

**DEBRE MEHERET ST. MICHEAL'S CHURCH INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**Prepared by**

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To The Board of Directors  
Debre Meheret St. Micheal'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. Micheal's Church Inc. (the "Church"), as of December 31, 2007 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. Micheal's Church Inc. as of December 31, 2007 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. MICHEAL'S CHURCH INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2007**

***ASSETS***

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 507,071
Account Receivable	1,400

Total Current Assets	<u>\$ 508,441</u>
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**PROPERTY AND EQUIPMENT:**

Land (Note 3)	240,000
Building and improvements	1,091,457
Furniture and equipment	66,094
Parking Lots	127,097
Automobiles	59,952
Sound & Projection Equipment	<u>36,480</u>
	1,621,080
Less: accumulated depreciation	<u>(436,603)</u>
Net property and equipment	\$1,184,477

<b>Total Assets</b>	<b><u>\$1,692,918</u></b>
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***LIABILITIES AND FUND BALANCE***

**CURRENT LIABILITIES:**

Total current liabilities

**LONG-TERM DEBT:**

Total long-term liabilities

Total liabilities

**NET ASSETS:**

Unrestricted	<u>\$1,692,918</u>
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<b>Total Liabilities and net assets</b>	<b><u>\$1,692,918</u></b>
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**DEBRE MEHERET ST. MICHEAL'S CHURCH INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2007**

**CHANGES IN UNRESTRICTED NET ASSETS:**

Unrestricted Revenue	\$281,349
Operating expenses:	
General and administrative	<u>243,861</u>
Total operating expenses	243,861
Excess of unrestricted fund balance before Other income and (expenses)	37,488
Other income and (expenses):	
Interest Income	9,982
Depreciation	<u>(45,509)</u>
Total other income and (expenses)	(35,527)
Increase (decrease) in unrestricted net assets	1,961
<b>NET ASSETS</b> , beginning of the year	<u>\$1,690,957</u>
<b>NET ASSETS</b> , end of the year	<u>\$1,692,918</u>

The accompanying notes are an integral part of these financial statements

**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2007**

**Decrease in Cash and Cash Equivalents**

**Cash flow from operating activities:**

Change in net assets	\$ 1,961
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities	
• Depreciation	45,509
• Changes in assets and liabilities	
(Increase) decrease in:	5,000
Inventory	
• Increase (decrease) in:	
Current liabilities	
Other liabilities	
Other	(29)
Net Cash provided by operating activities	52,441

**Cash flows from (for) investing activities:**

Used For	
Purchases of Sound Equipment	(36,480)

**Cash flows from financing activities:**

Net cash used in financing	(36,480)
Net increase in cash and cash equivalents	15,961
Cash and cash equivalents, beginning of the year	<u>\$ 491,080</u>
Cash and cash equivalents, end of the year	<u>\$ 507,041</u>

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.

The accompanying notes are an integral part of these financial statements

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

CONTRIBUTED SERVICES

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 the beginning of 2007 there was not a sophisticated accounting system in place to record and monitor cash collection from contributions. 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. In the beginning of 2009, they have since put into place a proper accounting system to record and monitor all contributions.

The accompanying notes are an integral part of these financial statements