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Pursuit Church Denver d/b/a Pursuit Church

Financial Statements

For The Years Ended December 31, 2024 and 2023



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, 2024 and 2023, 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, 2024 and 2023, 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 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 25, 2025

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

ASSETS

	December 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,642,606	\$ 2,349,782
Cash held in special disbursement account	202,187	201,181
Cash restricted for long-term purposes	—	128,691
Other assets	224,824	17,933
Property and equipment, net	<u>15,218,712</u>	<u>11,958,947</u>
Total assets	<u>\$ 17,288,329</u>	<u>\$ 14,656,534</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 81,175	\$ 508,540
Other liabilities	175,465	20,100
Note payable, net	<u>9,413,557</u>	<u>6,972,553</u>
Total liabilities	<u>9,670,197</u>	<u>7,501,193</u>

NET ASSETS

Without donor restrictions		
Undesignated	1,812,977	2,036,388
Net investment in property and equipment	<u>5,805,155</u>	<u>4,986,394</u>
Total without donor restrictions	7,618,132	7,022,782
With donor restrictions	<u>—</u>	<u>132,559</u>
Total net assets	<u>7,618,132</u>	<u>7,155,341</u>
Total liabilities and net assets	<u>\$ 17,288,329</u>	<u>\$ 14,656,534</u>

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

	For The Years Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS						
Contributions	\$ 2,439,982	\$ 539,333	\$ 2,979,315	\$ 3,039,065	\$ 566,733	\$ 3,605,798
Auxiliary activities and other revenue	381,094	—	381,094	344,124	—	344,124
Net assets released from restrictions	<u>671,892</u>	<u>(671,892)</u>	<u>—</u>	<u>1,939,470</u>	<u>(1,939,470)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>3,492,968</u>	<u>(132,559)</u>	<u>3,360,409</u>	<u>5,322,659</u>	<u>(1,372,737)</u>	<u>3,949,922</u>
EXPENSES						
Program activities	2,552,081	—	2,552,081	2,182,976	—	2,182,976
Supporting activities	<u>345,537</u>	<u>—</u>	<u>345,537</u>	<u>275,591</u>	<u>—</u>	<u>275,591</u>
Total expenses	<u>2,897,618</u>	<u>—</u>	<u>2,897,618</u>	<u>2,458,567</u>	<u>—</u>	<u>2,458,567</u>
CHANGE IN NET ASSETS	595,350	(132,559)	462,791	2,864,092	(1,372,737)	1,491,355
NET ASSETS - Beginning of year	<u>7,022,782</u>	<u>132,559</u>	<u>7,155,341</u>	<u>4,158,690</u>	<u>1,505,296</u>	<u>5,663,986</u>
NET ASSETS - End of year	<u>\$ 7,618,132</u>	<u>\$ —</u>	<u>\$ 7,618,132</u>	<u>\$ 7,022,782</u>	<u>\$ 132,559</u>	<u>\$ 7,155,341</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,	
	2024	2023
OPERATING CASH FLOWS		
Cash received from donors	\$ 2,782,268	\$ 3,275,114
Other revenue received	407,993	335,341
Cash paid for operating activities and costs	(2,146,365)	(2,071,817)
Interest paid	(447,426)	(171,566)
Net operating cash flows	596,470	1,367,072
INVESTING CASH FLOWS		
Net purchases of and improvements to property and equipment	(3,976,041)	(7,131,738)
Net investing cash flows	(3,976,041)	(7,131,738)
FINANCING CASH FLOWS		
Borrowings	2,444,482	5,422,664
Proceeds from contributions restricted for long-term purposes	115,596	330,684
Principal repayments	(15,368)	—
Net financing cash flows	2,544,710	5,753,348
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(834,861)	(11,318)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	2,679,654	2,690,972
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	\$ 1,844,793	\$ 2,679,654
REPORTED IN THE STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 1,642,606	\$ 2,349,782
Cash held in special disbursement account	202,187	201,181
Cash restricted for long-term purposes	—	128,691
Total cash, cash equivalents, and restricted cash	\$ 1,844,793	\$ 2,679,654
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 462,791	\$ 1,491,355
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation and amortization	385,670	163,456
Contributions restricted for long-term purposes	(115,596)	(330,684)
Noncash gift of property, net	(81,451)	—
Change in other assets	(26,278)	4,680
Change in accounts payable and accrued expenses	(84,869)	40,778
Change in other liabilities	56,203	(2,513)
Net operating cash flows	\$ 596,470	\$ 1,367,072

The Accompanying Notes are an Integral
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PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH
STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2024

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
Personnel costs	\$ 1,078,646	\$ 207,978	\$ 1,286,624
Depreciation and amortization	356,745	28,925	385,670
Special activities, events, and other ministries	297,093	21,199	318,292
Facilities management and non-capitalized project expenditures	220,295	17,862	238,157
Missions and outreach	226,850	—	226,850
Information technology and software	111,192	17,154	128,346
Other	107,697	7,525	115,222
Interest	92,588	7,507	100,095
Office expense and supplies	41,990	29,000	70,990
Professional services and fees	18,985	8,387	27,372
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,552,081</u>	<u>\$ 345,537</u>	<u>\$ 2,897,618</u>

For The Year Ended December 31, 2023

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
Personnel costs	\$ 1,155,539	\$ 203,919	\$ 1,359,458
Special activities, events, and other ministries	285,424	890	286,314
Facilities management and non-capitalized project expenditures	153,509	12,932	166,441
Depreciation and amortization	138,938	24,518	163,456
Other	141,520	8,841	150,361
Missions and outreach	140,748	—	140,748
Information technology and software	103,975	17,995	121,970
Professional services and fees	33,151	5,850	39,001
Office expense and supplies	30,172	646	30,818
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,182,976</u>	<u>\$ 275,591</u>	<u>\$ 2,458,567</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. Through this purpose, the Church aims to change lives one family at a time through exalting the Savior, evangelizing the sinner, and equipping the saints. To accomplish this purpose, the Church conducts numerous ministry activities, including operating Pursuit Prep School, a Christian school offering an education to students from kindergarten through fifth grade; worship services; childcare; evangelistic efforts; support of missionary, outreach, and benevolence endeavors; and other similar activities. 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.”

Donor-restricted net assets for capital projects are released as funds are spent on the project, rather than when the underlying asset is placed in service. Management believes this treatment results in a fairer presentation of the Church's financial position. This treatment does not differ materially from the prescribed treatment for such activities under accounting principles generally accepted in the United States.

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 account

Cash held in special disbursement account consists of amounts that are required to be held in a special disbursement account as a debt reserve throughout the life of a certain construction note payable pursuant to the related 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 is generally exempt from applicable state income taxes. 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.

Subsequent events

The Church has evaluated for possible financial reporting and disclosure of subsequent events through the date of the report of independent auditor, 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,	
	2024	2023
Financial assets available:		
Cash and cash equivalents	\$ 1,642,606	\$ 2,349,782
Cash held in special disbursement account	202,187	201,181
Cash restricted for long-term purposes	—	128,691
Total financial assets available within one year	1,844,793	2,679,654
Less:		
Amounts required to be held in special disbursement account	(202,187)	(201,181)
Amounts unavailable for general expenditure within one year due to donor-imposed restrictions	—	(128,691)
Net financial assets available within one year	\$ 1,642,606	\$ 2,349,782

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 a special disbursement account pursuant to a certain construction note payable agreement as described in Notes B and F. Because a donor's restriction or a legal stipulation 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 2024 and 2023, approximately 17% and 20% 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.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 1,738,070	\$ 1,738,070
Buildings and improvements	12,203,012	2,134,733
Furniture, fixtures, and equipment	2,367,070	600,009
Construction in progress	<u>—</u>	<u>8,201,793</u>
Total property and equipment	16,308,152	12,674,605
Less: Accumulated depreciation	<u>(1,089,440)</u>	<u>(715,658)</u>
Net property and equipment	<u>\$ 15,218,712</u>	<u>\$ 11,958,947</u>

Depreciation expense for 2024 and 2023 amounted to approximately \$374,000 and \$147,000, respectively.

NOTE F – NOTE PAYABLE

The Church's note payable consists of a construction note payable to a financial institution in an amount up to \$9,500,000 to refinance the Church's previous notes payable and finance construction of a new building. The construction note payable required monthly interest-only payments at an interest rate of 5.25% per annum through November 1, 2024 ("the construction period maturity date"). On the construction period maturity date, the construction note payable converted to at term loan requiring monthly installments of principal and interest at a variable interest rate between 4.99% and 6.50% per annum as described in the construction note payable agreement (5.25% as of December 31, 2024) 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). The construction note payable is secured by a certain deed of trust and is subject to requirements to hold certain funds in a special disbursement account as described in Note B.

The balance on the construction note payable is reported in the accompanying statement of financial position net of unamortized debt issuance costs as follows:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Outstanding principal	\$ 9,484,899	\$ 7,055,785
Less: Unamortized debt issuance costs	<u>(71,342)</u>	<u>(83,232)</u>
Total notes payable, net	<u>\$ 9,413,557</u>	<u>\$ 6,972,553</u>

PURSUIT CHURCH DENVER D/B/A PURSUIT CHURCH

NOTES TO FINANCIAL STATEMENTS

NOTE F – NOTE PAYABLE (Continued)

Approximate future maturities of the construction note payable are as follows:

Year Ending
December 31.

2025	\$ 190,000
2026	200,000
2027	211,000
2028	222,000
2029	<u>8,662,000</u>
Total	<u>\$ 9,485,000</u>

Interest expense consisted of the following:

	For The Years Ended, December 31.	
	<u>2024</u>	<u>2023</u>
Interest paid	\$ 447,426	\$ 171,566
Change in accrued interest	17,264	34,229
Interest capitalized as property and equipment	<u>(364,595)</u>	<u>(205,795)</u>
Interest expense	<u>\$ 100,095</u>	<u>\$ —</u>

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions during 2024 was as follows:

	Balance <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	Balance <u>December 31</u>
Capital projects	\$ 128,691	\$ 115,596	\$ (244,287)	\$ —
Church ministries, outreach, and benevolence	3,868	315,269	(319,137)	—
Pursuit Prep	<u>—</u>	<u>108,468</u>	<u>(108,468)</u>	<u>—</u>
Total	<u>\$ 132,559</u>	<u>\$ 539,333</u>	<u>\$ (671,892)</u>	<u>\$ —</u>

Activity for net assets with donor restrictions during 2023 was as follows:

	Balance <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	Balance <u>December 31</u>
Capital projects	\$ 1,501,819	\$ 330,684	\$ (1,703,812)	\$ 128,691
Church ministries, outreach, and benevolence	3,477	207,173	(206,782)	3,868
Pursuit Prep	<u>—</u>	<u>28,876</u>	<u>(28,876)</u>	<u>—</u>
Total	<u>\$ 1,505,296</u>	<u>\$ 566,733</u>	<u>\$ (1,939,470)</u>	<u>\$ 132,559</u>