

ACTION MINISTRIES, INC.

FINANCIAL REPORT

DECEMBER 31, 2018

ACTION MINISTRIES, INC.

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DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Action Ministries, Inc.
Atlanta, GA**

Report on the Financial Statements

We have audited the accompanying financial statements of **Action Ministries, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Action Ministries, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2019, on our consideration of Action Ministries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Action Ministries, Inc.'s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 22, 2019

ACTION MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 342,370	\$ 412,983
Grants and contracts receivable	323,750	230,241
Pledges receivable	46,732	39,651
Related party receivable	16,996	16,346
Notes receivable	1,461	1,376
Inventories	368,055	254,197
Prepaid expenses	43,608	46,568
Total current assets	1,142,972	1,001,362
NONCURRENT ASSETS		
Notes receivable	44,301	46,588
Total noncurrent assets	44,301	46,588
PROPERTY AND EQUIPMENT, NET		
	302,192	318,482
Total assets	\$ 1,489,465	\$ 1,366,432
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 87,036	\$ 99,432
Accrued liabilities	97,993	74,791
Deferred revenue	28,715	19,882
Loan payable	200,000	-
Line of credit	114,752	172,738
Total current liabilities	528,496	366,843
Total liabilities	528,496	366,843
NET ASSETS		
Without donor restrictions	727,853	999,589
With donor restrictions	233,116	-
Total net assets	960,969	999,589
Total liabilities and net assets	\$ 1,489,465	\$ 1,366,432

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,827,033	\$ 233,116	\$ 3,060,149
Grants	3,078,193	-	3,078,193
Program fees	252,845	-	252,845
In-kind contributions	3,658,537	-	3,658,537
Special events, net	148,883	-	148,883
Financial income	2,969	-	2,969
Total revenues, gains, and other support	<u>9,968,460</u>	<u>233,116</u>	<u>10,201,576</u>
EXPENSES			
Program services			
General	5,239,140	-	5,239,140
In-kind distributions (current year donations)	3,290,718	-	3,290,718
In-kind distributions (prior year donations)	254,197	-	254,197
Supporting services			
Management and general	1,030,478	-	1,030,478
Fundraising	425,663	-	425,663
Total expenses	<u>10,240,196</u>	<u>-</u>	<u>10,240,196</u>
Change in net assets	(271,736)	233,116	(38,620)
Net assets, beginning of year	<u>999,589</u>	<u>-</u>	<u>999,589</u>
Net assets, end of year	<u>\$ 727,853</u>	<u>\$ 233,116</u>	<u>\$ 960,969</u>

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 3,177,648	\$ -	\$ 3,177,648
Grants	3,194,748	-	3,194,748
Program fees	214,805	-	214,805
In-kind contributions	2,981,665	-	2,981,665
Special events, net	202,424	-	202,424
Financial income	2,555	-	2,555
Other revenue	15,023	-	15,023
Total revenues, gains, and other support	9,788,868	-	9,788,868
EXPENSES			
Program services			
General	5,503,595	-	5,503,595
In-kind distributions (current year donations)	2,981,665	-	2,981,665
In-kind distributions (prior year donations)	382,193	-	382,193
Supporting services			
Management and general	1,026,078	-	1,026,078
Fundraising	381,370	-	381,370
Total expenses	10,274,901	-	10,274,901
Change in net assets	(486,033)	-	(486,033)
Net assets, beginning of year	1,485,622	-	1,485,622
Net assets, end of year	\$ 999,589	\$ -	\$ 999,589

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Totals
		Management and General	Fund- raising	
Salaries and related expenses	\$ 2,159,237	\$ 561,018	\$ 377,941	\$ 3,098,196
Food purchases	144,280	50	-	144,330
In-kind distributions	3,544,915	-	-	3,544,915
Program supplies	32,748	450	500	33,698
Supportive services	2,173,370	1,904	-	2,175,274
Audit fees	-	16,795	-	16,795
Annual conference	-	280	3,381	3,661
Art and graphics	28,814	25,453	7,130	61,397
Bank charges	153	15,018	875	16,046
Contractors	30,986	3,578	4,800	39,364
Dues and subscriptions	2,970	17,451	8,580	29,001
Equipment expense	3,928	29,395	188	33,511
Fundraising expenses	492	16,758	742	17,992
Insurance	753	27,562	-	28,315
Interest expense	-	15,952	-	15,952
Technology expense	31,876	103,038	2,042	136,956
Miscellaneous	38,990	4,702	7,290	50,982
Volunteer support	179	740	-	919
Office supplies	19,628	10,544	1,288	31,460
Payroll processing fees	144	14,443	-	14,587
Postage	1,627	4,291	1,212	7,130
Printing and copying	2,855	-	-	2,855
Property taxes	119	58	-	177
Rent	299,795	119,637	-	419,432
Repairs and maintenance	36,290	125	-	36,415
Security	15,694	-	-	15,694
Staff development/training	373	6,319	475	7,167
Telephone	38,059	11,277	4,517	53,853
Travel	79,912	11,995	4,702	96,609
Utilities	71,291	-	-	71,291
Total expenses before depreciation	<u>8,759,478</u>	<u>1,018,833</u>	<u>425,663</u>	<u>10,203,974</u>
Depreciation	<u>24,577</u>	<u>11,645</u>	<u>-</u>	<u>36,222</u>
Total expenses	<u>\$ 8,784,055</u>	<u>\$ 1,030,478</u>	<u>\$ 425,663</u>	<u>\$ 10,240,196</u>

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		Totals
		Management and General	Fund- Raising	
Salaries and related expenses	\$ 2,513,386	\$ 524,850	\$ 301,253	\$ 3,339,489
Food purchases	104,223	-	-	104,223
In-kind distributions	3,363,858	-	-	3,363,858
Emergency allowances	4,253	-	-	4,253
Program supplies	50,278	-	-	50,278
Supportive services	2,058,640	-	-	2,058,640
Audit fees	720	12,305	-	13,025
Annual conference	-	2,356	159	2,515
Art and graphics	2,375	32,355	20,142	54,872
Bank charges	406	14,725	617	15,748
Contractors	52,629	42,982	23,773	119,384
Dues and subscriptions	3,211	12,062	11,317	26,590
Equipment expense	6,747	33,355	1,114	41,216
Fundraising expenses	2,132	15,025	8,009	25,166
Insurance	500	25,782	-	26,282
Interest expense	2,332	12,625	-	14,957
Technology expense	31,178	104,570	888	136,636
Miscellaneous	19,113	1,664	2,191	22,968
Volunteer support	264	50	12	326
Office supplies	29,119	15,403	402	44,924
Payroll processing fees	-	8,263	-	8,263
Postage	1,185	3,296	3,522	8,003
Printing and copying	5,988	-	-	5,988
Property taxes	38	12	-	50
Rent	312,912	125,051	-	437,963
Repairs and maintenance	36,682	-	-	36,682
Security	18,948	-	-	18,948
Staff development/training	1,570	5,394	229	7,193
Telephone	43,725	12,173	3,672	59,570
Travel	107,308	13,400	4,070	124,778
Utilities	68,580	-	-	68,580
Total expenses before depreciation	<u>8,842,300</u>	<u>1,017,698</u>	<u>381,370</u>	<u>10,241,368</u>
Depreciation	<u>25,153</u>	<u>8,380</u>	<u>-</u>	<u>33,533</u>
Total expenses	<u>\$ 8,867,453</u>	<u>\$ 1,026,078</u>	<u>\$ 381,370</u>	<u>\$ 10,274,901</u>

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ (38,620)	\$ (486,033)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,222	33,533
Gain on disposal of equipment	-	(3,890)
(Increase) decrease in:		
Grants and contracts receivable	(93,509)	37,780
Pledges receivable	(7,081)	141,509
Accounts and related party receivable	1,552	(49,525)
Inventories	(113,858)	343,554
Prepaid expenses	2,960	6,085
Increase (decrease) in:		
Accounts payable	(12,396)	13,466
Accrued liabilities	23,202	(16,340)
Deferred revenue	8,833	15,445
Net cash provided by (used in) operating activities	(192,695)	35,584
INVESTING ACTIVITIES		
Purchase of property and equipment	(19,932)	(31,166)
Proceeds from sale of property and equipment	-	54,680
Net cash provided by (used in) investing activities	(19,932)	23,514
FINANCING ACTIVITIES		
Proceeds from (payments on) line of credit	(57,986)	122,545
Proceeds from loan	200,000	-
Net cash provided by financing activities	142,014	122,545
Increase (decrease) in cash and cash equivalents	(70,613)	181,643
Cash and cash equivalents, beginning of year	412,983	231,340
Cash and cash equivalents, end of year	\$ 342,370	\$ 412,983
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 15,952	\$ 13,554

See Notes to Financial Statements.

ACTION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Action Ministries, Inc. (“Action”) was founded in 1963 as an extension of the North Georgia Conference of the United Methodist Church, and later incorporated as an independent non-profit organization on August 24, 1972. Action is headquartered in Atlanta, Georgia with additional program offices located in the cities of Athens, Atlanta, Augusta, Gainesville, Rome, and through an extensive network of partners to mobilize communities to address the challenges of poverty by focusing on hunger relief, housing, and education. Action depends on thousands of volunteers who serve each year across Georgia, as well as contributions from churches, church related organizations, individuals, civic groups, businesses, foundations, and government grants for support.

Basis of Accounting

These financial statements are presented on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America.

Action follows the requirements of the Financial Accounting Standards Board (FASB)’s *Financial Statements of Not-for-Profit Organizations*. Under this guidance, Action is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Action 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. Action 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 Action’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 December 31, 2018 or 2017, respectively.

Pledges Receivable

Pledges receivable, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF 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.

Action 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 Action's clients. Donated food and clothing inventory is recorded at the estimated fair market value using an industry standard valuation.

For the years ended December 31, 2018 and 2017, as part of change in net assets, Action recognized adjustments due to timing of a non-cash distribution of \$254,197 and \$382,193 during 2018 and 2017 of in-kind goods, respectively.

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 with donor restriction support that increases that net asset class. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

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

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

Donor-restricted support is reported as an increase 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Support

Action 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 Action 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 Action with the terms of the contracts.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were \$233,116 and \$- in net assets with donor restrictions at December 31, 2018 and 2017, respectively.

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.

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

Action 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 Action'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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Action has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have an effect on total net assets or change in net assets for the year ended December 31, 2017. Certain expense groupings for the year ended December 31, 2017 have been reclassified to conform to the new presentation of expense classifications.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following at December 31:

	2018	2017
Buildings and residential properties	\$ 381,983	\$ 366,224
Equipment	417,458	417,458
Vehicles	122,590	122,590
Land	19,518	19,518
Leasehold improvements	69,967	65,794
	<u>1,011,516</u>	<u>991,584</u>
Less accumulated depreciation	(709,324)	(673,102)
Property and equipment, net	<u>\$ 302,192</u>	<u>\$ 318,482</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$36,222 and \$33,533, respectively.

NOTE 3. DEFINED CONTRIBUTION PLAN

Action has a defined contribution plan. Maximum annual contributions to the plan are 4% of compensation for employees and 11% of compensation for clergy. Employees must contribute 2% of compensation in order to receive the maximum 4% match. Pension expense for the years ended December 31, 2018 and 2017 was \$58,506 and \$48,351, respectively.

NOTE 4. CONCENTRATIONS

Action maintains deposit accounts at various banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Action has all cash deposited in one financial institution. Cash balances were in excess of the FDIC insured level by \$149,355 at December 31, 2017. Cash balances were not in excess of the FDIC insured level at December 31, 2018. Management does not believe it is exposed to significant credit risk on cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LEASE COMMITMENTS

Rental expenses for the corporate headquarters amounted to \$155,497 and \$155,159 for the years ended December 31, 2018 and 2017, respectively. The lease is amortized on a straight-line basis over the life of the lease, and an accrual of \$18,754 has been included in accrued expense. This accrual is the difference between the amortized rent and the actual rent paid. Action also leases residential properties for its Transitional Housing Programs and the leases are generally one to two year terms. For 2018 and 2017, the rental expense incurred under these leases amounted to \$51,018 and \$49,052, respectively. The total rental expense amounted to \$426,139 and \$437,963 for the years ended December 31, 2018 and 2017, respectively.

The remaining cash commitments on the leases are as follows:

2019	\$	159,767
2020		160,166
2021		164,503
	\$	<u>484,436</u>

NOTE 6. NOTES RECEIVABLE

Action sold Property A in February 2017 for \$27,250. The agreement called for a note payable to Action of \$24,525 over 60 months at a rate of 6.0% per annum, compounded monthly. The payments are to be made in 59 installments of \$175.70 and 1 installment of \$20,996.77.

Action sold Property B in February 2017 for \$27,250. The agreement called for a note payable to Action of \$24,525 over 60 months at a rate of 6.0% per annum, compounded monthly. The payments are to be made in 59 installments of \$175.70 and 1 installment of \$20,996.77.

The remaining total principal payments due to Action as of December 31, 2018 are as follows:

2019	\$	1,461
2020		1,551
2021		1,647
2022		41,102
	\$	<u>45,761</u>

NOTE 7. LIQUIDITY AND AVAILABILITY

Action's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$	342,370
Grants and contracts receivables		323,750
Pledges receivable		46,732
Other receivables		18,457
	\$	<u>731,309</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LIQUIDITY AND AVAILABILITY (Continued)

Grants receivable are reimbursement funds for expenditures already purchased and are therefore available for general expenditures.

As part of Action's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8. LINE OF CREDIT

On October 13, 2016, Action entered into a line of credit agreement allowing Action to borrow up to \$200,000. The agreement was to mature on April 13, 2017. The agreement was renewed on September 11, 2017 with a maturity date of September 11, 2018 for \$200,000. The Organization renewed the agreement again on September 11, 2018 with a maturity date of September 11, 2019 for \$200,000. Interest is due monthly at the rate of 6.00% per year until the index rate changes. The index rate will be 1.00% above the Lender's Prime rate, but will not fall below 4.25% or exceed 18.00%.

Action had an outstanding line of credit balance of \$114,752 and \$172,738 at December 31, 2018 and 2017, respectively.

NOTE 9. NOTE PAYABLE

On May 4, 2017, Action entered into a loan agreement allowing the Organization to borrow \$200,000. The agreement was to mature on May 5, 2018. 12 monthly interest payments were to be made beginning on June 5, 2017. The final payment of the entire unpaid balance of principal and interest was due May 5, 2018. The agreement was rolled forward early on April 18, 2018 with a maturity date of April 18, 2019 for the same \$200,000. Action renewed the agreement after year-end on April 18, 2019 with a maturity date of April 18, 2020 for the same \$200,000. Interest is due monthly at the rate of 6.50% per year until the index rate changes. The index rate will be 1.00% above the Lender's Prime rate, but will not fall below 5.50% or exceed 18.00%. 12 monthly interest payments will be made beginning May 18, 2019. The final payment of the entire unpaid balance of principal and interest will be due April 18, 2020.

Action had an outstanding note payable balance of \$200,000 and \$ - at December 31, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of cash and are restricted for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Hunger	\$ 80,684	\$ -
Education	94,809	-
Housing	50,000	-
Various	7,623	-
	<u>233,116</u>	<u>-</u>
 Total net assets with donor restrictions	 <u>\$ 233,116</u>	 <u>\$ -</u>

There were no net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the years ended December 31, 2018 and 2017.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 22, 2019, the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

ACTION MINISTRIES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CFDA Number	Awarding Agency	Program Name	Grant Award Number	Contract Term	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)					
<i>Direct Payments</i>					
14.267	HUD	Continuum of Care Program	GA0304L4B041601	1/1/18-12/31/18	\$ 155,706
14.267	HUD	Continuum of Care Program	GA0296L4B011601	10/1/17-9/30/18	301,461
14.267	HUD	Continuum of Care Program	GA0296L4B011702	10/1/18-9/30/19	64,006
14.267	HUD	Continuum of Care Program	GA0311L4B081601	11/1/17-10/31/18	63,457
14.267	HUD	Continuum of Care Program	GA0311L4B081702	11/1/18-10/31/19	1,140
14.267	HUD	Continuum of Care Program	GA0327L4B081601	10/1/17-9/30/18	341,226
14.267	HUD	Continuum of Care Program	GA0327L4B081702	10/1/18-9/30/19	211,857
14.267	HUD	Continuum of Care Program	GA0329L4B001600	4/1/18-3/31/19	40,624
14.267	HUD	Continuum of Care Program	GA0297L4B011601	10/1/17-9/30/18	75,301
14.267	HUD	Continuum of Care Program	GA0297L4B011702	10/1/18-9/30/19	5,080
Total Supportive Housing - Direct Payments from HUD					\$ 1,259,858
<i>Other Emergency Solutions Grants passed through</i>					
14.231	City of Augusta, Georgia	Emergency Solutions Grant- RRH	E171	1/1/17 - 12/31/18	\$ 25,000
14.231	City of Augusta, Georgia	Emergency Solutions Grant- RRH	E181	1/1/18 - 12/31/19	19,000
14.231	Gwinnett County, Georgia	Emergency Solutions Grant - RRH	E-17-UC-14-0011	1/1/17-12/31/18	60,000
14.231	Gwinnett County, Georgia	Emergency Solutions Grant- RRH	E-18-UC-14-0011	1/1/18-12/31/19	17,875
14.231	HUD - DCA	Emergency Solutions Grant	2017 17E ER 17C069	7/1/17 - 9/30/18	72,883
14.231	HUD - DCA	Emergency Solutions Grant	2018 18E ER 18C251	7/1/18 - 9/30/19	132,712
Total Emergency Solutions Grants					\$ 327,470
<i>Other Grants passed through</i>					
14.239	Gwinnett County, Georgia	HOME	M-18-UC-13-0210	10/1/18-12/31/20	\$ 7,698
					\$ 7,698
<i>Passed through the Georgia Department of Community Affairs (DCA)</i>					
14.238	HUD - DCA	Shelter Plus Care	2016 16S SPC 16C298	4/1/17 - 3/31/18	\$ 21,774
14.238	HUD - DCA	Shelter Plus Care	2017 17S SPC 17C370	4/1/18 - 3/31/19	76,622
14.238	HUD - DCA	Shelter Plus Care	2016 11S SPC 16C434	7/1/17-6/30/18	91,111
14.238	HUD - DCA	Shelter Plus Care	2017 17S SPC 17C374	7/1/18-6/30/19	70,066
Total Shelter Plus Care Grants					\$ 259,573
14.241	HUD - DCA	Housing Opportunities for Persons with AIDS	2017 17H HOPWA 17C070	7/1/17 - 9/30/18	\$ 113,802
14.241	HUD - DCA	Housing Opportunities for Persons with AIDS	2018 18H HOPWA 18C078	7/1/18 - 9/30/19	125,249
Total Housing Opportunities for Persons with AIDS Grants					\$ 239,051
<i>Other Grants passed through</i>					
14.218	City of Atlanta, Georgia	Community Development Block Grant	CD-2018-903	1/1/18 - 3/31/19	\$ 20,000
14.218	Gwinnett County, Georgia	Community Development Block Grant	AM-CDBG-2017	1/1/17-3/31/18	280
Total Community Development Block Grants					\$ 20,280
TOTAL - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					\$ 2,113,930
U.S. DEPARTMENT OF VETERANS AFFAIRS					
64.033	Department of Veterans Affairs	Supportive Services for Veteran Families	13-GA-101	10/1/17 - 9/30/18	816,012
TOTAL - U.S. DEPARTMENT OF VETERANS AFFAIRS					\$ 816,012
U.S. DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)					
<i>Passed through the United Way of Greater Atlanta</i>					
97.024	FEMA - United Way of Greater Atlanta	EFSP	35-1740-00 247 E1	2/1/18-6/30/19	\$ 6,375
TOTAL - U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA)					\$ 6,375
TOTAL EXPENDITURE OF FEDERAL AWARDS					\$ 2,936,317

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ACTION MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Action Ministries, Inc. under programs of the federal government for the year ended December 31, 2018. 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.

NOTE 3. INDIRECT COST RATE

Action Ministries, Inc. has not elected to use the 10-percent 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
Action 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 Action Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 May 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Action 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 Action Ministries, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Action 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
May 22, 2019



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
Action Ministries, Inc.

Report on Compliance for Each Major Federal Program

We have audited Action Ministries, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Action Ministries, Inc.'s major federal programs for the year ended December 31, 2018. Action Ministries, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Action Ministries, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Action Ministries, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Action Ministries, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Action 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 December 31, 2018.

Report on Internal Control Over Compliance

Management of Action Ministries, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Action Ministries, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Action Ministries, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 22, 2019

ACTION MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS:
Financial Statements:

Type of auditors' 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 auditors' 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:		
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>

ACTION MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None

ACTION MINISTRIES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Section II – Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None