

DEBRE MEHERET ST. MICHAEL'S CHURCH INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2004

Prepared by

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To The Board of Directors
Debre Meheret St. Michael's Church Inc.
3010 Earl Place, NE
Washington, DC 20018

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Debre Meheret St. Michael's Church Inc. (the "Church"), as of December 31, 2004 and the related statements of activities and cash flows for the year then. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Debre Meheret St. Michael's Church Inc. as of December 31, 2004 and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Roberson Group, PLLC
Washington, DC
January 31, 2010



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DEBRE MEHERET ST. MICHAEL'S CHURCH INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2004

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ <u>502,285</u>
Total Current Assets	\$ 502,285

PROPERTY AND EQUIPMENT:

Land	240,000
Building and improvements	1,078,124
Furniture and equipment	66,094
Parking Lots	127,097
Automobiles	59,953
	1,571,268
Less: accumulated depreciation	<u>(299,818)</u>
Net property and equipment	\$1,271,450
Total Assets	<u>\$1,773,735</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:

Total current liabilities	103
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LONG-TERM DEBT:

Total long-term liabilities	
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Total liabilities

NET ASSETS:

Unrestricted	<u>\$1,773,632</u>
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Total Liabilities and net assets	<u>\$1,773,735</u>
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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

CHANGES IN UNRESTRICTED NET ASSETS:

Unrestricted Revenue	<u>\$370,400</u>
Operating expenses:	
Church events and member services	
Cost of Prayer Books	3,800
General and administrative	<u>167,615</u>
Total operating expenses	<u>171,415</u>
Excess of unrestricted fund balance before Other income and (expenses)	198,985
Other income and (expenses):	
Interest Income	2,438
Depreciation	(45,859)
Interest expenses	
Total other income and (expenses)	<u>(43,420)</u>
Increase (decrease) in unrestricted net assets	155,565
NET ASSETS , beginning of the year	<u>\$1,618,067</u>
NET ASSETS , end of the year	<u>\$1,773,632</u>

The accompanying notes are an integral part of these financial statements

DEBRE MEHERET ST. MICHAEL'S CHURCH INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

Decrease in Cash and Cash Equivalents

Cash flow from operating activities:

Change in net assets \$ 155,564

Adjustments to reconcile change in net assets to net cash
(used in) provided by operating activities

- Depreciation 45,859
- Changes in assets and liabilities
(Increase) decrease in:
 - Inventory 3,800
- Increase (decrease) in:
 - Current liabilities
 - Other liabilities

Net Cash provided by operating activities

Cash flows from (for) investing activities:

Used For

Purchases of Furniture (327)

Purchases of Building and Improvements (99,402)

Net cash used for investment (99,729)

Cash flows from financing activities:

Net cash used in financing 0

Net increase in cash and cash equivalents 105,494

Cash and cash equivalents, beginning of the year \$396,791

Cash and cash equivalents, end of the year \$502,285

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

St. Michael's Church of Northeast D.C. (Church) is incorporated under the laws of the State District of Columbia. The Church is exempt from Federal and State income taxes under the Internal Revenue Code Section 501(c) (3).

The Church's primary activities are church services. The Church's primary source of revenue is free-will donations.

BASIS OF ACCOUNTING

The financial statements of the Church have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles as applicable to not for-profit organizations.

CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, the Church considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

PROPERTY AND EQUIPMENT

All property and equipment over \$500, with an estimated life exceeding one year is depreciated using the straight-line method over the estimated useful life of the related asset. Donated fixed assets are recorded at the fair market value and are capitalized. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Useful lives of the related assets are as follows:

Buildings and improvements	30 years
Furniture and equipment	5 years
Transportation equipment	5 years

CONTRIBUTIONS AND DEFERRED REVENUE

The Church reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets if the restrictions are not met in the period of receipt. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. If a stipulated time restriction ends or a purpose restriction is accomplished during the year the donation is received, the donation is recognized as unrestricted revenue.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRIBUTED SERVICES

The accompanying notes are an integral part of these financial statements

A substantial number of unpaid volunteers have made significant contributions of their time to the Church's various programs. These contributed services do not meet the criteria for recognition required by generally accepted accounting principles and are not reflected in the accompanying financial statements.

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 2 – CASH RECEIPTS

In 2004, there was not a sophisticated accounting system in place to record and monitor cash collection from contributions and transactions. In the fall of 2007, as a result of the five year audit initiated by the Finance Committee, the Church changed its cash receipts management. Starting in the beginning of 2007 the church started using Quick Books as an accounting system. In the beginning of 2009, they have since put into place proper internal controls to record and monitor all contributions. The cash contributions were then properly tracked using cash receipts to individual contributors; which tied into a weekly income list; which ultimately tied into the deposit slip.

NOTE 3 – UNAUTHORIZED BANKING ACTIVITIES

Starting on or about June 1, 2002, Mr. Getachew Demssie, the past president and board chairman, entered into a scheme to defraud the membership of the Debre Meheret St. Michaels Church by opening an unauthorized third bank account (account number 00392934965 with Bank of America).

Mr. Getachew Demssie had not been authorized by the administrative board of the Church to open the new account. The new account had been opened in the name of the church at the Mid-Pike Plaza branch in Rockville, Maryland using just Mr. Getachew Demssie individual name and signature. The new bank statements were sent to Mr. Getachew Demssie's home in Rockville, Maryland.

The other three members who were signatories on the original Bank of America checking and saving accounts (Abba Malekue Getaneh, Fikre A. Gelaye and Abate Haile) were not involved in the opening of the new unauthorized account and their names were not on the signature card for the new bank account.

It is our opinion that since the Board never authorized the opening of the secret bank account all deposits into it were unauthorized as well! Because the administrative board was unaware of this banking activity, there were no accounting records for this additional account. Apparently there

The accompanying notes are an integral part of these financial statements

was also one unauthorized commercial loan and two unauthorized installment loans in the name of the church in connection with the secret checking account.

During the year, \$25,920.00 was deposited into this secret account; \$26,089.24 was disbursed (all in loan payments); and the account was closed in September 2004, with a zero balance.

During the fall of 2007, the Finance Committee of the Administrative Board of St. Michaels Church discovered a series of irregularities in the management of the Church's depository and savings accounts deposit at Bank of America. These irregularities came to the attention of the Finance Committee after the committee conducted a five year audit of the mismanagement of the Church's accounts by Board Chairman.

In February 2004, \$35,000.00 was taken from the Church's Savings Account. On August 25, 2004, the \$35,000.00 was deposited back into the Church's savings account.

NOTE 4 – THE CLOSING OF THE UNAUTHORIZED ACCOUNT

In July 2004, \$3,000.00 (funds transfer as reported on the bank statement) was taken from the Church's Savings Account. In August 2004, \$151,072.18 was taken from the Church's Savings Account. In 2004, a total of \$154,072.18 was taken out from the Church's Savings Account to close the secret commercial loan and secret personal loan accounts.

In 2004, a total of \$147,000.00 was deposited into to the Church's Savings Account. In late August 2004 and again in October 2004 \$50,000.00 and \$97,000.00, respectively, were deposited. As a result, there was an under deposit of \$7,072.18 due the Church.

The accompanying notes are an integral part of these financial statements