

EVANTELL, INC.

FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2007

EVANTELL, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8

INDEPENDENT AUDITORS' REPORT

Board of Directors
EvanTell, Inc.
Dallas, Texas

We have audited the accompanying statement of financial position of EvanTell, Inc. as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EvanTell's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EvanTell Inc. as of June 30, 2007, and the results of its activities and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Capin Crouse LLP

Colorado Springs, Colorado
December 14, 2007

EVANTELL, INC.

Statement of Financial Position

June 30, 2007

ASSETS:

Cash and cash equivalents	\$	572,901
Inventory		87,609
Prepaid expenses and other assets		12,006
Property and equipment - net (Note 3)		<u>71,284</u>

Total Assets	\$	<u><u>743,800</u></u>
--------------	----	-----------------------

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$	30,942
Accrued expenses		42,723
		<u>73,665</u>

Net assets:

Unrestricted:

Operating		195,284
Equity in property and equipment		<u>71,284</u>
		266,568

Temporarily restricted (Note 5)		<u>403,567</u>
---------------------------------	--	----------------

Total net assets		<u>670,135</u>
------------------	--	----------------

Total Liabilities and Net Assets	\$	<u><u>743,800</u></u>
----------------------------------	----	-----------------------

See notes to financial statements

EVANTELL, INC.

Statement of Activities

For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 782,912	\$ 415,530	\$ 1,198,442
Sales income	332,945	-	332,945
Conferences and Meetings	37,498	-	37,498
Interest income	15,714	-	15,714
	<u>1,169,069</u>	<u>415,530</u>	<u>1,584,599</u>
NET ASSETS RELEASED:			
Purpose restrictions	349,406	(349,406)	-
EXPENSES:			
Program services	1,109,801	-	1,109,801
Supporting activities:			
General and administrative	313,893	-	313,893
Fund-raising	178,907	-	178,907
	<u>1,602,601</u>	<u>-</u>	<u>1,602,601</u>
Total Expenses	<u>1,602,601</u>	<u>-</u>	<u>1,602,601</u>
Change in Net Assets	(84,126)	66,124	(18,002)
Net Assets—Beginning of Year	<u>350,694</u>	<u>337,443</u>	<u>688,137</u>
Net Assets—End of Year	<u>\$ 266,568</u>	<u>\$ 403,567</u>	<u>\$ 670,135</u>

See notes to financial statements

EVANTELL, INC.

Statement of Cash Flows

For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (18,002)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	9,812
Contributions restricted for long-term purposes	(127,000)
Changes in operating assets and liabilities:	
Inventory	47,487
Contributions and accounts receivable	7,918
Prepaid expenses and other assets	(2,428)
Accounts payable	24,671
Accrued expenses	2,445
	<hr/>
Net Cash (Used) by Operating Activities	(55,097)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(51,575)
	<hr/>
Net Cash (Used) by Investing Activities	(51,575)
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions restricted for long term purposes	127,000
	<hr/>
Net Cash Provided by Financing Activities	127,000
	<hr/>
Net Increase in Cash and Cash Equivalents	20,328
Cash and Cash Equivalents—Beginning of Year	552,573
	<hr/>
Cash and Cash Equivalents—End of Year	\$ 572,901
	<hr/> <hr/>

See notes to financial statements

EVANTELL, INC.

Notes to Financial Statements

June 30, 2007

1. NATURE OF ORGANIZATION:

EvanTell, Inc. (EvanTell), a nonprofit organization incorporated in the State of Texas, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). EvanTell was founded in 1973 to practice and promote a clear presentation of the Gospel through a careful study of the Scripture. EvanTell conducts conferences to reach non-Christians and seminars to instruct believers in evangelism, and sells materials to equip believers to evangelize.

EvanTell relies primarily on contributions to operate and conduct its programs and activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

EvanTell uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. 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 consist of cash and short-term, highly liquid investments with an original maturity term of three months or less. The balances, at times, may exceed federally insured limits. EvanTell has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

INVENTORY

Inventory consists of books, biblical counseling and related ministry materials carried at the lower of cost or market using the average cost method.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or fair value if contributed and include improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives, which range from two to seven years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of \$1,000 are capitalized.

EVANTELL, INC.

Notes to Financial Statements

June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The net assets of EvanTell are reported in the following classes:

Unrestricted amounts are currently available at the discretion of the board for use in the organization's operations and those resources invested in property and equipment.

Temporarily restricted amounts include resources restricted by donors primarily for use with certain projects.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. Evantell reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the contributed amounts. When the purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sales revenue is recognized when earned, which is when the products are given or shipped to the customers.

Conference and meeting income is recognized when earned, which is when the conference or meeting is held and the services rendered.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries and benefits and depreciation, have been allocated among the program services and supporting activities benefited.

3. PROPERTY AND EQUIPMENT - NET:

Property and equipment - net consists of the following at June 30, 2007:

Leasehold improvements	\$	7,560
Furniture and equipment		95,761
Computer equipment		76,403
Website development		34,300
		<hr/>
		214,024
Accumulated depreciation and amortization		(142,740)
		<hr/>
	\$	<u>71,284</u>

EVANTELL, INC.

Notes to Financial Statements

June 30, 2007

4. LEASE COMMITMENTS:

Evantell leases office space under a non-cancelable lease expiring December 2007. Future minimum payments for this lease are \$28,340.

Subsequent to June 30, 2007, Evantell entered into a new lease for office space that expires in November 2012. Future minimum payments under the new operating lease agreement are as follows:

<u>Years Ending June 30,</u>	
2008	\$ 76,132
2009	130,512
2010	130,923
2011	135,438
2012	135,438
Thereafter	<u>56,432</u>
	<u><u>\$ 664,875</u></u>

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at June 30, 2007:

Evangelism materials	\$ 276,467
Facilities	127,000
Children's ministries	<u>100</u>
	<u><u>\$ 403,567</u></u>

6. LINE OF CREDIT:

Evantell has an unsecured line of credit of \$50,000 with a financial institution. Interest is variable, with an effective interest rate of 8.25% at June 30, 2007. The agreement matures May 2008. There were no outstanding borrowings on the line of credit at June 30, 2007.

7. RELATED PARTY TRANSACTIONS:

EvanTell contracts with a member of the Board of Director's accounting firm to provide accounting services. Evantell paid \$10,817 during the year ended June 30, 2007, for these services.

EVANTELL, INC.

Notes to Financial Statements

June 30, 2007

8. DEFINED CONTRIBUTION RETIREMENT PLAN:

Evantell sponsors a defined contribution plan through the use of a pre-determined Simple IRA proto-type plan (the Plan). Substantially all full-time employees are eligible as defined. Evantell provides a matching contribution of up to 3%. Evantell contributions to the Plan for the year ended June 30, 2007, were \$13,111.

9. NEW ACCOUNTING PRONOUNCEMENTS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2006. Management does not anticipate this pronouncement will have a significant impact on Evantell.

In September 2006, FASB issued *Statement of Financial Accounting Standards* (SFAS) No. 157 Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value with U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The effects of SFAS No. 157 have not been determined.