

EVERGREEN COMMUNITY CHURCH
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**EVERGREEN COMMUNITY CHURCH
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Trustees
Evergreen Community Church
Bloomington, Minnesota

We have reviewed the accompanying financial statements of Evergreen Community Church (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2017, and the related statements of support, revenue, and expenses – modified cash basis and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
Evergreen Community Church

Prior Period Financial Statements

The 2016 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated May 16, 2017. We have not performed any auditing procedures since that date.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 9, 2018

**EVERGREEN COMMUNITY CHURCH
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

	2017	2016
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 806,758	\$ 838,571
Investments	4,211,324	4,205,989
Privately Held Securities	18,750	18,750
Other Assets	4,106	1,000
Property and Equipment, Net of Accumulated Depreciation	11,320,681	10,587,060
Total Assets	\$ 16,361,619	\$ 15,651,370
LIABILITIES AND NET ASSETS		
LIABILITIES		
Long-Term Debt, Net of Issuance Costs	\$ 3,676,307	\$ 3,812,413
Total Liabilities	3,676,307	3,812,413
NET ASSETS		
Unrestricted:		
Undesignated	11,029,370	9,511,808
Board Designated	1,361,068	1,360,009
Total Unrestricted Net Assets	12,390,438	10,871,817
Temporarily Restricted	294,874	967,140
Total Net Assets	12,685,312	11,838,957
Total Liabilities and Net Assets	\$ 16,361,619	\$ 15,651,370

See accompanying Notes to Financial Statements.

EVERGREEN COMMUNITY CHURCH
STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Offerings	\$ 4,891,092	\$ -	\$ 4,891,092	\$ 4,700,659	\$ 169,755	\$ 4,870,414
Ministry Income	349,199	-	349,199	374,355	-	374,355
Capital Campaign Income	-	259,983	259,983	-	634,645	634,645
Other Income	10,284	443,366	453,650	157,529	103,965	261,494
Investment Return	392,484	-	392,484	188,367	-	188,367
Net Assets Released from Purpose Restrictions	1,375,615	(1,375,615)	-	418,112	(418,112)	-
Total Support and Revenue	<u>7,018,674</u>	<u>(672,266)</u>	<u>6,346,408</u>	<u>5,839,022</u>	<u>490,253</u>	<u>6,329,275</u>
EXPENSES						
Program Expenses	4,646,794	-	4,646,794	4,777,994	-	4,777,994
General and Administrative Expense	850,617	-	850,617	801,961	-	801,961
Fundraising Expense	2,642	-	2,642	4,048	-	4,048
Total Expenses	<u>5,500,053</u>	<u>-</u>	<u>5,500,053</u>	<u>5,584,003</u>	<u>-</u>	<u>5,584,003</u>
CHANGE IN NET ASSETS	1,518,621	(672,266)	846,355	255,019	490,253	745,272
Net Assets - Beginning of Year	<u>10,871,817</u>	<u>967,140</u>	<u>11,838,957</u>	<u>10,616,798</u>	<u>476,887</u>	<u>11,093,685</u>
NET ASSETS - END OF YEAR	<u>\$ 12,390,438</u>	<u>\$ 294,874</u>	<u>\$ 12,685,312</u>	<u>\$ 10,871,817</u>	<u>\$ 967,140</u>	<u>\$ 11,838,957</u>

See accompanying Notes to Financial Statements.

**EVERGREEN COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 846,355	\$ 745,272
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	543,096	512,645
Amortization of Loan Origination Fees	9,602	-
Gain on Sale of Fixed Assets	(4,107)	(2,041)
Realized and Unrealized Gain on Investments	(300,304)	(105,099)
Changes in Operating Assets and Liabilities:		
Other Assets	(3,106)	-
Other Liabilities	-	(400)
Net Cash Provided by Operating Activities	1,091,536	1,150,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,276,717)	(244,299)
Proceeds from Sale of Property and Equipment	4,107	2,041
Purchase of Investments	(737,228)	(1,577,496)
Proceeds from Sale of Investments	1,032,197	863,404
Net Cash Used by Investing Activities	(977,641)	(956,350)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(201,765)	(184,637)
Proceeds from Long-Term Debt	215,142	-
Payment of Long-Term Debt Issuance Costs	(159,085)	-
Net Cash Used by Financing Activities	(145,708)	(184,637)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(31,813)	9,390
Cash and Cash Equivalents - Beginning of Year	838,571	829,181
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 806,758	\$ 838,571
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 168,332	\$ 172,690
Refinancing of Long-Term Debt	\$ 3,795,178	\$ -

See accompanying Notes to Financial Statements.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operation

Evergreen Community Church (the Church) is a nondenominational Christian church located in the Twin Cities area of Minnesota. Jesus Christ is worshipped, the Bible is believed, and the Gospel is made relevant to everyday life. All types of people from all kinds of religious and nonreligious backgrounds comprise the congregation. The congregation meets at five different locations while functioning as one large united church. Together, all parts of Evergreen are working to make Christ attractive to our community.

Basis of Presentation

The Church prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Church capitalizes and depreciates its property and equipment and records its investments at fair value. These are generally accepted modifications of the cash basis of accounting. All other items of income and expense are recorded on a cash basis.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Unrestricted

Resources over which the board of trustees has discretionary control. Designated amounts represent those revenues which the board members have set aside for a particular purpose.

Temporarily Restricted

Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Church or passage of time.

Permanently Restricted

Those resources subject to a donor-imposed restriction that they be maintained permanently by the Church. Currently, the Church has no permanently restricted assets.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

The Church deposits its temporary cash balances in high credit quality financial institutions. At times, the amounts on deposit may exceed the federally insured limits. Cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less with the exception of cash designated for investment purposes.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are carried at fair value, based on quoted market prices, with realized and unrealized gains and losses recognized in the statements of support, revenue, and expenses – modified cash basis.

Privately Held Securities

Privately held securities consist of certain shares of an investment donated in 2009 that are not publicly traded. The Church recorded the initial contribution at fair value. The Church has elected to not adjust the carrying value of the investment to fair value on recurring basis. The investment is not considered impaired at December 31, 2017.

Property and Equipment

Property and equipment in excess of \$500 are capitalized and stated at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted.

The Church provides for depreciation of property and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

Building and Building Improvements	8 – 40 Years
Furniture and Equipment	3 – 5 Years
Land Improvements	3 – 10 Years

Fair Value Measurements

In accordance with fair value measurements, the Church categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Church may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Accounting standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Church has elected to measure financial instruments at cost where allowed unless specifically elected by the Church to be measured at fair value.

Functional Allocation of Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the statements of support, revenue, and expenses – modified cash basis. Accordingly, the Church allocates costs directly to program and supporting services.

Tax-Exempt Status

The Church is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes and generally is not subject to income taxes. Accordingly, no provision of federal or state taxes has been made. However, any unrelated business income may be subject to taxation.

The Church follows the provisions of Accounting for Uncertainty in Income Taxes. The Church is not aware of any activities that would jeopardize its tax-exempt status. However, should that status be challenged in the future, all years since inception would be subject to review and examination by federal and state authorities.

Subsequent Events

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through May 9, 2018, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments at December 31 are as follows:

	2017	2016
Mutual Funds - Equities	\$ 1,731,918	\$ 1,603,016
Mutual Funds - Fixed Income	2,479,406	2,602,973
Total	<u>\$ 4,211,324</u>	<u>\$ 4,205,989</u>

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 2 INVESTMENTS (CONTINUED)

Components of investment return at December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 115,708	\$ 103,305
Realized and Unrealized Gains	300,304	105,099
Investment Fees	(23,528)	(20,037)
Total	<u>\$ 392,484</u>	<u>\$ 188,367</u>

NOTE 3 FAIR VALUE HIERARCHY

The Church's assets and liabilities carried at fair value on a recurring basis at December 31, 2017 and 2016 are categorized as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual Funds - Equities	\$ 1,731,918	\$ -	\$ -	\$ 1,731,918
Mutual Funds - Fixed Income	2,479,406	-	-	2,479,406
Totals	<u>\$ 4,211,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,211,324</u>
<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual Funds - Equities	\$ 1,603,016	\$ -	\$ -	\$ 1,603,016
Mutual Funds - Fixed Income	2,602,973	-	-	2,602,973
Totals	<u>\$ 4,205,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,205,989</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Building and Building Improvements	\$ 12,542,443	\$ 12,000,279
Furniture and Equipment	1,172,169	1,135,191
Land and Land Improvements	2,032,245	1,975,644
Construction in Progress	559,097	10,229
Total	16,305,954	15,121,343
Less: Accumulated Depreciation	(4,985,273)	(4,534,283)
Total	<u>\$ 11,320,681</u>	<u>\$ 10,587,060</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$543,096 and \$512,645, respectively.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 5 LONG-TERM DEBT

Long-term debt is summarized as follows:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Note Payable - Bremer Bank, N.A., interest at 7.00% was fixed until May 31, 2010 at which time it was reset to 4.95%; as of September 12, 2012, the interest rate has again been reset to 4.22%. The note was payable in monthly interest only payments through June 1, 2010 with lump sum principal reduction payments at June 1, 2010. Commencing October 1, 2012, remaining balance is payable in monthly interest and principal payments based on a 20-year amortization with balloon payment at August 31, 2019. Note payable was refinanced in 2017.	\$ -	\$ 1,442,380
Note Payable - Bremer Bank, N.A., interest at 7.00% was fixed until June 30, 2010 at which time it was reset to 4.85%; as of September 12, 2012 the interest rate has again been reset to 4.22%. The note was payable in monthly interest only payments through July 1, 2010 with lump sum principal reduction payments at July 1, 2010. Commencing October 1, 2012, remaining balance is payable in monthly interest and principal payments based on a 20-year amortization with balloon payment at August 31, 2019. The note was refinanced in 2017.	-	2,367,881
Note Payable - Center for Energy and Environment, interest 0.00% fixed. The remaining balance is payable in monthly principal payments with the final payment due on May 27, 2017.	-	2,152
Note Payable - Thrivent Financial, interest at 3.95% is fixed for the duration of the note. The note matures February 1, 2033. Commencing on March 1, 2017, the note is payable in monthly installments of \$17,539. A final installment of the then outstanding principal balance shall be due and payable on February 1, 2033.	2,360,459	-
Note Payable - Thrivent Financial, interest at 4.375% is fixed for the duration of the note. The note matures February 1, 2037. Commencing on March 1, 2017, the note is payable in monthly installments of \$9,496. A final installment of the then outstanding principal balance shall be due and payable on February 1, 2037.	<u>1,465,331</u>	<u>-</u>
Subtotal	3,825,790	3,812,413
Less: Debt Issuance Costs	<u>(149,483)</u>	<u>-</u>
Total	<u>\$ 3,676,307</u>	<u>\$ 3,812,413</u>

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 5 LONG-TERM DEBT (CONTINUED)

The following summarizes future maturities of long-term debt as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 168,089
2019	175,176
2020	182,455
2021	190,036
2022	197,934
Thereafter	2,912,100
Total	<u>\$ 3,825,790</u>

Collateral

The two notes payable are secured by the furniture and equipment and all deposit accounts held by the Lakeville and Bloomington locations. The notes payable are further secured by the capital campaign accounts and any cash, securities, pledges, or other assets related to the Lakeville and Bloomington capital campaigns. Capital campaign accounts are required to be in the name of Evergreen Community Church.

NOTE 6 RESTRICTIONS ON NET ASSETS

Temporarily Restricted

Temporarily restricted net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Restricted to Purpose:		
Building	\$ 94,808	\$ 907,882
Mission Trip	687	3,487
Ministries	199,379	55,771
Total Temporarily Restricted Net Assets	<u>\$ 294,874</u>	<u>\$ 967,140</u>

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 6 RESTRICTIONS ON NET ASSETS

Net Assets Released from Restriction

Net assets released from restriction during 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Restricted to Purpose:		
Building	\$ 1,073,056	\$ 168,140
Mission Trip	78,477	62,939
Ministries	224,082	187,033
Total	<u>\$ 1,375,615</u>	<u>\$ 418,112</u>

NOTE 7 OPERATING LEASES

The Church leases its office equipment. The Church entered into two lease agreements in 2012, one agreement in 2014, one agreement in 2016, and one agreement in 2018. The five separate lease agreements will expire in 2017, 2017, 2019, 2021, and 2023. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 13,420
2019	9,593
2020	9,336
2021	8,706
2022	1,776
Thereafter	592
Total	<u>\$ 43,423</u>

Rent expense for the years ended December 31, 2017 and 2016 was \$16,666 and \$15,784, respectively.

NOTE 8 RETIREMENT PLAN

The Church participates in a Section 403(b) retirement investment plan which covers all employees who meet certain eligibility requirements. These employees may elect to defer a portion of their salary under the 403(b) portion of the plan and receive dollar-for-dollar matching contributions from the Church up to an amount designated by the board. The Church contributions for 2017 and 2016 were \$93,533 and \$93,025, respectively.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (REVIEWED) AND 2016 (AUDITED)**

NOTE 9 RELATED PARTIES

Evergreen Community Church and five other churches compose the Northlands Region (the Region), an unincorporated joint venture, of the Great Commission Churches (GCC). The members of the Region remit 10% of their revenue to the Region. The Region, in turn, remits 10% of its revenue to the GCC. All of the revenue and expense activity of the Region is managed by Evergreen Community Church and all such activity is included in these financial statements. During the years ended December 31, 2017 and 2016, \$110,451 and \$119,057, respectively, was received by Evergreen Community Church from the Region's other member churches and are included in Other Income in the statements of support, revenue, and expenses. Contributions, from all participating churches, totaling \$60,050 and \$60,706, were made to GCC during the years ended December 31, 2017 and 2016, respectively, and are included in Program Expenses in the statements of support, revenue, and expenses.