



PURSUIT CHURCH DENVER
D/B/A PURSUIT CHURCH

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Pursuit Church Denver d/b/a Pursuit Church
Denver, North Carolina

Opinion

We have audited the accompanying financial statements of Pursuit Church Denver d/b/a Pursuit Church (“the Church”), which consist of the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pursuit Church Denver d/b/a Pursuit Church as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit 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 Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
May 31, 2022

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | December 31, | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Cash and cash equivalents | \$ 637,792 | \$ 517,751 |
| Cash restricted for long-term purposes | 775,526 | 461,038 |
| Other assets | 15,682 | — |
| Property and equipment, net | 4,044,767 | 3,539,345 |
| Total assets | \$ 5,473,767 | \$ 4,518,134 |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|---------------------|
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 84,818 | \$ 35,782 |
| Notes payable | 1,658,959 | 1,856,752 |
| Total liabilities | 1,743,777 | 1,892,534 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 543,457 | 481,969 |
| Net investment in property and equipment | 2,385,808 | 1,682,593 |
| Total without donor restrictions | 2,929,265 | 2,164,562 |
| With donor restrictions | 800,725 | 461,038 |
| Total net assets | 3,729,990 | 2,625,600 |
| Total liabilities and net assets | \$ 5,473,767 | \$ 4,518,134 |

The Accompanying Notes are an Integral
Part of These Financial Statements

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
STATEMENTS OF ACTIVITIES

| | For The Year Ended December 31, 2021 | | | For The Year Ended December 31, 2020 |
|---|--------------------------------------|----------------------------|---------------------|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS | | | | |
| Contributions without donor restrictions | \$ 1,807,534 | \$ — | \$ 1,807,534 | \$ 1,584,480 |
| Contributions with donor restrictions | — | 1,285,932 | 1,285,932 | 745,218 |
| Auxiliary activities and other revenue | 44,887 | — | 44,887 | 16,572 |
| Grant revenue | — | — | — | 85,900 |
| Net assets released from restrictions | <u>946,245</u> | <u>(946,245)</u> | <u>—</u> | <u>—</u> |
| Total public support and revenue and net assets released from restrictions | <u>2,798,666</u> | <u>339,687</u> | <u>3,138,353</u> | <u>2,432,170</u> |
| EXPENSES | | | | |
| Program activities | 1,738,159 | — | 1,738,159 | 1,330,559 |
| Supporting activities | <u>295,804</u> | <u>—</u> | <u>295,804</u> | <u>233,441</u> |
| Total expenses | <u>2,033,963</u> | <u>—</u> | <u>2,033,963</u> | <u>1,564,000</u> |
| Change in net assets without donor restrictions | 764,703 | — | 764,703 | 771,785 |
| Change in net assets with donor restrictions | <u>—</u> | <u>339,687</u> | <u>339,687</u> | <u>96,385</u> |
| CHANGE IN NET ASSETS | 764,703 | 339,687 | 1,104,390 | 868,170 |
| NET ASSETS - Beginning of year | <u>2,164,562</u> | <u>461,038</u> | <u>2,625,600</u> | <u>1,757,430</u> |
| NET ASSETS - End of year | <u>\$ 2,929,265</u> | <u>\$ 800,725</u> | <u>\$ 3,729,990</u> | <u>\$ 2,625,600</u> |

The Accompanying Notes are an Integral
Part of These Financial Statements

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
STATEMENTS OF CASH FLOWS

| | For The Years Ended December 31, | |
|---|-------------------------------------|-------------------|
| | 2021 | 2020 |
| OPERATING CASH FLOWS | | |
| Cash received from donors | \$ 2,049,856 | \$ 1,673,429 |
| Other revenue received | 44,887 | 16,572 |
| Cash paid for operating activities and costs | (1,814,132) | (1,486,627) |
| Interest paid | (76,598) | (96,045) |
| Net operating cash flows | 204,013 | 107,329 |
| INVESTING CASH FLOWS | | |
| Net purchases of and improvements to property and equipment | (615,301) | (544,541) |
| Net investing cash flows | (615,301) | (544,541) |
| FINANCING CASH FLOWS | | |
| Borrowings | 350,000 | 85,900 |
| Proceeds from contributions restricted for long-term purposes | 1,043,610 | 656,269 |
| Principal repayments | (547,793) | (94,545) |
| Net financing cash flows | 845,817 | 647,624 |
| NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 434,529 | 210,412 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year | 978,789 | 768,377 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year | \$ 1,413,318 | \$ 978,789 |
| REPORTED IN THE STATEMENTS OF FINANCIAL POSITION AS FOLLOWS | | |
| Cash and cash equivalents | \$ 637,792 | \$ 517,751 |
| Cash restricted for long-term purposes | 775,526 | 461,038 |
| Total cash, cash equivalents, and restricted cash | \$ 1,413,318 | \$ 978,789 |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS | | |
| Change in net assets | \$ 1,104,390 | \$ 868,170 |
| Adjustments to reconcile change in net assets to net operating cash flows | | |
| Depreciation | 109,879 | 72,110 |
| Contributions restricted for long-term purposes | (1,043,610) | (656,269) |
| Conversion of note payable to grant revenue (see Note F) | — | (85,900) |
| Change in other assets | (15,682) | — |
| Change in accounts payable and accrued expenses | 49,036 | (90,782) |
| Net operating cash flows | \$ 204,013 | \$ 107,329 |

SUPPLEMENTAL DISCLOSURE

\$85,900 of principal reductions of a certain note payable are included in "grant revenue" in the accompanying 2020 statement of activities. See Note F.

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2021

| | <u>Program activities</u> | <u>Supporting activities</u> | <u>Total expenses</u> |
|--|----------------------------|------------------------------|----------------------------|
| Personnel costs | \$ 896,300 | \$ 194,472 | \$ 1,090,772 |
| Special activities, events, and other ministries | 206,938 | — | 206,938 |
| Other | 132,442 | 11,814 | 144,256 |
| Facilities management and non-capitalized project expenditures | 135,310 | 6,743 | 142,053 |
| Depreciation | 104,385 | 5,494 | 109,879 |
| Missions and outreach | 107,323 | — | 107,323 |
| Information technology and software | 51,239 | 26,308 | 77,547 |
| Interest | 72,768 | 3,830 | 76,598 |
| Professional services and fees | 9,089 | 33,314 | 42,403 |
| Office expense and supplies | <u>22,365</u> | <u>13,829</u> | <u>36,194</u> |
| Total | <u>\$ 1,738,159</u> | <u>\$ 295,804</u> | <u>\$ 2,033,963</u> |

The Accompanying Notes are an Integral
Part of These Financial Statements

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2020

| | <u>Program activities</u> | <u>Supporting activities</u> | <u>Total expenses</u> |
|--|----------------------------|------------------------------|----------------------------|
| Personnel costs | \$ 738,981 | \$ 159,742 | \$ 898,723 |
| Facilities management and non-capitalized project expenditures | 125,928 | 10,251 | 136,179 |
| Missions and outreach | 96,740 | 4,797 | 101,537 |
| Interest | 91,243 | 4,802 | 96,045 |
| Other | 89,487 | 5,420 | 94,907 |
| Depreciation | 68,505 | 3,605 | 72,110 |
| Special activities, events, and other ministries | 66,341 | — | 66,341 |
| Information technology and software | 44,501 | 18,964 | 63,465 |
| Office expense and supplies | 8,833 | 12,217 | 21,050 |
| Professional services and fees | — | 13,643 | 13,643 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 1,330,559</u> | <u>\$ 233,441</u> | <u>\$ 1,564,000</u> |

The Accompanying Notes are an Integral
Part of These Financial Statements

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Pursuit Church Denver d/b/a Pursuit Church (“the Church”) is a not-for-profit North Carolina corporation. The purpose of the Church is to introduce and promote the Christian faith to individuals for the growth of that relationship with God through meaningful worship and applicable Bible teaching and affirm that every believer has a ministry in the Kingdom of God. The Church accomplishes its purpose by changing lives one family at a time through exalting the Savior, evangelizing the sinner, and equipping the saints. The Church is located in Denver, North Carolina.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Church recognizes cash contributions as revenue when the contributions are received by the Church. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions.”

Cash and cash equivalents

All investment instruments purchased or donated with original maturities of three months or less are considered to be cash and cash equivalents.

Cash restricted for long-term purposes

Cash restricted for long-term purposes consists of amounts held, which are donor-restricted for capital projects and debt retirement.

Property and equipment

Property and equipment is stated at original cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the expected useful lives of the related assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

The Church is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Church is further classified as a public charity and not as a private foundation for federal tax purposes. The Church has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those used in determining the useful lives of property and equipment. Actual results could differ from the estimates.

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Church’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Church of relief measures available under federal law. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending December 31, 2022.

Reclassifications

Certain amounts included in the 2020 financial statements have been reclassified to conform to classifications adopted during 2021. The reclassifications had no material effect on the accompanying financial statements.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

| | December 31, | |
|---|--------------|------------|
| | 2021 | 2020 |
| Financial assets available: | | |
| Cash and cash equivalents | \$ 637,792 | \$ 517,751 |
| Cash restricted for long-term purposes | 775,526 | 461,038 |
| Total financial assets available within one year | 1,413,318 | 978,789 |
| Less: | | |
| Amounts unavailable for general expenditure within one year due to donor-imposed restrictions | (775,526) | (461,038) |
| Net financial assets available within one year | \$ 637,792 | \$ 517,751 |

The Church is primarily supported by contributions. As part of the Church’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church has certain assets limited to use for donor-restricted purposes. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the Church must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within the next year and are excluded from net financial assets available for general expenditure within one year. Other donor-restricted net assets are available for general expenditure within one year because the restrictions are expected to be met by conducting the normal activities of the Church’s programs in the coming year. Management of the Church believes the Church has sufficient resources available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need.

NOTE D – CONCENTRATIONS

The Church maintains its cash and cash equivalents in deposit or brokerage accounts which may not be federally insured, may exceed federally insured limits or may be insured by an entity other than an agency of the federal government. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

During 2021 and 2020, approximately 30% and 18% of the Church’s contributions, respectively, were received from an organization owned by a member of the Church’s Board of Directors.

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE D – CONCENTRATIONS (Continued)

All of the Church’s term debt is held by one financial institution.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| Category | December 31, | |
|------------------------------------|--------------|--------------|
| | 2021 | 2020 |
| Land | \$ 1,710,756 | \$ 1,686,256 |
| Buildings and improvements | 2,103,667 | 1,585,101 |
| Furniture, fixtures, and equipment | 463,154 | 400,919 |
| Construction in progress | 201,232 | 191,232 |
| Total property and equipment | 4,478,809 | 3,863,508 |
| Less: Accumulated depreciation | (434,042) | (324,163) |
| Net property and equipment | \$ 4,044,767 | \$ 3,539,345 |

Depreciation expense for 2021 and 2020 amounted to \$109,879 and \$72,110, respectively.

NOTE F – NOTES PAYABLE

Notes payable consisted of the following:

| | December 31, | |
|--|--------------|--------------|
| | 2021 | 2020 |
| Note payable to a bank; payable in monthly installments of principal and interest at 3.75% per annum as of December 31, 2021 and 4.50% per annum as of December 31, 2020 with a final balloon payment due upon maturity in December 2022; secured by a certain deed of trust | \$ 961,820 | \$ 1,017,728 |
| Note payable to a bank; payable in monthly installments of principal and interest at 3.75% per annum as of December 31, 2021 and 5.50% per annum as of December 31, 2020 with a final balloon payment due upon maturity in October 2023; secured by a certain deed of trust | 353,027 | 839,024 |
| Note payable to a bank; payable in monthly installments of principal and interest at 3.75% per annum with a final balloon payment due upon maturity in June 2028; secured by a certain deed of trust | 344,112 | — |
| Total notes payable | \$ 1,658,959 | \$ 1,856,752 |

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE F – NOTES PAYABLE (Continued)

Paycheck Protection Program note payable

During 2020, the Church obtained a Paycheck Protection Program note payable (“PPP loan”) in the amount of \$85,900. The PPP loan was payable to a bank at a fixed rate of 1.00% per annum with a deferral of interest and principal payments that ended in May 2021 when the Small Business Administration issued a decision granting full forgiveness of the PPP loan based on the nature of the Church’s expenditures during an applicable period. Accordingly, this amount has been recognized as a reduction to “notes payable” in the accompanying statement of financial position (reducing the balance of the PPP loan to zero as of December 31, 2020) and as “grant revenue” in the accompanying 2020 statement of activities.

Approximate future maturities of the Church’s notes payable are as follows:

| <u>Year Ending</u> <u>December 31,</u> | |
|---|---------------------|
| 2022 | \$ 1,055,000 |
| 2023 | 285,000 |
| 2024 | 13,000 |
| 2025 | 14,000 |
| 2026 | 14,000 |
| Thereafter | <u>278,000</u> |
| Total | <u>\$ 1,659,000</u> |

Total interest expense for 2021 and 2020 amounted to \$76,598 and \$96,045, respectively.

NOTE G – NET ASSETS

Activity for net assets with donor restrictions during 2021 was as follows:

| | <u>Balance</u> <u>January 1</u> | <u>Contributions</u> | <u>Releases</u> | <u>Balance</u> <u>December 31</u> |
|--|------------------------------------|----------------------|---------------------|--------------------------------------|
| Capital projects | \$ 461,038 | \$ 1,043,610 | \$ (729,122) | \$ 775,526 |
| Pursuit Prep | — | 60,000 | (44,671) | 15,329 |
| Church ministries, outreach, and benevolence | <u>—</u> | <u>182,322</u> | <u>(172,452)</u> | <u>9,870</u> |
| Total | <u>\$ 461,038</u> | <u>\$ 1,285,932</u> | <u>\$ (946,245)</u> | <u>\$ 800,725</u> |

Activity for net assets with donor restrictions during 2020 was as follows:

| | <u>Balance</u> <u>January 1</u> | <u>Contributions</u> | <u>Releases</u> | <u>Balance</u> <u>December 31</u> |
|--|------------------------------------|----------------------|---------------------|--------------------------------------|
| Capital projects | \$ 364,653 | \$ 656,269 | \$ (559,884) | \$ 461,038 |
| Church ministries, outreach, and benevolence | <u>—</u> | <u>88,949</u> | <u>(88,949)</u> | <u>—</u> |
| Total | <u>\$ 364,653</u> | <u>\$ 745,218</u> | <u>\$ (648,833)</u> | <u>\$ 461,038</u> |

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
NOTES TO FINANCIAL STATEMENTS

NOTE G – NET ASSETS (Continued)

During 2021, management of the Church determined that certain amounts previously treated as net assets without donor restrictions should have been treated as net assets with donor restrictions. Accordingly, \$364,653 of net assets have been reclassified from net assets without donor restrictions to net assets with donor restrictions as of January 1, 2020, with no effect on total net assets.

NOTE H – SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Church executed a contract totaling approximately \$1,161,000 for the purchase of certain materials in connection with the construction of the Church's new worship facility. Progress payments on the contract are made as materials are purchased pursuant to the terms of the contract.

The Church has evaluated for possible financial reporting and disclosure of subsequent events through May 31, 2022, the date as of which the financial statements were available to be issued.