



*New life*  
CHURCH

## NEW LIFE CHURCH

Financial Statements  
With Independent Auditors' Report

December 31, 2022 and 2021

# 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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *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  
May 24, 2023

# NEW LIFE CHURCH

## Statements of Financial Position

	December 31,	
	2022	2021
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 3,101,140	\$ 4,692,218
Prepaid expenses and other assets	256,920	299,476
Interest rate swap agreements, net asset	217,254	-
	3,575,314	4,991,694
Operating leases–right-of-use assets	338,481	-
Land, buildings, and equipment–net	23,797,099	21,260,969
	\$ 27,710,894	\$ 26,252,663
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,077,569	\$ 824,152
Deferred revenue	250,906	22,722
Interest rate swap agreements, net liability	-	627,888
Operating lease obligations, current portion	192,030	-
Current portion of notes payable	3,172,768	744,481
	4,693,273	2,219,243
Operating lease obligations, net of current portion	150,619	-
Notes payable, net of current portion	5,901,079	12,061,897
Total liabilities	10,744,971	14,281,140
Net assets:		
Net assets without donor restrictions	15,979,747	11,163,389
Net assets with donor restrictions	986,176	808,134
Total net assets	16,965,923	11,971,523
Total Liabilities and Net Assets	\$ 27,710,894	\$ 26,252,663

See notes to financial statements

# NEW LIFE CHURCH

## Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions	\$ 16,146,886	\$ 7,741,959	\$ 23,888,845	\$ 17,750,658	\$ 1,460,663	\$ 19,211,321
Program income	523,420	-	523,420	409,123	-	409,123
Sales income	113,219	-	113,219	76,896	-	76,896
Rental and other income	124,242	-	124,242	53,022	-	53,022
Total Support and Revenue	16,907,767	7,741,959	24,649,726	18,289,699	1,460,663	19,750,362
NET ASSETS RELEASED:						
Purpose restrictions	7,563,917	(7,563,917)	-	1,410,979	(1,410,979)	-
EXPENSES:						
Program services	18,794,847	-	18,794,847	17,760,594	-	17,760,594
Supporting activities:						
General and administrative	1,750,021	-	1,750,021	1,803,030	-	1,803,030
Fundraising	51,600	-	51,600	14,001	-	14,001
Total Expenses	20,596,468	-	20,596,468	19,577,625	-	19,577,625
Change in Net Assets from Operations	3,875,216	178,042	4,053,258	123,053	49,684	172,737
NON-OPERATING:						
Change in interest rate swap agreements	845,142	-	845,142	586,240	-	586,240
Gain on extinguishment of debt related to swap agreements	96,000	-	96,000	-	-	-
Change in Net Assets	4,816,358	178,042	4,994,400	709,293	49,684	758,977
Net Assets, Beginning of Year	11,163,389	808,134	11,971,523	10,454,096	758,450	11,212,546
Net Assets, End of Year	\$ 15,979,747	\$ 986,176	\$ 16,965,923	\$ 11,163,389	\$ 808,134	\$ 11,971,523

See notes to financial statements

# NEW LIFE CHURCH

## Statements of Functional Expenses

	Year Ended December 31, 2022			
Program Services	General and Administrative	Fundraising	Total	
Operating expenses:				
Salaries and benefits	\$ 10,393,067	\$ 1,035,820	\$ -	\$ 11,428,887
Depreciation and amortization	1,754,513	195,498	-	1,950,011
Outreach and benevolence	1,883,297	954	4,698	1,888,949
Facilities	1,443,346	165,872	-	1,609,218
Events and meetings	1,284,366	30,299	23,757	1,338,422
Supplies and equipment	973,078	82,658	-	1,055,736
Interest and bank charges	551,229	90,409	23,145	664,783
Professional services	404,975	148,511	-	553,486
Cost of goods sold	106,976	-	-	106,976
	<u>\$ 18,794,847</u>	<u>\$ 1,750,021</u>	<u>\$ 51,600</u>	<u>\$ 20,596,468</u>
	91.2%	8.5%	0.3%	

	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
Depreciation and amortization	1,724,912	191,933	-	1,916,845
Outreach and benevolence	2,017,613	5,141	1,880	2,024,634
Facilities	1,248,083	158,718	-	1,406,801
Events and meetings	891,269	50,266	8,940	950,475
Supplies and equipment	932,809	89,886	-	1,022,695
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
	<u>\$ 17,760,594</u>	<u>\$ 1,803,030</u>	<u>\$ 14,001</u>	<u>\$ 19,577,625</u>
	90.7%	9.2%	0.1%	

See notes to financial statements

# NEW LIFE CHURCH

## Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,994,400	\$ 758,977
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,942,938	1,909,772
Amortization of deferred debt issue costs	7,073	7,073
Loss on sale of land, buildings, and equipment	67,773	1,115
Contributions received for long-term purposes	(28,266)	(40,619)
Change in interest rate swap agreements	(845,142)	(586,240)
Gain on extinguishment of debt related to swap agreements	(96,000)	-
Change in operating assets and liabilities:		
Prepaid expenses and other assets	42,556	19,762
Accounts payable and accrued liabilities	(71,757)	(93,073)
Deferred revenue	228,184	(549)
Net Cash Provided by Operating Activities	6,241,759	1,976,218
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, and equipment	(1,461,589)	(2,644,274)
Proceeds from sale of land, buildings, and equipment	4,542	-
Net Cash Used by Investing Activities	(1,457,047)	(2,644,274)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for long-term purposes	28,266	40,619
Debt issuance costs	(17,802)	-
Proceeds from notes payable	-	1,380,128
Principal payments on notes payable	(6,386,254)	(1,019,896)
Net Cash Provided (Used) by Financing Activities	(6,375,790)	400,851
Change in Cash and Cash Equivalents	(1,591,078)	(267,205)
Cash and Cash Equivalents, Beginning of Year	4,692,218	4,959,423
Cash and Cash Equivalents, End of Year	\$ 3,101,140	\$ 4,692,218
<b>NON-CASH ACTIVITY AND SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest	\$ 470,463	\$ 492,143
Land, buildings, and equipment obtained through notes payable draws	\$ 2,760,452	\$ -
Land, buildings, and equipment obtained through accounts payable and accrued liabilities	\$ 325,174	\$ 26,505
Right-of-use assets obtained in exchange for lease obligations	\$ 645,741	\$ -

See notes to financial statements



# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 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, 2022 and 2021, the Church has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$2,104,000 and \$3,230,000, respectively.

#### 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, 2022 and 2021

### 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, 2022 and 2021, was \$33,765 and \$37,899, respectively.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

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

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Church adopted the provisions of this new standard during the year ended December 31, 2022. This new standard enhances the presentation and disclosures related to contributed nonfinancial assets, including information about the measurement of contributed nonfinancial assets. The adoption of this standard had minimal impact on the Church's financial statements.

Additionally, in 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). This ASU requires substantially all leases with a non-cancelable lease term over one year to be recognized by lessees on their statement of financial position as a right-of-use (ROU) asset and a corresponding lease liability, including leases historically accounted for as operating leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* which allows for an optional transition method to adopt the lease standard by recognizing a cumulative-effect adjustment to the opening net assets in the period of adoption, with no adjustment to prior comparative periods. ASU 2016-02 and all subsequent amendments were adopted by the Church during the year ended December 31, 2022, and the Church elected to apply the cumulative-effect adjustment to the opening net assets and optional transition method to not present comparable prior year periods as allowed under ASU 2018-11. The additional lease disclosures can be found in Note 5. The Church determined that the effect of the adjustment to the opening balance of net assets is immaterial. Therefore, it was adjusted through facilities expenses on the statements of functional expenses.

### 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, 2022 and 2021. 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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 3,101,140	\$ 4,692,218
Accounts receivable	24,855	11,316
Interest rate swap agreements, net asset	217,254	-
Less those unavailable for general expenditures within one year, due to:		
Interest rate swap agreements, net asset	(217,254)	-
Project funds not expected to be used within one year	(490,000)	(400,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,635,995</u>	<u>\$ 4,303,534</u>

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

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, 2022 and 2021, the Church had approximately \$2,000,000 and \$3,700,000, respectively, set aside specifically for use as a management designated emergency fund.

4. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	December 31,	
	2022	2021
Land and land improvements	\$ 3,737,693	\$ 3,277,501
Buildings and building improvements	39,292,370	39,030,605
Equipment	11,432,634	10,999,710
	<u>54,462,697</u>	<u>53,307,816</u>
Less accumulated depreciation	<u>(34,561,032)</u>	<u>(32,648,477)</u>
	19,901,665	20,659,339
Work in progress	<u>3,895,434</u>	<u>601,630</u>
	<u>\$ 23,797,099</u>	<u>\$ 21,260,969</u>

Capitalized interest, included in work in progress as of December 31, 2022 and 2021, totaled \$56,876 and \$0, respectively.

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

	December 31,	
	2022	2021
Operating leases – right-of-use assets	\$ 338,481	\$ -
Land, buildings, and equipment–net	23,797,099	21,260,969
Interest rate swap agreement, net asset (liability)	217,254	(627,888)
Less accrued interest payable	(39,081)	(45,792)
Less operating lease obligations	(342,649)	-
Less notes payable–net	<u>(9,073,847)</u>	<u>(12,806,378)</u>
	<u>\$ 14,897,257</u>	<u>\$ 7,780,911</u>

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 5. OPERATING LEASE - RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Church leases church gathering and office space under several noncancellable agreements that do not qualify as short-term leases and that expire at various dates through 2025. The Church has elected to exclude any leases with a term of 12 months or less. The discount rate represents the incremental borrowing rate for similar space in a similar economic environment. As of December 31, 2022, monthly payments under these leases total \$16,481 with a discount rate of 3.22%. The monthly payments for each of these leases, except one, increase each year.

	<u>December 31,</u> <u>2022</u>
Operating leases—right-of-use assets	\$ 338,481
Operating lease liabilities	\$ 342,649
Operating lease costs	\$ 326,970
Short-term lease cost	\$ 166,895
Weighted-average discount rate	3.28%
Weighted-average remaining lease term	1.75

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Year Ending December 31,	
2023	\$ 201,172
2024	<u>152,596</u>
	353,768
Less amount representing interest	<u>(11,119)</u>
	<u>\$ 342,649</u>

### 6. OPERATING LEASES:

Prior to adoption of ASU 2016-02 under Topic 842 as described in Note 2, the Church was applying Topic 840 in relation to operating leases. For the comparable period, the Church had operating lease expenses of \$246,306 during the year ended December 31, 2021. As of December 31, 2021, the Church had required future minimum lease payments of \$232,742 for the year ended December 31, 2022.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 7. INTEREST RATE SWAP AGREEMENTS:

The Church has two derivative agreements, known as interest rate swaps, as of December 31, 2022 and December 31, 2021. 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, 2022 and 2021, the Church pays a fixed rate of 4.0% instead of a variable rate. During the year ended December 31, 2022, the variable rate was 1.58% above SOFR, effectively 5.71%, and during the year ended December 31, 2021, the variable rate was 1.55% above LIBOR, effectively 1.65%. The original note payable balance covered by the agreement is \$9,917,832, and the aggregate notional amount of the swap agreement was \$3,426,082 and \$8,297,161 as of December 31, 2022 and 2021, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2022 and 2021, the interest rate swap had a fair value of \$163,676 and \$(452,030), respectively.

The change in the fair value of the swap agreement of \$615,706 and \$461,440 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the Church pays a fixed rate of 5.19% instead of a variable rate. During the year ended December 31, 2022, the variable rate was 2.18% above SOFR, effectively 6.31%, and during the year ended December 31, 2021, the variable rate was 2.15% above LIBOR, effectively 2.25%. The original note payable balance covered by the agreement is \$2,000,000, and the aggregate notional amount of the swap agreement was \$1,782,264 and \$1,831,804 as of December 31, 2022 and 2021, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2022 and 2021, the interest rate swap had a fair value of \$53,578 and \$(175,858), respectively.

The change in the fair value of the swap agreement of \$229,436 and \$124,800 and for the years ended December 31, 2022 and 2021, 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.

A net asset as of December 31, 2022 and the net liability as of December 31, 2021 are recorded in the statements of financial position for the fair value of these interest rate swap agreements.

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.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

8. NOTES PAYABLE:

Notes payable consist of:

	December 31,	
	2022	2021
<p>Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. For the year ended December 31, 2022, the note had a variable interest rate of 1.58% above SOFR, effectively 5.71%, and for the year ended December 31, 2021, the note had a variable interest rate of 1.55% above LIBOR, effectively 1.65%. The original principal portion of the note payable was \$9,917,832, and it is 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, 2022 and 2021 was \$25,443 and \$57,452, respectively. The agreement terminates January 1, 2027, at which time a balloon payment will be required.</p>	\$ 3,426,082	\$ 8,297,161
<p>Construction line of credit payable to Bank of the West, secured by the Church's land and buildings. The Church can draw up to \$4,000,000 on the line of credit, which matures in February 2023, after which it may be converted to a term loan. During the year ended December 31, 2022, the Church was only required to make monthly interest only payments based on an interest rate of 3.61%. Subsequent to December 31, 2022, the Church converted the line of credit to a term loan with a principal balance of \$4,000,000 maturing in February 2032 and payable via monthly principal and interest payments of \$20,376. The term loan accrues interest at a rate of 3.61% until February 2027 when the rate will convert to 2% more than the average of the rates quoted for the five-year swaps for the week immediately prior to the conversion date.</p>	2,760,452	-

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

8. NOTES PAYABLE, continued:

Notes payable consist of, continued:

	December 31,	
	2022	2021
<p>Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. For the year ended December 31, 2022, the note had a variable interest rate of 2.18% above SOFR, effectively 6.31%, and for the year ended December 31, 2021, the note had a variable interest rate of 2.15% above LIBOR, effectively 2.25%. The original principal portion of the note payable was \$2,000,000, and it is 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, 2022 and 2021 was \$11,871 and \$12,024, respectively. The agreement terminates February 1, 2028, at which time a balloon payment will be required.</p>	1,782,264	1,831,804
<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>	1,127,016	1,306,962
<p>Multiple debt agreements maturing between 2023 and 2027 with principal and interest payments ranging from \$146 to \$1,901 due monthly and with interest rates ranging from 4.5% to 7.3%.</p>	27,545	40,759
<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. The note was paid in full during the year ended December 31, 2022.</p>	-	1,368,475
	9,123,359	12,845,161
<p>Less current portion of notes payable</p>	(3,172,768)	(744,481)
<p>Less deferred debt issue costs-net</p>	(49,512)	(38,783)
	\$ 5,901,079	\$ 12,061,897



# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

8. NOTES PAYABLE, continued:

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, 2022 and 2021. Accumulated amortization was \$39,015 and \$31,942, as of December 31, 2022 and 2021, respectively.

Future minimum payments on the notes payable are:

<u>Year Ending December 31,</u>	
2023	\$ 3,181,621
2024	422,245
2025	439,599
2026	457,161
2027	2,988,056
Thereafter	<u>1,634,677</u>
	<u>\$ 9,123,359</u>

The Church was in compliance with all financial and reporting covenants as of December 31, 2022.

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Missions projects	\$ 699,401	\$ 660,717
Building projects	115,020	87,110
Ministry projects	120,764	9,588
Scholarship fund	<u>50,991</u>	<u>50,719</u>
	<u>\$ 986,176</u>	<u>\$ 808,134</u>

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 10. RENTAL AGREEMENTS:

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>	
2023	\$ 57,000
2024	57,000
2025	57,000
2026	62,700
2027	62,700
Thereafter	<u>532,950</u>
	<u>\$ 829,350</u>

During the year ended December 31, 2021, the Church signed agreements with multiple tenants to rent space from a future retail center that was still being built by the Church as of December 31, 2022. Rents do not commence until the vendors open for business, which is expected to occur in 2023. Once the agreements go into effect, the term of the leases is 10 years, with options for tenants to extend to additional years, and total rents expected to be received in the aggregate over that time period are approximately \$2,965,000.

Also, in May 2006, the Church entered into a fifty-year lease with Pikes Peak State 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 \$511,370 and \$479,739, as of December 31, 2022 and 2021, respectively. The parking lot is being depreciated over a life of 20 years.

### 11. 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 and gain on extinguishment of debt.

### 12. 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, 2022 and 2021, were \$277,992 and \$249,292, respectively.

# NEW LIFE CHURCH

## Notes to Financial Statements

December 31, 2022 and 2021

### 13. RELATED PARTY TRANSACTIONS:

Approximately \$423,000 (1.8%) and \$390,000 (2.0%), 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, 2022 and 2021, respectively.

During both years ended December 31, 2022 and 2021, the Church made contributions and paid missions support and reimbursements totaling \$18,000 to Every Home for Christ. The senior vice president/chief financial officer of the organization is also an elder of the Church.

During the years ended December 31, 2022 and 2021, the Church received revenue from the sale of books and music of several of its pastors totaling \$88,929 and \$29,044, respectively.

During the years ended December 31, 2022 and 2021, the Church paid fees totaling \$287,728 and \$248,822, 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 \$25,509 and \$13,000 during the years ended December 31, 2022 and 2021, respectively. An elder of the Church serves on the board of directors of this organization.

The Church has also contracted a board member's company to be the leasing agent for the retail center being built. During the year ended December 31, 2022, the Church paid \$41,607 to this related party.

### 14. SUBSEQUENT EVENTS:

Subsequent to the year ended December 31, 2022, the Church acquired another church in Colorado Springs. The acquired church's assets and liabilities activities will be consolidated within the Church's financial statements going forward. As of March 7, 2023, the date of consolidation, these net assets total approximately \$4,400,000.

Additionally, the Church made early principal payments totaling \$850,000 on the first note payable listed in Note 8.

Subsequent events were evaluated through May 24, 2023, which is the date the financial statements were available to be issued.