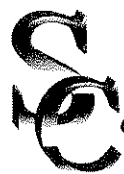


EMMANUEL GOSPEL CENTER, INC.

Financial Statements
June 30, 2011



SANDBERG & CREEDEN, P.C.

Certified Public Accountants

331 Page Street

Stoughton, MA 02072

EMMANUEL GOSPEL CENTER, INC.

FINANCIAL STATEMENTS
JUNE 30, 2011

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

Independent Auditors' Report

We have audited the accompanying statement of financial position of Emmanuel Gospel Center, Inc. as of June 30, 2011, and the related statements of activities, functional expenses 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.

We conducted our audit 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 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, 2011, and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011, on our consideration of Emmanuel Gospel Center, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
August 31, 2011

EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current Assets

Cash	\$ 109,660
Accounts receivable	7,906
Pledges receivable	156,419
Prepaid expenses	9,847
Total current assets	<u>283,832</u>

Fixed Assets

Land	6,300
Building and building improvement	1,661,807
Furniture and fixtures	30,065
Equipment	<u>175,438</u>
Subtotal	1,873,610
Less accumulated depreciation	<u>935,763</u>
Net property and equipment	937,847

Other Assets

Pledges receivable, net of current portion	40,000
Investments	162,023
Deferred financing costs, net	<u>8,128</u>
Total other assets	<u>210,151</u>

Total Assets \$ 1,431,830

LIABILITIES AND NET ASSETS

Current Liabilities

Current portion of mortgage payable	\$ 11,058
Current portion of capital lease obligation	6,676
Accounts payable	21,795
Accrued expenses	<u>68,227</u>
Total current liabilities	107,756

Long-Term Debt

Mortgage payable, net of current portion	<u>430,988</u>
Total long-term debt	430,988

Net Assets

Unrestricted	605,627
Temporarily restricted	216,457
Permanently restricted	<u>71,002</u>
Total net assets	<u>893,086</u>

Total Liabilities and Net Assets \$ 1,431,830

See accompanying notes and Independent Auditors' Report.



EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>				
Individual support	\$ 480,778	\$ 326,488	\$	\$ 807,266
Churches and organization support	44,014	224,812		268,826
Foundation grants	39,998	595,979		635,977
Released from restriction	1,341,394	(1,341,394)		
Program fees	136,784			136,784
Interest and dividends	4,133	2,066		6,199
Unrealized and realized on investments	<u>14,242</u>	<u>8,599</u>		<u>22,841</u>
Total revenue	2,061,343	(183,450)		1,877,893
<u>Expenses</u>				
Program services	1,481,558			1,481,558
General and administrative	306,170			306,170
Fundraising	<u>190,590</u>			<u>190,590</u>
<u>Total Expenses</u>	<u>1,978,318</u>			<u>1,978,318</u>
<u>Change in Net Assets</u>	83,025	(183,450)		(100,425)
<u>Net Assets - Beginning of Year</u>	<u>522,602</u>	<u>399,907</u>	<u>71,002</u>	<u>993,511</u>
<u>Net Assets - End of Year</u>	<u>\$ 605,627</u>	<u>\$ 216,457</u>	<u>\$ 71,002</u>	<u>\$ 893,086</u>

See accompanying notes and Independent Auditors' Report.



EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 819,900	\$ 192,647	\$ 134,962	\$ 1,147,509
Payroll taxes	57,388	13,741	9,699	80,828
Employee benefits	81,498	19,514	13,774	114,786
Total salaries and related expenses	958,786	225,902	158,435	1,343,123
Advertising	534	228	90	852
Bank and credit card fees		5,013		5,013
Consultants	132,957	8,081	2,009	143,047
Depreciation	46,079	11,033	7,788	64,900
Dues and membership	4,314	7,189		11,503
Equipment lease	9,404	2,251	1,590	13,245
Equipment rental	475	114	80	669
Filing fees		1,394		1,394
Grant Expenses	166,172			166,172
Insurance	8,249	1,975	1,394	11,618
Interest expenses	18,448	4,465	3,152	26,065
Investment fees		2,552		2,552
Miscellaneous	3,481	2,163		5,644
Office supplies	17,168	4,047	2,855	24,070
Payroll processing		3,690		3,690
Postage and delivery	5,466	1,333	941	7,740
Printing	3,269	783	552	4,604
Professional fees		9,590		9,590
Program supplies	2,957			2,957
Rental	6,129			6,129
Repairs and maintenance	8,163	1,954	1,380	11,497
Special event	37,669			37,669
Telephone	7,514	1,799	1,389	10,702
Travel	27,508	6,586	4,649	38,743
Utilities	16,816	4,028	2,842	23,686
Website expense			1,444	1,444
Total expenses	<u>\$ 1,481,558</u>	<u>\$ 306,170</u>	<u>\$ 190,590</u>	<u>\$ 1,978,318</u>

See accompanying notes and Independent Auditors' Report.



EMMANUEL GOSPEL CENTER, INC.

STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2011

Cash Flows From Operating Activities

Change in net assets	\$ (100,425)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	61,258
Unrealized (gain) on investments	(22,841)
(Increase) decrease in:	
Accounts receivable	10,838
Pledges receivable	(96,419)
Prepaid expenses	5,598
Increase (decrease) in:	
Accounts payable	(4,474)
Accrued expenses	<u>(19,496)</u>

Net Cash (Used) by Operating Activities

(165,961)

Cash Flows From Investing Activities

Disposal of property and equipment	3,784
Sale of investment	<u>22,066</u>

Net Cash Provided by Investing Activities

25,850

Cash Flows Provided by Financing Activities

Principal payments on mortgage note payable	(9,846)
Principal payments on capital lease obligation	<u>(7,279)</u>

Net Cash (Used) in Financing Activities

(17,125)

Decrease in Cash and Cash Equivalents

(157,236)

Cash and Cash Equivalents- Beginning of Year

266,896

Cash and Cash Equivalents - End of Year

\$ 109,660

Supplemental Information

Interest paid	<u>\$ 26,265</u>
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Non-cash transaction

Disposal of equipment	<u>\$ 3,784</u>
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See accompanying notes and Independent Auditors' Report.



EMMANUEL GOSPEL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1. Organization

Founded in 1938, the Emmanuel Gospel Center seeks to understand and help nurture the vitality of urban churches in the context of their broader communities. EGC uses applied research, visual diagrams and other tools to learn about and articulate the dynamics of the powerful living systems in which we operate, and to invite others into the process. As the quality of our understanding grows, we get to know and appreciate who else is involved, and initiate and strengthen work at key leverage points where our actions can truly be effective and not counterproductive. Our current areas of engagement include youth violence, homelessness, human trafficking, urban education and training, church planting, the Haitian and Cambodian communities of Greater Boston, ministry development, and multicultural leadership. By working with and through many churches and community partners, EGC is helping to build a community that supports and cares for all people in Greater Boston and its extended networks.

Note 2. Summary of Significant Accounting Policies

a. Standards of Accounting and Reporting

The Organization follows the 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

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

c. Fixed Assets

These assets are recorded at cost when purchased, or if donated at their estimated fair value at the date of donation. All acquisitions of equipment in excess of \$2,500 and all expenditures that materially prolong the useful lives of assets are capitalized.



EMMANUEL GOSPEL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- d. Depreciation
Provisions for depreciation are made in the accounts using the straight-line method. Office equipment is being depreciated over 3-15 years.
- e. Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- f. Cash and Cash Equivalents
For purposes of the statement of cash flows, Emmanuel Gospel Center, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- g. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- h. Promises To Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- i. Restricted and Unrestricted Revenue and Support
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
- j. Donated Materials and Services
Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Emmanuel Gospel Center, Inc.



EMMANUEL GOSPEL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

k. Investments

EGC follows FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. Under FASB ASC 820, 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, FASB ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop these assumptions. Under FASB ASC 820, 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.

Note 3. Tax Status

Emmanuel Gospel Center, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (a) and has been classified as an organization that is not a private foundation under Section 509(a) (1).

Unrelated business income, of which the Organization had none for the year ending June 30, 2011, would be subject to Federal and State taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.



EMMANUEL GOSPEL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(Continued)

Note 4. Lease Commitments

Emmanuel Gospel Center, Inc. leases office equipment under a capital lease agreement. Payments are due in February 2012.

Future minimum lease payments as of June 30, are as follows:

2012	\$ 6,686
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Note 5. Line of Credit

Emmanuel Gospel Center, Inc. has an available \$50,000 revolving line of credit agreement with a bank. Borrowings are due on demand and interest is payable monthly at the time draws on the line occur. As of June 30, 2010 there were no amounts outstanding.

Note 6. Pension Plan

The Organization offers a 401(k) plan available to all employees after one full year of employment. Through this Plan, each pay period eligible employees may make contributions from their salaries on a pre-tax basis, up to the maximum annual amount permitted by applicable law. The Organization provides matching contributions equal to four percent (4%) of the employees' salary. During 2011, Emmanuel Gospel Center contributed \$32,334.

Note 7. Concentration of Credit Risk

The Organization maintains its cash balance in two financial institutions. The balance is insured by Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2010, the Organization's uninsured cash balance totaled \$158,023.

Credit risk with respect to receivables is considered low as the entire balance was received prior to the report date.

Note 8. Investments

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.

Fair value measurement was determined using Level I inputs and, as of June 30, 2011, Trust investments consist of the following:

	<u>Market</u>	<u>Cost</u>
Cash equivalents	\$ 21,637	\$ 21,637
Fixed income securities	90,448	69,304
Equity securities	49,938	50,072
	<u>\$ 162,023</u>	<u>\$ 141,013</u>



EMMANUEL GOSPEL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(Continued)

Note 8. Investments (Continued)

Unrealized gains attributable to the year ended June 30, 2011 was \$22,841. Investment income from dividends, interest and capital gain distributions amounted to \$6,199 for the year ended June 30, 2011.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unconditional contributions which are restricted by the donor for operational reserve fund.

At June 30, 2011, temporarily restricted net assets consist of the following:

Program Restricted:	
Capacity campaign	\$ 199,000
Time Restricted FY2012	7,929
Temp Restricted Accumulated Earnings	<u>9,528</u>
	<u>\$ 216,457</u>

During the year ended June 30, 2011 Emmanuel Gospel Center, Inc. reevaluated the donor designation of temporarily restricted net assets. Following this analysis, a significant amount of temporarily restricted net assets as of June 30, 2011 was released as compared to prior years.

Note 10. Permanently Restricted Net Assets

At June 30, 2011, permanently restricted net assets consist of Emmanuel Gospel Center, Inc.'s interest in the original principal of the Leta and Stewart Gray Trust.

Emmanuel Gospel Center, Inc. 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 Emmanuel Gospel Center. The sole purpose of the Trust is to provide financial assistance to the Emmanuel Gospel Center and its employees in carrying out its mission.

The Board has interpreted Massachusetts General Law as requiring realized and unrealized gains on 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.



EMMANUEL GOSPEL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(Continued)

Note 10. Permanently Restricted Net Assets (Continued)

Emmanuel Gospel Center, Inc.'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 trusts assets. In the event that Emmanuel Gospel Center, Inc. is dissolved, the principal and all earnings of the Trust shall be transferred to Vision New England, Inc. At June 30, 2011, \$9,528 of accumulated earnings remains temporarily restricted.

Note 11. Mortgage Payable

Mortgage payable consists of a promissory note on Emmanuel Gospel Center, Inc.'s building with an original balance of \$500,000 dated March 12, 2004. The note is payable in monthly payments of \$2,811 including principal and interest through February 12, 2034, at which time the principal balance is due. The interest rate is currently set at a 3% adjustable rate and the outstanding balance at June 30, 2011 is \$442,046 with maturities summarized as follows:

2012	\$ 11,058
2013	11,656
2014	12,287
2015	12,951
2016	13,652
2017 and thereafter	380,442

Note 12. Pledges Receivable

Unconditional grants and promises to give at June 30, 2011 consist of the following:

2012	\$ 156,929
2013	25,000
2014	15,000
Total	<u>\$ 196,929</u>

Note 13. Subsequent Event

The Organization has evaluated events through September 6, 2011 the date the financial statements were available to be issued.

