

FOREST HILL CHURCH

Charlotte, North Carolina

Financial Statements

Years Ended September 30, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee and Council of Elders
Forest Hill Church
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Forest Hill Church (the "Church"), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 Forest Hill Church as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Church as of September 30, 2024 were audited by other auditors whose report dated December 23, 2024 expressed an unmodified opinion on those statements.

Management's Responsibilities 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.

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 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 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
January 9, 2026

FOREST HILL CHURCH
Statements of Financial Position
September 30, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 946,633	\$ 364,504
Sales tax receivable	52,386	10,262
Certificates of deposit	800,000	-
Prepaid expenses	12,258	31,887
Property and equipment, net	33,243,751	34,886,915
 Total assets	 \$ 35,055,028	 \$ 35,293,568
LIABILITIES AND NET ASSETS		
 Liabilities		
Accounts payable	\$ 88,203	\$ 359,384
Accrued expenses	448,095	373,170
 Total liabilities	 536,298	 732,554
 Net assets		
Without donor restrictions	34,270,533	34,521,003
With donor restrictions	248,197	40,011
 Total net assets	 34,518,730	 34,561,014
 Total liabilities and net assets	 \$ 35,055,028	 \$ 35,293,568

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

FOREST HILL CHURCH
Statement of Activities
Year Ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Contributions	\$ 12,979,088	\$ 335,915	\$ 13,315,003
Preschool	821,487	-	821,487
Rental income	449,019	-	449,019
Employee Retention Credit	1,641,807	-	1,641,807
Federal Emergency Management Agency grant	37,074	-	37,074
Other income	180,275	-	180,275
	<u>16,108,750</u>	<u>335,915</u>	<u>16,444,665</u>
Net assets released from restrictions	<u>127,729</u>	<u>(127,729)</u>	<u>-</u>
 Total revenues and support	 <u>16,236,479</u>	 <u>208,186</u>	 <u>16,444,665</u>
 Expenses			
Program expenses			
Worship ministries	13,727,548	-	13,727,548
Preschool	957,694	-	957,694
	<u>14,685,242</u>	<u>-</u>	<u>14,685,242</u>
Supporting services	1,801,707	-	1,801,707
	<u>16,486,949</u>	<u>-</u>	<u>16,486,949</u>
 Change in net assets	 (250,470)	 208,186	 (42,284)
Net assets at beginning of the year	<u>34,521,003</u>	<u>40,011</u>	<u>34,561,014</u>
Net assets at end of the year	<u>\$ 34,270,533</u>	<u>\$ 248,197</u>	<u>\$ 34,518,730</u>

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

FOREST HILL CHURCH
Statement of Activities
Year Ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Contributions	\$ 13,484,738	\$ 396,940	\$ 13,881,678
Preschool	694,826	-	694,826
Loss on disposal of assets	(66,464)	-	(66,464)
Net investment return	23,547	-	23,547
Rental income	392,724	-	392,724
	<u>14,529,371</u>	<u>396,940</u>	<u>14,926,311</u>
Net assets released from restrictions	<u>435,816</u>	<u>(435,816)</u>	<u>-</u>
Total revenues and support	<u>14,965,187</u>	<u>(38,876)</u>	<u>14,926,311</u>
 Expenses			
Program expenses			
Worship ministries	14,987,801	-	14,987,801
Preschool	948,304	-	948,304
	<u>15,936,105</u>	<u>-</u>	<u>15,936,105</u>
Supporting services	1,669,955	-	1,669,955
	<u>17,606,060</u>	<u>-</u>	<u>17,606,060</u>
Change in net assets	(2,640,873)	(38,876)	(2,679,749)
Net assets at beginning of the year	<u>37,161,876</u>	<u>78,887</u>	<u>37,240,763</u>
Net assets at end of the year	<u>\$ 34,521,003</u>	<u>\$ 40,011</u>	<u>\$ 34,561,014</u>

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

FOREST HILL CHURCH
 Statements of Functional Expenses
 Years Ended September 30, 2025 and 2024

	<u>Program Expenses</u>			Total
	<u>Worship Ministries</u>	<u>Preschool</u>	<u>Supporting Services</u>	
<u>2025</u>				
Personnel	\$ 7,401,978	\$ 634,059	\$ 747,285	\$ 8,783,322
Support for others	2,215,221	-	-	2,215,221
Supplies and resources	1,261,586	40,098	96,825	1,398,509
Facilities	1,424,872	64,477	409,946	1,899,295
Depreciation	1,423,891	219,060	547,651	2,190,602
	<u>\$ 13,727,548</u>	<u>\$ 957,694</u>	<u>\$ 1,801,707</u>	<u>\$ 16,486,949</u>

	<u>Program Expenses</u>			Total
	<u>Worship Ministries</u>	<u>Preschool</u>	<u>Supporting Services</u>	
<u>2024</u>				
Personnel	\$ 8,056,232	\$ 625,001	\$ 706,249	\$ 9,387,482
Support for others	2,520,356	-	-	2,520,356
Supplies and resources	1,969,582	47,237	148,538	2,165,357
Facilities	962,011	48,432	246,084	1,256,527
Depreciation	1,479,620	227,634	569,084	2,276,338
	<u>\$ 14,987,801</u>	<u>\$ 948,304</u>	<u>\$ 1,669,955</u>	<u>\$ 17,606,060</u>

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

FOREST HILL CHURCH
Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (42,284)	\$ (2,679,749)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	2,190,602	2,276,338
(Increase) decrease in assets:		
Sales tax receivable	(42,124)	59,032
Prepaid expenses	19,629	(20,661)
Increase (decrease) in liabilities:		
Accounts payable	(271,181)	183,367
Accrued expenses	<u>74,925</u>	<u>(142,212)</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>1,929,567</u>	<u>(323,885)</u>
Cash flows from investing activities:		
Purchases of certificates of deposit	(800,000)	-
Disposal of property and equipment	-	141,464
Purchases of property and equipment	<u>(547,438)</u>	<u>(328,601)</u>
Net cash and cash equivalents used in investing activities	<u>(1,347,438)</u>	<u>(187,137)</u>
Net change in cash and cash equivalents	582,129	(511,022)
Cash and cash equivalents at beginning of the year	<u>364,504</u>	<u>875,526</u>
Cash and cash equivalents at end of the year	<u>\$ 946,633</u>	<u>\$ 364,504</u>

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

FOREST HILL CHURCH
Notes to Financial Statements

1 - Organization and Nature of Activities

Forest Hill Church (the “Church”) was incorporated in August 1986 in the state of North Carolina as a not-for-profit religious organization. The purpose of the Church is to reach and see people transformed by the Power of the Holy Spirit into fully devoted servants of Jesus. 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 - Summary of 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 of the Church 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.

Revenue Recognition - The Church derives its revenues primarily from contributions from the Church membership, and fee-based activities. Revenues related to contributions are recognized when the funds are received. Revenues related to fee-based activities are recognized at the point in time at which the Church provides the program service or conducts the event. All revenues are recognized in an amount that reflects the consideration the Church has received or expects to receive in exchange for those services.

Performance Obligations - Performance obligations related to fee-based activities are satisfied at the point in time when the Church provides a certain program service or conducts an event.

Programs - The Church pursues its objectives through the execution of the following major programs:

Worship Ministries: Helps the next person take the next step in their relationship with Jesus Christ through modern worship, sound Biblical teaching, Life Groups, serving locally and around the world, and by partnering with families of young kids and students.

Preschool: Provides a nurturing Christian environment for preschoolers to learn and grow in a developmentally appropriate way, following God’s design for each of them.

FOREST HILL CHURCH
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents - The Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital needs, such as building projects and debt retirement, or other long-term purposes, are excluded from this definition.

Certificates of Deposit - Certificates of deposit are reported at cost plus accrued interest.

Sales Tax Receivable - The balance of sales tax receivable at September 30, 2025 and 2024 consisted of North Carolina sales tax paid that will be refunded to the Church. The balance is presented at net realizable value and is expected to be collected in the subsequent year.

Property and Equipment - Property and equipment is recorded at cost, if purchased, and fair market value at date of donation, if contributed. Maintenance, repairs, and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Additions, improvements, and major renewals of \$500 or more are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	5 to 40 years
Equipment, furniture, and vehicles	3 to 20 years

Leases - The Church recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. The Church initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the statement of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

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 amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

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.

FOREST HILL CHURCH
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid vacation depending upon the length of service and other factors. Any unused vacation time is paid to the employee when their employment terminates. The Church calculated the accrual for compensated absences based on employees' hourly rates and number of hours of vacation available at September 30, 2025 and 2024. The accrued amount was \$169,363 and \$184,690 at September 30, 2025 and 2024, respectively, which is included with accrued expenses on the statements of financial position.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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.

Concentrations of Credit Risks - The Church occasionally maintains deposits with financial institutions in excess of federally insured limits. It is the opinion of the Church's management that the solvency of the financial institutions is sufficient to cover any exposure.

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. As of September 30, 2025, 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.

Subsequent Events - Subsequent events have been evaluated through January 9, 2026, which is the date the financial statements were available to be issued.

3 - Liquidity and Availability of Resources

The Church operates under a budget for all of its activities. Its Finance Team (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 ministry funds purposed for various other activities consistent with the mission of the Church. Church management, in accordance with Church policy and/or in collaboration with the Board, appropriates resources from donor-restricted funds.

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 statements of financial position, were comprised of the following:

	2025	2024
Cash and cash equivalents	\$ 946,633	\$ 364,504
Certificates of deposit	800,000	-
	<u>1,746,633</u>	<u>364,504</u>
Donor-restricted funds	(248,197)	(40,011)
	<u>1,498,436</u>	<u>324,493</u>
Board-designated funds	(25,000)	(100,000)
Financial assets available to meet general expenditure needs within one year	<u>\$ 1,473,436</u>	<u>\$ 224,493</u>

FOREST HILL CHURCH
Notes to Financial Statements

4 - Property and Equipment

Property and equipment was comprised of the following at September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land, buildings, and improvements	\$ 55,855,018	\$ 55,568,845
Equipment, furniture, and vehicles	14,608,778	14,347,513
Accumulated depreciation	<u>(37,220,045)</u>	<u>(35,029,443)</u>
	<u>\$ 33,243,751</u>	<u>\$ 34,886,915</u>

5 - Leases

In 2011, the Church entered into an agreement with the Morrison Branch of the Young Men’s Christian Association (“YMCA”) of Greater Charlotte whereby it had expanded its current facility. Under this agreement, the Church fully funded the additional functional space, which is owned and operated by the YMCA. In return, the Church obtained the right to use the facility primarily for Sunday morning worship services and office space for the exclusive use of Forest Hill Church staff for a period of forty years. The right-of-use asset has been capitalized and is reflected in land, buildings and improvements at September 30, 2025 and 2024.

At September 30, 2025 and 2024, the right-of-use asset had a cost of \$1,699,924 and \$1,806,170, respectively, with accumulated amortization of \$1,487,444 and \$1,381,198, respectively. During each of the years ended September 30, 2025 and 2024, amortization expense of \$106,246 was recognized on a straight-line basis and is included in depreciation expense in the statements of functional expenses.

Included in the agreement with the Morrison Branch of the YMCA of Greater Charlotte is a quarterly fee calculation comprised of utilities, insurance, taxes, housekeeping, maintenance, room and floor set-up/tear-down costs, and capital repairs and replacement costs. This fee will fluctuate based on actual costs each quarter and will be paid throughout the forty-year term. Expenses incurred were \$177,262 and \$147,981, respectively, for the years ended September 30, 2025 and 2024.

In 2020, the Church entered into an agreement with Movement Resources whereby the Church funded property improvements to Movement Resources located in East Charlotte, North Carolina in the amount of \$3,500,000. In return, the Church obtained the right to use the facility for church services for a period of twenty years with the option to extend the agreement for four consecutive five-year periods, each with no additional rent. The right-of-use asset has been capitalized and is reflected in land, buildings and improvements at September 30, 2025 and 2024.

At September 30, 2025 and 2024, the right-of-use asset had a cost of \$2,975,000 and \$3,091,667, respectively, with accumulated amortization of \$525,000 and \$408,333, respectively. During each of the years ended September 30, 2025 and 2024, amortization expense of \$116,667 was recognized on a straight-line basis and is included in depreciation expense in the statements of functional expenses.

In November 2024, the Church discontinued church services at the East Charlotte location and subleased the property (see Note 6).

FOREST HILL CHURCH
Notes to Financial Statements

6 - Rental Income

The Church has several leases and a sublease for use of facilities. During the years ended September 30, 2025 and 2024, the Church received total rental income of \$449,019 and \$392,724, respectively. The following is a schedule of future minimum rentals under these leases:

Year Ended <u>September 30,</u>	
2026	\$ 424,200
2027	333,000
2028	21,000

7 - Net Assets Without Donor Restrictions

The balance of net assets without donor restrictions as of September 30, 2025 and 2024 included net assets designated by the Board for the following purposes:

	<u>2025</u>	<u>2024</u>
Church planting	\$ -	\$ 75,000
Other	<u>25,000</u>	<u>25,000</u>
	<u>\$ 25,000</u>	<u>\$ 100,000</u>

8 - Net Assets With Donor Restrictions

The balance of net assets with donor restrictions as of September 30, 2025 and 2024 related to certain contributions for which the donors have imposed restrictions. These restrictions require the Church to use such funds for expenditures directly related to certain activities as follows:

	<u>2025</u>	<u>2024</u>
Christmas Eve offering	\$ 136,000	\$ -
Missions	13,000	30,000
Other	<u>99,197</u>	<u>10,011</u>
	<u>\$ 248,197</u>	<u>\$ 40,011</u>

During the years ended September 30, 2025 and 2024, net assets with donor restrictions in the amount of \$127,729 and \$435,816, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

9 - Retirement Plan

The Church contributes to a 403(b) retirement plan with GuideStone Financial Resources for all full-time employees. Contributions for the years ended September 30, 2025 and 2024 amounted to \$267,281 and \$351,918, respectively.