



ENGINEERING MINISTRIES
INTERNATIONAL, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITORS' REPORT

Board of Directors
Engineering Ministries International, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of Engineering Ministries International, Inc. (EMI), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 auditor's 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 EMI'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 EMI'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.

Board of Directors
Engineering Ministries International, Inc.
Colorado Springs, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Engineering Ministries International, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
May 8, 2018

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 2,345,874	\$ 2,024,918
Investments	510,075	504,378
Prepays and other assets	78,933	55,449
Pledges receivable—net	11,754	13,821
Notes receivable	64,079	73,854
Fixed assets—net	918,191	758,202
Total Assets	<u>\$ 3,928,906</u>	<u>\$ 3,430,622</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 52,747</u>	<u>\$ 44,812</u>
Net assets:		
Unrestricted:		
Operating	745,306	637,436
Equity in fixed assets—net	918,191	758,202
	<u>1,663,497</u>	<u>1,395,638</u>
Temporarily restricted:		
Staff support	1,646,352	1,341,030
Field ministries	554,556	635,321
Pledges receivable	11,754	13,821
	<u>2,212,662</u>	<u>1,990,172</u>
Total net assets	<u>3,876,159</u>	<u>3,385,810</u>
Total Liabilities and Net Assets	<u>\$ 3,928,906</u>	<u>\$ 3,430,622</u>

See notes to financial statements

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 450,977	\$ 5,234,117	\$ 5,685,094	\$ 392,565	\$ 4,810,670	\$ 5,203,235
Contributed services	4,439,769	-	4,439,769	3,809,432	-	3,809,432
Interest income	10,184	-	10,184	7,484	-	7,484
Other income	124,335	-	124,335	125,213	-	125,213
Total Support and Revenue	5,025,265	5,234,117	10,259,382	4,334,694	4,810,670	9,145,364
NET ASSETS RELEASED:						
Purpose restrictions	4,713,826	(4,713,826)	-	4,594,527	(4,594,527)	-
Administrative assessments	283,542	(283,542)	-	168,577	(168,577)	-
Time restrictions	14,259	(14,259)	-	21,146	(21,146)	-
	5,011,627	(5,011,627)	-	4,784,250	(4,784,250)	-
EXPENSES:						
Program services	8,587,955	-	8,587,955	8,058,827	-	8,058,827
Supporting activities:						
General and administrative	897,593	-	897,593	766,181	-	766,181
Fund-raising	283,485	-	283,485	194,428	-	194,428
	1,181,078	-	1,181,078	960,609	-	960,609
Total Expenses	9,769,033	-	9,769,033	9,019,436	-	9,019,436
Change in Net Assets	267,859	222,490	490,349	99,508	26,420	125,928
Net Assets, Beginning of Year	1,395,638	1,990,172	3,385,810	1,296,130	1,963,752	3,259,882
Net Assets, End of Year	\$ 1,663,497	\$ 2,212,662	\$ 3,876,159	\$ 1,395,638	\$ 1,990,172	\$ 3,385,810

See notes to financial statements

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 490,349	\$ 125,928
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	74,008	27,782
Loss on disposal of fixed assets	-	1,040
Changes in operating assets and liabilities:		
Pledges receivable	2,067	3,920
Prepays and other assets	(23,484)	(20,926)
Notes receivable	9,775	73,854
Accounts payable and accrued expenses	7,935	(45,108)
Net Cash Provided by Operating Activities	560,650	166,490
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvested interest and dividends	(5,697)	(4,120)
Proceeds from maturities of certificates of deposits	-	93,532
Purchases of fixed assets	(233,997)	(149,054)
Net Cash Used by Investing Activities	(239,694)	(59,642)
Net Change in Cash and Cash Equivalents	320,956	106,848
Cash and Cash Equivalents, Beginning of Year	2,024,918	1,918,070
Cash and Cash Equivalents, End of Year	\$ 2,345,874	\$ 2,024,918

See notes to financial statements

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

The vision of Engineering Ministries International, Inc. (EMI) is people restored by God and the world restored through design. EMI's mission is to develop people, design structures, and construct facilities which serve communities and the Church. EMI proclaims the Gospel of Jesus by helping others change their world, through the development of hospitals, schools, orphanages, bridges, water supplies, electricity, and more. EMI's commitment is to enrich the lives of those who give and those who receive.

EMI is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, EMI is subject to federal income tax on any unrelated business taxable income. In addition the organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

EMI maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts. These accounts may at times, exceed federally insured limits. As of December 31, 2017 and 2016, amounts in excess of the federally insured limits were \$1,550,440 and \$1,238,083, respectively. EMI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

FAIR VALUE MEASUREMENTS

The Fair Value Measurement Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lower priority. All investments held by EMI are reflected as Level 1 fair value measurement based on the Fair Value Measurement Topic of the FASB ASC.

INVESTMENTS

Investments consist of certificates of deposit held at cost. As of December 31, 2017 and 2016, all certificates of deposit held had an original maturity date of ninety days or more.

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PLEDGES RECEIVABLE—NET

Pledges receivable are unconditional promises to give and are recognized as assets and support in the period made and recorded at their net realizable value based upon management's estimate of the pledges being collectible. An allowance for uncollectible amounts of \$3,834 and \$4,421 was recorded as of December 31, 2017 and 2016, respectively.

NOTES RECEIVABLE

EMI continues to have economic interest and influence over MENA. As of December 31, 2017 and 2016, MENA owed to EMI \$64,079 and \$73,854, respectively, recorded in notes receivable, related to monies originally loaned to MENA for start-up funds. MENA pays this balance down annually through profits earned from its business.

FIXED ASSETS—NET

Fixed assets are recorded at cost or, if donated, estimated fair value at the date of receipt. Items with a cost or fair value greater than \$3,000 are capitalized. Depreciation and amortization is provided on the straight-line method over estimated useful lives of three to fifty years.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

Unrestricted net assets include resources that are used to support EMI's current operations and provide for the long-term needs of EMI, as well as resources invested in furniture, equipment, and website.

Temporarily restricted net assets are resources restricted according to donors requests and primarily for the support of EMI's staff, field ministries, and pledges receivable.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Those contributions received after year-end that were postmarked by December 31, 2017, were recorded as contributions and cash and cash equivalents rather than pledges receivable.

EMI recognizes contributed services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued:

Other income is recognized when it is earned.

ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs relating to more than one function have been allocated among the program services and supporting activities benefited.

The major program services of EMI include providing architectural, engineering, and survey services along with construction management for over 83 projects in 24 countries, sending out teams with more than 128 volunteers and 68 interns. These projects represent design work that will enable the construction of hospitals, schools, orphanages, water pipelines, ministry centers, youth camps, churches and residences for some of the poorest people in the hardest to reach corners of the world. From hospital projects in both West and East Africa to a community water project in the Dominican Republic to a facilities and utilities analysis and upgrade project at a large ministry campus of over 400 residents in rural Zambia, EMI teams provided strategic planning, design, and construction assistance to many clients in a variety of critical times and places over the course of the year.

AFFILIATE OFFICES

EMI has staff and program activities in affiliate offices in Canada, Nicaragua, United Kingdom, Senegal, Middle East-North Africa, Uganda, South Africa, India, and Cambodia, in addition to the United States. Due to the international nature of the organization, as of December 31, 2017 and 2016, respectively, EMI had current assets in non-USA locations totaling \$37,984 and \$35,695.

3. PLEDGES RECEIVABLE–NET:

Pledges receivable–net consist of:

	December 31,	
	2017	2016
Due in less than one year	\$ 15,588	\$ 18,242
Allowance for doubtful pledges	(3,834)	(4,421)
	<u>\$ 11,754</u>	<u>\$ 13,821</u>

No discount was calculated due to all pledges maturing in less than one year.

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2017 and 2016

4. FIXED ASSETS–NET:

Fixed assets–net consists of:

	December 31,	
	2017	2016
Buildings	\$ 659,378	\$ 566,085
Website and database development	251,486	11,185
Furniture and equipment	165,286	162,154
	<u>1,076,150</u>	<u>739,424</u>
Less accumulated depreciation and amortization	<u>(157,959)</u>	<u>(132,761)</u>
	918,191	606,663
Website and database in progress	-	151,539
	<u>\$ 918,191</u>	<u>\$ 758,202</u>

5. CONTRIBUTED SERVICES:

A substantial number of volunteers have made significant contributions of time to develop programs and provide technical assistance on projects for EMI. These services are an integral part of EMI's ministry. The total number of hours contributed to EMI during the years ended December 31, 2017 and 2016 were 56,654 and 48,596, respectively. These hours consisted of approximately 27,017 and 23,161 professional hours and 29,637 and 25,435 intern hours for years ended December 31, 2017 and 2016, respectively. These hours were valued at \$104 per hour for professionals and \$55 per hour for interns for both years ended December 31, 2017 and 2016. These hours are reflected as revenue and as expense in the accompanying statement of activities.

6. OPERATING LEASE:

EMI leases office space under operating leases for their U.S. office and overseas offices. Rent expense for the years ended December 31, 2017 and 2016 totaled \$88,159 and \$79,386, respectively. EMI also leases a copy machine and postage meter under operating leases. Lease expense for the years ended December 31, 2017 and 2016 was \$10,140 and \$7,448. Future minimum lease payments are:

<u>Year Ending December 31,</u>	
2018	\$ 78,963
2019	47,538
2020	6,763
2021	6,763
Thereafter	<u>1,156</u>
	<u>\$ 141,183</u>

ENGINEERING MINISTRIES INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2017 and 2016

7. EMPLOYEE BENEFITS:

EMI has a 403(b) retirement plan that is available for all employees. There were no employer contributions for both years ended December 31, 2017 and 2016.

8. RELATED PARTY:

Related party payables to ministry partners were \$7,767 and \$12,252 as of December 31, 2017 and 2016, respectively.

9. SUBSEQUENT EVENTS:

Subsequent events were evaluated through May 8, 2018, which is the date the financial statement were available to be issued.