

**MISSION CHURCH**

Memphis, Tennessee

Financial Statements

Years Ended July 31, 2024 and 2023

**MISSION CHURCH**  
Financial Statements  
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## INDEPENDENT AUDITORS' REPORT

To the Elders  
Mission Church  
Memphis, Tennessee

### ***Opinion***

We have audited the accompanying financial statements of Mission Church (the "Church"), which comprise the statements of financial position as of July 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Church as of July 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 Auditors' 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.

### ***Management's Responsibilities for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

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 risks 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.
- 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 the 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.

PSK LLP

Arlington, Texas  
November 20, 2024

**MISSION CHURCH**  
 Statements of Financial Position  
 July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,035,056	\$ 1,335,134
Inventory	3,596	3,596
Prepaid expenses	<u>3,345</u>	<u>25,973</u>
Total current assets	<u>1,041,997</u>	<u>1,364,703</u>
Property and equipment		
Land	3,119,125	3,119,125
Building and improvements	12,788,182	12,625,933
Furniture, fixtures and equipment	1,644,087	1,634,518
Accumulated depreciation	<u>(6,352,024)</u>	<u>(5,897,961)</u>
Total property and equipment	<u>11,199,370</u>	<u>11,481,615</u>
Other assets		
Restricted cash	<u>1,615,714</u>	<u>1,120,091</u>
Total assets	<u><u>\$ 13,857,081</u></u>	<u><u>\$ 13,966,409</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 109,231	\$ 106,523
Current portion of notes payable	<u>365,788</u>	<u>352,259</u>
Total current liabilities	<u>475,019</u>	<u>458,782</u>
Long-term liabilities		
Notes payable, net of current portion and unamortized loan costs	<u>4,846,620</u>	<u>5,195,388</u>
Total liabilities	<u>5,321,639</u>	<u>5,654,170</u>
Net assets		
Without donor restrictions	7,872,145	8,027,984
With donor restrictions	<u>663,297</u>	<u>284,255</u>
Total net assets	<u>8,535,442</u>	<u>8,312,239</u>
Total liabilities and net assets	<u><u>\$ 13,857,081</u></u>	<u><u>\$ 13,966,409</u></u>

*The accompanying notes are an integral part of these financial statements.*

**MISSION CHURCH**  
Statement of Activities  
Year Ended July 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Tithes and offerings	\$ 4,861,278	\$ 590,405	\$ 5,451,683
Program income	318,149	-	318,149
Rental income	227,116	-	227,116
Food, beverage, and resource sales	478,224	-	478,224
Other income	113,060	-	113,060
Net assets released from restrictions	<u>211,363</u>	<u>(211,363)</u>	<u>-</u>
 Total revenues	 <u>6,209,190</u>	 <u>379,042</u>	 <u>6,588,232</u>
<b>Expenses</b>			
Ministries	5,764,700	-	5,764,700
Supporting services	<u>600,329</u>	<u>-</u>	<u>600,329</u>
 Total expenses	 <u>6,365,029</u>	 <u>-</u>	 <u>6,365,029</u>
 Change in net assets	 (155,839)	 379,042	 223,203
 Net assets at beginning of the year	 <u>8,027,984</u>	 <u>284,255</u>	 <u>8,312,239</u>
 Net assets at end of the year	 <u>\$ 7,872,145</u>	 <u>\$ 663,297</u>	 <u>\$ 8,535,442</u>

*The accompanying notes are an integral part of these financial statements.*

**MISSION CHURCH**  
Statement of Activities  
Year Ended July 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Tithes and offerings	\$ 4,851,221	\$ 69,948	\$ 4,921,169
Program income	201,469	-	201,469
Rental income	210,750	-	210,750
Food, beverage, and resource sales	456,804	-	456,804
Other income	20,765	-	20,765
Net assets released from restrictions	<u>123,435</u>	<u>(123,435)</u>	<u>-</u>
 Total revenues	 <u>5,864,444</u>	 <u>(53,487)</u>	 <u>5,810,957</u>
<b>Expenses</b>			
Ministries	5,209,705	-	5,209,705
Supporting services	<u>807,192</u>	<u>-</u>	<u>807,192</u>
 Total expenses	 <u>6,016,897</u>	 <u>-</u>	 <u>6,016,897</u>
 Change in net assets	 (152,453)	 (53,487)	 (205,940)
 Net assets at beginning of the year	 <u>8,180,437</u>	 <u>337,742</u>	 <u>8,518,179</u>
 Net assets at end of the year	 <u>\$ 8,027,984</u>	 <u>\$ 284,255</u>	 <u>\$ 8,312,239</u>

*The accompanying notes are an integral part of these financial statements.*

**MISSION CHURCH**  
 Statements of Functional Expenses  
 Years Ended July 31, 2024 and 2023

	Ministries		Supporting Services		Total	
	2024	2023	2024	2023	2024	2023
Personnel	\$ 3,085,705	\$ 2,681,368	\$ 334,002	\$ 501,691	\$ 3,419,707	\$ 3,183,059
Support for others	235,307	256,682	21,356	16,214	256,663	272,896
Supplies and resources	1,078,977	1,014,172	225,311	263,210	1,304,288	1,277,382
Media and technology	65,839	37,342	11,269	21,553	77,108	58,895
Risk management	93,427	83,044	-	-	93,427	83,044
Facilities	501,466	438,037	6,942	3,075	508,408	441,112
Depreciation	454,063	440,551	-	-	454,063	440,551
Interest	249,916	258,509	1,449	1,449	251,365	259,958
<b>Totals</b>	<b>\$ 5,764,700</b>	<b>\$ 5,209,705</b>	<b>\$ 600,329</b>	<b>\$ 807,192</b>	<b>\$ 6,365,029</b>	<b>\$ 6,016,897</b>

*The accompanying notes are an integral part of these financial statements.*



**MISSION CHURCH**  
 Statements of Cash Flows  
 Years Ended July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 223,203	\$ (205,940)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	454,063	440,551
Amortization	1,449	1,449
Contributions restricted for long-term purposes	(516,014)	(3,600)
(Increase) decrease in assets:		
Inventory	-	(700)
Prepaid expenses	22,628	(3,479)
Accounts receivable	-	226,453
Increase (decrease) in liabilities:		
Accounts payable	<u>2,708</u>	<u>(68,018)</u>
Net cash provided by operating activities	<u>188,037</u>	<u>386,716</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(171,818)</u>	<u>(264,871)</u>
Cash flows from financing activities		
Payments on notes payable	(336,688)	(279,811)
Contributions restricted for long-term purposes	<u>516,014</u>	<u>3,600</u>
Net cash provided by (used in) financing activities	<u>179,326</u>	<u>(276,211)</u>
Net change in cash, cash equivalents, and restricted cash	195,545	(154,366)
Cash, cash equivalents, and restricted cash at beginning of the year	<u>2,455,225</u>	<u>2,609,591</u>
Cash, cash equivalents, and restricted cash at end of the year	<u>\$ 2,650,770</u>	<u>\$ 2,455,225</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 251,365</u>	<u>\$ 259,958</u>

*The accompanying notes are an integral part of these financial statements.*

**MISSION CHURCH**  
Notes to Financial Statements

## **1 - Organization**

Mission Church (the "Church"), formerly known as Highpoint Church and Highpoint Community Church, was incorporated as a nonprofit religious organization in Tennessee in 2002. The Church longs to see a gospel-centered movement through disciple making and church planting. The Church's values reflect this emphasis with a focus on the good news about the finished work of the Trinity, glorifying the Creator by faithfully managing and overseeing His creation, being witnesses and ambassadors of Christ, and meeting people where they are to share the message of God's saving grace. The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

## **2 - Significant Accounting Policies**

Basis of Accounting - The financial statements of the Church have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements have been prepared using accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues and Support - Revenues and support for the Church are primarily derived from contributions from the Church membership.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort and utilization of facilities.

Use of Estimates - Management used estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amount 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.

Derivative Instruments - The Church does not hold or issue financial instruments for speculative purposes. Derivative instruments are subject to various risks similar to non-derivative instruments, including market and credit risk.

Cash and Cash Equivalents - The Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents. Restricted cash includes cash restricted by the Church's loan agreement for liquidity purposes and cash that is restricted by donors for long-term purposes.

**MISSION CHURCH**  
Notes to Financial Statements

**2 - Significant Accounting Policies (continued)**

Property and Equipment - Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. Depreciation, including amortization of capitalized lease assets, is calculated using the straight-line method over the estimated useful lives of:

Building and improvements	3 to 39 years
Furniture, fixtures and equipment	3 to 7 years

Maintenance and repairs are expensed as incurred. Additions to property and equipment of \$2,000 or more, including renewals and betterments that extend the useful life of property, are capitalized.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Church pays for most services requiring specific expertise. A large number of people have contributed significant amounts of time to the activities of the Church without compensation. The financial statements do not reflect the value of those contributed services.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid time off depending upon length of service and other factors. The Church cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying financial statements. The Church's policy is to recognize the cost of compensated absences when paid to employees.

Income Taxes - The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation. However, income from certain activities not directly related to the Church's tax exempt purpose is subject to taxation as unrelated business income. Unrelated business income during the years ended July 31, 2024 and 2023 consisted of rental income and income from the Church's coffee shop. No amount was due to the Internal Revenue Service for the years ended July 31, 2024 or 2023 for unrelated business income taxes. The Church follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Church is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income, other than the aforementioned rental and coffee shop income. As of July 31, 2024, the Church had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The tax years from 2019 and beyond remain subject to examination by the Internal Revenue Service.

**3 - Liquidity and Availability of Resources**

The Church operates under a budget for activities supported by unrestricted tithes and offerings. Its Governing Board (the "Board") is responsible for monitoring the liquidity necessary to meet the Church's operating needs and meets periodically throughout the year to evaluate the actual results of financial operations versus the budget. Additionally, the Church maintains donor-restricted funds purposed for various other activities consistent with the mission of the Church. Church management, in collaboration with the Board, appropriates resources from donor-restricted funds as needed.

**MISSION CHURCH**  
Notes to Financial Statements

### 3 - Liquidity and Availability of Resource (continued)

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the statement of financial position are comprised of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,035,056	\$ 1,335,134
Restricted cash	<u>1,615,714</u>	<u>1,120,091</u>
	2,650,770	2,455,225
Cash restricted by loan agreement	(1,100,000)	(1,100,000)
Donor-restricted funds	<u>(663,297)</u>	<u>(284,255)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 887,473</u>	<u>\$ 1,070,970</u>

### 4 - Cash, Cash Equivalents, and Restricted Cash

Under the terms of the notes payable agreements, the Church is required to maintain a liquidity of \$1,100,000 until the notes payable are paid in full. Additionally, restricted cash includes cash that is restricted by donors for long-term purposes.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows for the years ended July 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	<u>\$ 1,035,056</u>	<u>\$ 1,335,134</u>
Restricted cash		
Liquidity requirement	1,100,000	1,100,000
Donor restricted funds for long-term purposes	<u>515,714</u>	<u>20,091</u>
Total restricted cash	<u>1,615,714</u>	<u>1,120,091</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 2,650,770</u>	<u>\$ 2,455,225</u>

### 5 - Notes Payable

In November 2015, the Church refinanced borrowings outstanding under its first-mortgage note payable with a financial institution. The original amount of the refinanced loan was \$6,000,000 with an interest rate of one-month LIBOR plus 2.45%. The note, which is secured by buildings and improvements of the Church, requires monthly principal and interest payments through maturity in November 2025. The balance on the note was \$4,101,978 and \$4,367,795 as of July 31, 2024 and 2023, respectively. See more information on this note at Note 6.

In August 2017, the Church entered into an agreement with The Church at Schilling Farms (“Schilling Farms”), whereby the Church acquired all of the assets of Schilling Farms in exchange for assuming its liabilities, including a note payable. The Schilling Farms note was refinanced into a new note payable with a financial institution. The new note has an original principal balance of \$1,550,000 with a fixed interest rate of 4.10%. The note, which is secured by buildings and improvements of the Church, requires monthly principal and interest payments through maturity in November 2025. The balance on the note was \$1,112,361 and \$1,183,232 as of July 31, 2024 and 2023, respectively.

**MISSION CHURCH**  
Notes to Financial Statements

**5 - Notes Payable (continued)**

The Church follows the requirements in the Imputation of Interest topic of the FASB ASC to present loan origination costs as a reduction of the carrying amount of the respective note payable. Amortization of loan origination costs is considered interest expense and is included in global business expenses in the statements of activities. Accordingly, the following is a summary of the components of notes payable as of July 31, 2024 and 2023:

	2024	2023
Outstanding principal on notes payable	\$ 5,214,339	\$ 5,551,027
Less: unamortized loan origination costs	(1,931)	(3,380)
	\$ 5,212,408	\$ 5,547,647

Future principal obligations on the notes payable, as of July 31, 2024, are due as follows:

Year Ending July 31,	
2025	\$ 365,788
2026	4,848,551
	\$ 5,214,339

**6 - Interest Rate Swap Agreement**

In conjunction with the November 2015 note payable described in Note 5, the Church entered into an interest rate swap agreement with a financial institution which matures in November 2025. The agreement relates to declining notional amounts with the Church being the fixed-rate payer (4.66%) and the financial institution being the floating rate payer (one-month LIBOR plus 2.45%). The agreement essentially provides the Church with a fixed interest rate of 4.66% on the note payable.

If the Church chooses to refinance its existing debt, there is no assurance that the lending institution would relieve the Church of its obligations under the interest rate swap agreement. The estimated fair value of the interest rate swap agreement favored the Church at July 31, 2024 and 2023 in the amounts of \$121,555 and \$226,965, respectively. These amounts are not recorded as receivables on the statement of financial position.

**7 - Net Assets With Restrictions**

Net assets with donor restrictions relate to contributions for which the donors have imposed restrictions. Those restrictions require the Church to use the funds for certain expenditures as follows:

	2024	2023
Church ministries	\$ 147,583	\$ 264,164
No Greater Joy	-	3,600
Capital Campaign	515,714	16,491
	\$ 663,297	\$ 284,255

During the years ended July 31, 2024 and 2023, net assets with donor restrictions in the amount of \$211,363 and \$123,435, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

**MISSION CHURCH**  
Notes to Financial Statements

**8 - Retirement Plan**

The Church maintains a 403(b) retirement program for the benefit of its employees, whereby eligible employees make elective contributions to the plan. Each year the Church may, at its sole discretion, contribute to the retirement program. For the years ended July 31, 2024 and 2023, contributions made by the Church amounted to \$26,378 and \$22,980, respectively. Contributions are fully vested after twelve months of employment. Plan assets were held in fully funded, participant directed, separate accounts.

**9 - Subsequent Events**

Subsequent events have been evaluated through November 20, 2024, which is the date the financial statements were available to be issued.

On August 1, 2024, the Church transferred assets and ownership of its Collierville location to Shepherd Bible Church. Cash in the amount of \$154,901 and fixed assets in the amount of \$3,022,582 were transferred from the Church to Shepherd Bible Church. The Church's note payable with a balance of \$1,112,361 at July 31, 2024, which was secured by buildings and improvements of the Collierville location, was also paid off as of August 9, 2024.

In August 2024, the Church entered into a contract with a general contractor in the amount of \$491,425 for renovations to the parking lot. The project was completed in October 2024.

In October 2024, the Church entered into a note agreement with a new financial institution to refinance its remaining outstanding note payable. The new note in the amount of \$4,125,000, bears interest at SOFR plus 2.50% and requires monthly payments of principal and interest sufficient to amortize the note balance over a period of 25 years. The note matures in October 2029 and is secured by buildings and improvements of the Church. In conjunction with the new note, the Church also entered into a new interest rate swap agreement that matures in October 2029. The agreement relates to declining notional amounts with the Church being the fixed-rate payer (6.31%) and the financial institution being the floating rate payer (SOFR plus 2.50%). The agreement essentially provides the Church with a fixed interest rate of 6.31% on the note payable. As a result of the new note, the Church was relieved of its \$1,100,000 restricted cash requirement, and the original interest rate swap agreement was terminated.