



*New life*  
CHURCH

## NEW LIFE CHURCH

Financial Statements  
With Independent Auditors' Report

December 31, 2021 and 2020

# NEW LIFE CHURCH

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## INDEPENDENT AUDITORS' REPORT

Board of Elders  
New Life Church  
Colorado Springs, Colorado

### *Opinion*

We have audited the accompanying financial statements of New Life Church, which comprise the statements of financial position as of December 31, 2021 and 2020, 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 New Life Church as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Life 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 these 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 New Life Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Elders  
New Life Church  
Colorado Springs, Colorado

***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 New Life 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 New Life 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.

*Capin Crouse LLP*

Colorado Springs, Colorado  
April 27, 2022

# NEW LIFE CHURCH

## Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,692,218	\$ 4,959,423
Prepaid expenses and other assets	299,476	319,238
	<u>4,991,694</u>	<u>5,278,661</u>
Land, buildings, and equipment—net	21,260,969	20,501,077
Total Assets	<u>\$ 26,252,663</u>	<u>\$ 25,779,738</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 824,152	\$ 890,720
Deferred revenue	22,722	23,271
Interest rate swap agreements, net liability	627,888	1,214,128
Current portion of capitalized lease obligations	23,291	135,751
Current portion of notes payable	721,190	523,019
	<u>2,219,243</u>	<u>2,786,889</u>
Capitalized lease obligations, net of current portion	17,468	76,550
Notes payable, net of current portion	12,044,429	11,703,753
Total liabilities	<u>14,281,140</u>	<u>14,567,192</u>
Net assets:		
Net assets without donor restrictions	11,163,389	10,454,096
Net assets with donor restrictions	808,134	758,450
Total net assets	<u>11,971,523</u>	<u>11,212,546</u>
Total Liabilities and Net Assets	<u>\$ 26,252,663</u>	<u>\$ 25,779,738</u>

See notes to financial statements

# NEW LIFE CHURCH

## Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions	\$ 17,750,658	\$ 1,460,663	\$ 19,211,321	\$ 16,892,812	\$ 1,339,368	\$ 18,232,180
Paycheck Protection Program	-	-	-	-	1,783,255	1,783,255
Program income	409,123	-	409,123	172,517	-	172,517
Sales income	76,896	-	76,896	42,439	-	42,439
Rental and other income (loss)	53,022	-	53,022	(173,686)	-	(173,686)
Total Support and Revenue	18,289,699	1,460,663	19,750,362	16,934,082	3,122,623	20,056,705
NET ASSETS RELEASED:						
Purpose restrictions	1,410,979	(1,410,979)	-	3,237,234	(3,237,234)	-
EXPENSES:						
Program services	17,760,594	-	17,760,594	15,531,927	-	15,531,927
Supporting activities:						
General and administrative	1,803,030	-	1,803,030	1,791,680	-	1,791,680
Fundraising	14,001	-	14,001	26,723	-	26,723
Total Expenses	19,577,625	-	19,577,625	17,350,330	-	17,350,330
Change in Net Assets from Operations	123,053	49,684	172,737	2,820,986	(114,611)	2,706,375
NON-OPERATING:						
Change in interest rate swap agreements	586,240	-	586,240	(625,857)	-	(625,857)
Change in Net Assets	709,293	49,684	758,977	2,195,129	(114,611)	2,080,518
Net Assets, Beginning of Year	10,454,096	758,450	11,212,546	8,258,967	873,061	9,132,028
Net Assets, End of Year	\$ 11,163,389	\$ 808,134	\$ 11,971,523	\$ 10,454,096	\$ 758,450	\$ 11,212,546

See notes to financial statements

# NEW LIFE CHURCH

## Statements of Functional Expenses

	Year Ended December 31, 2021			
	Program Services	General and Administrative	Fundraising	Total
Operating expenses:				
Salaries and benefits	\$ 9,867,470	\$ 916,840	\$ -	\$ 10,784,310
Outreach and benevolence	2,017,613	5,141	1,880	2,024,634
Depreciation and amortization	1,724,912	191,933	-	1,916,845
Facilities	1,248,083	158,718	-	1,406,801
Supplies and equipment	932,809	89,886	-	1,022,695
Events and meetings	891,269	50,266	8,940	950,475
Interest and bank charges	473,700	254,131	3,181	731,012
Professional services	487,770	136,115	-	623,885
Cost of goods sold	116,968	-	-	116,968
	\$ 17,760,594	\$ 1,803,030	\$ 14,001	\$ 19,577,625
	90.7%	9.2%	0.1%	

	Year Ended December 31, 2020			
	Program Services	General and Administrative	Fundraising	Total
Operating expenses:				
Salaries and benefits	\$ 8,963,422	\$ 961,342	\$ -	\$ 9,924,764
Depreciation and amortization	1,554,673	173,259	-	1,727,932
Outreach and benevolence	1,698,692	6,441	973	1,706,106
Facilities	958,982	107,819	-	1,066,801
Supplies and equipment	702,268	83,817	-	786,085
Interest and bank charges	478,554	277,905	2,167	758,626
Events and meetings	621,341	28,166	23,583	673,090
Professional services	483,375	152,931	-	636,306
Cost of goods sold	70,620	-	-	70,620
	\$ 15,531,927	\$ 1,791,680	\$ 26,723	\$ 17,350,330
	89.5%	10.3%	0.2%	

See notes to financial statements

# NEW LIFE CHURCH

## Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 758,977	\$ 2,080,518
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,909,772	1,720,859
Amortization of deferred debt issue costs	7,073	7,073
Loss on sales of land, buildings, and equipment	1,115	197,494
Contributions received for long-term purposes	(40,619)	(117,226)
Change in interest rate swap agreements	(586,240)	625,857
Forgiveness of Paycheck Protection Program loan	-	(1,783,255)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	19,762	(19,514)
Accounts payable and accrued liabilities	(93,073)	98,653
Deferred revenue	(549)	(2,146)
Net Cash Provided by Operating Activities	1,976,218	2,808,313
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, and equipment	(2,644,274)	(1,699,155)
Net Cash Used by Investing Activities	(2,644,274)	(1,699,155)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for long-term purposes	40,619	117,226
Payments on capital lease obligations	(171,542)	(108,489)
Proceeds from Paycheck Protection Program loan	-	1,783,255
Proceeds from notes payable	1,380,128	-
Principal payments on notes payable	(848,354)	(711,548)
Net Cash Provided by Financing Activities	400,851	1,080,444
Change in Cash and Cash Equivalents	(267,205)	2,189,602
Cash and Cash Equivalents, Beginning of Year	4,959,423	2,769,821
Cash and Cash Equivalents, End of Year	\$ 4,692,218	\$ 4,959,423
<b>NON-CASH ACTIVITY AND SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest	\$ 492,143	\$ 522,395
Land, buildings, and equipment obtained through accounts payable and accrued liabilities	\$ 26,505	\$ -
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 1,783,255
Equipment obtained through capital lease obligation	\$ -	\$ 69,873

See notes to financial statements



# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

### 1. NATURE OF ORGANIZATIONS:

New Life Church (the Church) is an independent, nondenominational, charismatic church founded in 1985. The Church is operated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and comparable state laws. However, the Church is subject to federal income tax on any unrelated business taxable income. The Church is not a private foundation under Section 509(c) of the IRC. The Church is comprised of eight congregations, meeting in six locations, and speaking three languages in and around Colorado Springs, Colorado. The Church's mission is to make disciples in the Pikes Peak Region by calling people to worship, connect, and serve. The Church's primary source of revenue is from contributions.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Church maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as actual currency, demand deposits, and highly liquid investments with original maturities of three months or less. As of December 31, 2021 and 2020, the Church has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$3,230,000 and \$4,120,000, respectively. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

#### LAND, BUILDINGS, AND EQUIPMENT—NET

Items capitalized as land, buildings, and equipment are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives (currently 5 - 30 years) of the related assets. The Church capitalizes fixed asset purchases exceeding \$1,000 with lesser amounts expensed in the year purchased.

#### CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

*Net assets Without Donor Restrictions* are those currently available at the discretion of the board for use in the Church's operations and those resources invested in land, buildings, and equipment.

*Net assets With Donor Restrictions* are restricted by donors for specific operating purposes, or until time restrictions have been met. They are not currently available for use in the Church's activities until restrictions regarding their use have been fulfilled.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUE AND EXPENSES

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Those contributions postmarked by December 31 are recorded as contributions and cash and cash equivalents rather than promises to give during the respective year. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, 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. The Church reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Program income consists of revenues received for conferences, retreats, ministry programs, and events held by the Church. Program income is recorded when earned which is when the program is held. Sales income is related to the sale of various cafe and ministry resources. Sales income is recorded when earned which is when items are sold. Rental income consists of revenues received for rental of Church facilities. Rental income is recorded when earned which is at the time facilities are used. Revenue for products sold at a point in time is recognized when the performance obligation is satisfied, which is when the product is provided to the customer. Should amounts not be collected when the performance obligation is satisfied, accounts receivable is recorded for the outstanding amount. Performance obligations that are satisfied over a period of time, such as rental income, are recognized proportionally over the length of the agreement.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses report certain categories of expenses that are attributable to program or support activities of the Church. These expenses include facilities, interest, and depreciation and amortization, which are allocated based on square footage occupancy. Salaries and benefits are allocated based on time and effort, and costs of other categories are allocated based on the purpose of the expense.

#### ADVERTISING

The Church uses advertising to communicate the Gospel message to the City of Colorado Springs and to promote its programs to the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2021 and 2020, was \$37,899 and \$53,105, respectively.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Church's financial assets reduced by amounts not available for general use within one year, as of December 31, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the Board of Elders has set aside funds.

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 4,692,218	\$ 4,959,423
Pledge receivable	-	30,000
Less those unavailable for general expenditures within one year, due to:		
Project funds not expected to be used within one year	<u>(400,000)</u>	<u>(255,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,292,218</u>	<u>\$ 4,734,423</u>

The Church structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through board meetings and detailed financial analysis. As of December 31, 2021 and 2020, the Church had approximately \$3,700,000 and \$3,400,000, respectively, set aside specifically for use as a management designated emergency fund.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

### 4. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	December 31,	
	2021	2020
Land and land improvements	\$ 3,277,501	\$ 3,277,501
Buildings and building improvements	39,030,605	37,794,762
Equipment	10,999,710	9,186,997
	<u>53,307,816</u>	<u>50,259,260</u>
Less accumulated depreciation	(32,648,477)	(30,885,578)
	<u>20,659,339</u>	<u>19,373,682</u>
Work in progress	601,630	1,127,395
	<u>\$ 21,260,969</u>	<u>\$ 20,501,077</u>

Equity in land, buildings, and equipment–net consists of:

	December 31,	
	2021	2020
Land, buildings, and equipment–net	\$ 21,260,969	\$ 20,501,077
Interest rate swap agreement, net liability	(627,888)	(1,214,128)
Less accrued interest payable	(45,792)	(42,913)
Less capitalized lease obligation	(40,759)	(212,301)
Less notes payable - net	<u>(12,765,619)</u>	<u>(12,226,772)</u>
	<u>\$ 7,780,911</u>	<u>\$ 6,804,963</u>

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

5. CAPITALIZED LEASE OBLIGATIONS—NET:

Capitalized lease obligations—net consist of:

	December 31,	
	2021	2020
Equipment capital lease with monthly payments of \$1,941 until August, 2023.	\$ 40,759	\$ 64,051
Equipment capital lease with monthly payments of \$3,763. The lease was paid off during 2021.	-	65,821
Equipment capital lease with monthly payments of \$2,967. The lease was paid off during 2021.	-	35,461
Equipment capital lease with monthly payments of \$1,648. The lease was paid off during 2021.	-	34,797
Equipment capital lease with monthly payments of \$933. The lease was paid off during 2021.	-	12,171
	40,759	212,301
Less current portion	(23,291)	(135,751)
	\$ 17,468	\$ 76,550

Future minimum payments are:

<u>Year Ending December 31,</u>	
2022	\$ 23,291
2023	17,468
	\$ 40,759

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

5. CAPITALIZED LEASE OBLIGATIONS—NET, continued:

Included in land, buildings, and equipment are the following assets under capital leases:

	December 31,	
	2021	2020
Furniture and equipment	\$ 69,874	\$ 571,149
Less accumulated amortization	(9,317)	(310,680)
	<u>\$ 60,557</u>	<u>\$ 260,469</u>

6. INTEREST RATE SWAP AGREEMENTS:

The Church has two derivative agreements, known as interest rate swaps, as of December 31, 2021 and December 31, 2020. In substance, these agreements exchange the variable rate terms contained in the underlying loan agreements for fixed rates of interest contracted with the financial institution.

Under the first swap agreement in place as of December 31, 2021 and 2020, the Church pays a fixed rate of 4.0% instead of a variable rate of 1.55% above LIBOR, effectively 1.65% and 1.70% as of December 31, 2021 and 2020, respectively. The original note payable balance covered by the agreement is \$9,917,832, and the aggregate notional amount of the swap agreement was \$8,297,161 and \$8,653,434, as of December 31, 2021 and 2020, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2021 and 2020, the interest rate swap had a fair value of \$(452,030) and \$(913,470), respectively.

The change in the fair value of the swap agreement of \$461,440 and \$(502,178) for the years ended December 31, 2021 and 2020, respectively, is reported as non-operating change in interest rate swap agreements in the statements of activities. This amount will be recomputed each year using the interest rates effective at year end.

Under the second swap agreement in place as of December 31, 2021 and 2020, the Church pays a fixed rate of 5.19% instead of a variable rate of 2.15% above LIBOR, effectively 2.25% and 2.30%, as of December 31, 2021 and 2020 respectively. The original note payable balance covered by the agreement is \$2,000,000, and the aggregate notional amount of the swap agreement was \$1,831,804 and \$1,878,857, as of December 31, 2021 and 2020 respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2021 and 2020, the interest rate swap had a fair value of \$(175,858) and \$(300,658), respectively.

The change in the fair value of the swap agreement of \$124,800 and \$(123,679) and for the years ended December 31, 2021 and 2020, respectively, is reported as non-operating change in interest rate swap agreements in the statements of activities. This amount will be recomputed each year using the interest rates effective at year end.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

6. INTEREST RATE SWAP AGREEMENTS, continued:

A net liability is recorded in the statements of financial position for the fair value of these interest rate swap agreements as of December 31, 2021 and 2020.

The Church uses appropriate valuation techniques to determine fair value based on inputs available. When appropriate, the Church measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. The Church's swap agreements liability is considered Level 2 under the fair value hierarchy and is based on observable inputs other than the quoted prices included in Level 1 and are based on yields for swap agreements of comparable maturity, quality, and types as obtained from market transactions. The calculation is determined by the Church's lender.

7. NOTES PAYABLE:

Notes payable consist of:

Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Variable interest rate of 1.55% above LIBOR, effective 1.65% and 1.70%, as of December 31, 2021 and 2020, respectively, on \$9,917,832 principal portion of the note payable, payable at the fixed interest rate of 4.00% per a swap agreement with the difference being paid to, or by the bank to reflect the total interest rate. Principal and interest payments are due monthly and fluctuate based on the relationship between the effective interest rate and the fixed interest rate. The monthly payment of principal and interest as of December 31, 2021 and 2020 was \$57,452 and \$57,375, respectively. The agreement terminates January 1, 2027, at which time a balloon payment will be required.

December 31,	
2021	2020
\$ 8,297,161	\$ 8,653,434

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

7. NOTES PAYABLE, continued:

Notes payable consist of, continued:

	December 31,	
	2021	2020
<p>Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Variable interest rate of 2.15% above LIBOR, effective 2.25% and 2.30%, as of December 31, 2021 and 2020, respectively, on \$2,000,000 principal portion of the note payable, payable at the fixed interest rate of 5.19% per a swap agreement with the difference being paid to, or by the bank to reflect the total interest rate. Principal and interest payments are due monthly and fluctuate based on the relationship between the effective interest rate and the fixed interest rate. The monthly payment of principal and interest as of December 31, 2021 and 2020 was \$12,024 and \$12,017, respectively. The agreement terminates February 1, 2028, at which time a balloon payment will be required.</p>	1,831,804	1,878,857
<p>Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Monthly payments of \$15,885 are due, including interest at 2.83% fixed until January 1, 2022. After that date, the interest rate becomes variable at 1.55% above LIBOR until it matures on January 1, 2027, at which point a balloon payment will be required.</p>	1,368,475	1,740,337
<p>Note payable to Bank of the West, secured by equipment, with monthly payments of \$18,517 due, including interest at 3.45%, fixed until it matures on July 1, 2028.</p>	1,306,962	-
	12,804,402	12,272,628
Less current portion of notes payable	(721,190)	(523,019)
Less deferred debt issue costs—net	(38,783)	(45,856)
	\$ 12,044,429	\$ 11,703,753

Deferred debt issue costs are recorded at cost and amortized on a straight-line basis over the term of the debt agreements. Amortization expense, related to deferred debt issue costs, was \$7,073 for both of the years ended December 31, 2021 and 2020. Accumulated amortization was \$31,942 and \$24,869, as of December 31, 2021 and 2020, respectively.



# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

7. NOTES PAYABLE, continued:

Future minimum payments on the notes payable are:

<u>Year Ending December 31,</u>	
2022	\$ 721,190
2023	748,663
2024	776,391
2025	806,805
2026	840,860
Thereafter	<u>8,910,493</u>
	<u>\$ 12,804,402</u>

The Church was in compliance with all financial and reporting covenants as of December 31, 2021.

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Missions projects	\$ 660,717	\$ 639,663
Scholarship fund	50,719	63,138
Building projects	87,110	46,491
Ministry projects	9,588	9,158
	<u>\$ 808,134</u>	<u>\$ 758,450</u>

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

### 9. OPERATING LEASES:

The Church leases church gathering and office space and certain office equipment under operating lease agreements. Lease terms provide that the Church is to pay, in addition to the minimum rentals summarized below, applicable taxes and any additional print charges. Lease expense under these agreements for the years ended December 31, 2021 and 2020, was \$246,306 and \$94,116, respectively. Future minimum lease payments are \$232,742, for the year ended December 31, 2022.

During the year ended December 31, 2020, the Church signed an agreement with a renter to lease part of its land. Rents did not commence until the renter opened for business, which occurred in 2021. Beginning in 2021, the term of the lease is fifteen years with the option to extend an additional fifteen years. Future minimum rentals are:

<u>Year Ending December 31,</u>	
2022	\$ 57,000
2023	57,000
2024	57,000
2025	57,000
2026	62,700
Thereafter	<u>652,650</u>
	<u>\$ 943,350</u>

During the year ended December 31, 2021, the Church signed an agreement with a tenant to rent space from a future retail center that has yet to be built by the Church. Rents do not commence until the vendor opens for business, which is expected to occur in 2022. Once the agreement goes into effect, the term of the lease is 10 years, and total rents expected to be received in the aggregate over that time period are approximately \$775,000.

Also, in May 2006, the Church entered into a fifty-year lease with Pikes Peak Community College to lease a portion of the college's land. In lieu of rent, the Church agreed to construct and maintain a parking lot and pay the electricity for the parking lot. The parking lot was completed during the year ended December 31, 2006, and capitalized at \$632,623 with accumulated depreciation of \$479,739 and \$448,108, as of December 31, 2021 and 2020, respectively. The parking lot is being depreciated over a life of 20 years.

### 10. OPERATING AND NON-OPERATING ACTIVITIES:

The activity of the Church has been reported in the statements of activities in the following two categories: operating and non-operating. Operating includes the core church and ministry activities of the Church. Non-operating includes all other activity that is not considered to be core church and ministry activities, such as the change in the interest rate swap agreements.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

### 11. RETIREMENT PLAN:

Effective January 1, 2008, the Church adopted a 403(b) retirement plan for all employees. Total employer contributions and matches for the years ended December 31, 2021 and 2020, were \$249,292 and \$236,248, respectively.

### 12. RELATED PARTY TRANSACTIONS:

Approximately \$390,000 (2.0%) and \$261,000 (1.3%), of contribution revenue was received from related parties, including certain board members of the Board or Elders and senior staff, during the years ended December 31, 2021 and 2020, respectively.

During the years ended December 31, 2021 and 2020, the Church made contributions and paid missions support and reimbursements totaling \$18,000 and \$15,000, respectively, to Every Home for Christ. The senior vice president/chief financial officer of the organization is also an elder of the Church. The Church also made contributions to Springs Rescue Mission of \$5,357, during the year ended December 31, 2020. A board member of the Church was also on the board of Springs Rescue Mission.

During the years ended December 31, 2021 and 2020, the Church received revenue from the book sales of four of its pastors totaling \$29,044 and \$43,661, respectively.

During the years ended December 31, 2021 and 2020, the Church paid fees totaling \$248,822 and \$270,737, respectively, to two companies that provide church management and donation processing services. An elder of the Church serves on the board of directors of the parent holding company.

The Church gave donations to a separate 501(c)3 organization of \$13,000 during both of the years ended December 31, 2021 and 2020. An elder of the Church serves on the board of directors of this organization.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2021 and 2020

### 13. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant volatility in financial markets. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. Management believes that the Church has sufficient reserves and liquidity to fund ongoing essential ministries through this time of uncertainty. Management believes the mission of the Church will not change. The Church continues to see a day when every life is saturated and transformed by the hope of the Gospel. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Church for future periods.

In April 2020, the Church received a Paycheck Protection Program (PPP) loan of \$1,783,255 funded by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barriers are that PPP loan funds must be used to maintain compensation costs and employee head count, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the funds. As of December 31, 2020 the Church met all barriers to forgiveness and included the balance of \$1,783,255 as with donor restrictions, and within the purpose restrictions line for net assets released, on the statements of activities.

### 14. SUBSEQUENT EVENTS:

Subsequent to the year ended December 31, 2021, the Church signed an agreement with three tenants to rent space from a future retail center that has yet to be built by the Church. Rents do not commence until the vendor opens for business, which is expected to occur in 2022. Once the agreements go into effect, the terms of the leases is 10 years, and total rents expected to be received in the aggregate over that time period are approximately \$2,300,000.

Subsequent to the year ended December 31, 2021, the Church entered into a construction line of credit agreement with a financial institution, in order to build the future retail center. The Church can draw up to \$4,000,000 on the loan, which matures in February 2023, after which it may be converted to a term loan. The loan has an interest rate of 3.61%.

Subsequent to year end, the Church paid in full the note payable that had an ending balance of \$1,368,475, as of December 31, 2021. The Church also made early principal payments on the first note payable listed in Note 7 in the amount of approximately \$1,500,000.

Subsequent events were evaluated through April 27, 2022, which is the date the financial statements were available to be issued.