released from restrictions			
Satisfaction of program and time restrictions	8,606,976	(8,606,976)	-
Total revenues, gains, and other support	<u>35,986,802</u>	<u>(2,767,277)</u>	<u>33,219,525</u>
EXPENSES			
Program services	27,393,664	-	27,393,664
Supporting services			
Management and general	1,342,122	-	1,342,122
Fundraising	1,193,017	-	1,193,017
Total expenses	<u>29,928,803</u>	<u>-</u>	<u>29,928,803</u>
OTHER INCOME			
Gain on involuntary disposal	1,028,699	-	1,028,699
Gain on disposal of fixed assets	139,314	-	139,314
Employer retention credit	1,407,956	-	1,407,956
Total other income	<u>2,575,969</u>	<u>-</u>	<u>2,575,969</u>
Change in net assets	8,633,968	(2,767,277)	5,866,691
Net assets, beginning of year	<u>18,008,532</u>	<u>11,386,864</u>	<u>29,395,396</u>
Net assets, end of year	<u>\$ 26,642,500</u>	<u>\$ 8,619,587</u>	<u>\$ 35,262,087</u>

See Notes to Financial Statements.

MUST MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services		Totals
		Management and General	Fund- Raising	
Salaries and related expenses	\$ 6,388,230	\$ 1,149,962	\$ 833,271	\$ 8,371,463
Professional fees	569,598	93,048	18,031	680,677
Insurance	125,544	6,496	5,019	137,059
Memberships, subscriptions, and registrations	21,065	16,281	7,968	45,314
Advertising	10,623	10,997	4,000	25,620
Supplies	544,535	14,927	10,931	570,393
Food for direct services	541,208	69	59	541,336
Postage and shipping	6,830	8,471	13,488	28,789
Occupancy expenses	394,352	23,781	24,452	442,585
Supportive housing rent, utilities, and financial assistance	10,430,152	84,176	48,020	10,562,348
Repair and maintenance	215,150	8,954	6,393	230,497
Licenses and taxes	77	89	23	189
Venue and equipment rental	55,851	1,664	2,004	59,519
Non-capitalized furniture, fixtures, and equipment	70,955	45,814	62,309	179,078
Printing and copying	61,366	39,198	21,525	122,089
Travel and transportation	88,933	5,893	7,328	102,154
Meals and entertainment	32,039	9,842	27,209	69,090
Interest expense	22,114	4,819	2,746	29,679
Bank and credit card fees	25,761	17,962	60,906	104,629
Other expenses including bad debt expense	14,747	8,093	-	22,840
Donated materials and services	8,903,532	47,714	7,089	8,958,335
Total expenses before depreciation	<u>28,522,662</u>	<u>1,598,250</u>	<u>1,162,771</u>	<u>31,283,683</u>
Depreciation	<u>896,627</u>	<u>3,956</u>	<u>2,258</u>	<u>902,841</u>
Total expenses	<u>\$ 29,419,289</u>	<u>\$ 1,602,206</u>	<u>\$ 1,165,029</u>	<u>\$ 32,186,524</u>

See Notes to Financial Statements.

MUST MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

		Supporting Services		
	Program Services	Management and General	Fund- Raising	Totals
Salaries and related expenses	\$ 5,765,539	\$ 914,558	\$ 845,105	\$ 7,525,202
Professional fees	385,940	100,680	64,428	551,048
Insurance	115,150	11,222	13,326	139,698
Memberships, subscriptions, and registrations	21,472	14,269	7,695	43,436
Advertising	13,881	40,943	840	55,664
Supplies	424,261	16,861	12,618	453,740
Food for direct services	477,761	-	-	477,761
Postage and shipping	13,439	6,485	10,138	30,062
Occupancy expenses	416,870	34,724	20,008	471,602
Supportive housing rent, utilities, and financial assistance	12,529,088	24,614	12,744	12,566,446
Repair and maintenance	295,162	13,927	7,951	317,040
Licenses and taxes	452	-	250	702
Venue and equipment rental	45,120	743	1,129	46,992
Non-capitalized furniture, fixtures, and equipment	78,529	49,334	48,020	175,883
Printing and copying	64,161	32,941	27,833	124,935
Travel and transportation	77,297	5,931	10,158	93,386
Meals and entertainment	23,139	6,684	17,241	47,064
Interest expense	19,887	10,071	3,103	33,061
Bank and credit card fees	32,002	11,794	52,394	96,190
Other expenses including bad debt expense	13,685	10,946	8,630	33,261
Donated materials and services	6,099,805	17,512	16,547	6,133,864
Total expenses before depreciation	26,912,640	1,324,239	1,180,158	29,417,037
Depreciation	481,024	17,883	12,859	511,766
Total expenses	\$ 27,393,664	\$ 1,342,122	\$ 1,193,017	\$ 29,928,803

See Notes to Financial Statements.

MUST MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ (1,745,249)	\$ 5,866,691
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	902,841	511,766
Gain on disposal of property and equipment	-	(139,314)
Gain on involuntary disposal	-	(1,028,699)
Realized and unrealized (gain) loss on investments	(28,384)	37,095
Bad debt expense	(3,125)	7,362
Interest on loan costs	4,641	4,641
Donated property and equipment	(145,625)	(270,000)
(Increase) decrease in:		
Grants and contracts receivable	(134,497)	1,210,676
Promises to give	172,943	479,981
Other receivables	(63,996)	(974,437)
Inventories	108,869	(279,435)
Prepaid expenses	276,851	(328,619)
Security deposits	(22,902)	(21,000)
Increase (decrease) in:		
Accounts payable	(16,213)	(3,358)
Accrued liabilities	(171,545)	163,258
Deferred revenue	(665,065)	610,678
Operating lease liability, net	2,193	-
Net cash (used in) provided by operating activities	<u>(1,528,263)</u>	<u>5,847,286</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,150,326)	(8,265,575)
Proceeds from sale of property and equipment	-	3,331,449
Reinvested earnings on investments	(2,401,510)	-
Sale of investments	-	3,909
Net cash (used in) investing activities	<u>(6,551,836)</u>	<u>(4,930,217)</u>
FINANCING ACTIVITIES		
Payments on long-term debt	(337,330)	(536,613)
Net cash (used in) financing activities	<u>(337,330)</u>	<u>(536,613)</u>
(Decrease) increase in cash and cash equivalents	(8,417,429)	380,456
Cash and cash equivalents, beginning of year	<u>14,111,044</u>	<u>13,730,588</u>
Cash and cash equivalents, end of year	<u>\$ 5,693,615</u>	<u>\$ 14,111,044</u>
Cash and cash equivalents, end of year		
Cash and cash equivalents	\$ 431,138	\$ 4,524,669
Restricted cash - board designated	1,164,216	1,177,087
Restricted cash - donor restricted	4,098,261	8,409,288
	<u>\$ 5,693,615</u>	<u>\$ 14,111,044</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 25,038</u>	<u>\$ 28,245</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Donated property and equipment	<u>\$ 145,625</u>	<u>\$ 270,000</u>

See Notes to Financial Statements.

MUST MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Now over 52 years old, MUST Ministries, Inc. (“MUST” or “Organization”) began operations in 1971 as part of Urban Action, Inc. of Atlanta, GA. MUST was incorporated as a separate entity on January 20, 1993, pursuant to the Georgia Nonprofit Corporation Code. The mission of MUST is Serving our Neighbors in Need . . . transforming lives and communities in response to Christ’s call. The Organization provides comprehensive, yet tailored solutions for individuals and families in poverty, which help to remove barriers of housing, clothing, and food insecurities, as well as assist in finding employment. MUST assists clients by helping to restore and maintain dignity, with the intent of empowering those it serves with a return to living independently. MUST provides services in 8 counties and has offices or facilities located in Marietta, Smyrna, and Canton, Georgia.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

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

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

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were \$4,133,169 and \$8,619,587 of net assets with donor restrictions as of June 30, 2023 and 2022, respectively.

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, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

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

Investments

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

Property and Equipment

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

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

Inventory

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

Revenue Recognition

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

MUST records the value of donated property, goods or services when there is an objective basis available to measure their value. Donated property, materials and equipment are reflected as in-kind contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statement of activities and changes in net assets for volunteer services because the criteria for recognition of such volunteer effort under FASB guidance have not been satisfied. Nevertheless, volunteers have donated over 88,000 hours of their time to the program services of MUST.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Presentation (Continued)

For the fiscal years ended June 30, 2023 and 2022, 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 and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy expenses and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

Effective July 1, 2022 the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transitional guidance with the new standard, which among other things, allowed it to carry forward the historical lease classification.

Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with previous ASC 840, *Leases*, accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations or cash flows. See Note 12.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, June 30, 2023 and 2022, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 431,138	\$ 4,524,669
Grants and contracts receivable	1,112,144	977,647
Promises to give	34,908	136,726
	<u>\$ 1,578,190</u>	<u>\$ 5,639,042</u>

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

NOTE 4. INVESTMENTS

The following tables set forth by level, within the fair value hierarchy, MUST's investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Pooled Investment at Community Foundation	\$ -	\$ 209,202	\$ -	\$ 209,202
Debt investments, trading				
U.S. treasury obligations	2,405,162	-	-	2,405,162
Total	<u>\$ 2,405,162</u>	<u>\$ 209,202</u>	<u>\$ -</u>	<u>\$ 2,614,364</u>

MUST's investments at fair value as of June 30, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Pooled Investment at Community Foundation	\$ -	\$ 184,470	\$ -	\$ 184,470
Total	<u>\$ -</u>	<u>\$ 184,470</u>	<u>\$ -</u>	<u>\$ 184,470</u>

The Cobb Community Foundation ("Community Foundation") holds a donor-established advised fund ("Fund") for the benefit of MUST. Under the terms of the agreement establishing the Fund, the principal is intended to be an endowment held in perpetuity and the earnings from the Fund are to be made available to MUST to support its general operations. The agreement granted variance power to the Community Foundation. Thus, the Fund is owned by the Community Foundation, and the Community Foundation has final authority and control over the disposition of the assets and earnings of the Fund. The total amount of the funds held at the Community Foundation at June 30, 2023 and 2022 was \$309,202 and \$284,470, respectively. This amount includes earnings and contributions in the amount of \$209,202 and \$184,470 made by MUST and donors which are reflected in the statement of financial position of MUST at June 30, 2023 and 2022, respectively.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROMISES TO GIVE

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

Promises to give consisted of the following at June 30, 2023:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Current	\$ 125	\$ 35,496	\$ 35,621
Less allowance for uncollectible promises to give	-	(713)	(713)
Promises to give, net	\$ 125	\$ 34,783	\$ 34,908

Promises to give consisted of the following at June 30, 2022:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Current	\$ 125	\$ 136,651	\$ 136,776
Due in one to five years	-	73,598	73,598
	125	210,249	210,374
Less allowance for uncollectible promises to give	-	(4,208)	(4,208)
Less time value discount	-	(1,440)	(1,440)
Promises to give, net	\$ 125	\$ 204,601	\$ 204,726

For the year ended June 30, 2023, all promises to give were current. As a result, no discount on future promises to give was recorded. Promises to give are discounted using a discount rate of 2% for the years ended June 30, 2022.

NOTE 6. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 847,706	\$ 820,299
Equipment	2,899,449	1,821,150
Land	2,453,393	2,467,971
Buildings and improvements	16,704,881	17,613,306
Construction in progress	4,630,037	524,493
	27,535,466	23,247,219
Less accumulated depreciation	(3,155,432)	(2,260,295)
Property and equipment, net	\$ 24,380,034	\$ 20,986,924

Depreciation expense for the years ended June 30, 2023 and 2022 was \$902,841 and \$511,766, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. VACATION AND ESSENTIAL DAYS PAYABLE

Employees earn vacation and essential day leave depending on years of service. Accrued vacation is paid upon an employee's termination. Accrued essential days off is not paid upon employee termination and therefore has not been accrued at year-end. Liabilities for accumulated leave of \$212,745 and \$247,622 are included in the statement of financial position with accrued liabilities at June 30, 2023 and 2022, respectively.

NOTE 8. 403(b) THRIFT PLAN

MUST provides a 403(b) thrift plan which covers all eligible employees. Employees can make salary reduction contributions, and MUST may make matching contributions. Employees are eligible to participate in the salary reduction contributions after 30 days of employment and are eligible for an employer match after one year of employment. MUST matches 100% of the first 4% of salary reduction. MUST's contributions totaled \$63,480 and \$66,822 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9. CONCENTRATIONS

MUST maintains deposit accounts at various banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. MUST has the majority of all cash deposited in one financial institution, a concentration that comprised approximately 49% and 68% of the cash balance at June 30, 2023 and 2022, respectively. Cash balances were in excess of the FDIC insured level by \$2,324,874 and \$9,985,061 as of June 30, 2023 and 2022, respectively. Management does not believe it is exposed to significant credit risk on cash and cash equivalents.

NOTE 10. LONG-TERM DEBT

In fiscal year 2018, MUST entered into a loan agreement to purchase a building located at 1280 Field Parkway to serve as a centralized donation center. The loan agreement provides a maximum principal amount of \$1,394,000. The loan carried an interest rate of 2.07% at June 30, 2023 and 2022. Principal and interest of \$5,201 is paid monthly starting November 2017. The loan agreement is set to expire on October 1, 2047. The loan is collateralized by the facility at 1280 Field Parkway. The principal balance outstanding on the loan was \$1,189,255 and \$1,226,635 at June 30, 2023 and 2022, respectively. MUST solicited funding from donors through a capital fund-raising campaign to support the project.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT (Continued)

In fiscal year 2018, MUST entered into a loan agreement to purchase land located at 1260 Cobb Parkway for a future programmatic facility. The loan agreement provides a maximum principal amount of \$2,214,000. The loan carried an interest rate of 1.33% at June 30, 2023 and 2022. Principal of \$250,000 is to be paid annually starting in December 2017. The loan was collateralized by the land at 1260 Cobb Parkway. The principal balance outstanding on the loan was \$264,000 and \$564,000 at June 30, 2023 and 2022, respectively. MUST solicited \$1,000,000 of conditional funding from a local government agency to support the project.

Scheduled maturities on long-term debt are as follows:

For the year ending June 30,

2024	\$	302,252
2025		39,044
2026		39,853
2027		40,679
2028		41,522
Thereafter		989,905
		<u>1,453,255</u>
Less unamortized debt issuance costs		(15,869)
Total	\$	<u>1,437,386</u>

NOTE 11. LINES OF CREDIT

On January 3, 2020, MUST entered into a revolving line of credit of \$1,100,000 with a financial institution to provide financing to maintain day-to-day operating activity. The line of credit bears interest at the U.S. prime rate as published in The Wall Street Journal (8.25% at June 30, 2023) and matured in January 2023. MUST had no outstanding borrowings on the line of credit as of June 30, 2023 and 2022. The line is collateralized by the facility at 111 Brown Industrial Parkway, Canton, GA.

On January 3, 2020, MUST also entered into a revolving line of credit of \$1,000,000 with a financial institution to provide financing to maintain day-to-day operating activity. The line of credit bears interest at the U.S. prime rate as published in The Wall Street Journal (8.25% at June 30, 2023) and matured in January 2023. MUST had no outstanding borrowings on the line of credit as of June 30, 2023 and 2022. The line is collateralized by the facility at 1407 Cobb Parkway, Marietta, GA.

In March 2020, 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 matured in June 2023. Upon maturity of this line of credit, on June 22, 2023, MUST entered into a line of credit of \$5,000,000 with the same financial institution. The line of credit initially bears interest at the Secured Overnight Financing rate plus 2.00% (7.07% at June 30, 2023) and matures in June 2024. The line is unsecured.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. LEASES

The Organization currently leases certain buildings and equipment under operating leases, some of which are short-term rental agreements. In December 2022, the Organization entered into an agreement with a company (the “landlord”) for a non-cancellable operating lease for office space. The lease payments began in June 2023.

During the year ended June 30, 2023, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The Organization elected to adopt the standard using the optional transition method that allows the Organization to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. As a result, the Organization reporting for the comparative period presented in the combined financial statements is in accordance with FASB ASC 840. The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. The Organization’s incremental borrowing rate of 7.09% at the date of adoption was used as the discount rate in order to determine present value. The following is a schedule by years of minimum future rentals on non-cancelable operating leases and the amortization of the net present value (NPV) of the lease liability as of June 30, 2023:

	<u>Minimum annual lease payments</u>	<u>Amortization of right-to- use asset</u>	<u>Amortization of operating lease liability</u>
For the year ending June 30:			
2024	\$ 206,027	\$ 156,652	\$ 150,274
2025	210,828	167,847	166,270
2026	215,773	180,219	183,587
2027	220,867	193,866	202,328
2028	173,182	170,421	168,738
Total	<u>\$ 1,026,677</u>	<u>\$ 869,005</u>	<u>\$ 871,198</u>

Rent expense for the years ended June 30, 2023 and 2022 was approximately \$287,991 and \$127,027, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. IN-KIND CONTRIBUTIONS

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

	<u>2023</u>	<u>2022</u>
Food and meals	\$ 7,328,442	\$ 4,760,553
Clothing	526,313	761,894
Program supplies and services	1,147,779	1,163,152
Special events supplies and services	94,622	58,855
	<u>\$ 9,097,156</u>	<u>\$ 6,744,454</u>

MUST recognized contributed nonfinancial assets within revenue, including contributed food and meals, clothing, supplies, and professional services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed clothing, food and meals were used in program support. Contributed supplies and professional services were used in program and supporting services.

In valuing contributed food and meals, clothing, supplies, and services, MUST estimated the fair value based on established value for comparable goods by national organizations. In valuing contributed services, MUST estimated fair value based on current rates for similar services.

NOTE 14. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 1,612,126	\$ 5,014,007
Promises to give, restricted for capital	34,908	210,299
Summer lunch program	85,477	84,041
Food and Neighborhood Pantry	68,934	211,451
Clinic	159,718	34,068
Housing	85,357	39,706
Homeless families	1,994,805	2,919,111
Capital projects	86,844	2,024
Other programs	5,000	104,880
	<u>\$ 4,133,169</u>	<u>\$ 8,619,587</u>

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 4,098,261	\$ 8,409,288
Promises to give	34,908	210,299
	<u>\$ 4,133,169</u>	<u>\$ 8,619,587</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2023 and 2022 by incurring expenditures satisfying the restricted purposes specified by donors as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Capital campaign	\$ 5,037,441	\$ 6,090,573
Summer lunch program	239,582	209,248
Food and Neighborhood Pantry	899,787	938,951
Clinic	19,825	156,391
Housing	93,293	224,856
Shelter operations	1,130,145	228,889
Capital projects	364,683	166,777
Other programs	343,697	591,291
	<u>\$ 8,128,453</u>	<u>\$ 8,606,976</u>

NOTE 16. EMPLOYEE RETENTION CREDIT

MUST was eligible for and participated in the Employee Retention Credit program initially established under the CARES ACT of 2020. This credit is based on qualifying wages paid to employees and is received through a reduction of federal employment tax. The company has claimed through the original and amended quarterly Form 941 returns credits totaling \$1,407,956, including \$48,264 of interest income. This income has been recognized on the statements of activities and changes in net assets for the year ended June 30, 2022. As of June 30, 2023, \$426,963, including \$17,486 of interest income, of these credits have been received and the balance of \$1,044,530, including \$94,315 of accrued interest, is included in other receivables on the statement of financial position at June 30, 2023.

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2023, the date the financial statements were available to be issued.

In July and August 2023, the Employee Retention Credits receivable balance of \$1,044,530 as of June 30, 2023 was collected in full.

SINGLE AUDIT SECTION

MUST MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Programs	Federal Assistance Listing	Expenditures
MAJOR PROGRAMS		
U.S. DEPARTMENT OF TREASURY		
Cobb County:		
COVID-19 Emergency Rental Assistance Program	21.023	\$ 5,093,590
Cherokee County:		
COVID-19 Emergency Rental Assistance Program	21.023	<u>2,973,018</u>
		8,066,608
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		
Continuum of Care Program	14.267	736,786
Georgia Department of Community Affairs:		
Continuum of Care Program (GA0168L4B012012, GA0170L4B062010, GA0170L4B062112)	14.267	<u>586,433</u>
		1,323,219
TOTAL MAJOR PROGRAMS		<u>\$ 9,389,827</u>
NON MAJOR PROGRAMS		
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		
CDBG - Entitlement Grants Cluster		
Cobb County:		
Community Development Block Grant (CD22-C22CJ-P)	14.218	\$ 12,288
Cherokee County:		
COVID-19 Community Development Block Grant (CDCV20-MUST)	14.218	162,641
COVID-19 Community Development Block Grant (CDCV20-CVMER)	14.218	125,799
City of Marietta:		
COVID-19 Community Development Block Grant (518.92-48MUSTCV)	14.218	<u>13,307</u>
		314,035
Cobb County:		
Emergency Solutions Grants Program (ES22-E22CJ, ES23-E23CJ)	14.231	20,004
COVID-19 Emergency Solutions Grants Program (ESGCV1: EC20C-E, EC20M-E, EC20I-H, ESGCV2: EV20E-E, EV20M-E, EV20-U-H)	14.231	29,288
Georgia Department of Community Affairs:		
Emergency Solutions Grants Program (21C159, 21C160, 22C161, 22C162)	14.231	81,194
COVID-19 Emergency Solutions Grants Program (20C165, 20C174, 20C187, 20C200, 21C135, 22C117, 22C289, 22C269)	14.231	<u>1,796,765</u>
		1,927,251
Cobb County:		
HOME Investment Partnerships Program (H22CJ, H21CJ)	14.239	238,275
COVID-19: American Rescue Plan: HOME Investment Partnerships Program (HR21CJ-R, HR21CJ-C, HR21CJ-Q)	14.239	<u>316,117</u>
		554,392

MUST MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2023

Programs	Federal Assistance Listing	Expenditures
NON MAJOR PROGRAMS (Continued)		
U.S. DEPARTMENT OF TREASURY		
Cobb County:		
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 7,820
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES		
Cobb County:		
Community Services Block Grant (CSBG-22-C22L, CSBG-23-C23L)	93.569	85,382
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Cobb County:		
Emergency Food and Shelter Program	97.024	32,500
Cherokee County:		
Emergency Food and Shelter Program	97.024	94,684
		127,184
TOTAL NON MAJOR PROGRAMS		<u>3,016,064</u>
TOTAL FEDERAL AWARDS		<u><u>\$ 12,405,891</u></u>

The accompanying notes are an integral part of this schedule.

MUST MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of MUST Ministries, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



**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, 2023, 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 December 14, 2023.

Report on 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 MUST Ministries, Inc.'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.

Report on 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
December 14, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited MUST Ministries, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of MUST Ministries, Inc.'s major federal programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MUST Ministries, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MUST Ministries, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MUST Ministries, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MUST Ministries, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MUST Ministries, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MUST Ministries, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MUST Ministries, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MUST Ministries, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 14, 2023

MUST MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements:

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

Federal Awards:

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

Identification of major programs:

U.S. Department of Treasury Emergency Rental Assistance	21.023	
U.S. Department of Housing and Urban Development Continuum of Care Program	14.267	
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	<u>X</u>	
Financial statement findings?		<u>X</u>
Findings and questioned costs for Federal awards?		<u>X</u>

MUST MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings

None Reported

Section III - Findings and Questioned Costs for Federal Awards

None Reported

MUST MINISTRIES, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings

None Reported

Section III - Findings and Questioned Costs for Federal Awards

None Reported