



# Emmanuel Gospel Center, Inc.

Financial Statements

June 30, 2020



*Strengthening Christian Leaders  
to Serve Urban Communities*

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Kevin P. Martin & Associates, P.C.

**EMMANUEL GOSPEL CENTER, INC.**

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June 30, 2020

**Independent Auditors' Report**

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## **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, 2020, and the related statements of activities, functional expenses and cash flows 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, 2020, 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, the EGC has adopted ASU No. 2018-08 Not-for-Profit Entities (Topic 958), *Clarified Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to these matters.

### **Report on Summarized Comparative Information**

We have previously audited EGC's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2019. 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kevin P. Martini & Company, P.C.*

Braintree, Massachusetts  
October 16, 2020

**EMMANUEL GOSPEL CENTER, INC.**

Statement of Financial Position

As of June 30, 2020

With Comparative Totals as of June 30, 2019

<b>Current Assets</b>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 479,456	\$ 1,899,508
Promises to give, current	231,006	221,305
Investments, current	-	2,171,583
Prepaid expenses	<u>9,897</u>	<u>14,405</u>
Total current assets	<u>720,359</u>	<u>4,306,801</u>
<b>Fixed Assets</b>		
Leasehold improvements	285,893	-
Furniture and fixtures	86,021	48,018
Construction in progress	-	12,703
Total fixed assets	<u>371,914</u>	<u>60,721</u>
Less: accumulated depreciation	<u>(30,009)</u>	<u>(41,638)</u>
Total net fixed assets	<u>341,905</u>	<u>19,083</u>
<b>Other Assets</b>		
Promises to give, net of current	35,000	190,000
Cash and cash equivalents, restricted	42,053	-
Investments, net of current	<u>3,285,447</u>	<u>71,002</u>
Total other assets	<u>3,362,500</u>	<u>261,002</u>
<b>Total Assets</b>	<u><u>\$ 4,424,764</u></u>	<u><u>\$ 4,586,886</u></u>
<b>Current Liabilities</b>		
Accounts payable	\$ 24,075	\$ 15,297
Accrued expenses	138,611	109,215
Paycheck Protection Program loan	<u>247,500</u>	<u>-</u>
Total current liabilities	<u>410,186</u>	<u>124,512</u>
Total liabilities	<u>410,186</u>	<u>124,512</u>
<b>Net Assets</b>		
Net assets without donor restrictions	3,674,819	3,980,067
Net assets with donor restrictions	<u>339,759</u>	<u>482,307</u>
Total net assets	<u>4,014,578</u>	<u>4,462,374</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,424,764</u></u>	<u><u>\$ 4,586,886</u></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, 2020  
With Comparative Totals for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>Operating Revenue and Support</b>				
Contributions and grants				
Individual support	\$ 478,587	\$ 190,268	\$ 668,855	\$ 972,019
Foundation grants	65,326	203,837	269,163	719,493
Churches and organization support	137,238	106,570	243,808	314,246
In-kind support	36,698	-	36,698	118,353
Program service fees	16,948	-	16,948	17,067
Rental	270	-	270	11,020
Released from restrictions	645,730	(645,730)	-	-
Total operating revenue and support	1,380,797	(145,055)	1,235,742	2,152,198
<b>Operating Expenses</b>				
Program services	1,121,833	-	1,121,833	1,301,586
General and administrative	540,505	-	540,505	543,775
Fundraising	135,173	-	135,173	173,434
Total operating expenses	1,797,511	-	1,797,511	2,018,795
<b>Change in Net Assets From Operations</b>	(416,714)	(145,055)	(561,769)	133,403
<b>Non-operating Revenue</b>				
Investment return, net of fees	114,421	2,507	116,928	112,790
(Loss) gain on sale of assets	(2,955)	-	(2,955)	3,433,890
Total non-operating revenue	111,466	2,507	113,973	3,546,680
<b>Change in Net Assets</b>	(305,248)	(142,548)	(447,796)	3,680,083
<b>Net Assets at Beginning of Year</b>	3,980,067	482,307	4,462,374	782,291
<b>Net Assets at End of Year</b>	\$ 3,674,819	\$ 339,759	\$ 4,014,578	\$ 4,462,374

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, 2020

With Comparative Totals for the Year Ended June 30, 2019

	2020					2019	
	Issue Based	Ministry Development	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 312,011	\$ 357,399	\$ 669,410	\$ 311,098	\$ 96,204	\$ 1,076,712	\$ 1,107,150
Fringe benefits	98,635	75,166	173,801	35,968	11,263	221,032	240,656
Payroll taxes	22,950	27,100	50,050	20,589	7,431	78,070	78,503
Subtotal	<u>433,596</u>	<u>459,665</u>	<u>893,261</u>	<u>367,655</u>	<u>114,898</u>	<u>1,375,814</u>	<u>1,426,309</u>
Consultants	29,332	66,029	95,361	34,400	3,746	133,507	147,645
Outreach and office supplies	6,482	7,682	14,164	55,638	6,263	76,065	71,332
Rental	9,366	10,869	20,235	18,293	2,570	41,098	24,902
In-kind expense	10,466	12,287	22,753	11,376	2,569	36,698	118,353
Depreciation	8,016	9,204	17,220	10,391	2,078	29,689	17,510
Utilities	5,703	6,695	12,398	6,221	1,494	20,113	25,478
Ministry grants	6,171	13,443	19,614	281	-	19,895	43,598
Insurance	-	-	-	15,816	-	15,816	14,109
Travel	5,990	5,407	11,397	2,025	48	13,470	27,656
Special community events	3,460	6,550	10,010	2,101	1,244	13,355	39,892
Repairs and maintenance	88	-	88	10,093	-	10,181	41,472
Hospitality	1,399	1,080	2,479	4,238	187	6,904	9,946
Dues and subscriptions	275	2,578	2,853	1,977	76	4,906	10,593
<b>Total</b>	<u>\$ 520,344</u>	<u>\$ 601,489</u>	<u>\$ 1,121,833</u>	<u>\$ 540,505</u>	<u>\$ 135,173</u>	<u>\$ 1,797,511</u>	<u>\$ 2,018,795</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, 2020  
With Comparative Totals for the Year Ended June 30, 2019

<b>Cash Flows from Operating Activities</b>	<u>2020</u>	<u>2019</u>
<b>Change in Net Assets</b>	\$ (447,796)	\$ 3,680,083
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	29,689	17,510
Realized loss on investments	21,730	1,279
Unrealized (gains) losses on investments	(93,166)	(71,380)
Interest and dividends reinvested, net of fees	(2,518)	(7,245)
(Loss) gain on sale of assets	2,955	(3,433,890)
Decrease (increase) in assets:		
Promises to give	145,299	(381,305)
Other receivables	-	503
Prepaid expenses	4,508	4,191
Increase (decrease) in liabilities:		
Accounts payable	8,778	(9,067)
Accrued expenses	29,396	26,680
<b>Net Cash Used in Operating Activities</b>	<u>(301,125)</u>	<u>(172,641)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of fixed assets	-	3,973,773
Purchase of fixed assets	(355,466)	(19,252)
Sale of investments	815,257	1,133,462
Purchase of investments	(1,784,165)	(3,178,572)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<u>(1,324,374)</u>	<u>1,909,411</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program loan	247,500	-
<b>Net Cash Provided by Financing Activities</b>	<u>247,500</u>	<u>-</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents, Unrestricted and Restricted</b>	(1,377,999)	1,736,770
<b>Cash and Cash Equivalents, Unrestricted and Restricted - Beginning</b>	<u>1,899,508</u>	<u>162,738</u>
<b>Cash and Cash Equivalents, Unrestricted and Restricted - Ending</b>	<u>\$ 521,509</u>	<u>\$ 1,899,508</u>
Cash and cash equivalents	\$ 479,456	\$ 1,899,508
Cash and cash equivalents, restricted	42,053	-
<b>Total Cash and Cash Equivalents, Unrestricted and Restricted</b>	<u>\$ 521,509</u>	<u>\$ 1,899,508</u>

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



# EMMANUEL GOSPEL CENTER, INC.

## Notes to Financial Statements

June 30, 2020

### **(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](http://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. We 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 we identified. When we discovered many of the Latino pastors were driving to New York City for materials, we 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 our South End neighbors.

# EMMANUEL GOSPEL CENTER, INC.

## Notes to Financial Statements

June 30, 2020

### **(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 we learned, the more we 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 almost 40 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 homelessness, urban education, racial equity and intercultural relationships), build fruitful relationships and take responsible action within their community. We strengthen 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, 2020

### (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.
- Equip: teaching, training and investing in leaders (anyone, whether they have a title or not, who is committed to making a change and leading others in this change) 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 two broad groups:

- Issue Areas: Programs that work in a particular issue area
  - Boston Education Collaborative (urban education)
  - Intercultural Ministries (intercultural partnerships)
  - Race and Christian Community Initiative (racial equity)
  - Starlight Ministries (homelessness)
- Ministry Development: Programs that develop or strengthen other ministries.
  - Applied Research and Consulting
  - Boston Black Church Vitality Project
  - Greater Boston Church Planting Collaborative
  - Teaching and Training
  - Living System Ministry Development
  - Fiscal Sponsor Programs and Other Ministry Development

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(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, 2020

### (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 and Citizens Bank amounted to \$210,983 and \$307,046, respectively, as of June 30, 2020.

#### (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 - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, EGC must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that EGC should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies - continued**

***(f) Revenue Recognition - continued***

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

Grants - EGC receives funding from various grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met.

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

Substantially all of EGC's operating revenue is derived from its activities in Massachusetts. During the year ended June 30, 2020, EGC derived approximately 96% from contributions and grants and 4% 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, 2020, management has determined any allowance would be immaterial.

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies - continued**

***(h) Fixed Assets***

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

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

Furniture and fixtures	3-10 years
Leasehold improvements	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.

***(i) 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.

***(j) Designation of Net Assets Without Donor Restrictions***

It is the policy of the Board of Directors of EGC to review its plans from time to time and to designate appropriate sums of net assets without donor restrictions to assure for a stable source of liquidity and financial support for the mission of EGC and organization requirements (see Note 8).

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(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.

**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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ <u>3,285,447</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,285,447</u>
	\$ <u><u>3,285,447</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>3,285,447</u></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.



**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies - continued**

***(k) Fair Value Measurements - continued***

**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 11% for the year ended June 30, 2020. 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.

***(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.

# EMMANUEL GOSPEL CENTER, INC.

## Notes to Financial Statements

June 30, 2020

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(p) Summarized Financial Information for 2019***

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, 2019, from which the summarized information was derived.

#### ***(q) Recent Accounting Standard Adopted***

On July 1, 2019, EGC adopted ASU 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the guidance in GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. EGC adopted the ASU using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the 2019 financial statements are not restated and there was no cumulative effect adjustment to opening net assets as of July 1, 2019.

#### ***(r) Recent Accounting Standards***

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. These ASUs are described below.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies - continued**

*(r) Recent Accounting Standards - continued*

The new standard requires to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. EGC is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the EGC's adoption of ASU 2016-02.

**(2) Promises to Give**

Promises to give totaled \$266,006 as of June 30, 2020 and are expected to be received within two years as follows:

2021	\$231,006
2022	35,000

There is no discount applied to long-term promises to give as of June 30, 2020, as the effect to the financial statements would be immaterial.

**(3) Investments**

The Board of Directors designated funds to be set aside for a stable source of liquidity and financial support for the mission of EGC and organization requirements. As of June 30, 2020, all investments are classified as long-term, as either the Leta and Stewart Gray Trust or Board of Directors designated assets.

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, 2020, all investments related to the endowment (see Note 9) are classified as long-term.

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(3) Investments - continued**

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, 2020:

	<u>Fair Value</u>
Debt securities:	
Domestic	\$ 1,024,366
Equity securities:	
Domestic	1,663,557
International	45,605
Exchange traded funds:	
Equities	465,421
Bond	<u>86,498</u>
Total	\$ <u>3,285,447</u>

Investment return consisted of the following for the year ended June 30, 2020:

Interest and dividends	\$ 70,429
Fees	( 24,937)
Realized loss	( 21,730)
Unrealized gain	<u>93,166</u>
Total investments return, net of fees	\$ <u>116,928</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) Paycheck Protection Program Loan**

During FY20, the Small Business Administration (SBA) established the Paycheck Protection Program (PPP) under the CARES Act to provide relief to Organizations during the COVID-19 Pandemic. The PPP Loans were designed to provide direct incentive for small businesses to keep their workers on payroll. The SBA will forgive PPP Loans so long as all employee retention criteria are met and the funds are used for eligible expenses. Management intends to complete the necessary application for forgiveness during FY21. EGC received \$247,500 from Citizens Bank, which remains outstanding at year end. Interest will accrue at 1%, beginning October 2020. The loan matures April 25, 2022.

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(5) In-kind Support**

In-kind support for the year ended June 30, 2020 was as follows:

Rent	\$ <u>36,398</u>
Total in-kind support	\$ <u>36,398</u>

**(6) Operating Lease Commitment**

EGC entered into an 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 7(b)).

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

Fiscal Year Ending:	
2021	\$ 24,000
2022	24,000
2023	24,000
2024	28,000
2025	30,000

Total rent expense for the year ended June 30, 2020 amounted to \$32,478.

**(7) 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. 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.

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(7) Commitments and Contingencies - continued**

***(b) Leasehold Improvements***

In connection with the operating lease for office space (see Note 6) 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. As of June 30, 2020, approximately \$285,893 of costs related to these improvements had been incurred and are included with leasehold improvements on the accompanying statement of financial position.

**(8) Net Assets**

***(a) 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, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

Promises to give (timing)	\$251,250
Promises to give (purpose)	14,756
Other purpose restrictions	2,751
Leta and Stewart Gray Trust	<u>71,002</u>
Total	\$ <u>339,759</u>

***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.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2020

**(8) Net Assets - continued**

*(a) Net Assets With Donor Restrictions - continued*

*Leta and Stewart Gray Trust - continued*

Investment return on the Trust's principal totaled \$2,507 for the year ended June 30, 2020 and has been released as of June 30, 2020.

*(b) Net Assets Without Donor Restrictions*

EGC's net assets without donor restrictions is comprised of undesignated and Board designated amounts. The board designated amounts are for a quasi-endowment for the purpose of a stable source of liquidity and financial support for the mission of EGC and organization requirements.

Undesignated	\$	347,319
Board designated for quasi-endowment (the Fund)		<u>3,327,500</u>
Total	\$	<u>3,674,819</u>

**(9) Endowment (the Trust) and Quasi-Endowment (the Fund)**

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.

The Board has designated the proceeds from the sale of property and other funds as a quasi-endowment. The Fund's purpose is to provide for a stable source of liquidity and financial support for the mission of EGC and organization requirements. EGC's Finance Committee (a sub-committee of 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, 2020

**(9) Endowments Endowment (the Trust) and Quasi-Endowment (the Fund) - 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) 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). Guidelines have been set forth in the policy for prudent investment options.



**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(9) Endowments Endowment (the Trust) and Quasi-Endowment (the Fund) - continued**

***(c) Strategies Employed for Achieving Investment Objectives - continued***

EGC targets a diversified asset allocation by investing a prudently determinable portion (currently 45% for the Trust and 65% for the Fund) of the funds in equity investments (to produce long-term appreciation) and a portion (currently 55% for the Trust and 33% for the Fund) to fixed income investments (to produce a consistent level of income and reduce overall volatility).

***(d) Return Objectives and Risk Parameters***

EGC has adopted investment and spending policies for endowment 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's Finance Committee. The Trust assets include those assets of donor-restricted funds that EGC must hold in perpetuity. The Fund assets are those assets restricted by the board and subject to the Investment Policy. Under this policy, 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.

***(e) Spending Policy and Investment Objectives***

The Trust - EGC records 100% of the annual investment return as net assets with donor restrictions and is included in the endowment fund. EGC has a policy of appropriating for distribution from the net assets with donor restrictions, in the endowment fund, an amount not to exceed 7% of a rolling three-years average of funds fair market value.

The Fund - EGC records 100% of the annual investment return as net assets without donor restrictions in non-operating and is included in the endowment fund. The Finance Committee has the authority to approve appropriations from the Fund of up to 4% each fiscal year. The amount available shall be calculated by applying the policy spending rate to the average of the previous three fiscal years' beginning-period fund values. Any special appropriation beyond the 4% distribution rate must be approved in advance by the Board.

In establishing this policy, EGC considered the long-term expected return on its endowment. Accordingly, over the long term, EGC expects the current spending policy to allow its endowment to grow. This is consistent with EGC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term by the Board.

**EMMANUEL GOSPEL CENTER, INC.**

Notes to Financial Statements

June 30, 2020

**(9) Endowments Endowment (the Trust) and Quasi-Endowment (the Fund) - continued**

***(f) 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, 2020.

***(g) Composition and Reconciliation of Endowment Funds***

The Trust is solely comprised of donor-restricted contributions (See Note 8(a)) and the Fund is solely comprised of board-designated quasi-endowment funds (see Note 8(b)). A reconciliation of EGC's endowment by net asset class is presented on the statement of activities.

**(10) 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 \$41,916 for the year ended June 30, 2020.

EMMANUEL GOSPEL CENTER, INC.

Notes to Financial Statements

June 30, 2020

**(10) 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.

**(11) Liquidity and Availability of Resources**

The following reflects EGC’s financial assets as of June 30, 2020, 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	\$	479,456
Promises to give		<u>231,006</u>
Total		<u>710,462</u>
Less amounts unavailable for general expenditures		
Within one year, due to:		
Restricted due to timing		<u>231,006</u>
Total		<u>231,006</u>
Financial assets available to meet cash needs for		
general expenditures within one year	\$	<u>479,456</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 may invest cash in excess of daily requirements in short-term investments.

## **EMMANUEL GOSPEL CENTER, INC.**

### Notes to Financial Statements

June 30, 2020

#### **(12) COVID-19 Risks and Uncertainties**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to EGC's financial position, results of operations, and cash flows. As described in Note 4, EGC received a PPP loan. Further, EGC's liquidity as of June 30, 2020 is documented at Note 11. EGC is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on EGC's operations continue for an extended period of time EGC may have to seek alternative measures to finance its operations. EGC does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

#### **(13) Subsequent Events**

EGC has performed an evaluation of subsequent events through October 16, 2020, which is the date EGC's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in these financial statements.