

EVERGREEN COMMUNITY CHURCH
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

**EVERGREEN COMMUNITY CHURCH
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Evergreen Community Church
Bloomington, Minnesota

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Evergreen Community Church (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of support, revenue and expenses – modified cash basis and cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits of the financial statements provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Evergreen Community Church as of December 31, 2009 and 2008, and its support, revenue and expenses for the years then ended, on the basis of accounting described in Note 1.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
May 10, 2010



(1)

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**EVERGREEN COMMUNITY CHURCH
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2009 AND 2008**

	2009	2008
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 657,952	\$ 1,749,946
Investments	1,277,034	106,344
Privately Held Securities	18,750	-
Cash Advances	1,509	111
Building Purchase Deposit	-	15,000
Loan Origination Fees, Net of Accumulated Amortization	19,601	23,165
Property and Equipment, Net of Accumulated Depreciation	11,633,667	10,870,677
Total Assets	\$ 13,608,513	\$ 12,765,243
LIABILITIES AND NET ASSETS		
LIABILITIES		
Withholding Payable	\$ -	\$ 10,506
Long-Term Debt	6,350,000	6,250,000
Total Liabilities	6,350,000	6,260,506
NET ASSETS		
Unrestricted:		
Undesignated	6,713,072	5,822,081
Board Designated	500,000	508,519
Total Unrestricted Net Assets	7,213,072	6,330,600
Temporarily Restricted	45,441	174,137
Total Net Assets	7,258,513	6,504,737
Total Liabilities and Net Assets	\$ 13,608,513	\$ 12,765,243

See accompanying Notes to Financial Statements.

**EVERGREEN COMMUNITY CHURCH
STATEMENTS OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Offerings	\$ 3,703,749	\$ -	\$ 3,703,749	\$ 3,552,676	\$ -	\$ 3,552,676
Ministry Income	191,436	-	191,436	150,872	-	150,872
Capital Campaign Income	-	1,143,674	1,143,674	-	1,280,597	1,280,597
Other Income	57,561	153,608	211,169	143,223	114,192	257,415
Investment Return	24,999	-	24,999	(286,856)	-	(286,856)
Net Assets Released from Purpose Restrictions	1,425,978	(1,425,978)	-	1,937,934	(1,937,934)	-
Total Support and Revenue	<u>5,403,723</u>	<u>(128,696)</u>	<u>5,275,027</u>	<u>5,497,849</u>	<u>(543,145)</u>	<u>4,954,704</u>
EXPENSES						
Program Expenses	3,891,217	-	3,891,217	3,770,549	-	3,770,549
General and Administrative Expense	623,334	-	623,334	620,167	-	620,167
Fundraising Expense	6,700	-	6,700	13,456	-	13,456
Total Expenses	<u>4,521,251</u>	<u>-</u>	<u>4,521,251</u>	<u>4,404,172</u>	<u>-</u>	<u>4,404,172</u>
CHANGE IN NET ASSETS	882,472	(128,696)	753,776	1,093,677	(543,145)	550,532
Net Assets - Beginning	<u>6,330,600</u>	<u>174,137</u>	<u>6,504,737</u>	<u>5,236,923</u>	<u>717,282</u>	<u>5,954,205</u>
NET ASSETS - ENDING	<u>\$ 7,213,072</u>	<u>\$ 45,441</u>	<u>\$ 7,258,513</u>	<u>\$ 6,330,600</u>	<u>\$ 174,137</u>	<u>\$ 6,504,737</u>

See accompanying Notes to Financial Statements.

**EVERGREEN COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 753,776	\$ 550,532
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	438,850	333,535
Amortization of Loan Origination Fees	3,564	3,564
Gain on Sale of Fixed Assets	-	(2,629)
Realized and Unrealized Losses on Investments	(20,596)	346,274
Contributions Received in the Form of Securities	(61,431)	-
(Increase) Decrease in Current Assets and Current Liabilities:		
Cash Advances	(1,398)	121
Building Purchase Deposit	15,000	(5,000)
Withholding Payable	(10,506)	10,506
Net Cash Provided by Operating Activities	<u>1,117,259</u>	<u>1,236,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(476,840)	(1,712,006)
Proceeds on Sale of Property and Equipment	-	8,925
Purchase of Investments	(1,213,277)	(59,418)
Proceeds from Sale of Investments	105,864	1,242,443
Net Cash Used by Investing Activities	<u>(1,584,253)</u>	<u>(520,056)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	<u>(625,000)</u>	<u>(501,480)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,091,994)	215,367
Cash and Cash Equivalents - Beginning	<u>1,749,946</u>	<u>1,534,579</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 657,952</u></u>	<u><u>\$ 1,749,946</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Property Purchased with a Contract for Deed, Net of Amount Paid at Closing	<u><u>\$ 725,000</u></u>	<u><u>\$ 781,480</u></u>
Cash Paid for Interest	<u><u>\$ 445,582</u></u>	<u><u>\$ 475,077</u></u>

See accompanying Notes to Financial Statements.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operation

Evergreen Community Church is a non-denominational 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 non-religious 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, capitalizes and amortizes loan origination fees 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.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments

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

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statement of activities.

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.

Property and Equipment

Property and equipment are 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

Loan Origination Fees

Costs incurred to obtain financing are capitalized and amortized over the terms of the related agreements. Amortization of financing costs included in loan origination fees was \$32,075 for the years ended December 31, 2009 and 2008. As of December 31, 2009 and 2008, accumulated amortization was \$12,474 and \$8,910, respectively.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 adopted the income tax standard for uncertain tax positions on January 1, 2009. As a result of the implementation, the Church recognized no liability for unrecognized tax positions. 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.

Fair Value Measurements

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.

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.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy

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.

The Church's assets and liabilities carried at fair value on a recurring basis at December 31, 2009 and 2008 are categorized as follows:

<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed Income	\$ 538,794	\$ -	\$ -	\$ 538,794
Equities	20,291	-	-	20,291
Mutual Funds	717,949	-	-	717,949
Totals	<u>\$ 1,277,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,277,034</u>
<u>December 31, 2008</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed Income	\$ 100,480	\$ -	\$ -	\$ 100,480
Equities	5,864	-	-	5,864
Mutual Funds	-	-	-	-
Totals	<u>\$ 106,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,344</u>

Reclassifications

Certain reclassifications have been made to the prior year financial statements to confirm to the current year presentation. The reclassifications had not effects on the changes in net assets or total net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through May 10, 2010, the date the financial statements were available to be issued.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 2 INVESTMENTS

Investments at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Fixed Income	\$ 538,794	\$ 100,480
Equities	20,291	5,864
Mutual Funds	717,949	-
Total	<u>\$ 1,277,034</u>	<u>\$ 106,344</u>

Components of investment return at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Interest and Dividends	\$ 26,713	\$ 59,418
Realized and Unrealized Gain (Loss)	3,002	(346,274)
Investment Fees	(4,716)	-
Total	<u>\$ 24,999</u>	<u>\$ (286,856)</u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Building and Building Improvements	\$ 10,423,410	\$ 9,450,808
Furniture and Equipment	941,203	946,840
Land and Land Improvements	1,734,872	1,538,548
Construction in Progress	-	19,371
Total	<u>13,099,485</u>	<u>11,955,567</u>
Less: Accumulated Depreciation	<u>(1,465,818)</u>	<u>(1,084,890)</u>
Total	<u>\$ 11,633,667</u>	<u>\$ 10,870,677</u>

Depreciation expense for the years ended December 31, 2009 and 2008 were \$438,850 and \$333,535, respectively.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 4 LONG-TERM DEBT

Long-term debt is summarized as follows:

<u>Description</u>	<u>2009</u>	<u>2008</u>
Note Payable - Bremer Bank, N.A., interest at 7.00% is fixed until May 31, 2010 at which time it will be reset. The Note matures June 1, 2015. The Note is payable in monthly interest only payments through June 1, 2010 with lump sum principal reduction payments at June 1, 2010. Commencing July 1, 2010, remaining balance is payable in monthly interest and principal payments based on a 25 year amortization with balloon payment at June 1, 2015.	\$ 1,960,000	\$ 2,130,000
Note Payable - Bremer Bank, N.A., interest at 7.00% is fixed until June 30, 2010 at which time it will be reset. The Note matures July 1, 2015. The Note is payable in monthly interest only payments through July 1, 2010 with lump sum principal reduction payments at July 1, 2010. Commencing August 1, 2010, remaining balance is payable in monthly interest and principal payments based on a 25 year amortization with balloon payment at July 1, 2015.	3,300,000	3,500,000
Contract for Deed - Northwestern District of the Christian and Missionary Alliance, interest at 6% due March 31, 2013. The Note is payable in monthly interest only payments through March 31, 2013.	570,000	620,000
Contract for Deed - Minnesota Baptist Conference, due February 1, 2022. The Note is payable in monthly interest only payments at 3.5% through February 1, 2012, with a lump sum principal reduction payment due on January 1, 2012. Commencing March 1, 2012, the remaining balance will be amortized over 10 years with monthly principal and interest payments at a rate of 5% through February 1, 2022.	<u>520,000</u>	<u>-</u>
Total	6,350,000	6,250,000
Less: Current Portion	<u>(492,262)</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 5,857,738</u>	<u>\$ 6,250,000</u>

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 4 LONG-TERM DEBT (CONTINUED)

The following summarizes future maturities of long-term debt as of December 31, 2009:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 492,262
2011	75,764
2012	115,967
2013	699,924
2014	138,411
Thereafter	<u>4,827,672</u>
Total	<u><u>\$ 6,350,000</u></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. The contracts for deed are secured by the New Hope and Urban Refuge buildings, respectively.

Interest Rate

The interest rate on the notes payable is set at a fixed rate until May 31, 2010 and June 30, 2010. At June 1, 2010 and July 1, 2010 the Church has the ability to exercise its option to reset the interest rate at a one, two, three, four, or five-year LIBOR rate plus 2.50% and 2.40% per year in excess of the applicable LIBOR rate. The interest rate on the contract for deed is set at a fixed rate until maturity.

Notes Payable Covenants

Under the terms of the agreements, the Church has agreed, among other matters, to (a) maintain a debt service coverage ratio of not less than 1.10:1 at December 31, as defined and (b) shall maintain a separate depository account for capital campaign contributions for its Bloomington and Lakeville Churches.

NOTE 5 LINE OF CREDIT

At December 31, 2009, the Church has a revolving line of credit for \$450,000 which expires on August 30, 2010 and is secured by a mortgage on the Church's Bloomington real estate. The interest rate is at the prime rate of interest. There was no outstanding balance on the line of credit as of December 31, 2009.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 6 RESTRICTIONS ON NET ASSETS

Temporarily Restricted

Temporarily restricted net assets consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Restricted to Purpose:		
Building	\$ 5,409	\$ 133,963
Mission Trip	15,012	14,233
Ministries	24,400	1,972
Other	620	23,969
Total Temporarily Restricted Net Assets	<u>\$ 45,441</u>	<u>\$ 174,137</u>

Net Assets Released from Restriction

Net assets released from restriction during 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Restricted to Purpose:		
Building	\$ 1,272,230	\$ 1,837,944
Mission Trip	85,963	57,633
Ministries	67,785	1,326
Other	-	41,031
Total	<u>\$ 1,425,978</u>	<u>\$ 1,937,934</u>

NOTE 7 OPERATING LEASES

The Church entered into two lease agreements for office equipment during 2008 and 2007. An additional lease for building space was terminated during 2009 when the building was purchased instead. The equipment operating leases expire in 2012. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 22,775
2011	22,775
2012	21,003
Total	<u>\$ 66,553</u>

Rent expense for the years ended December 31, 2009 and 2008 was \$59,827 and \$190,493, respectively.

**EVERGREEN COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 2009 and 2008 were \$69,490 and \$68,255, respectively.

NOTE 9 RELATED PARTIES

Evergreen Community Church and two 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, 2009 and 2008, \$64,217 and \$59,348, respectively, was received by Evergreen Community Church from the Region's two other member churches and are included in other income in the statement of activities. Contributions, from all three participating churches, totaling \$43,460 and \$41,488, were made to GCC during the years ended December 31, 2009 and 2008, respectively, and are included in program expenses in the statement of activities.