EMMANUEL GOSPEL CENTER, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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Bernard, Johnson & Company, P.C.
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Emmanuel Gospel Center, Inc. (a Massachusetts not for profit organization) as of June 30, 2009 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 Emmanuel Gospel Center, Inc.'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, 2008 financial statements, which were audited by CCR LLP, and whose report dated October 3, 2008, 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, 2009 and its changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Bernard Johnson & Company P.C.

Topsfield, Massachusetts
August 20, 2009

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EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
(With comparative totals for June 30, 2008)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 277,404	$ 164,951
Current portion of pledges receivable	100,000	100,000
Accounts receivable	5,002	11,846
Prepaid expenses and other	15,218	23,646
Total current assets	397,624	300,443
PROPERTY AND EQUIPMENT, net	1,072,999	1,148,302
OTHER ASSETS:		
Pledges receivable, net of current portion	95,200	171,968
Investments restricted to use	137,978	158,703
Deferred financing costs, net	8,836	9,190
Total other assets	242,014	339,861
	$ 1,712,637	$ 1,788,606
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of mortgage note payable	$ 8,131	$ 7,619
Current portion of capital lease obligation	5,843	5,574
Accounts payable	23,655	18,680
Accrued expenses	44,347	36,941
Total current liabilities	81,976	68,814
LONG TERM DEBT:		
Mortgage note payable, net of current portion	452,151	460,303
Capital lease obligation, net of current portion	13,516	18,920
Total liabilities	547,643	548,037
NET ASSETS:		
Unrestricted	648,212	897,618
Temporarily restricted	445,780	271,949
Permanently restricted	71,002	71,002
Total net assets	1,164,994	1,240,569
	$ 1,712,637	$ 1,788,606

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

EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	2009	2008
OPERATING SUPPORT:				
Individual support	$ 176,060	$ 303,071	$ 479,131	$ 454,505
Churches and organizational support	60,125	337,367	397,492	531,415
Grants	26,655	819,213	845,868	747,907
Total support	262,840	1,459,651	1,722,491	1,733,827
REVENUE:				
Program fees and rentals	52,888	102,413	155,301	177,980
Interest and dividends	3,019	2,665	5,684	5,946
Unrealized and realized losses on investments	(13,831)	(8,352)	(22,183)	(15,235)
Total revenue	42,076	96,726	138,802	168,691
Net assets released from restrictions/ satisfaction of restrictions	1,382,546	(1,382,546)	-	-
Total operating support and revenue	1,687,462	173,831	1,861,293	1,902,518
OPERATING EXPENSES:				
Program expenses	1,362,780		1,362,780	1,529,126
Support services:				
General and administrative	425,172	-	425,172	445,864
Fundraising	148,916	-	148,916	176,446
Total support services	574,088	-	574,088	622,310
Total expenses	1,936,868	-	1,936,868	2,151,436
CHANGES IN NET ASSETS	$ (249,406)	$ 173,831	$ (75,575)	$ (248,918)

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

EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2008
NET ASSETS, beginning of year as previously reported	$ 762,628	$ 406,939	$ 71,002	$ 1,240,569	
Adjustment for overstatement of temporarily restricted net assets	134,990	(134,990)	-	-	
NET ASSETS, beginning of year as restated	897,618	271,949	71,002	1,240,569	$ 1,489,487
Changes in net assets	(249,406)	173,831	-	(75,575)	(248,918)
NET ASSETS, end of year	$ 648,212	$ 445,780	$ 71,002	$ 1,164,994	$ 1,240,569

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

EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for year ended June 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (75,575)	$ (248,918)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	72,580	86,671
Book value of equipment donated	4,437	-
Loss on investments	20,725	12,495
Cash provided by (used in) changes in:		
Pledges receivable	76,768	84,251
Accounts receivable	6,844	1,148
Prepaid expenses and other	8,428	6,931
Accounts payable	4,975	1,561
Accrued expenses	7,406	385
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	126,588	(55,476)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,360)	(12,492)
NET CASH USED IN INVESTING ACTIVITIES	(1,360)	(12,492)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage note payable	(7,640)	(7,176)
Principal payments on capital lease obligation	(5,135)	(15,623)
NET CASH USED IN FINANCING ACTIVITIES	(12,775)	(22,799)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,453	(90,767)
CASH AND CASH EQUIVALENTS, beginning of year	164,951	255,718
CASH AND CASH EQUIVALENTS, end of year	$ 277,404	$ 164,951

	2009	2008
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Disposal of fully depreciated property and equipment	$ 176,923	$ -
Cash paid during the year for interest	$ 34,127	$ 35,493

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

1. ORGANIZATION

Founded in 1938, the Emmanuel Gospel Center (the "Center" or "EGC") is a Christian ministry serving urban churches and communities in Greater Boston and beyond. Through applied research, consulting, and programs, EGC works with many partners to nurture the vitality of urban churches as they support and care for the spiritual and physical needs of all people in the city, especially those who are marginalized or underserved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Standards of Accounting and Reporting – EGC follows standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations."

b. Financial Statement Presentation – The financial statements report amounts separately by class of funds or net assets.

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.

Temporarily Restricted - Net assets include funds with donor-imposed restrictions which stipulate that the organization expend the assets as specified and are satisfied either by the passage of time or by actions of EGC. Resources of this nature originate from gifts, grants, bequests, contracts, and investment income from restricted assets.

Permanently Restricted - Net assets include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits EGC to expend part or all of the income derived from the donated assets.

c. Use of Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

d. Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with an initial maturity of three months or less. EGC maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. EGC has not experienced any losses in such accounts. EGC believes it is not exposed to any significant credit risk on cash and cash equivalents.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e. Accounts Receivable – Accounts receivable are carried at original invoice amount. EGC 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.

f. Investments – EGC has adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements*, ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. Under SFAS 157, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under SFAS 157, fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

All EGC investments include listed equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Board has interpreted Massachusetts General Law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Board and expended. Massachusetts General Law allows the Board to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the Center's long and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. In the absence of evidence to the contrary, Chapter 180A (the "Uniform Management of Institutional Funds") of the Commonwealth of Massachusetts General Law ("Chapter 180A") defines prudent as expending realized and unrealized gains up to 7% of such assets.

g. Property and Equipment - Property and equipment acquisitions are recorded at cost. Depreciation of property and equipment is provided over the estimated useful life of the respective assets on a straight-line basis over the following estimated useful lives:

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

Purchases of property and equipment in excess of $2,500 are capitalized.

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Amortization expense on assets acquired under capital leases is included with depreciation expense.

h. Impairment of Long-Lived Assets – The Center has given consideration to the Financial Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144) in its presentation of these financial statements. As of June 30, 2009, the Center has not recognized any reduction in the carrying value of its property when considering SFAS No. 144.

i. Financing Costs – Financing costs are capitalized and amortized over the life of the related mortgage note payable using the straight-line method.

j. Revenue Recognition – Program fees, rentals and grants are recognized when services are rendered or costs are incurred.

k. Rental Revenues – EGC rents a portion of its facilities to various church groups and individuals that occupy the facilities as tenants-at-will.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l. Contributions and Support – Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenues of the temporarily restricted net asset class when received. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met. Contributions received with donor-imposed restrictions that are met in the same year as received may be reported as revenues of the unrestricted net asset class.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset class, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by EGC if they had not been provided by the individuals with those skills. Contributions of goods to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods are received.

m. Advertising – EGC expenses advertising costs as incurred. Advertising costs were $1,735 for the year ended June 20, 3009. Advertising costs are included as a component of program expenses within the accompanying Statement of Activities.

n. Income Taxes – EGC 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. Donors may deduct contributions made to EGC within the Internal Revenue Code regulations.

o. Functional Allocation of Expenses – EGC 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.

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3. PLEDGES RECEIVABLE

At June 30, 2009, pledges receivable consist of the following:

Pledges due in less than one year	$ 100,000
Pledges due in one to five years	100,000
Gross pledges	200,000
Less: Unamortized discount	(4,800)
Less: Allowance for uncollectible pledges	-
Pledges receivable, net	$ 195,200

During the year ended June 30, 2006 a pledge of $500,000 payable over 5 years was made to EGC. 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. Grant income of $23,232 has been recognized from the amortization of the discount using the effective interest method for the year ended June 30, 2009.

4. INVESTMENTS RESTRICTED TO USE

EGC is the sole income beneficiary of the Leta and Stewart Gray Trust (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 irrevocable trust is to provide financial assistance to the EGC and its employees in carrying out its mission.

EGC's 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 EGC is dissolved, the principal and all earnings of the Trust shall be transferred to Vision New England, Inc.

Fair value measurement was determined using Level I inputs and as of June 30, 2009 Trust investments consist of the following:

	Market	Cost
Fixed income securities	$ 61,289	$ 55,711
Equity securities	63,806	62,238
Cash equivalents	12,883	12,883
Total	$137,978	$130,832

Unrealized losses attributable to the fiscal year ended June 30, 2009 were $22,183. Investment income from dividends, interest and capital gain distributions amounted to $5,684 for the year ended June 30, 2009.

(Continued)

5. PROPERTY AND EQUIPMENT

At June 30, 2009, property and equipment consists of the following:

Land	$ 6,300
Buildings and building improvements	1,661,807
Furniture and fixtures	30,065
Equipment	192,224
Subtotal property and equipment	1,890,396
Less: accumulated depreciation	817,397
Net property and equipment	$ 1,072,999

Depreciation expense for the year ended June 30, 2009 was $72,226.

6. MORTGAGE NOTE PAYABLE

At June 30, 2009 mortgage note payable consists of the following:

Mortgage note payable to a bank, payable in monthly installments of $3,056 through February 12, 2034, including interest at 6.25% (adjusted every three years) and secured by a first mortgage on the property located at 379 Shawmut Avenue, Boston, MA	$ 460,282
Less: current portion	8,131
Mortgage note payable – net of current portion	$ 452,151

Principal repayments of the mortgage note for the next five years are as follows:

Year Ending June 30,	
2010	$ 8,131
2011	8,655
2012	9,212
2013	9,804
2014	10,435
Thereafter	414,045
	$ 460,282

(Continued)

7. CAPITAL LEASE OBLIGATION

EGC leases office equipment under a capital lease agreement. Payments are due in monthly installments of $787 including interest at 22% through February, 2012.

Future minimum lease payments are as follows:

Year Ending June 30,	
2010	$ 5,843
2011	7,269
2012	5,808
	$ 18,920

EGC recorded depreciation expense on the office equipment for the year ended June 30, 2009 in the amount of $5,848.

8. LINE OF CREDIT AGREEMENT

EGC has an available $50,000 revolving line of credit agreement with a bank. Borrowings are due on demand and interest is payable monthly and determined at the time the draws on the line occur. As of June 30, 2009, there were no amounts outstanding under this facility. The line has no expiration date and is secured by the Trust investments.

9. DEFINED CONTRIBUTION RETIREMENT PLAN

EGC offers a 403(b) retirement plan to its eligible employees. Participants may make voluntary salary deferrals to the plan up to the maximum amount allowed by the Internal Revenue Code. EGC contributes a non-matching 4% to the employees' gross wages, giving the employee the option of an increase in wages or a retirement contribution. For the year ended June 30, 2009 the Center contributed $16,304 to the employee retirement plan.

10. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2009, temporarily restricted net assets consist of the following:

Fiscal Conduits	$ 298,333
BEC	47,887
NeXus	42,331
Vitality project	29,689
Haitian Ministries	12,956
Intercultural Ministries	8,606
Dinner Tithes	4,909
Gr. Bos. Ch. Planting Coll.	778
Hall Trips	191
CUME copies	100
	$ 445,780

(Continued)

11. PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2009, permanently restricted net assets consist of EGC's interest in the original principal of the Leta and Stewart Gray Trust (see Note 4).

12. RESTATEMENT OF NET ASSETS

During the year ended June 30, 2009, EGC determined the 2008 temporarily restricted net asset balance was overstated for amounts that should have been released for program-related costs. The effect of this adjustment increases beginning unrestricted net assets and decreases beginning temporarily restricted net assets by $134,990, respectively.

13. CONCENTRATIONS OF CREDIT RISK

EGC maintains cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. A portion of cash balances may exceed insured limits from time to time. EGC monitors the condition of the financial institutions in which it invests.

The investment portfolio has a fair market value at June 30, 2009 of $137,978, representing 8% of EGC's total asset base. The fair market value of these investments is not federal-insured and is subject to market fluctuation.

14. RECLASSIFACTION

Certain amounts in the 2008 comparative information have been reclassified to conform to the 2009 presentation.