

ACTION MINISTRIES, INC.

FINANCIAL REPORT

DECEMBER 31, 2019

ACTION MINISTRIES, INC.

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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, 2019 and 2018, 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, 2019 and 2018, 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 August 25, 2020, 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
August 25, 2020

ACTION MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 260,760	\$ 342,370
Grants and contracts receivable	50,975	323,750
Promises to give	254,915	46,732
Related party receivable	16,996	16,996
Notes receivable	7,051	1,461
Accounts receivable	24,578	-
Inventories	627,175	368,055
Prepaid expenses	21,128	43,608
Total current assets	1,263,578	1,142,972
NONCURRENT ASSETS		
Notes receivable	52,711	44,301
Total noncurrent assets	52,711	44,301
PROPERTY AND EQUIPMENT, NET	185,479	302,192
Total assets	\$ 1,501,768	\$ 1,489,465
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 105,871	\$ 87,036
Accrued liabilities	98,483	97,993
Deferred revenue	-	28,715
Loan payable	200,000	200,000
Line of credit	146,000	114,752
Total current liabilities	550,354	528,496
Total liabilities	550,354	528,496
NET ASSETS		
Without donor restrictions	541,414	727,853
With donor restrictions	410,000	233,116
Total net assets	951,414	960,969
Total liabilities and net assets	\$ 1,501,768	\$ 1,489,465

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,636,511	\$ 435,000	\$ 3,071,511
Grants	2,049,497	-	2,049,497
Program fees	262,879	-	262,879
In-kind contributions	1,960,459	-	1,960,459
Special events	193,074	-	193,074
Financial income	2,614	-	2,614
Other revenue	4,737	-	4,737
Release from restriction	258,116	(258,116)	-
Total revenues, gains, and other support	7,367,887	176,884	7,544,771
EXPENSES			
Program services			
General	4,320,699	-	4,320,699
In-kind distributions (current year donations)	1,237,777	-	1,237,777
In-kind distributions (prior year donations)	368,055	-	368,055
Supporting services			
Management and general	1,273,730	-	1,273,730
Fundraising	354,065	-	354,065
Total expenses	7,554,326	-	7,554,326
Change in net assets	(186,439)	176,884	(9,555)
Net assets, beginning of year	727,853	233,116	960,969
Net assets, end of year	\$ 541,414	\$ 410,000	\$ 951,414

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

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

	Without Donor Restrictions	With Donor Restrictions	Totals
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	148,883	-	148,883
Financial income	2,969	-	2,969
Total revenues, gains, and other support	9,968,460	233,116	10,201,576
EXPENSES			
Program services			
General	5,238,648	-	5,238,648
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	1,013,720	-	1,013,720
Fundraising	442,913	-	442,913
Total expenses	10,240,196	-	10,240,196
Change in net assets	(271,736)	233,116	(38,620)
Net assets, beginning of year	999,589	-	999,589
Net assets, end of year	\$ 727,853	\$ 233,116	\$ 960,969

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Supporting Services</u>			<u>Totals</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Salaries and related expenses	\$ 1,666,453	\$ 788,297	\$ 251,256	\$ 2,706,006
Food purchases	136,016	2,336	-	138,352
In-kind distributions	1,605,832	-	-	1,605,832
Program supplies	22,154	9,854	95	32,103
Supportive services	1,662,600	-	1,272	1,663,872
Audit fees	-	15,200	-	15,200
Annual conference	23	8,239	271	8,533
Art and graphics	16,941	21,283	10,880	49,104
Bank charges	269	15,611	504	16,384
Contractors	4,433	2,500	25,666	32,599
Dues and subscriptions	928	12,808	7,414	21,150
Equipment expense	-	23,703	-	23,703
Fundraising expenses	-	-	47,259	47,259
Insurance	789	31,248	-	32,037
Interest expense	-	21,061	-	21,061
Technology expense	79,790	114,490	344	194,624
Miscellaneous	17,650	466	-	18,116
Volunteer support	22	50	25	97
Office supplies	10,884	9,830	819	21,533
Payroll processing fees	-	13,734	-	13,734
Postage	318	4,282	603	5,203
Printing and copying	12,198	1,166	40	13,404
Property taxes	28	-	-	28
Rent	395,930	122,413	-	518,343
Repairs and maintenance	35,848	835	-	36,683
Security	13,653	190	-	13,843
Staff development/training	523	2,853	1,307	4,683
Telephone	24,001	18,483	3,793	46,277
Travel	47,112	18,099	2,517	67,728
Utilities	60,254	2,087	-	62,341
Loss on sale of fixed assets	85,263	-	-	85,263
Total expenses before depreciation	<u>5,899,912</u>	<u>1,261,118</u>	<u>354,065</u>	<u>7,515,095</u>
Depreciation	<u>26,619</u>	<u>12,612</u>	<u>-</u>	<u>39,231</u>
Total expenses	<u>\$ 5,926,531</u>	<u>\$ 1,273,730</u>	<u>\$ 354,065</u>	<u>\$ 7,554,326</u>

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	-	-	17,992	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>8,758,986</u>	<u>1,002,075</u>	<u>442,913</u>	<u>10,203,974</u>
Depreciation	<u>24,577</u>	<u>11,645</u>	<u>-</u>	<u>36,222</u>
Total expenses	<u>\$ 8,783,563</u>	<u>\$ 1,013,720</u>	<u>\$ 442,913</u>	<u>\$ 10,240,196</u>

See Notes to Financial Statements.

ACTION MINISTRIES, INC.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ (9,555)	\$ (38,620)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,231	36,222
Loss on disposal of fixed assets	85,263	-
(Increase) decrease in:		
Grants and contracts receivable	272,775	(93,509)
Promises to give	(208,183)	(7,081)
Accounts and related party receivable	(38,578)	1,552
Inventories	(259,120)	(113,858)
Prepaid expenses	22,480	2,960
Increase (decrease) in:		
Accounts payable	18,835	(12,396)
Accrued liabilities	490	23,202
Deferred revenue	(28,715)	8,833
Net cash (used in) operating activities	(105,077)	(192,695)
INVESTING ACTIVITIES		
Purchase of property and equipment	(35,281)	(19,932)
Proceeds from sale of property and equipment	27,500	-
Net cash (used in) investing activities	(7,781)	(19,932)
FINANCING ACTIVITIES		
Proceeds from line of credit	1,877,248	2,760,004
Payments on line of credit	(1,846,000)	(2,645,252)
Proceeds from loan	-	200,790
Payments on loan	-	(173,528)
Net cash provided by financing activities	31,248	142,014
(Decrease) in cash and cash equivalents	(81,610)	(70,613)
Cash and cash equivalents, beginning of year	342,370	412,983
Cash and cash equivalents, end of year	\$ 260,760	\$ 342,370
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 21,061	\$ 15,952

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, 2019 or 2018, respectively.

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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Property and Equipment (Continued)

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, 2019 and 2018, as part of change in net assets, Action recognized adjustments due to timing of a non-cash distribution of \$368,055 and \$254,197 during 2019 and 2018 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.

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 \$410,000 and \$233,116 in net assets with donor restrictions at December 31, 2019 and 2018, respectively.

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.

Functional Expense Allocation

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. The Organization reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, arts and graphics, technology expense, supplies, telephone, travel and depreciation expenses include certain expenses that are allocated on the basis of estimates of time and effort. Rent is allocated among functional areas based on square footage and headcount.

NOTES TO FINANCIAL STATEMENTS

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

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.

Recent Accounting Pronouncements

FASB issued two Accounting Standards Updates that will affect the Organization's revenue recognition. The first, Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, ASU No. 2018-08, *Not-For-Profit Entities* (Topic 958): *Clarifying the scope and Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The Organization will adopt both at the same time, because adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. For the year ending December 31, 2019, the Organization adopted ASU No. 2014-09 and ASU No. 2018-08 and has adjusted the presentation in these financial statements accordingly. The Organization recognizes contribution revenue and grant revenues in accordance with FASB ASC Topic 606 and Topic 958. The adoption of ASU No. 2014-09 and ASU No. 2018-08 did not have an impact on the timing of the revenue recognition for the Organization.

NOTE 2. PROPERTY AND EQUIPMENT

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

	2019	2018
Buildings and residential properties	\$ 113,071	\$ 381,983
Equipment	430,520	417,458
Vehicles	144,809	122,590
Land	9,518	19,518
Leasehold improvements	69,967	69,967
	<u>767,885</u>	<u>1,011,516</u>
Less accumulated depreciation	(582,406)	(709,324)
Property and equipment, net	<u>\$ 185,479</u>	<u>\$ 302,192</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$39,231 and \$36,222, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEFINED CONTRIBUTION PLAN (Continued)

Employees must contribute 2% of compensation in order to receive the maximum 4% match. Pension expense for the years ended December 31, 2019 and 2018 was \$61,008 and \$58,506, respectively.

NOTE 4. CONCENTRATIONS

Action maintains deposit accounts at one bank 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 \$142,238 at December 31, 2019. 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.

NOTE 5. LEASE COMMITMENTS

Rental expenses for the corporate headquarters amounted to \$153,915 for the years ended December 31, 2019 and 2018, respectively. The lease is amortized on a straight-line basis over the life of the lease, and an accrual of \$16,840 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 Trinity Assessment Center (TAC) and the leases are generally one to two year terms. For 2019 and 2018, the rental expense incurred under these leases amounted to \$53,386 and \$51,018, respectively. The total rental expense amounted to \$486,065 and \$426,139 for the years ended December 31, 2019 and 2018, respectively.

The remaining cash commitments on the leases are as follows:

2020	\$	287,628
2021		259,120
2022		97,456
2023		100,376
	<u>\$</u>	<u>744,580</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.

Action sold Property C in October 2019 for \$27,250. The agreement called for a note payable to Action of \$15,000 over 30 months at a rate of 10% per annum on any amount unpaid post-maturity date. The payments are to be made in 30 installments of \$500.00

The remaining total principal payments due to Action as of December 31, 2019 are as follows:

2020	\$	7,051
2021		7,647
2022		45,064
	<u>\$</u>	<u>59,762</u>

NOTES TO FINANCIAL STATEMENTS

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:

	2019	2018
Cash and cash equivalents	\$ 260,760	\$ 342,370
Grants and contracts receivable	50,975	323,750
Promises to give	169,915	46,732
Other receivables	48,625	18,457
	<u>\$ 530,275</u>	<u>\$ 731,309</u>

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. The Organization renewed the agreement again on September 11, 2019 with a maturity date of May 11, 2020, and again on April 27, 2020 with a maturity date of August 27, 2020, both for \$200,000. Interest is due on the April 27, 2020 renewal monthly at the rate of 4.25% 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 \$146,000 and \$114,752 at December 31, 2019 and 2018, 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 on April 18, 2019 with a maturity date of April 18, 2020 for the same \$200,000. The agreement was renewed on April 18, 2020 with a maturity date of August 18, 2020 for the same \$200,000. Interest is due monthly at the rate of 4.25% 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 4.250% or exceed 18.00%. A Deferral of Payments Agreement between the lender and the Organization was entered into on April 12, 2020 noting that no payments are due on the note until August 18, 2020.

Action had an outstanding note payable balance of \$200,000 at December 31, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2019	2018
Hunger	\$ -	\$ 80,684
Education	-	94,809
Housing	-	50,000
Timing	410,000	-
Various	-	7,623
	\$ 410,000	\$ 233,116

Net assets with donor restrictions are comprised of the following at December 31:

	2019	2018
Subject to expenditure for specified purpose		
Cash and cash equivalents	\$ 325,000	\$ 233,116
Receivables	85,000	-
	\$ 410,000	\$ 233,116

NOTE 11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2019 and 2018 by incurring expenses or time that satisfied the restricted purposes specified by donors as follows:

	2019	2018
Hunger	\$ 80,684	\$ -
Education	94,809	-
Housing	75,000	-
Various	7,623	-
	\$ 258,116	\$ -

NOTE 12. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2019 financial statements for subsequent events through August 25, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen across worldwide. The related financial impact and duration cannot be reasonably estimated at this time.

On April 23, 2020, the Organization qualified for and received a loan pursuant to the Payroll Protection Program, a program implemented under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of \$510,562 (the "PPP Loan"). The PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of twenty four months. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. The Company intends to apply for forgiveness of the PPP Loan with respect to these covered expenses.

SINGLE AUDIT SECTION

ACTION MINISTRIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

<u>CFDA Number</u>	<u>Awarding Agency</u>	<u>Program Name</u>	<u>Grant Award Number</u>	<u>Contract Term</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)					
<i>Direct Payments</i>					
14.267	HUD	Continuum of Care Program	GA0296L4B011702	10/1/18-9/30/19	\$ 223,796
14.267	HUD	Continuum of Care Program	GA0296L4B011803	10/1/19-9/30/2020	313,998
14.267	HUD	Continuum of Care Program	GA0311L4B081702	11/1/18-10/31/19	67,594
14.267	HUD	Continuum of Care Program	GA0297L4B011702	10/1/18-9/30/19	74,372
14.267	HUD	Continuum of Care Program	GA0304L4B041702	1/1/19-12/31/19	161,916
14.267	HUD	Continuum of Care Program	GA0327L4B081702	10/1/18-9/30/19	406,083
14.267	HUD	Continuum of Care Program	GA0327L4B081803	10/1/19-9/30/2020	152,953
14.267	HUD	Continuum of Care Program	GA0329L4B001600	4/1/2018-3/31/2019	36,697
14.267	HUD	Continuum of Care Program	GA0329L4B001802	4/1/2019-3/31/2020	28,984
Total Continuum of Care Grants					\$ 1,466,393
<i>Passed through the Georgia Department of Community Affairs (DCA)</i>					
14.238	HUD - DCA	Shelter Plus Care	2017 17S SPC 17C370	4/1/18 - 3/31/19	\$ 20,377
14.238	HUD - DCA	Shelter Plus Care	2018 18S SPC 18C380	4/1/19 - 3/31/20	68,612
14.238	HUD - DCA	Shelter Plus Care	2017 17S SPC 17C374	7/1/18-6/30/19	60,415
14.238	HUD - DCA	Shelter Plus Care	2018 18S SPC 18C398	7/1/19-6/30/20	57,010
Total Shelter Plus Care Grants					\$ 206,414
14.241	HUD - DCA	Housing Opportunities for Persons with AIDS	2018 18H HOPWA 18C078	7/1/18 - 6/30/19	\$ 110,193
Total Housing Opportunities for Persons with AIDS Grants					\$ 110,193
14.231	HUD - DCA	Emergency Solutions Grant	2018 18E ER 18C251	7/1/18 - 9/30/19	\$ 72,962
14.231	HUD - DCA	Emergency Solutions Grant	2019 19E ER 19C004	7/1/19 - 9/30/20	8,274
Total Emergency Solutions Grants					\$ 81,236
<i>Other Emergency Solutions Grants passed through</i>					
14.231	Gwinnett County, Georgia	Emergency Solutions Grant	E-18-UC-13-0011	7/1/18-12/31/19	14,998
Total Emergency Solutions Grants					\$ 14,998
<i>Other Grants passed through</i>					
14.218	City of Atlanta, Georgia	Community Development Block Grant	CDBG-2018-903	1/1/18 - 3/31/19	\$ 30,000
14.218	Gwinnett County, Georgia	Community Development Block Grant	B-18-UC-13-004	1/1/2018-12/31/2019	\$ 14,038
14.218	Gwinnett County, Georgia	Community Development Block Grant	B-17-UC-13-004	1/1/2019-6/30/2020	7,681
Total Community Development Block Grants					\$ 51,719
14.239	Gwinnett County, Georgia	Housing Investment Partnerships Program	M-18-UC-13-0210	10/1/2018-4/1/2022	34,887
Total Housing Investment Partnerships Program Grants					\$ 34,887
TOTAL - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					\$ 1,965,840
US 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	36-1740-00 264 SPR	10/1/18-3/31/20	\$ 1,370
97.024	FEMA - United Way of Greater Atlanta	EFSP	36-1740-00 247 SPR	10/1/18-3/31/20	\$ 10,900
TOTAL - U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA)					\$ 12,270
TOTAL EXPENDITURE OF FEDERAL AWARDS					\$ 1,978,110

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ACTION MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

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, 2019. 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, 2019, 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 August 25, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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*.

Action Ministries, Inc.'s Response to Finding

Action Ministries, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Action Ministries, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
August 25, 2020

**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, 2019. 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, 2019.

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
August 25, 2020

ACTION MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

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>X</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, 2019

Section II – Financial Statement Findings

2019-001

Criteria:

Gifts received in the current year with time restrictions for future periods should be recorded as revenue restricted by time.

Condition:

Gifts made during the fiscal year for use in future periods were booked as deferred revenue instead of revenue with a time restriction.

Cause:

On receipt of the gifts the Organization recorded portions for future use as deferred revenues.

Effect:

Deferred Revenues were overstated by \$410,000, Revenues – Restricted for Future Use were understated by \$410,000 for the year ended December 31, 2019.

Recommendations:

We recommend that management review all multi-year gifts for proper recording as revenue with or without restriction.

Views of Responsible Officials:

Management agrees with the recommendations and will record gifts when received per FASB.

ACTION MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

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, 2018

Section II – Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None