EMMANUEL GOSPEL CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

WITH

INDEPENDENT AUDITORS' REPORT

EMMANUEL GOSPEL CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of **Emmanuel Gospel Center, Inc.** (a non-profit organization) as of June 30, 2008 and the related statements of activities, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information was derived from the June 30, 2007 financial statement, which was audited by VanceCronin, P.C., who merged with CCR LLP as of June 1, 2008, and whose report dated September 26, 2007, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Emmanuel Gospel Center, Inc.** as of June 30, 2008 and the results of its activities, changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

CCR LLP

Boston, Massachusetts
October 3, 2008

EMMANUEL GOSPEL CENTER, INC.

Statement of Financial Position
June 30, 2008
(with comparative totals for June 30, 2007)

Assets

	2008	2007
Current assets		
Cash and cash equivalents	$ 164,951	$ 255,718
Investments	-	38
Pledges receivable, net	100,000	102,200
Accounts receivable	11,846	12,994
Prepaid expenses	20,004	24,500
Other current assets	3,642	6,077
	300,443	401,527
Other assets		
Pledges receivable, net of current portion	171,968	254,019
Funds held in trust by others	158,703	171,160
Deferred financial costs, net	9,190	9,547
Property and equipment, net	1,148,302	1,222,124
	1,488,163	1,656,850
Total assets	**$ 1,788,606**	**$ 2,058,377**

Liabilities and Net Assets

	2008	2007
Current liabilities		
Account payable	$ 18,680	$ 17,119
Accrued expenses	36,941	36,556
Current portion of note payable	7,619	7,158
Current portion of capital lease obligation	5,574	16,501
	68,814	77,334
Other liabilities		
Note payable, net of current portion	460,303	467,940
Capital lease obligation, net of current portion	18,920	23,616
	479,223	491,556
Total liabilities	548,037	568,890
Net assets		
Unrestricted	762,628	945,739
Temporarily restricted	406,939	472,746
Permanently restricted	71,002	71,002
	1,240,569	1,489,487
Total liabilities and net assets	**$ 1,788,606**	**$ 2,058,377**

See independent auditors' report and notes to financial statements

EMMANUEL GOSPEL CENTER, INC.

Statement of Activities
For the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008			2007
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
Support				
Individual support	$ 110,102	$ 235,904	$ 346,006	$ 413,959
Churches and organizational support	75,431	455,984	531,415	478,505
Grants	1,515	728,443	729,958	587,964
Fundraising events	98,816	9,683	108,499	131,357
Total support	285,864	1,430,014	1,715,878	1,611,785
Revenue				
Interest and dividends	21,990	1,905	23,895	33,842
Capital gains (losses)	(9,697)	(5,538)	(15,235)	19,506
Fees and rentals	55,478	122,502	177,980	134,289
Total revenue	67,771	118,869	186,640	187,637
Net assets released from restrictions/ satisfaction of restrictions	1,614,690	(1,614,690)	-	-
Total support and revenue	1,968,325	(65,807)	1,902,518	1,799,422
Expenses				
Program services	1,529,126	-	1,529,126	1,432,436
Support services				
General and administrative	445,864	-	445,864	395,781
Fundraising	176,446	-	176,446	157,061
Total support service	622,310	-	622,310	552,842
Total expenses	2,151,436	-	2,151,436	1,985,278
Changes in net assets	**$ (183,111)**	**$ (65,807)**	**$ (248,918)**	**$ (185,856)**

See independent auditors' report and notes to financial statements.

EMMANUEL GOSPEL CENTER, INC.

Statement of Changes in Net Assets
For the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008				2007
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
Net assets, beginning of year	$ 945,739	$ 472,746	$ 71,002	$ 1,489,487	$ 1,675,343
Change in net assets	(183,111)	(65,807)	-	(248,918)	(185,856)
Net assets, end of year	**$ 762,628**	**$ 406,939**	**$ 71,002**	**$ 1,240,569**	**$ 1,489,487**

See independent auditors' report and notes to financial statements.

EMMANUEL GOSPEL CENTER, INC.

Statement of Cash Flows
For the year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ (248,918)	$ (185,856)
Adjustments to reconcile change in net assets to cash used for operating activities:		
Depreciation and amortization	86,671	87,229
Fund held in trust	12,495	(20,914)
(Increase) decrease in assets:		
Pledges receivable	84,251	81,292
Accounts receivable	1,148	(3,369)
Prepaid expenses	4,496	(7,343)
Other current assets	2,435	(1,729)
Increase in liabilities:		
Accounts payable	1,561	8,670
Accrued expenses	385	9,229
Net cash used for operating activities	(55,476)	(32,791)
Cash flows from investing activities:		
Purchases of property and equipment	(12,492)	(38,485)
Proceeds from sales of investments	38	-
	(12,454)	(38,485)
Cash flows from financing activities:		
Repayment of note payable	(7,176)	(8,866)
Repayment of capital lease obligation	(15,623)	(15,222)
	(22,799)	(24,088)
Net decrease in cash and cash equivalents	(90,729)	(95,364)
Cash and cash equivalents at beginning of year	255,718	351,082
Cash and cash equivalents at end of year	**$ 164,989**	**$ 255,718**
Supplemental disclosures of cash flows information		
Cash paid during the year for interest	$ 35,493	$ 31,614

See independent auditors' report and notes to financial statements.

1. Nature of Activities

Emmanuel Gospel Center, Inc. (the Center) is a Christian organization located in Boston, Massachusetts. Its mission is to help nurture the vitality of local churches in the context of the broader urban community. Emmanuel Gospel Center, Inc. operates ministry programs.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Center have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the center obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation are incurred.

Financial Statement Presentation

The financial statements report amounts separately by class of funds or net assets.

a) Unrestricted net assets consist of assets, public support, and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.
b) Temporarily restricted net assets include funds with donor-imposed restrictions, which stipulate that the Center expend the assets as specified, and are satisfied either by the passage of time or by actions of the Center. Resources of this nature originate from gifts, grants, bequests, contracts, and investment income from restricted assets.
c) Permanently restricted net assets include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Center to expend part or all of the income derived from the donated assets.

Cash and Cash Equivalents

As of June 30, 2008, cash and cash equivalents consist of the following:

Cash on hand and in banks	$ 21,054
Money market funds	143,897
Total	$ 164,951

Management considers highly liquid investment with a maturity of 90 days or less when purchased to be cash equivalents. The cash in banks may at times exceed the $100,000 FDIC limit. At June 30, 2008, cash in banks exceeded the Federal Deposit Insurance Corporation limit by $75,471.

Continued --

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable, Net

The Center provides an allowance for doubtful accounts equal to estimated bad debt losses. In determining this allowance, objective evidence that a single receivable is uncollectible as well as a historical pattern of collections of account receivable may not be collectible is considered at each balance sheet date. No allowance for doubtful accounts was considered necessary at June 30, 2008.

Investments

Investments consist of marketable securities, which are carried at market value. Gains or losses on securities sold are based on the specific identification method.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense for the year ended June 30, 2008 was $86,314. Purchases of property in excess of $2,500 are capitalized.

Revenue Recognition

In accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions are recognized as revenue at their fair value when received. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restriction

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs were approximately $2,066 for the year ended June 30, 2008. Advertising costs are included as a component of program expenses within the accompanying statement of activities.

Income Taxes

The Center is classified as a tax-exempt religious organization under Internal Revenue Code Section 170(b)(1)(A)(i) and accordingly, is not required to file income tax returns. Contributions received from donors are deductible for income tax purposes under Code Section 170.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Continued --

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on change in net assets as previously reported.

3. Concentrations of Credit Risk

Financial instruments that potentially expose the Center to credit risk consist primarily of cash and receivables. The Center maintains substantially all of its cash with one financial institution, which is subject to federal deposit insurance. Cash balances periodically exceed insured limits. The risk of loss on receivables is minimized by the credit worthiness of donors and the Center's credit and collection policies. Maximum exposures related to concentration of credit risk are the amounts recorded in the statement of financial position.

4. Funds Held in Trust by Others

The Center is the sole income beneficiary of the Leta and Stewart Gray Trust (the Trust). The principal of the Trust shall remain intact and all income of the Trust shall be paid to the Center. The sole purpose of the irrevocable trust is to provide financial assistance to the Emmanuel Gospel Center, Inc. of Boston and its employees in carrying out the work of the Center.

The Executive Committee may, at its sole discretion, alter or change the allocation of income received, but only within the general area of supplemental staff benefits and excluding capital items. Upon approval of the Executive Committee, a portion of the Trust's capital appreciation may be transferred for use in accordance with trust provisions, provided that this amount combined with income transferred, does not exceed 7% of the value of the trust assets. In the event that the Center is dissolved, the principal and all earnings of the Trust shall be transferred to Vision New England, Inc.

The funds held in trust are restricted as follows:

Permanently Restricted Balance	$ 71,002
Temporarily Restricted Balance	20,914
Unrestricted Balance	66,787
Total Market Value	$ 158,703

Continued --

5. Property and Equipment, Net

A summary of property and equipment at June 30, 2008 is as follows:

Land	$ 6,300
Buildings and improvements	1,660,447
Vehicles	32,189
Furniture and fixtures	32,066
Equipment	334,957
	2,065,959
Less: Accumulated depreciation	917,657
Property and equipment, net	$ 1,148,302

6. Pledges Receivable, Net

Pledges receivable at June 30, 2008 are due as follows:

Pledges due in less than one year	$ 100,000
Pledges due in one to five years	200,000
Gross pledges	300,000
Discount	(28,032)
Allowance for uncollectible pledges	-
Net pledges	$ 271,968

During the year ended June 30, 2006 a pledge of $500,000 payable over 5 years was made to the Center. The 5-year U.S. Treasury rate for government bonds at June 30, 2006 (5.07%) was used to discount the pledge to present value. $17,949 of interest income has been recognized from the amortization of the discount using the effective interest method for the year ended June 30, 2008.

7. Note Payable

At June 30, 2008 note payable consists of the following:

Mortgage note payable to Mt. Washington Bank due on February 12, 2034 with monthly payments of $3,056, including interest at 6.25% per annum	$ 467,922
Less: Current portion	7,619
Note payable, net of current portion	$ 460,303

Continued--

7. Note Payable (Continued)

Future principal repayments of the note payable are as follows:

Year Ending June 30,	
2009	$ 7,619
2010	8,109
2011	8,631
2012	9,186
2013	9,777
Later years	424,600
	$ 467,922

8. Capital Leases Obligations

The Center leases equipment under a capital lease agreement. The obligation is being repaid in monthly installments of $787 including interest imputed at 22.05% per annum. The lease matures on February 2012.

Future minimum lease payments are as follows:

Year Ending June 30,	
2009	$ 5,574
2010	5,843
2011	7,269
2012	5,808
	$ 24,494