KPM

Emmanuel Gospel Center, Inc.

Financial Statements

June 30, 2017

Emmanuel Gospel Center
~ Since 1938 ~

Strengthening Christian Leaders to Serve Urban Communities

Kevin P. Martin & Associates, P.C

EMMANUEL GOSPEL CENTER, INC.

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June 30, 2017

Independent Auditors' Report

Financial Statements

Independent Auditors' Report

To the Board of Directors of
Emmanuel Gospel Center, Inc.

We have audited the accompanying financial statements of Emmanuel Gospel Center, Inc. (a nonprofit organization) (EGC), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EGC as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(p) to the financial statements, EGC has adopted ASU No. 2015-03, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited EGC's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2016. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 20, 2017

EMMANUEL GOSPEL CENTER, INC.

Statement of Financial Position

As of June 30, 2017
With Comparative Totals as of June 30, 2016

		2017		2016
Current Assets				
Cash and cash equivalents	$	130,625	$	306,501
Accounts receivable		210		2,490
Pledges receivable, current		72,500		109,900
Investments, current		47,038		54,643
Prepaid expenses		17,050		13,641
Total current assets		267,423		487,175
Fixed Assets				
Land		6,300		6,300
Buildings and building improvements		1,484,636		1,484,636
Furniture and fixtures		43,642		41,270
Equipment		-		29,240
Total fixed assets		1,534,578		1,561,446
Less: accumulated depreciation		(916,354)		(884,714)
Total net fixed assets		618,224		676,732
Other Assets				
Pledges receivable, net of current		-		27,500
Investments		71,002		71,002
Total other assets		71,002		98,502
Total Assets	$	956,649	$	1,262,409
Current Liabilities				
Mortgage payable, current portion	$	15,770	$	15,141
Accounts payable		26,222		18,933
Accrued expenses		84,221		122,173
Total current liabilities		126,213		156,247
Long Term Liabilities				
Mortgage payable, net of current portion		349,944		364,617
Less: deferred financing cost, net		(6,196)		(6,588)
Mortgage payable, net of current portion and deferred financing cost		343,748		358,029
Total long term liabilities		343,748		358,029
Total liabilities		469,961		514,276
Net Assets				
Unrestricted		341,029		537,241
Temporarily restricted		74,657		139,890
Permanently restricted		71,002		71,002
Total net assets		486,688		748,133
Total Liabilities and Net Assets	$	956,649	$	1,262,409

The accompanying notes are an integral part of the financial statements.

EMMANUEL GOSPEL CENTER, INC.

Statement of Activities

For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenue and Support					
Contributions					
Individual support	$ 717,539	$ 206,719	$ -	$ 924,258	$ 804,692
Foundation grants	42,896	267,677	-	310,573	555,689
Churches and organization support	292,744	73,000	-	365,744	370,607
Program service fees	6,466	-	-	6,466	12,242
Rental income	63,567	-	-	63,567	74,969
Interest income	2,384	-	-	2,384	5,543
Unrealized losses on investment	(5,985)	-	-	(5,985)	(413)
Realized gains on investment	8,162	2,157	-	10,319	-
Released from restrictions	614,786	(614,786)	-	-	-
Total revenue and support	1,742,559	(65,233)	-	1,677,326	1,823,329
Expenses					
Program services	1,361,499	-	-	1,361,499	1,411,053
General and administrative	411,430	-	-	411,430	357,527
Fundraising	165,842	-	-	165,842	199,208
Total expenses	1,938,771	-	-	1,938,771	1,967,788
Change in net assets	(196,212)	(65,233)	-	(261,445)	(144,459)
Net Assets at Beginning of Year	537,241	139,890	71,002	748,133	892,592
Net Assets at End of Year	$ 341,029	$ 74,657	$ 71,002	$ 486,688	$ 748,133

The accompanying notes are an integral part of the financial statements.

EMMANUEL GOSPEL CENTER, INC.

Statement of Cash Flows

For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

Cash Flows from Operating Activities		2017		2016
Change in net assets	$	(261,445)	$	(144,459)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation		60,880		64,259
Amortization of debt issuance cost		392		393
Unrealized loss on investment		5,985		413
Interest and dividends reinvested		(2,298)		(3,728)
Decrease (increase) in assets:				
Accounts receivable		2,380		(2,490)
Pledges receivable		64,900		102,748
Prepaid expenses		(3,409)		(182)
Other assets		(100)		-
Increase (decrease) in liabilities:				
Account payable		7,289		152
Accrued expenses		(37,952)		69,187
Net Cash (Used in) Provided by Operating Activities		(163,378)		86,293
Cash Flows from Investing Activities				
Purchase of fixed assets		(2,372)		(2,551)
Sale of investment		177,061		-
Purchase of investments		(173,143)		-
Net Cash Provided by (Used in) Investing Activities		1,546		(2,551)
Cash Flows from Financing Activities				
Principal payments on mortgage payable		(14,044)		(13,855)
Net Cash Used in Financing Activities		(14,044)		(13,855)
Net (Decrease) Increase in Cash and Cash Equivalents		(175,876)		69,887
Cash and Cash Equivalents - Beginning		306,501		236,614
Cash and Cash Equivalents - Ending	$	130,625	$	306,501
Supplemental Disclosure of Cash Flow Information				
Cash paid during the year for interest	$	17,568	$	17,658
Disposal of equipment	$	29,240	$	-

The accompanying notes are an integral part of the financial statements.

EMMANUEL GOSPEL CENTER, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	2017							2016
	Church System	Issue Based	Ministry Development	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries	$ 62,283	$ 373,890	$ 378,448	$ 814,621	$ 209,970	$ 108,028	$ 1,132,619	$ 1,218,478
Fringe benefits	75,041	50,959	50,233	176,233	30,645	13,913	220,791	188,339
Payroll taxes	417	29,550	29,025	58,992	17,008	8,503	84,503	84,224
Subtotal	137,741	454,399	457,706	1,049,846	257,623	130,444	1,437,913	1,491,041
Consultants	5,291	40,241	70,586	116,118	11,011	1,367	128,496	120,208
Depreciation	5,222	17,902	18,781	41,905	13,629	5,346	60,880	64,259
Travel	10,164	15,200	19,393	44,757	1,508	-	46,265	47,490
Outreach and office supplies	921	6,986	2,139	10,046	25,063	5,058	40,167	48,382
Special community events	712	9,805	1,243	11,760	671	17,205	29,636	24,932
Utilities	1,964	6,733	7,063	15,760	5,223	1,913	22,896	18,222
Insurance	1,772	6,075	6,373	14,220	4,468	1,970	20,658	16,881
Repairs and maintenance	-	-	202	202	18,197	-	18,399	16,262
Ministry grants	2,714	5,927	8,990	17,631	749	-	18,380	14,060
Interest expense	34	116	121	271	17,656	33	17,960	17,161
Website expense	15	7,692	759	8,466	5,055	54	13,575	8,059
Miscellaneous	559	2,585	1,693	4,837	8,227	162	13,226	10,756
Telephone	1,752	880	1,861	4,493	3,943	-	8,436	6,088
Bank and credit card charges	45	22	350	417	7,907	-	8,324	6,248
Rental	500	1,010	5,862	7,372	700	-	8,072	8,134
Equipment rental and repair	-	262	4,090	4,352	1,144	-	5,496	8,847
Printing	22	587	162	771	4,188	509	5,468	9,719
Equipment lease	-	-	-	-	5,192	-	5,192	4,320
Payroll processing fees	-	-	-	-	5,177	-	5,177	5,303
Professional fees	-	-	-	-	7,933	-	7,933	7,130
Postage and delivery	10	271	470	751	2,076	1,642	4,469	4,816
Dues and subscriptions	263	2,550	1,206	4,019	151	71	4,241	4,728
Advertising	60	2,584	482	3,126	94	68	3,288	1,476
Filing fees	-	205	174	379	2,125	-	2,504	1,449
Investment fees	-	-	-	-	1,720	-	1,720	1,817
	$ 169,761	$ 582,032	$ 609,706	$ 1,361,499	$ 411,430	$ 165,842	$ 1,938,771	$ 1,967,788

The accompanying notes are an integral part of these financial statements.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by the Emmanuel Gospel Center, Inc. (EGC) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

EGC is a faith-based non-profit organization. EGC's mission is to strengthen Christian leaders to serve urban communities.

EGC believes the Church is God's chosen instrument to bring His life and presence into our communities. Therefore, our work is designed to support what God is doing through His Church in urban Greater Boston. We take time to learn how the city, the church and their related systems are changing; we connect with the people involved to build strong working relationships; and we equip where it is most strategic, providing teaching, training, tools and resources for effective ministry. As we invest in Christian leaders, we strengthen the Church's ability to leverage healthy change that helps build urban communities that support and care for everyone.

A brief outline of EGC's history, living system ministry approach, and activities is given here. You can find much more on EGC's website, www.egc.org.

Brief History

EGC began in 1938 as a neighborhood mission to address spiritual and physical needs of poor residents in Boston's South End. EGC offered programs for youth, fed people who were hungry, cared for people who struggled with alcoholism or mental illness, advocated for more affordable housing, encouraged racial reconciliation and economic justice and befriended people who lived in the single-room occupancy tenements that surrounded our building. And for those who were interested, EGC offered Bible studies and worship services.

In the early 1970s, EGC realized local churches, serving their communities, would have a greater impact than what EGC could do on its own. As EGC began to discover growing churches all over the city, EGC changed its strategy to supporting urban churches and their programs. They started helping churches begin or strengthen programs for youth in their neighborhood, or people affected by homelessness, or people in their own ethnic community (such as Brazilians or Haitians) or other target populations they identified. When EGC discovered many of the Latino pastors were driving to New York City for materials, EGC started a bookstore to provide resources in many different languages. And EGC started a separate church, the South End Neighborhood Church, to serve the spiritual needs of its South End neighbors.

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

As EGC began focusing on building the capacity of urban churches, the staff became familiar with the emerging field of systems thinking. The more the staff learned, the more they realized how important it is to look at urban social issues systemically - to see the bigger picture, to discover how the different parts of the system interrelate with each other, to understand that good intentions can be counterproductive if you ignore the interactions within the larger system and to look for leverage points. So 30 years ago, EGC began helping pastors and other leaders to understand complex urban issues systemically.

Today, EGC helps leaders understand complex social systems (such as human trafficking, urban education, the refugee crisis and homelessness), build fruitful relationships and take responsible action within their community. EGC strengthens leaders through teaching, training, tools and resources for effective work. EGC also conducts demographic and community-based participatory research that informs and supports long-term positive growth.

EGC helps develop programs that serve urban residents well, build capacity, and operate effectively at the grassroots level, particularly in low-income and immigrant communities. By working with and through churches and community partners, EGC seeks to build a community that supports and cares for everyone throughout the city.

EGC's Living System Ministry Approach

EGC has learned a lot over these decades about how to do urban ministry well, and we have poured what we are learning into an approach to Christian ministry called Living System Ministry. It is this approach that will provide the foundation for EGC's work in the decades to come.

Central to Living System Ministry is the conviction that God is at work in the layers of social systems in which we live our lives. These systems include families, communities, neighborhoods, organizations, churches, networks, the whole city and more. EGC believes our job is not to bring God to these systems, but to discover how God is already active in them, and then to join in and cooperate with this work.

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

EGC's Living System Ministry approach can be simply described using three words: Learn, Connect and Equip.

- Learn: understanding the dynamics of key systems through relationships, ministry experience and intentional applied research,
- Connect: "connecting the dots" of ministry stories, issues, people and systems, and identifying places (leverage points) in those systems where the church (broadly defined) can make a difference and
- Equip: teaching, training and investing in leaders (including emerging and potential leaders and their teams) associated with these systems and leverage points.

EGC's Program Activities

EGC invests in Christian leaders through various programs, each of which includes some combination of teaching, training, consulting, connecting and partnering. EGC's programs fall into three broad groups:

- Church Systems: Programs that work primarily to strengthen church systems:
    - Cambodian Ministries
    - Greater Boston Church Planting Collaborative
    - Haitian Ministries International
    - Intercultural Ministries

- Issue Areas: Programs that work in a particular issue area
    - Abolitionist Network (human trafficking)
    - Boston Education Collaborative (urban education)
    - Starlight Ministries (homelessness)
    - Greater Boston Refugee Ministry (refugee engagement & resettlement)

- Ministry Development: Programs that develop or strengthen other ministries.
    - Applied Research and Consulting (ARC)
    - Teaching and Training
    - Living System Ministry Development
    - Fiscal Conduit Programs and Other Ministry Development

(1) Summary of Significant Accounting Policies - continued

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating activities. Operating revenues consist of those monies received and other contributions attributable to EGC's ongoing efforts.

(c) Standards of Accounting and Reporting

EGC's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to EGC are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of EGC and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted **-** Permanently restricted net assets reflects the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit EGC to use all or part of the income earned on related investments for general or specific purposes.

(d) Cash and Cash Equivalents

EGC considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

EGC maintains its cash balances at two financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, EGC has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2017.

(1) Summary of Significant Accounting Policies - continued

(e) Investments

EGC carries investments in marketable securities at fair value which is determined by quoted market prices. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rate, credit and overall market volatility.

(f) Revenue Recognition

EGC earns revenue as follows:

Contributions - Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Program Service Fees - Program service fee revenue is earned and recognized by EGC when units or services are provided and billed.

Rental - Rental income is derived from tenant rent from a sub-lease relationship. Rental revenue is recognized as occupancy is provided.

Substantially all of EGC's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2017, EGC derived approximately 95% from contributions and grants and 5% from other sources. All revenue is recorded at the estimated net realizable amounts.

(g) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2017, management has determined any allowance would be immaterial.

(1) Summary of Significant Accounting Policies - continued

(h) Fixed Assets

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

EGC computes depreciation using the straight-line method over the following estimated useful lives:

Buildings and building improvements	20-40 years
Furniture and fixtures	3-10 years
Equipment	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

(i) Contributed Services and Gifts in Kind

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by EGC personnel.

Many individuals volunteer their time and perform a variety of tasks that assist EGC with specific educational programs, administrative, clerical, and maintenance functions as well as various committee assignments. EGC would not have paid for these volunteered services if they had not been donated and therefore, they have not been reflected in the financial statements.

(1) Summary of Significant Accounting Policies - continued

(j) Fair Value Measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring Measurements
In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The EGC's assets that are adjusted to fair value on a recurring basis are described below. The EGC currently has no liabilities that are adjusted to fair value on a recurring basis. The following section describes the valuation methodologies used to measure assets, financial assets and liabilities at fair value on a recurring basis.

Investments in Debt and Equity Securities: Quoted market prices are used to determine the fair value of investment securities, and they are included in Level 1. Level 1 securities primarily include publicly traded equity and debt securities.

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2017.

	Level 1	Level 2	Level 3	Total
Investments	$ 118,040	$ -	$ -	$ 118,040
	$ 118,040	$ -	$ -	$ 118,040

The EGC's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer.

(1) Summary of Significant Accounting Policies - continued

(j) Fair Value Measurements - continued

Nonrecurring Measurements
In addition to assets and liabilities that are recorded at fair value on a recurring basis, the EGC records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. EGC had no liabilities are adjusted to fair value on a nonrecurring basis.

(k) Fundraising

Fundraising relates to the activities of raising general and specific contributions to EGC. Fundraising expenses as a percentage of total contribution was 9% for the year ended June 30, 2017. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(l) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of EGC.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon percentage of salary.

(m) Use of Estimates

In preparing EGC's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Income Taxes

EGC qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to EGC's tax-exempt purpose is subject to taxation as unrelated business income. In addition, EGC qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and is not a private foundation under Section 509(a)(1).

(1) Summary of Significant Accounting Policies - continued

(o) Amortization

Debt issuance costs relating to the mortgage notes payable are amortized over the term of the related loan using the effective yield method, as required by GAAP. Unamortized debt issuance costs are presented as a deduction from the carrying value of the mortgage notes payable, (see Note 4). Amortization expense on deferred debt issuance costs has been included in interest expense on the statement of activities.

(p) Recent Accounting Standard Adopted

In April 2015, the Financial Accounting Standards Board issued ASU 2015-03, *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires the presentation of debt issuance costs as a direct deduction from the carrying value of the related debt liability and amortization is required to be included with interest expense in the statement of activities. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. As a result, as of June 30, 2016, $6,588 of unamortized debt issuance costs related to EGC's mortgage notes payable were reclassified in the statement of financial position from other assets to mortgage notes payable and for the year ended June 30, 2016, $393 of amortization expense related to such deferred debt issuance costs was reclassified to interest expense in the statement of activities, with no effect on previously reported change in net assets. Other than this reclassification, the adoption of ASU 2015-03 did not have a material impact on the EGC's financial position, results of activities or cash flows.

(q) Summarized Financial Information for 2016

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with EGC's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(r) Reclassifications

In addition to the reclassifications described in the above disclosure, certain amounts in the prior year have been reclassified to conform to the current year presentation.

(2) Promises to Give

EGC has received unconditional promises to give related to EGC's activity. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received more than a year after June 30, 2017 are recorded at the present value of their future cash flows using a discount rate of 0.05%. Uncollectible amounts of pledges receivable are expected to be immaterial. Accordingly, no provision has been made for uncollectible amounts.

Promise to give of $72,500 are expected to be received in 2017. Any allowance or discount is expected to be immaterial and has not been recorded.

(3) Investments

As of June 30, 2017, all investments related to the endowment (see Note 7) are classified as long-term and all other investments are unrestricted and classified as short-term. Investments are valued at fair value using level 1 input, unadjusted quoted prices in active markets, and are comprised of the following as of June 30, 2017:

	Fair Value
Debt securities:	
Corporate fixed income:	
Domestic	$48,881
International	55,272
Equity securities:	
Domestic	13,887
Total	$ 118,040

Investment return consisted of the following for the year ended June 30, 2017:

Interest and dividends	$ 2,298
Management fee	(1,720)
Realized gains	10,319
Unrealized losses	(5,985)
Total investments return	$ 4,912

The marketable equity securities and corporate fixed income debt securities primarily consist of common stock and bonds, respectively, of companies traded on the New York Stock Exchange.

(4) Debt

(a) Line of Credit

EGC has available a demand line of credit with East Boston Savings Bank (a Massachusetts bank) of $50,000 to be drawn upon as needed, with interest at the prime rate. The line is secured by EGC's general business assets. There are no outstanding borrowings as of June 30, 2017.

(b) Mortgage Notes Payable

As discussed in Note 1(p), as a result of the adoption of ASU No. 2015-03, *Interest - Imputation Of Interest: Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs were reclassified in the statement of financial position from other assets to mortgage notes payable. As of June 30, 2017, the outstanding principal balance of the mortgage notes payable less unamortized debt issuance costs was $359,518. As of June 30, 2017, unamortized debt issuance costs of $6,196 consist of debt issuance costs of $10,269 less accumulated amortization of $4,073. The effective interest rate is approximately 4.08% over the life of the loan. During the year ended June 30, 2017, amortization expense incurred was $392, and was included in interest expense on the statement of activities.

EGC has a first mortgage note payable to East Boston Savings Bank in the original amount of $500,000. The note is due in monthly installments of $2,811, bears interest at 4.08% adjustable rate and is secured by real estate. The final payment on the note is due in 2034. At June 30, 2017, the principal balance due was $365,714.

(c) Debt Maturities and Interest

Maturities of mortgage notes payable are as follows:

2018	$ 15,770
2019	16,426
2020	17,109
2021	17,820
2022	18,561
Thereafter	280,028

Interest expense on all debt amounted to $17,960 for year ended June 30, 2017.

(5) Operating Lease Commitments

EGC shares its space in ways that support its mission in three ways.

The Hall Hotel (379 Shawmut Ave.) is an intentional Christian community which, as a community, develops a meaningful relationship with EGC and its various ministries. Five bedrooms are available for rent at market rates, and community members pay their rent collectively through the community manager. The community manager pays a room rental fee and also contributes 20-25 hours per month in management and maintenance responsibilities. All utilities are the responsibility of the community members, under the coordination of the community manager.

EGC shares its space on a regular basis with two ministry partners: South End Neighborhood Church of Emmanuel and Emmanuel Discipleship Church. Rent is on a sliding scale and below market as part of EGC's support of other ministries, particularly new churches.

EGC also rents space on a one-time basis at below-market rates to members of the local neighborhood as an expression of community engagement and occasionally to other ministries or related organizations needing an event space. Rental income for the year consisted of the following:

Hall Hotel	$ 33,917
Ministry Partners	29,610
Key deposits	40
Total rental income	$ 63,567

(6) Restricted Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2017, temporarily restricted net assets are restricted for the following purposes:

General Fund	$ 32,500
Starlight Ministries	22,500
Route One Ministry	10,000
Bags of Hope	7,500
Accumulated earnings	2,157
Total	$ 74,657

(6) Restricted Net Assets - continued

(b) Permanently Restricted Net Assets

Permanently restricted net assets represent EGC's interest in the original principal of the Leta and Stewart Gray Trust (the "Trust"). EGC is the sole income beneficiary of the Trust. The principal of the Trust, $71,002, shall remain intact and all income of the Trust shall be paid to EGC. The sole purpose of the Trust is to provide financial assistance to EGC and its employees in carrying out its mission with stipulations that they be invested to provide a permanent source of income to defray costs. The permanently restricted donations are being held in investments consisting of securities and cash equivalents. These amounts have been classified as investments on the statement of financial position. Consistent with donor restrictions unrealized gains and losses on these investments follow the treatment of investment income. Accordingly, unrealized gains and losses are reported in the statement of activities as increases or decreases in temporarily restricted net assets. Any excess unrealized losses over corpus are classified as decreases in unrestricted net assets. There were no accumulated earnings remaining temporarily restricted at June 30, 2017.

Investment earnings on the Trust for the fiscal year ended June 30, 2017 totaled $2,157.

(7) Endowment

EGC accepted the Trust interest under the stipulation that the funds are invested in perpetuity. Unless otherwise restricted by the donor, the investment income is to be used in accordance with EGC's spending policy. The goals of the fund are to enhance existing programs, create new programs, make additional funding opportunities for donors and support capital improvements. EGC's Executive Board (the Board) oversees the establishment and revision of goals, spending plans, and asset allocations for the fund.

(a) Uniform Prudent Management of Institutional Funds Act

EGC's management and investment of donor-restricted funds are subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use enacting legislation. UPMIFA was adopted by the Commonwealth of Massachusetts effective June 30, 2009. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

(7) Endowment - continued

(a) Uniform Prudent Management of Institutional Funds Act - continued

The Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary. Further, per the interpretation, the UPMIFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent fund, (b) the original value of subsequent gifts to the permanent fund, and (c) accumulations to the permanent fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by EGC in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Appropriation of Permanent Restricted Assets for Expenditure

EGC considers the following factors in making a determination to appropriate funds for expenditure:

(1) The purposes of EGC and the donor-restricted endowment fund
(2) The duration and preservation of the fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of EGC

(c) Return Objectives and Risk Parameters

EGC has adopted investment and spending policies for fund assets that invest in a thoughtful and prudent manner to preserve and/or enhance EGC's ability to help enhance EGC's mission. The oversight of the endowment funds is the responsibility of the Board. Fund assets include those assets of donor-restricted funds that EGC must hold in perpetuity. Under this policy, as approved by the Board, the fund assets are invested in a manner that is intended to preserve the funds' principal, considering inflation and to regulate the long term ability and short term needs to distribute income.

(7) Endowment - continued

(d) Strategies Employed for Achieving Investment Objectives

To satisfy its objectives, EGC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). EGC targets a diversified asset allocation by investing a prudently determinable portion (currently 10%) of the funds in equity investments (to produce long-term appreciation) and a portion (currently 90%) to fixed income investments (to produce a consistent level of income and reduce overall volatility). Guidelines have been set forth in the policy for prudent investment options.

(e) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires EGC to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of June 30, 2017.

(f) Composition and Reconciliation of Endowment Funds

The endowment fund is solely comprised of donor-restricted contributions. There are no board-designated endowment funds. A reconciliation of EGC's endowment by net asset class is presented on the statement of activities.

(8) Employee Benefits

(a) Defined Contribution Plan

EGC has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b) (7) of the IRC for the benefit of eligible employees. Employees with 1,000 hours or more of service during any consecutive 12-month period commencing with date of employment, or anniversary date, are eligible to participate in this plan. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. EGC's contributions under this plan amounted to $42,189 for the year ended June 30, 2017.

(8) Employee Benefits - continued

(b) Section 125 Plan

EGC has a plan that qualifies as "Cafeteria Plans" under Section 125 of the IRC. The plan allows EGC's employees to pay for medical and dental insurance and daycare on a pre-tax basis. All employees whose customary employment is at least 40 hours per week are eligible to participate in the plans.

(9) Subsequent Events

EGC has performed an evaluation of subsequent events through October 20, 2017 which is the date EGC's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in these financial statements.