



Batts Morrison  
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

# Pursuit Church Denver d/b/a Pursuit Church

Financial Statements

For The Years Ended December 31, 2022 and 2021



Batts Morrison  
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CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2022 and 2021, 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, 2022 and 2021, 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  
April 26, 2023

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

**ASSETS**

	December 31,	
	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,189,153	\$ 637,792
Cash held in special disbursement accounts	1,252,082	—
Cash restricted for long-term purposes	249,737	775,526
Other assets	22,613	15,682
Property and equipment, net	4,652,867	4,044,767
<b>Total assets</b>	<b>\$ 7,366,452</b>	<b>\$ 5,473,767</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 146,611	\$ 84,818
Unearned revenue	22,613	—
Notes payable, net	1,533,242	1,658,959
<b>Total liabilities</b>	<b>1,702,466</b>	<b>1,743,777</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	1,039,065	543,457
Net investment in property and equipment	3,119,625	2,385,808
Total without donor restrictions	4,158,690	2,929,265
With donor restrictions	1,505,296	800,725
<b>Total net assets</b>	<b>5,663,986</b>	<b>3,729,990</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,366,452</b>	<b>\$ 5,473,767</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

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

	For The Years Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Contributions	\$ 2,491,755	\$ 1,540,888	\$ 4,032,643	\$ 1,807,534	\$ 1,285,932	\$ 3,093,466
Auxiliary activities and other revenue	105,691	—	105,691	44,887	—	44,887
Net assets released from restrictions	<u>836,317</u>	<u>(836,317)</u>	<u>—</u>	<u>946,245</u>	<u>(946,245)</u>	<u>—</u>
<b>Total public support and revenue and net assets released from restrictions</b>	<b><u>3,433,763</u></b>	<b><u>704,571</u></b>	<b><u>4,138,334</u></b>	<b><u>2,798,666</u></b>	<b><u>339,687</u></b>	<b><u>3,138,353</u></b>
<b>EXPENSES</b>						
Program activities	1,928,660	—	1,928,660	1,738,159	—	1,738,159
Supporting activities	<u>275,678</u>	<u>—</u>	<u>275,678</u>	<u>295,804</u>	<u>—</u>	<u>295,804</u>
<b>Total expenses</b>	<b><u>2,204,338</u></b>	<b><u>—</u></b>	<b><u>2,204,338</u></b>	<b><u>2,033,963</u></b>	<b><u>—</u></b>	<b><u>2,033,963</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>1,229,425</b>	<b>704,571</b>	<b>1,933,996</b>	<b>764,703</b>	<b>339,687</b>	<b>1,104,390</b>
<b>NET ASSETS - Beginning of year</b>	<b><u>2,929,265</u></b>	<b><u>800,725</u></b>	<b><u>3,729,990</u></b>	<b><u>2,164,562</u></b>	<b><u>461,038</u></b>	<b><u>2,625,600</u></b>
<b>NET ASSETS - End of year</b>	<b><u>\$ 4,158,690</u></b>	<b><u>\$ 1,505,296</u></b>	<b><u>\$ 5,663,986</u></b>	<b><u>\$ 2,929,265</u></b>	<b><u>\$ 800,725</u></b>	<b><u>\$ 3,729,990</u></b>

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

	For The Years Ended December 31,	
	2022	2021
<b>OPERATING CASH FLOWS</b>		
Cash received from donors	\$ 2,789,870	\$ 2,049,856
Other revenue received	150,613	44,887
Cash paid for operating activities and costs	(2,064,214)	(1,814,132)
Interest paid	(56,318)	(76,598)
	<b>819,951</b>	<b>204,013</b>
<b>INVESTING CASH FLOWS</b>		
Net purchases of and improvements to property and equipment	(659,353)	(615,301)
	<b>(659,353)</b>	<b>(615,301)</b>
<b>FINANCING CASH FLOWS</b>		
Borrowings	1,533,242	350,000
Proceeds from contributions restricted for long-term purposes	1,242,773	1,043,610
Principal repayments	(1,658,959)	(547,793)
	<b>1,117,056</b>	<b>845,817</b>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>1,277,654</b>	<b>434,529</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year</b>	<b>1,413,318</b>	<b>978,789</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year</b>	<b>\$ 2,690,972</b>	<b>\$ 1,413,318</b>
<b>REPORTED IN THE STATEMENTS OF FINANCIAL POSITION AS FOLLOWS</b>		
Cash and cash equivalents	\$ 1,189,153	\$ 637,792
Cash held in special disbursement accounts	1,252,082	—
Cash restricted for long-term purposes	249,737	775,526
	<b>\$ 2,690,972</b>	<b>\$ 1,413,318</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS</b>		
Change in net assets	\$ 1,933,996	\$ 1,104,390
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation	134,808	109,879
Contributions restricted for long-term purposes	(1,242,773)	(1,043,610)
Net loss on investments	22,309	—
Change in other assets	(29,240)	(15,682)
Change in accounts payable and accrued expenses	(21,762)	49,036
Change in unearned revenue	22,613	—
	<b>\$ 819,951</b>	<b>\$ 204,013</b>

**SUPPLEMENTAL DISCLOSURE**

Approximately \$84,000 of property and equipment additions are included in "accounts payable and accrued expenses" in the accompanying 2022 statement of financial position.

**PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH**

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2022

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
Personnel costs	\$ 1,038,294	\$ 183,687	\$ 1,221,981
Special activities, events, and other ministries	245,622	890	246,512
Depreciation	114,587	20,221	134,808
Missions and outreach	129,762	—	129,762
Other	115,273	9,819	125,092
Facilities management and non-capitalized project expenditures	96,807	13,949	110,756
Information technology and software	79,119	13,962	93,081
Interest	62,612	4,423	67,035
Professional services and fees	13,000	26,629	39,629
Office expense and supplies	<u>33,584</u>	<u>2,098</u>	<u>35,682</u>
<b>Total</b>	<b><u>\$ 1,928,660</u></b>	<b><u>\$ 275,678</u></b>	<b><u>\$ 2,204,338</u></b>

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**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>
<b>Total</b>	<b><u>\$ 1,738,159</u></b>	<b><u>\$ 295,804</u></b>	<b><u>\$ 2,033,963</u></b>

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 held in special disbursement accounts**

Cash held in special disbursement accounts consists of amounts held which are donor-restricted for capital projects and debt retirement and are required to be held in special disbursement accounts pursuant to a certain construction note payable agreement. Certain funds held in the special disbursement accounts are utilized for payments related to a certain construction contract and certain funds are required to be held in a debt reserve throughout the life of the construction note payable agreement.

#### **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.

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Use of estimates**

The Church has evaluated for possible financial reporting and disclosure of subsequent events through April 26, 2023, the date as of which the financial statements were available to be issued.

**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,	
	2022	2021
Financial assets available:		
Cash and cash equivalents	\$ 1,189,153	\$ 637,792
Cash held in special disbursement accounts	1,252,082	—
Cash restricted for long-term purposes	249,737	775,526
Total financial assets available within one year	2,690,972	1,413,318
Less:		
Amounts required to be held in special disbursement accounts	(1,252,082)	—
Amounts unavailable for general expenditure within one year due to donor-imposed restrictions	(249,737)	(775,526)
Net financial assets available within one year	\$ 1,189,153	\$ 637,792

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 including certain amounts required to be held in special disbursement accounts pursuant to a certain construction note payable agreement as described in Notes B and F. 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 and to be compliant with a certain construction note payable agreement. 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.

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

**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 2022 and 2021, approximately 27% and 30% of the Church’s contributions, respectively, were received from a member (or an organization owned by the member) of the Church’s Board of Directors.

As of December 31, 2022 and December 31, 2021, all of the Church’s notes payable were held by one financial institution.

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

Category	December 31,	
	2022	2021
Land and land improvements	\$ 1,738,070	\$ 1,710,756
Buildings and improvements	2,134,733	2,103,667
Furniture, fixtures, and equipment	584,087	463,154
Construction in progress	764,827	201,232
Total property and equipment	5,221,717	4,478,809
Less: Accumulated depreciation	(568,850)	(434,042)
Net property and equipment	\$ 4,652,867	\$ 4,044,767

Depreciation expense for 2022 and 2021 amounted to \$134,808 and \$109,879, respectively.

**NOTE F – NOTES PAYABLE**

Notes payable consisted of the following:

December 31,	
2022	2021

Construction note payable to a financial institution in an amount up to \$9,500,000 to refinance the Church’s previous notes payable and to finance construction of the Church’s new building project; requires monthly interest-only payments at an interest rate of 5.25% per annum (subject to adjustment to 4.99% per annum if the Church meets certain conditions as described in the construction note payable agreement) through the construction period maturity date which is no later than November 1, 2024 (subject to certain terms as described in the construction note payable agreement); the construction note payable is convertible to a term loan at the construction period maturity date if the Church meets certain conditions as described in the construction note payable agreement; the term loan would require monthly installments of principal and interest at a variable interest rate between 6.50% and 4.99% per annum as described in the construction note payable

**PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH**

NOTES TO FINANCIAL STATEMENTS

**NOTE F – NOTES PAYABLE (Continued)**

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
agreement based on a 300-month amortization schedule beginning in December 2024 with a balloon payment due at the extended term period maturity date which is no later than November 1, 2029 subject to certain terms as described in the construction note payable agreement; secured by a certain deed of trust; subject to requirements to hold certain funds in special disbursement accounts as described in Note B; subsequent to December 31, 2022, the Church made additional draws on the construction note payable totaling approximately \$2,233,000	\$ 1,633,121	\$ —
Notes payable to a bank; each payable in monthly installments of principal and interest at 3.75% per annum as of December 31, 2021 with final balloon payments due upon maturity; each is secured by a certain deed of trust; each were refinanced during 2022 as described above	—	1,658,959
Less: Unamortized debt issuance costs	<u>(99,879)</u>	<u>—</u>
Total notes payable, net	<u>\$ 1,533,242</u>	<u>\$ 1,658,959</u>

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

<u>Year Ending</u> <u>December 31,</u>		
2023		\$ —
2024		<u>1,633,000</u>
Total		<u>\$ 1,633,000</u>

Total interest expense for 2022 and 2021 amounted to \$67,035 and \$76,598, respectively.

**NOTE G – NET ASSETS**

Activity for net assets with donor restrictions during 2022 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	\$ 775,526	\$ 1,242,773	\$ (516,480)	\$ 1,501,819
Church ministries, outreach, and benevolence	9,870	176,574	(182,967)	3,477
Pursuit Prep	<u>15,329</u>	<u>121,541</u>	<u>(136,870)</u>	<u>—</u>
Total	<u>\$ 800,725</u>	<u>\$ 1,540,888</u>	<u>\$ (836,317)</u>	<u>\$ 1,505,296</u>

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

**NOTE G - NET ASSETS (Continued)**

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

	Balance <u>January 1</u>	Contributions	Releases	Balance <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>

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 - COMMITMENT**

During 2022, the Church executed a construction contract in the approximate amount of \$8,017,000 in connection with the Church's new building project. Approximately \$7,967,000 remained unpaid in connection with this contract as of December 31, 2022, and will be paid as work on the project is completed.