



Emmanuel Gospel Center, Inc.

Financial Statements

June 30, 2019



*Strengthening Christian Leaders
to Serve Urban Communities*

Kevin P. Martin & Associates, P.C.

EMMANUEL GOSPEL CENTER, INC.

Index

June 30, 2019

Independent Auditors' Report

Financial Statements

Statement of Financial Position as of June 30, 2019 with Comparative Totals as of June 30, 2018	1
Statement of Activities for the Year Ended June 30, 2019 with Comparative Totals for the Year Ended June 30, 2018	2
Statement of Functional Expenses for the Year Ended June 30, 2019 with Comparative Totals for the Year Ended June 30, 2018	3
Statement of Cash Flows for the Year Ended June 30, 2019 with Comparative Totals for the Year Ended June 30, 2018	4
Notes to Financial Statements	5-21



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, 2019, 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.

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, 2019, 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 to the financial statements, EGC has adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited EGC's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2018. 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Numin P. Martini & Associates, P.C." The signature is written in a cursive, flowing style.

Braintree, MA
November 19, 2019

EMMANUEL GOSPEL CENTER, INC.

Statement of Financial Position

As of June 30, 2019

With Comparative Totals as of June 30, 2018

Current Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,899,508	\$ 162,738
Promises to give, current	221,305	30,000
Other receivables	-	503
Investments, current	2,171,583	49,127
Prepaid expenses	<u>14,405</u>	<u>18,596</u>
 Total current assets	 <u>4,306,801</u>	 <u>260,964</u>
 Fixed Assets		
Land	-	4,600
Buildings and building improvements	-	1,470,057
Furniture and fixtures	48,018	46,639
Construction in progress	<u>12,703</u>	<u>-</u>
Total fixed assets	60,721	1,521,296
Less: accumulated depreciation	<u>(41,638)</u>	<u>(964,072)</u>
 Total net fixed assets	 <u>19,083</u>	 <u>557,224</u>
 Other Assets		
Promises to give, net of current	190,000	-
Investments, net of current	<u>71,002</u>	<u>71,002</u>
 Total other assets	 <u>261,002</u>	 <u>71,002</u>
 Total Assets	 <u>\$ 4,586,886</u>	 <u>\$ 889,190</u>
 Current Liabilities		
Accounts payable	\$ 15,297	\$ 24,364
Accrued expenses	<u>109,215</u>	<u>82,535</u>
 Total current liabilities	 <u>124,512</u>	 <u>106,899</u>
 Total liabilities	 <u>124,512</u>	 <u>106,899</u>
 Net Assets		
Net assets without donor restrictions	3,980,067	679,395
Net assets with donor restrictions	<u>482,307</u>	<u>102,896</u>
 Total net assets	 <u>4,462,374</u>	 <u>782,291</u>
 Total Liabilities and Net Assets	 <u>\$ 4,586,886</u>	 <u>\$ 889,190</u>

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

EMMANUEL GOSPEL CENTER, INC.

Statement of Activities

For the Year Ended June 30, 2019
With Comparative Totals for the Year Ended June 30, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
Operating Revenue and Support				
Contributions and grants				
Individual support	\$ 710,619	\$ 261,400	\$ 972,019	\$ 1,065,605
Foundation grants	180,064	539,429	719,493	185,937
Churches and organization support	265,596	48,650	314,246	330,614
In-kind support	118,353	-	118,353	-
Program service fees	17,067	-	17,067	30,888
Rental	11,020	-	11,020	51,410
Released from restrictions	472,466	(472,466)	-	-
Total operating revenue and support	1,775,185	377,013	2,152,198	1,664,454
Operating Expenses				
Program services	1,301,586	-	1,301,586	1,287,188
General and administrative	543,775	-	543,775	452,637
Fundraising	173,434	-	173,434	189,021
Total operating expenses	2,018,795	-	2,018,795	1,928,846
Change in Net Assets From Operations	(243,610)	377,013	133,403	(264,392)
Non-operating Revenue				
Investment return, net of fees	110,392	2,398	112,790	(967)
Gains on sale of assets	3,433,890	-	3,433,890	560,962
Total non-operating revenue	3,544,282	2,398	3,546,680	559,995
Change in Net Assets	3,300,672	379,411	3,680,083	295,603
Net Assets at Beginning of Year	679,395	102,896	782,291	486,688
Net Assets at End of Year	\$ 3,980,067	\$ 482,307	\$ 4,462,374	\$ 782,291

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, 2019

With Comparative Totals for the Year Ended June 30, 2018

	2019						2018	
	Church System	Issue Based	Ministry Development	Total Program Services	General and Administrative	Fundraising	Total	
Salaries	\$ 126,272	\$ 241,262	\$ 355,518	\$ 723,052	\$ 279,250	\$ 104,848	\$ 1,107,150	\$ 1,093,033
Fringe benefits	71,182	28,105	87,568	186,855	37,236	16,565	240,656	232,044
Payroll taxes	5,654	17,984	26,265	49,903	20,707	7,893	78,503	78,902
Subtotal	<u>203,108</u>	<u>287,351</u>	<u>469,351</u>	<u>959,810</u>	<u>337,193</u>	<u>129,306</u>	<u>1,426,309</u>	<u>1,403,979</u>
Consultants	37,571	18,010	68,651	124,232	21,788	1,625	147,645	158,582
In-kind expense	15,522	31,313	35,868	82,703	25,768	9,882	118,353	-
Ministry grants	5,334	945	37,264	43,543	55	-	43,598	21,854
Special community events	3,108	7,819	5,484	16,411	1,714	21,767	39,892	36,903
Repairs and maintenance	-	-	6	6	41,466	-	41,472	18,161
Outreach and office supplies	3,509	3,683	10,427	17,619	44,949	8,764	71,332	70,408
Travel	8,367	1,359	17,725	27,451	14	191	27,656	37,064
Utilities	-	-	-	-	25,478	-	25,478	27,192
Rental	1,792	1,942	476	4,210	20,692	-	24,902	18,268
Depreciation	2,451	2,977	5,603	11,031	5,078	1,401	17,510	59,817
Insurance	-	-	-	-	14,109	-	14,109	21,474
Dues and subscriptions	2,785	519	6,550	9,854	663	76	10,593	4,297
Hospitality	1,437	1,126	2,153	4,716	4,808	422	9,946	9,934
Missionary	-	-	-	-	-	-	-	32,007
Interest	-	-	-	-	-	-	-	8,906
Total	<u>\$ 284,984</u>	<u>\$ 357,044</u>	<u>\$ 659,558</u>	<u>\$ 1,301,586</u>	<u>\$ 543,775</u>	<u>\$ 173,434</u>	<u>\$ 2,018,795</u>	<u>\$ 1,928,846</u>

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, 2019
With Comparative Totals for the Year Ended June 30, 2018

Cash Flows from Operating Activities	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 3,680,083	\$ 295,603
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	17,510	59,817
Amortization of deferred financing costs, included in interest	-	393
Realized loss on investments	1,279	663
Unrealized (gains) losses on investments	(71,380)	1,519
Interest and dividends reinvested, net of fees	(7,245)	(952)
Gains on sale of assets	(3,433,890)	(560,962)
Decrease (increase) in assets:		
Promises to give	(381,305)	42,500
Other receivables	503	(293)
Prepaid expenses	4,191	(1,546)
Increase (decrease) in liabilities:		
Accounts payable	(9,067)	(1,858)
Accrued expenses	26,680	(1,686)
Net Cash Used in Operating Activities	<u>(172,641)</u>	<u>(166,802)</u>
Cash Flows from Investing Activities		
Proceeds from sale of fixed assets	3,973,773	213,683
Purchase of fixed assets	(19,252)	(2,997)
Sale of investments	1,133,462	86,302
Purchase of investments	(3,178,572)	(89,621)
Net Cash Provided by Investing Activities	<u>1,909,411</u>	<u>207,367</u>
Cash Flows from Financing Activities		
Principal payments on mortgage payable	-	(8,452)
Net Cash Used in Financing Activities	<u>-</u>	<u>(8,452)</u>
Net Increase in Cash and Cash Equivalents	1,736,770	32,113
Cash and Cash Equivalents - Beginning	<u>162,738</u>	<u>130,625</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,899,508</u>	<u>\$ 162,738</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 8,513</u>

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

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(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:
 - Greater Boston Church Planting Collaborative
 - Haitian Ministries International
 - Intercultural Ministries
- Issue Areas: Programs that work in a particular issue area
 - Boston Education Collaborative (urban education)
 - Greater Boston Refugee Ministry (refugee engagement & resettlement)
 - Race and Christian Community Initiative (racism)
 - Route One (human trafficking)
 - Starlight Ministries (homelessness)
- 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

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to EGC's ongoing efforts. Investment income, realized and unrealized gains and losses on investments, net of related management fees are reported as non-operating revenue because such assets are managed for long-term stabilization of EGC's activities. Non-operating revenue also includes gains on sale of assets as it was derived from activities not related to EGC's core operations.

(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 two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) 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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions also includes the original amounts of gifts and investments 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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(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 secured by the Federal Deposit Insurance Corporation (FDIC). In addition, cash balances at brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) up to \$250,000.

Cash and cash equivalent balances maintained with Charles Schwab amounted to \$1,682,074 as of June 30, 2019. EGC did not maintain cash balances in excess of FDIC or SIPC limits in any other financial institution as of June 30, 2019.

(e) Investments

EGC records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses. 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 net assets without donor restrictions or net assets with donor restrictions 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.

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(f) Revenue Recognition - continued

Substantially all of EGC's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2019, EGC derived approximately 60% of total revenue from sale of land and building (see Note 11), 35% 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, 2019, management has determined any allowance would be immaterial.

(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

Fixed assets 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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(i) Construction in Progress

Construction in progress is related to leasehold improvements associated with EGC's new office space lease agreement (see Note 6(b)). Construction costs to date, which have been capitalized as construction in progress, are \$12,703 as of June 30, 2019. EGC expects the additional costs to complete the project will be approximately \$387,000.

(j) Contributed Services and Gifts in Kind

Donated rent is 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.

(k) 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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements - continued

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ <u>2,242,585</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,242,585</u>
	\$ <u>2,242,585</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,242,585</u>

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.

Nonrecurring Measurements

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

(l) Fundraising

Fundraising relates to the activities of raising general and specific contributions to EGC. Fundraising expenses as a percentage of total contribution was 8% for the year ended June 30, 2019. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(m) 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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(n) 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.

(o) 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) of the IRC.

(p) Summarized Financial Information for 2018

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, 2018, from which the summarized information was derived.

(q) Recent Accounting Standard Adopted

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. As a result, the investment expenses are netted against investment return on the statements of activities. In addition, EGC changed its presentation of its net asset classes and expanded the footnote disclosures as required by the ASU, with no effect on previously reported change in net assets. Other than these reclassifications, the adoption of ASU 2016-14 did not have a material impact on EGC's financial position, results of activities or cash flows.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(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

Promises to give totaled \$411,305 as of June 30, 2019 and are expected to be received within three years as follows:

Fiscal year 2020	\$221,305
Fiscal year 2021	155,000
Fiscal year 2022	35,000

There is no discount applied to long-term promises to give as of June 30, 2019, as the effect to the financial statements would be immaterial.

(3) Investments

Investments are held at a SIPC member brokerage firm. SIPC protects against the loss of cash and securities with limit of \$500,000 for securities, which includes a \$250,000 limit for cash. SIPC does not protect against the decline in value of these securities. As of June 30, 2019, all investments related to the endowment (see Note 8) are classified as long-term and all other investments are without donor restrictions 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, 2019:

	<u>Fair Value</u>
Debt securities:	
Domestic	\$ 1,060,438
International	78,180
Equity securities:	
Domestic	827,234
Exchange traded funds:	
Equities	192,543
Bond	<u>84,190</u>
Total	\$ <u>2,242,585</u>

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(3) Investments - continued

Investment return consisted of the following for the year ended June 30, 2019:

Interest and dividends	\$ 56,450
Fees	(3,761)
Realized loss	(1,279)
Unrealized gain	<u>71,380</u>
Total investments return, net of fees	\$ <u>112,790</u>

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) In-kind Support

In-kind support for the year ended June 30, 2019 was as follows:

Rent	\$ 109,000
Consulting services	<u>9,353</u>
Total in-kind support	\$ <u>118,353</u>

(5) Operating Lease Commitments

(a) Operating Lease Income

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. All rental income for the year ended June 30, 2019 was derived from ministry partners.

(b) Operating Lease Commitment

During the year ended June 30, 2019, EGC entered into a new operating lease agreement for office space in Dorchester, Massachusetts effective November 1, 2018 through October 31, 2028 for \$2,000 a month, increasing to \$2,500 a month on November 1, 2023. In accordance with the lease agreement, EGC is to spend \$400,000 in facility improvements by December 31, 2019 (see Note 6(b)).

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(5) Operating Lease Commitments - continued

(b) Operating Lease Commitment - continued

The minimum annual operating non-cancelable lease commitments on the new office space for EGC are as follows:

Fiscal Year Ending:	
2020	\$ 24,000
2021	24,000
2022	24,000
2023	24,000
2024	28,000

Total rent expense for the year ended June 30, 2019 amounted to \$18,653.

(6) Commitments and Contingencies

(a) Gain Contingency

During the year ended June 30, 2019, EGC sold their land and building to a third party (Successor) who intends to develop forty residential units on the premises (see Note 11). In the event the Successor secures all required permits and zoning approval from applicable governmental authorities to develop more than forty residential units at the premises and closes on construction financing, if needed, EGC is entitled to an additional payment of \$50,000 per unit that the Successor is permitted to develop in excess of forty units but not to exceed seventy units. EGC shall receive the payment at the time of such construction financing closing. The foregoing provision expires on October 1, 2023.

(b) Leasehold Improvements

In connection with the new operating lease for office space (see Note 5(b)) in Dorchester, MA entered into during the year ended June 30, 2019, EGC agreed to spend \$400,000 in facility improvements. Per the lease agreement, these improvements are expected to improve the conditions of the leased space such as HVAC improvements, a handicap lift installation, bathroom renovations, etc. Funds for these improvements are expected to be spent by EGC by December 31, 2019. As of June 30, 2019, approximately \$12,703 of expenses related to these improvements had been incurred and are included with construction in progress on the accompanying statement of financial position (see Note 1(i)).

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2019, net assets with donor restrictions are restricted for the following purposes or periods:

Promises to give (timing)	\$ 411,305
Leta and Stewart Gray Trust	<u>71,002</u>
Total	\$ <u>482,307</u>

(a) Leta and Stewart Gray Trust

EGC's interest in the original principal of the Leta and Stewart Gray Trust (the "Trust") is donor restricted. 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 donor restricted assets are permanently held in investments consisting of marketable securities and have been classified as long-term investments on the accompanying statement of financial position. Consistent with donor restrictions, return on these investments follow the treatment of investment income. Accordingly, any excess investment returns over corpus are reported in the statement of activities as increases and releases in net assets with donor restrictions.

Investment return on the Trust's principal totaled \$2,398 for the year ended June 30, 2019 and has been released as of June 30, 2019.

(8) Leta and Stewart Gray Trust 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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(8) Endowment - continued

(a) Uniform Prudent Management of Institutional Funds Act

EGC's management and investment of funds with donor restrictions 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.

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 net assets with donor restrictions (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 the permanent portion of net assets with donor restrictions is classified in the temporary portion of net assets with donor restrictions until those amounts are appropriated for expenditure by EGC in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Appropriation of 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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(8) 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 45%) of the funds in equity investments (to produce long-term appreciation) and a portion (currently 55%) 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 net assets without donor restrictions. 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 net assets without donor restrictions. There were no such deficiencies as of June 30, 2019.

(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.

(9) 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 \$42,390 for the year ended June 30, 2019.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(9) 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.

(10) Liquidity and Availability of Resources

The following reflects EGC’s financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date:

Financial assets at year end:		
Cash and cash equivalents	\$	1,899,508
Investments		2,242,585
Promises to give		411,305
Total		<u>4,553,398</u>
Less amounts unavailable for general expenditures		
Within one year, due to:		
Restricted due to timing		411,305
Restricted by donors in perpetuity		71,002
Total		<u>482,307</u>
Financial assets available to meet cash needs for		
general expenditures within one year	\$	<u>4,071,091</u>

EGC is supported by certain restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, EGC must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the EGC’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, EGC invests cash in excess of daily requirements in short-term investments.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2019

(11) Gain on Sale of Assets

During the year ended June 30, 2019, EGC entered into a purchase and sale agreement with a third party and sold its land and building for a purchase price of \$4,000,000. The sale was closed on October 1, 2018 and resulted in a gain of \$3,433,890, which has been included in gains on sale of assets on the accompanying statement of activities.

(12) Subsequent Events

EGC has performed an evaluation of subsequent events through November 19, 2019, which is the date EGC's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in these financial statements.