



# **Elevation**

C H U R C H

Consolidated Financial Statements  
December 31, 2019

# ***C. DEWITT FOARD & COMPANY, P.A.***

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of Elevation Church (the "Church" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses 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, 2019 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 27, 2020

**Elevation Church**  
**Consolidated Statement of Financial Position**

	<b>December 31, 2019</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 32,549,952
Cash Temporarily Restricted	2,631,360
<b>Total Cash and Short-Term Investments</b>	<b>35,181,312</b>
Sales Taxes Receivable	404,244
Prepaid Expenses	846,880
Other Receivables	7,493
<b>Total Current Assets</b>	<b>36,439,929</b>
Investment in Subsidiary	2,496,203
Property and Equipment, Net	77,730,010
Other Assets	100,000
Lease Deposits	114,186
<b>Total Assets</b>	<b>\$ 116,880,328</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Other Accrued Liabilities	\$ 2,175,151
<b>Total Current Liabilities</b>	<b>2,175,151</b>
<b>Long-Term Liabilities</b>	
<b>Total Liabilities</b>	<b>2,175,151</b>
<b>Net Assets</b>	
Net Assets Without Donor Restrictions	112,073,817
Net Assets With Donor Restrictions	2,631,360
<b>Total Net Assets</b>	<b>114,705,177</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 116,880,328</b>

*See accompanying notes to financial statements*

**Elevation Church**  
**Consolidated Statement of Activities**

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue</b>			
Tithes & Offerings	\$ 69,604,895	\$ -	\$ 69,604,895
Expansion Offerings	-	10,665,558	10,665,558
<b>Total Operating Revenue</b>	<b>\$ 69,604,895</b>	<b>\$ 10,665,558</b>	<b>\$ 80,270,453</b>
<b>Net Assets Released From Donor Restrictions</b>			
Property and Equipment Purchases	6,754,331	(6,754,331)	-
Outreach	1,279,867	(1,279,867)	-
<b>Net Assets Released From Donor Restrictions</b>	<b>8,034,198</b>	<b>(8,034,198)</b>	<b>-</b>
<b>Support and Revenue, Net</b>	<b>77,639,093</b>	<b>2,631,360</b>	<b>80,270,453</b>
<b>EXPENSES</b>			
Operations	5,082,517	-	5,082,517
Ministries	10,453,857	-	10,453,857
Weekend Events	1,085,193	-	1,085,193
Personnel	21,736,170	-	21,736,170
Facilities and Maintenance	5,509,198	-	5,509,198
Outreach - Operating	8,352,632	-	8,352,632
Outreach - Expansion	1,279,867	-	1,279,867
<b>Total Expenses</b>	<b>53,499,434</b>	<b>-</b>	<b>53,499,434</b>
<b>Income From Operations</b>	<b>24,139,659</b>	<b>2,631,360</b>	<b>26,771,019</b>
Depreciation and Amortization	7,151,005	-	7,151,005
<b>Net Change in Assets From Operations</b>	<b>16,988,654</b>	<b>2,631,360</b>	<b>19,620,014</b>
<b>OTHER REVENUE AND EXPENSE</b>			
Other Revenue	11,262,055	-	11,262,055
Other Expense	6,721,170	-	6,721,170
<b>Total Other Net Revenue</b>	<b>4,540,885</b>	<b>-</b>	<b>4,540,885</b>
Increase in Net Assets	21,529,539	2,631,360	24,160,899
Net Assets, Beginning of Year	90,544,279	-	90,544,279
<b>Net Assets, End of Year</b>	<b>\$ 112,073,817</b>	<b>\$ 2,631,360</b>	<b>\$ 114,705,177</b>

See accompanying notes to financial statements

**Elevation Church**  
**Consolidated Statement of Cash Flows**

	<b>December 31, 2019</b>
<b>OPERATING ACTIVITIES</b>	
Change in net assets	\$ 24,160,899
<b>Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities</b>	
Contributions received for financing purposes	(10,665,558)
Depreciation and amortization	7,151,005
Sales tax receivable	(116,922)
Prepaid expenses	(114,625)
Other receivables	(4,456)
Other assets	(100,000)
Other accrued expenses	(2,418,465)
Unearned income	(216,473)
<b>Net Cash Provided by Operating Activities</b>	<b>17,675,404</b>
<b>INVESTING ACTIVITIES</b>	
Increase (decrease) in cash realized from	
Purchases of property and equipment	(6,754,331)
Investment in/Advances to Subsidiary	(2,496,203)
Lease deposits	(34,904)
<b>Net Cash Provided by Investing Activities</b>	<b>(9,285,438)</b>
<b>FINANCING ACTIVITIES</b>	
Increase (decrease) in cash realized from	
Contributions received for financing purposes	10,665,558
Escrowed project cash	539,241
<b>Net Cash Used by Financing Activities</b>	<b>11,204,799</b>
Decrease in Cash	19,594,765
Cash, Beginning of Year	15,586,547
<b>Cash, End of Year</b>	<b>\$ 35,181,312</b>
<b>Cash Paid for Interest</b>	<b>\$ -</b>

**Elevation Church**  
**Consolidated Statement of Functional Expenses**

	Year Ended December 31, 2019			
	Program Service Activities	Volunteer Recruitment and Fundraising Activities	General and Administrative Activities	Total
<b>Operations</b>				
Administrative Support	\$ -	\$ 3,075,715	\$ -	\$ 3,075,715
Campus and Staff Development	-	-	1,122,013	1,122,013
Information Technology	683,022	72,320	48,213	803,555
Campus and Culture Creative	81,235	-	-	81,235
<b>Total Operations</b>	<b>764,257</b>	<b>3,148,035</b>	<b>1,170,225</b>	<b>5,082,517</b>
<b>Ministries</b>				
Youth	988,102	-	-	988,102
eKidz	446,904	-	-	446,904
eGroups	480,348	-	-	480,348
General Campus Support	6,561,847	-	-	6,561,847
Technical Campus Production Support	397,422	-	-	397,422
Campus Team	22,389	-	-	22,389
Digital	1,026,051	-	-	1,026,051
Online	530,794	-	-	530,794
<b>Total Ministries</b>	<b>10,453,857</b>	<b>-</b>	<b>-</b>	<b>10,453,857</b>
<b>Weekend Events</b>				
Communications	576,904	-	-	576,904
Worship	106,465	-	-	106,465
Worship Experience	401,825	-	-	401,825
<b>Total Weekend Events</b>	<b>1,085,193</b>	<b>-</b>	<b>-</b>	<b>1,085,193</b>
<b>Central Office Support</b>				
Personnel	18,475,744	1,956,256	1,304,170	21,736,170
Facilities and Maintenance	5,343,923	110,184	55,092	5,509,198
Outreach - Tithes & Offerings	8,352,632	-	-	8,352,632
Outreach - Year End Offering (Expansion)	1,279,867	-	-	1,279,867
Depreciation and Amortization	6,936,475	143,020	71,510	7,151,005
<b>Total Central Office Support</b>	<b>40,388,641</b>	<b>2,209,459</b>	<b>1,430,772</b>	<b>44,028,872</b>
<b>Other Expense</b>				
Elevation Worship	2,910,644	-	-	2,910,644
National Media	1,967,444	-	-	1,967,444
Other	1,843,082	-	-	1,843,082
<b>Total Other Expense</b>	<b>6,721,170</b>	<b>-</b>	<b>-</b>	<b>6,721,170</b>
<b>Total Functional Expense</b>	<b>\$ 59,413,117</b>	<b>\$ 5,357,494</b>	<b>\$ 2,600,998</b>	<b>\$ 67,371,609</b>

See accompanying notes to financial statements

**Elevation Church**  
**Notes to Financial Statements**  
**December 31, 2019**

**NOTE 1 – NATURE OF OPERATIONS**

**Organization and Mission:** Elevation Church (the “Church”) was incorporated in June 2005 in the State of North Carolina as a 501(c)(3) nonprofit organization. The Church headquarters is in Matthews, North Carolina.

The mission statement of the Church is “So That People Far From God Will be Raised to Life in Christ”. The goal is to spread the good news of the gospel of Jesus Christ to people around the world through the following means:

**Physical Locations:** The Church holds multiple worship experiences each week at locations in North Carolina, South Carolina, Virginia, and Florida in the United States. The Church also has one international location in Toronto, Canada. As of December 31 there were nineteen physical locations. The Church owns seven of the locations and leases the remaining twelve locations. The Church actively searches for opportunities to expand its network of physical locations. As a result of this ongoing search, the Church opened its twentieth physical location in rented space in Orlando, Florida, on January 26, 2020.

**Online (eFam):** Weekend sermons are available via live stream on the Elevation Church web site (elevationchurch.org), and social media services including YouTube and Facebook. Prior sermons are available on demand on YouTube as well as elevationchurch.org.

**National Media (television ministry):** The Church, through Steven Furtick Ministries, broadcasts sermons nationally and internationally on various media outlets. National and international broadcasts are on Trinity Broadcasting Network (TBN) and The Hillsong Network. The Church also broadcasts on various local stations in cities in which the Church has a physical location.

**Elevation Worship:** Elevation Worship (EW) staff members write worship songs directly out of the life of the Church. In addition to singing these songs in weekend worship experiences, these songs are recorded and released to the general public. EW regularly tours throughout the US and performs at various Christian conferences and concerts. EW had its first European tour in 2019.

**Subsidiaries:** Elevation Church has two operating subsidiaries, both organized in 2019 in the State of North Carolina.

**EC Property Corp** (“ECP”) is a for-profit C Corporation wholly owned by Elevation Church. The Church invested \$1,500,000 for 1,000 shares of the common stock of ECP and advanced an additional \$1,000,000 for operating cash needs. ECP invested \$1,500,000 for a 50% ownership stake in Concord Retail Investment Group, LLC (the “Group”), a joint venture between EC Property Corp and MPV Properties LLC (MPV). MPV also invested \$1,500,000 for 50% ownership of the Group. The Group used this \$3,000,000 to purchase a shopping center in downtown Concord, North Carolina.

Elevation Church signed a long-term lease with the Concord Retail Investment Group for a permanent location for its Concord campus subsequent to the purchase of the property. Construction on this campus is expected to be completed in the second quarter of 2020.

**EC Winston LLC (“ECW”)** is a not-for-profit Limited Liability Company wholly owned by Elevation Church. The Church advanced \$3,163,465 to ECW. ECW used these funds to purchase a building previously owned by the Winston Salem (NC) YWCA. ECW negotiated a long-term lease with the YWCA prior to the purchase of the property ensuring the YWCA will remain as a long-term tenant for the majority of the facility.

Elevation Church will utilize a portion of the YWCA as a permanent location for its Winston Salem campus. Renovations of the building are required and construction is expected to be completed in the second quarter of 2020.

## **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 U.S. Generally Accepted Accounting Principles (GAAP).

### **Financial Statement Presentation:**

Contributions, other revenues, expenses and gifts of land, buildings or equipment are classified based on the existence or absence of donor-imposed restrictions. Accordingly, contributions and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gifts of land, building and equipment are recorded as unrestricted support unless explicit donor restrictions specify how the donated assets must be used.

Contributions and other gifts subject to donor-imposed stipulations that are more restrictive than the Church’s mission and purpose are reported as an increase in net assets with donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates that resources be maintained in perpetuity. The Church has never received a contribution with permanent donor restrictions.

**Revenue Recognition:** Contributions are recognized when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services:** The Church receives donated services from numerous volunteers assisting the Church in achieving its mission. The value of these contributed services are not reflected in the accompanying statements of activities because the criteria for recognition of such volunteer efforts under GAAP have not been satisfied.

**Other Support:** Contributions of marketable securities are generally sold upon receipt. Donated real property or equipment, if material, are included in contributions at fair value.

**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 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.

**Cash and Cash Equivalents:** Cash and cash equivalents consist of cash on hand and deposits held by financial institutions with original maturities of three months or less.

**Liquidity Management:** The Church has \$32,549,952 of unrestricted cash and cash equivalents as of December 31, 2019. These assets are available to meet general operating needs of the Church. It is anticipated ongoing contributions without donor restrictions received in 2020 will be sufficient to fully support Church operations.

**Sales Tax Receivable:** The North Carolina Department of Revenue requires the Church to pay sales taxes on all purchases and then to file a tax return requesting reimbursement for sales taxes paid. The amount shown in the financial statements is presented at net realizable value and is expected to be collected within twelve months.

**Investments:** Investments are reported at fair market value determined by quoted market prices. Investment revenue and realized and unrealized gains and losses, if any, are reported on the statement of activities.

**Inventory:** The Church expenses merchandise held for resale when purchased. The value of unsold inventory is not deemed material.

**Special Events:** Costs associated with special events are netted against the related revenue.

**Income Taxes:** The Church is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation within the meaning of Section 509(a). Donors of money or property, or both, are entitled to the maximum charitable contribution deduction allowed by law. Management is not aware of any tax positions that would have a significant impact on its financial position.

The Church pays Unrelated Business Income Taxes (UBIT) on net earnings from activities not related to its exempt purpose. The Church paid \$76,740 for tax year 2019. Tax returns for the years 2017 – 2019 are open for examination by the Internal Revenue Service and the North Carolina Department of Revenue.

**Employee Benefit Plan:** The Church sponsors a defined contribution 403(B) plan available to all full time employees. Employee contributions up to 4% are matched by the Church. Retirement plan expenses totaled \$1,216,921 in 2019.

**Use of Estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**Functional Allocation of 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. Second, 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 does not employ advertising agencies, marketing firms or consulting firms to assist with fundraising activities.

Personnel and other 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. None of the expenses are considered to be non-recurring.

**Subsequent Events:** The Church evaluates the impact of subsequent events, which are events that occur after the consolidated balance sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the balance sheet date. For the year ended December 31, 2019, the Church evaluated the impact of subsequent events through February 27, 2020, the date the consolidated financial statements were available to be issued. No events have occurred that require disclosure in or adjustment to the consolidated financial statements.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31:

	<b>2019</b>
Buildings	\$ 60,154,820
Land	21,187,489
Audio/Video Equipment	13,558,495
Leasehold Improvements	3,254,092
Computer Equipment	1,887,251
Furniture and Equipment	7,095,965
Vehicles and Trailers	568,939
	<b>107,707,051</b>
Less: Accumulated Depreciation	(29,977,041)
Property and Equipment, Net	<b>\$ 77,730,010</b>

Property and equipment (excluding computer equipment) in excess of \$2,500 is capitalized. Computer equipment in excess of \$1,000 is capitalized. Depreciation and amortization are provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives of the assets on a straight line basis.

Depreciation expense was \$7,151,005 for the year ended December 31, 2019.

**NOTE 4 – LONG-TERM DEBT**

The Church, through its operating subsidiary EC Property Corp, has guaranteed long-term debt of \$2,364,720 as of December 31, 2019.

**NOTE 5 – NET ASSET CATEGORIES****With Donor Restrictions**

Contributions and other gifts received by the Church for expansion or related debt reduction are initially recorded as net assets with donor restrictions. A portion of these funds (12%) are 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 related debt is reduced or the amount is included as an outreach expense, as appropriate. In 2019, \$10,665,558 was received with donor restrictions. Of that amount, \$6,754,331 was used to purchase fixed assets and \$1,279,867 was disbursed as outreach leaving \$2,631,360 with donor restrictions.

**Without Donor Restrictions**

Contributions and other gifts available for use in general operations and not subject to donor restrictions are reported as an increase in net assets in the period received. Contributions received with donor restrictions whose restrictions are met in the same reporting period they are received are generally reposted as support without donor restrictions in the same reporting year. The Church designates 12% of these funds to be donated to outreach partners.

**NOTE 6 – RETIREMENT PLAN**

The Church 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) retirements plan. The plan is maintained, administered and controlled by an independent, third-party administrator. Employees are eligible to participate as soon as their employment begins. In 2019, retirement benefits paid by the Church and included in the Statement of Activities amounted to \$1,202,328.

**NOTE 7 – LEASES**

The Church has entered into non-cancellable operating lease agreements for the worship team (recording studio), general office space, warehouse facilities (storage), parking spaces and general office equipment. In 2019, rent expenses amounted to \$3,261,306.

Future minimum rent payments due under operating leases for the five years ending December 31, 2024, are presented in the following table.

<b>Year</b>	<b>Amount</b>
2020	\$ 2,627,310
2021	\$ 1,268,189
2022	\$ 896,410
2023	\$ 892,124
2024 and Beyond	\$ 1,653,945
<b>Total</b>	<b>\$ 7,337,978</b>

**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 limits. At December 31, 2019, the uninsured balance of cash amounted to \$34,399,004. 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. 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 leadership were unable to perform their duties.

**NOTE 9 – OTHER REVENUE AND EXPENSE**

Other revenue and expense for the year ended December 31, 2019 is presented below.

	<b>2019</b>
<b>Other Revenue</b>	
Elevation Worship	\$ 6,044,181
National Media	2,673,734
Miscellaneous	2,544,140
<b>Total Other Revenue</b>	<b>\$ 11,262,055</b>
<b>Other Expense</b>	
Elevation Worship	\$ 2,910,644
National Media	1,967,444
Miscellaneous	1,843,082
<b>Total Other Expense</b>	<b>6,721,170</b>
<b>Net Other Revenue</b>	<b>\$ 4,540,885</b>

**NOTE 10 – RELATED PARTY TRANSACTIONS**

Members of the Board of Directors are not compensated for participating as a Board member. From time to time, members of the Board preach at worship experiences and other events held by the Church or they may provide seminar presentations to the church staff. As is true for any guest speaker, Board members receive honorariums. In 2019, there were no payments to Board members for such events.

**NOTE 11 – CONSTRUCTION PROJECTS:** The Church has three construction projects in various stages of completion as of December 31, 2019. The active projects, estimated costs to complete and estimated completion dates are –

Concord	\$ 3,600,000	2 <sup>nd</sup> Quarter of 2020
Winston Salem	\$ 1,662,000	2 <sup>nd</sup> Quarter of 2020
Matthews Headquarters	\$ 6,933,000	1 <sup>st</sup> Quarter of 2021
Total Estimated Costs	\$12,195,000	