

ELEVATION CHURCH

FINANCIAL STATEMENTS

DECEMBER 31, 2015



SO THAT PEOPLE FAR FROM GOD WILL BE RAISED TO LIFE IN CHRIST
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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C. DeWitt Foard & Company, P.A.

Certified Public Accountants
817 Morehead Street, Suite 100
Charlotte, North Carolina 28202
Telephone: 704-372-1515 Facsimile: 704-372-6066

Phillip G. Wilson
Terry W. Lancaster

INDEPENDENT AUDITORS' REPORT

To the Board of Overseers of
Elevation Church
Matthews, North Carolina

We have audited the accompanying financial statements of Elevation Church, (the "Church" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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.

Auditor's 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 of 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 the entity'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 the entity'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.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Elevation Church, as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C. DeWitt Foard & Company, P.A.

February 2, 2016



SO THAT PEOPLE FAR FROM GOD WILL BE RAISED TO LIFE IN CHRIST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS	
<i>Current Assets</i>	
Cash and short-term investments	
Cash	\$ 5,950,363
Short-term investments	2,044,576
Total cash and short-term investments	7,994,939
Sales tax receivable	439,228
Prepaid expenses	784,738
Other receivables	6,111
Total current assets	9,225,016
Property and equipment, net	54,730,019
Escrowed project cash	855,640
Lease deposits	24,850
Total assets	\$ 64,835,525
LIABILITIES AND NET ASSETS	
<i>Current Liabilities</i>	
Other accrued expenses	1,815,034
Total current liabilities	1,815,034
<i>Long-Term Debt</i>	
Notes payable	16,649,908
Total liabilities	18,464,942
<i>Net Assets</i>	
Unrestricted	46,370,583
Total net assets	46,370,583
Total liabilities and net assets	\$ 64,835,525

See accompanying notes to financial statements.



SO THAT PEOPLE FAR FROM GOD WILL BE RAISED TO LIFE IN CHRIST

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
General offering	\$ 33,973,917	-	33,973,917
Full.Filled offering	-	7,109,315	7,109,315
Support and revenue	33,973,917	7,109,315	41,083,232
Net Assets Released From Restrictions			
Property and equipment purchases	6,531,559	(6,531,559)	-
Outreach	1,093,088	(1,093,088)	-
Net assets released from restrictions	7,624,647	(7,624,647)	-
Support and revenue, net	41,598,564	(515,332)	41,083,232
EXPENSES			
Operations	2,741,962	-	2,741,962
Students, eKidz, eGroups, eTeams	4,845,065	-	4,845,065
Weekend events	1,493,814	-	1,493,814
Personnel	11,118,026	-	11,118,026
Facilities	2,856,741	-	2,856,741
Outreach - operating	4,294,859	-	4,294,859
Outreach - Full.Filled	853,118	-	853,118
Total expenses	28,203,585	-	28,203,585
Income from operations	13,394,979	(515,332)	12,879,647
Depreciation and amortization	2,740,928	-	2,740,928
Net income from operations	10,654,051	(515,332)	10,138,719
OTHER INCOME AND EXPENSE			
Other income	2,588,049	-	2,588,049
Other expense	2,326,339	-	2,326,339
Total other income	261,710	-	261,710
Increase in net assets	10,915,761	(515,332)	10,400,429
Net assets, beginning of year	35,454,822	515,332	35,970,154
Net assets, end of year	\$ 46,370,583	-	46,370,583

See accompanying notes to financial statements.



SO THAT PEOPLE FAR FROM GOD WILL BE RAISED TO LIFE IN CHRIST
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

OPERATING ACTIVITIES	
Change in net assets	\$ 10,400,429
<i>Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities</i>	
Contributions received for financing purposes	(7,109,315)
Depreciation and amortization	2,740,928
Sales tax receivable	(304,128)
Prepaid expenses	(248,592)
Other receivables	1,679
Other accrued expenses	254,958
Net cash provided by operating activities	5,735,959
INVESTING ACTIVITIES	
<i>Increase (decrease) in cash realized from</i>	
Purchases of short-term investments	16,599
Purchases of property and equipment	(27,386,980)
Lease deposits	11,500
Net cash used by investing activities	(27,358,881)
FINANCING ACTIVITIES	
<i>Increase (decrease) in cash realized from</i>	
Contributions received for financing purposes	7,109,315
Escrowed project cash	(855,640)
Issuances of notes payable	16,233,574
Payments on notes payable	(9,407,666)
Net cash provided by financing activities	13,079,583
Decrease in cash	(8,543,339)
Cash, beginning of year	14,493,702
Cash, end of year	\$ 5,950,363
Cash paid for interest	\$ 247,175

See accompanying notes to financial statements.



SO THAT PEOPLE FAR FROM GOD WILL BE RAISED TO LIFE IN CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 – NATURE OF OPERATIONS

Church

Elevation Church (the "Church") was incorporated in June 2005 and is located in Matthews, North Carolina. The mission of the Church is "So That People Far From God Will Be Raised to Life in Christ." At year-end 2015, the Church held multiple worship experiences at several Charlotte area locations and in Raleigh, North Carolina and Roanoke, Virginia each weekend. In addition, each sermon is available nationally and internationally on the Church's website at elevationchurch.org and through broadcast and other social media. It is the intention of the Church to achieve its purpose through actively pursuing the possibility of increasing the number of worship experiences and locations. The Church is supported primarily by voluntary contributions from individuals. In 2015, the Church designated twelve percent of these contributions to be donated to outreach partners. Outreach amounts are expensed when paid.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, contributions and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Gifts of land, buildings and equipment are recorded as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets subject to donor-imposed stipulations that they be maintained permanently by the Church are recorded as permanently restricted net assets. The Church has never received permanently restricted net assets.

Promises to Contribute

Unconditional promises to contribute are recorded at the time the promise to contribute is received by the Church. Conditional promises to contribute are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Intentions to contribute are not recognized because the intentions do not represent a legally enforceable pledge. The Church considers all amounts donors have pledged to its capital campaigns to be intentions to contribute. The Church sends statements to donors, but the Church does not make any attempt to collect the amounts donors have indicated they will contribute. These intentions to contribute are not included in the accompanying financial statements.



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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Other Support

Contributions of marketable securities are generally sold upon receipt. Donated motor vehicles are given to a third party soon after receipt or sold. Donated real property, equipment or materials, if significant, are included in support at fair value.

Donated Services

In 2015, no donated services were recorded. Numerous unpaid volunteers have made significant contributions of their time to assist the Church in achieving its mission. The value of this contributed time is not reflected in these financial statements since it does not meet recognition criteria.

Investments

At December 31, 2015, investments consists of publicly-traded mutual funds investing in fixed income securities, and they are recorded at fair value.

Fair Value Disclosures

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs. Level 1 assets are those whose value is based on quoted prices in active markets for identical assets or liabilities. Level 2 assets are those whose value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 assets are those whose value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Church's investments are classified as Level 1 assets.

Sales Tax Receivable

Sales tax receivable represents North Carolina and county sales tax paid by the Church that will be refunded by the respective taxing authorities. The amount carried in the financial statements is presented at net realizable value, and it is expected to be collected in the subsequent year.

Inventory

The Church maintains minor amounts of clothing, books and resource materials for suggested donations to those who attend its worship experiences. The Church has adopted a policy to expense items for resale when purchased and to not carry the value of unsold items in its financial statements. The value of the unsold inventory at December 31, 2015, was not material to the financial statements as a whole.



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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Property and Equipment

Property and equipment are stated at cost if purchased or at fair value at date of receipt, if donated, subject to a \$1,000 capitalization policy. Depreciation is provided over the estimated useful lives of the assets, which is assumed to be twenty-five years for buildings, ten years for leasehold improvements, based on the term of the lease, and five years for equipment, and it is computed on the straight-line method with no estimated salvage values. The costs of major improvements are capitalized while the costs of maintenance and repairs, which do not improve or extend the useful life of the respective asset, are expensed when incurred. The cost and accumulated depreciation of property and equipment are eliminated from the accounts upon disposal and any resulting gain or loss is included in the changes in net assets in the period in which the disposition occurs.

Funds designated for property or equipment are initially recorded as temporarily restricted net assets. The funds are released from restriction when the designated property or equipment is acquired. The funds are either recorded as construction in progress until a building or leasehold property is occupied and then reclassified to the appropriate property classification, or if equipment, to the appropriate equipment classification.

Functional Allocation of Expenses

Expenses are allocated to program service activities, fundraising activities and volunteer recruitment, and general and administrative activities based on management's estimates of time spent and various allocation methods appropriate to the type of activity.

Income Tax Status

The Church is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) with respect to its exempt function income. The Church is not classified as a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of Estimates

The preparation of the 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Church has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available for issuance, and found no reportable transactions.



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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 3 – PROPERTY AND EQUIPMENT, NET

At December 31, 2015, the Church had \$8.7 million remaining on a construction contract that is anticipated to be paid by July 2016 if the terms of the contract are satisfactorily completed. Property and equipment at December 31, 2015, is presented below.

Land	\$	15,022,243
Building		18,779,946
Leasehold improvements		3,254,092
Furniture and equipment		13,889,557
Trailers and vehicles		181,197
Total		51,127,035
Less accumulated depreciation		(14,124,625)
Total		37,002,410
Construction in progress		17,727,609
Property and equipment, net	\$	54,730,019

NOTE 4 – LONG-TERM DEBT

At December 31, 2015, long-term debt amounted to \$16.7 million, and in 2015, the related interest paid amounted to \$247,175 and it was recorded as a component of construction in progress.

In December 2012, the Church entered into a \$50.0 million, non-revolving credit facility to fund construction projects. At December 31, 2015, funds available under the credit facility were \$33.4 million. Under the terms of the credit facility, on January 1, 2015, the credit facility converted to an annually reducing revolving line of credit that matures December 31, 2017. On January 1, 2016 and January 1, 2017, funds available under the line of credit will reduce to \$47.7 million and \$45.3 million, respectively. This variable rate credit facility is based on 1- Month LIBOR (2.0439 percent at December 31, 2015). The credit facility is secured by property and equipment, and an assignment of a life insurance policy.

In January 2015, the Church repaid \$9.4 million and borrowed \$10.0 million to acquire property it had leased for its office space for a purchase price of \$10.2 million.

NOTE 5 – NET ASSETS

Temporarily Restricted

All voluntary contributions received by the Church for expansion (\$7.1 million in 2015) are initially recorded as a property and equipment fund temporarily restricted net asset, and a portion of this fund is designated to be donated to outreach partners. As amounts are paid, they are released from restriction, and they are included in one of the property and equipment classifications in Note 3, or included as an outreach expense, as appropriate. In 2015, these amounts were \$6.5 million and \$1.1 million, respectively. At December 31, 2015, the Church had no remaining temporarily restricted net assets.



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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 6 – RETIREMENT PLAN

The Church currently matches up to four percent of a full-time, salaried employee's base compensation and housing allowance, where applicable, by contributing to a defined contribution 403(B) retirement plan maintained, administered and controlled by an independent, third-party administrator. These employees are eligible to participate as soon as their employment begins. In 2015, retirement benefits included in the Statement of Activities and paid by the Church amounted to \$283,669.

NOTE 7 – LEASES

The Church has entered into non-cancellable operating lease agreements for worship, office and warehouse space, parking and office equipment. In 2015, rent expense amounted to \$1.7 million. The lease agreement related to the Church's office space was terminated in January 2015 as more fully described in Note 4. Future minimum payments due under operating leases for the five years ending December 31, 2020, is presented below.

2016	\$	548,259
2017		451,902
2018		451,902
2019		451,902
2020	\$	451,902

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

Cash in Excess of Insured Limits

The Church regularly maintains cash balances in excess of Federal Deposit Insurance Corporation insured limits. At December 31, 2015, the uninsured balance of cash amounted to \$7.3 million. However, management believes the risk of loss related to the uninsured balance is minimal based on the creditworthiness of the financial institutions in which the Church's deposits are held.

Geographic Area

The Church, by its nature, operates in a small geographic area, and therefore, the Church is subject to changes in the local economy.

Leadership

Contributions could be impacted, especially in the short-term, if the Church's lead pastor were unable to perform his duties.



SO THAT PEOPLE FAR FROM GOD WILL BE RAISED TO LIFE IN CHRIST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 – FUNCTIONAL EXPENSES

The Church's activities are focused in two functional areas. First, program service activities represent the primary focus of the Church's activities, and they represent most of the expenses. Secondly, supporting services include both volunteer recruitment and fundraising activities, and general and administrative activities. Volunteer recruitment and fundraising activities include all expenses used in an effort to generate volunteers and resources. The Church employs no advertising agencies, marketing firms or consulting firms to assist with fundraising activities.

The expenses related to these activities in 2015 represent a pro-rata distribution of personnel and other expenses, and they are summarized below on a functional basis. None of the expenses are considered to be non-recurring.

Program service activities	\$ 28,853,247
Supporting services	
Volunteer recruitment and fundraising activities	2,650,564
General and administrative activities	1,767,041
Total supporting services	4,417,605
	\$ 33,270,852

NOTE 10 – RELATED PARTY TRANSACTIONS

Members of the Board of Overseers are not compensated for participating as a Board member. From time to time, members of the Board of Overseers preach at worship experiences and other events held by the Church and, as with any guest preacher, they do receive an honorarium. Additionally, from time to time, Board members may also receive an honorarium for seminar presentations to Elevation Church staff. In 2015, no honorariums were paid to members of the Board of Overseers.