

Emmanuel International Mission
Financial Statements For the Years Ended
September 30, 2008 and 2007
and
Independent Auditor's Report

LARRY D. FRENCH

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Emmanuel International Mission

I have audited the accompanying statement of financial position of Emmanuel International Mission as of September 30, 2008 and 2007 and the related statements of activity and cash flow for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in The United States of America. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emmanuel International Mission as of September 30, 2008 and 2007 and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page nine is presented for the purpose of additional information and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and my opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 24, 2009

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Emmanuel International Mission

STATEMENT OF FINANCIAL POSITION

| | September 30, | |
|---------------------------------------|------------------|------------------|
| | 2008 | 2007 |
| Assets | | |
| Current assets | | |
| Cash | \$ 44,588 | \$ 49,850 |
| Receivables from affiliate | 0 | 7,762 |
| Advances to affiliates | 10,042 | 0 |
| Other receivables | 295 | 0 |
| Total current assets | <u>54,925</u> | <u>57,612</u> |
| Total Assets | <u>\$ 54,925</u> | <u>\$ 57,612</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 2,567 | \$ 255 |
| Due to international office | 12,850 | 11,466 |
| Withheld and accrued payroll taxes | 0 | 0 |
| Total current liabilities | <u>15,417</u> | <u>11,721</u> |
| Net Assets | | |
| Unrestricted | 29,373 | 34,096 |
| Temporarily restricted | 10,135 | 11,795 |
| Total net assets (deficit) | <u>39,508</u> | <u>45,891</u> |
| Total Liabilities and Net Assets | <u>\$ 54,925</u> | <u>\$ 57,612</u> |

See notes to financial statements

Emmanuel International Mission

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008
(With Comparative Totals for September 30, 2007)

| | Unrestricted | Temporarily Restricted | Total | September 30, 2007 Total |
|--------------------------------------|--------------|---------------------------|------------|--------------------------------|
| Support and Revenue | | | | |
| Contributions | \$ 5,160 | \$ 124,779 | \$ 129,939 | \$ 186,049 |
| Investment income and other | 370 | 0 | 370 | 117 |
| Removal of restrictions | 126,439 | (126,439) | 0 | 0 |
| Total unrestricted revenues | 131,969 | (1,660) | 130,309 | 186,166 |
| Expenses | | | | |
| Program services | 122,882 | 0 | 122,882 | 150,106 |
| General and administrative | 13,810 | 0 | 13,810 | 4,423 |
| Fund raising | 0 | 0 | 0 | 0 |
| Total expenses | 136,692 | 0 | 136,692 | 154,529 |
| Increase in net assets | (4,723) | (1,660) | (6,383) | 31,637 |
| Net assets, beginning of year | 34,096 | 11,795 | 45,891 | 14,254 |
| Net assets, end of year | \$ 29,373 | \$ 10,135 | \$ 39,508 | \$ 45,891 |

See notes to financial statements

Emmanuel International Mission

STATEMENT OF CASH FLOWS For the Years Ended September 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ (6,383) | \$ 31,637 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Decrease (Increase) in receivables from affiliate | 7,762 | (7,762) |
| Decrease (Increase) in advances to affiliate | (10,042) | 0 |
| Decrease (Increase) in other receivables | (295) | 0 |
| Increase (Decrease) in accounts payable | 2,312 | (380) |
| Increase (Decrease) in amount due to affiliate | 1,384 | 1,962 |
| Increase (Decrease) increase in withheld and accrued taxes | 0 | (235) |
| Net cash provided by operating activities | <u>(5,262)</u> | <u>25,222</u> |
| Net increase in cash and cash equivalents | (5,262) | 25,222 |
| Cash and Cash Equivalentents: | | |
| Beginning of year | <u>49,850</u> | <u>24,628</u> |
| End of year | <u>\$ 44,588</u> | <u>\$ 49,850</u> |
| Supplemental Information: | | |
| Interest paid during the year | <u>\$ 0</u> | <u>\$ 0</u> |

See notes to financial statements

Emmanuel International Mission

NOTES TO FINANCIAL STATEMENTS

September 30, 2008 and 2007

Note 1 - Nature of Organization

Emmanuel International Mission (the Organization) incorporated under the laws of the State of Michigan in January 1978. It is a nonprofit interdenominational evangelical mission organization with the objective of spreading the gospel of the Lord and Savior Jesus Christ both in North America and foreign countries by assisting local churches worldwide to meet the physical and spiritual needs of the poor. The Organization accomplishes this objective by directing its programs toward evangelism, theological education, humanitarian relief, rehabilitation, and community development programs.

The Organization is an affiliate of Emmanuel Relief and Rehabilitation International (ERRI), a non-governmental Christian agency based in Canada, which administers substantially all of the Organization's programs. Other affiliate organizations in Australia, Brazil, Canada, Philippines and United Kingdom are similar in nature to the Organization. The Organization has a Board of Directors independent of ERRI and its other affiliates.

Note 2 - Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting: The financial statements of the Organization are prepared on the modified cash basis of accounting. Income is recognized when received instead of when earned, and expenses are recognized when the obligation is incurred.

It is the policy of the Organization not to recognize pledges or other support or revenue receivables that might result from other support and revenue activities; however, liabilities are recorded when incurred and equipment with values of more than \$1,000 is capitalized and depreciated.

Classes of Net Assets: The financial statements report amounts separately by class of net assets.

(a) Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's operations and those resources invested in fixed assets.

(b) Temporarily restricted amounts are those that are stipulated by donors for specific operating purposes or for the acquisition of fixed assets. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Emmanuel International Mission

NOTES TO FINANCIAL STATEMENTS

September 30, 2008 and 2007

Note 2 - Significant Accounting Policies, Continued

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are booked in the temporarily restricted class for restrictions expiring during this fiscal year, and then reclassified to the unrestricted class.

Donated Marketable Securities: Donated marketable securities are recorded at the amount of cash received from the sale of such securities. The Organization does not hold marketable securities for investment purposes.

Donated Services: Unpaid volunteers have made contributions of their time and services to further the work of the Organization both through program and administrative services. Support arising from these contributed services has not been recognized in the financial statements, as it is the Organization's policy not to recognize contributed time.

Property and Equipment: Donated property and equipment are capitalized at their estimated fair value at time of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor imposed restrictions on how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a foundation within the meaning of section 509(a) of the Internal Revenue Code because the Organization is described in sections 509 (a)(1) and 170 (b)(1)(A)(vi). Such Internal Revenue Service determination was received in June 1978.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Substantially all funds are covered by FDIC insurance.

Emmanuel International Mission

NOTES TO FINANCIAL STATEMENTS

September 30 2008 and 2007

Note 2 - Significant Accounting Policies, Continued

Expense Allocation: The cost of providing various programs and supporting services is summarized on a functional basis in the statement of activities. Expenses are directly charged to the appropriate program activity, where feasible.

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 – Temporarily Restricted Net Assets

Temporarily restricted net assets represent the unspent balance of donor restricted contributions for EIM programs and projects as follows:

| | <u>2008</u> | <u>2007</u> |
|--------------------------------|-------------|---------------|
| Donations restricted as to use | \$ 124,779 | \$ 172,312 |
| Restrictions released: | | |
| Expenditures against: | | |
| Prior year donations | 11,835 | 8,436 |
| Current year donations | 114,004 | 150,016 |
| Expiration of restrictions | <u>600</u> | <u>10,501</u> |
| Total released | 126,439 | 168,953 |
| Net Change | \$ (1,660) | \$ 3,359 |

Note 4 - Inter-Organization Transactions

The Organization receives public support for personnel, projects and administration. Certain of these funds are forwarded to ERRI, who provides administration and oversight over the funds to the missionaries and projects located in foreign countries. In addition, ERRI provides the Organization with certain other support including missionary recruiting, training and oversight, and development of fund raising and promotional materials. There are also various other inter-organization transactions between the organizations primarily for expenses paid by one on behalf of the other.

Medical insurance for the Organization's missionaries on the field is arranged through ERRI. In addition, these missionaries contribute to their retirement from their current support. The Organization has no obligations with respect to medical insurance coverage or retirement for employees.

Emmanuel International Mission

NOTES TO FINANCIAL STATEMENTS

September 30, 2008 and 2007

Note 4 - Inter-Organization Transactions, Continued

Donations received by the Organization that are transferred to ERRI are recorded as program activity expenditures in the same period the revenue is reported. All other inter-organization transactions between the two organizations are accounted for as an increase or reduction in inter-organization receivables and/or liabilities.

Activity and balances between the Organization and ERRI, were as follows:

| | <u>2008</u> | <u>2007</u> |
|---|-------------|-------------|
| Activity for the fiscal year | | |
| Donations received and remitted to ERRI | \$ 111,119 | \$ 141,321 |
| Administrative support transfer to ERRI | 5,000 | 5,000 |
| Balances at fiscal year end | | |
| Donations received and payable to ERRI | 12,850 | 6,466 |
| Other amounts payable to ERRI | 5,000 | 5,000 |
| Amount due from ERRI for excess funds transferred | -0- | 7,762 |

The Organization is an affiliate member with no voting privileges of Millennium Water Alliance (MWA). MWA is an incorporated nonprofit organization dedicated to providing clean water and sanitation worldwide. MWA operates as an umbrella organization providing institutional synergy to ensure technical excellence, programmatic innovation, and long-term financial, social and environmental sustainability in water resources management to its members while remaining independent of its member affiliates. A board member and Treasurer of the Organization is serving as Treasurer of MWA. For each fiscal year ended September 30, 2008 and 2007, the Organization paid to MWA dues of \$1,000.

Emmanuel International Mission

STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended September 30, 2008
 (With Comparative Totals for September 30, 2007)

| | Program Activities | General And Administrative | Fund Raising | Total | September, 30, 2007 Totals |
|----------------------------------|-----------------------|----------------------------------|-----------------|-------------------|----------------------------------|
| Compensation | \$ 1,744 | \$ 0 | \$ 0 | \$ 1,744 | \$ 4,243 |
| Employee benefits | 1,977 | 0 | 0 | 1,977 | 2,172 |
| Other benefits | 0 | 0 | 0 | 0 | 1,021 |
| Supplies, books and copies | 59 | 0 | 0 | 59 | 28 |
| Professional fees | 0 | 4,000 | 0 | 4,000 | 0 |
| Telephone | 90 | 97 | 0 | 187 | 432 |
| Postage | 5 | 78 | 0 | 83 | 43 |
| Travel, meals and auto | 1,094 | 705 | 0 | 1,799 | 2,536 |
| Outside services | 232 | 2,725 | 0 | 2,957 | 3,377 |
| Training seminar | 150 | 0 | 0 | 150 | 231 |
| Social aid | 500 | 0 | 0 | 500 | 802 |
| Dues paid | 0 | 1,000 | 0 | 1,000 | 1,000 |
| Donation to affiliate | 0 | 5,000 | 0 | 5,000 | 5,000 |
| Miscellaneous | 0 | 205 | 0 | 205 | 82 |
| Transfer to international office | 117,031 | 0 | 0 | 117,031 | 133,562 |
| Totals | \$ 122,882 | \$ 13,810 | \$ 0 | \$ 136,692 | \$ 154,529 |