



New life
CHURCH

NEW LIFE CHURCH

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2024 and 2023

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 consolidated financial statements of New Life Church, which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Life Church as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.



Colorado Springs, Colorado
May 16, 2025

NEW LIFE CHURCH

Consolidated Statements of Financial Position

	December 31,	
	2024	2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,387,635	\$ 3,091,138
Prepaid expenses and other assets	160,132	210,609
Insurance claim receivable	38,205	397,447
Rent and other receivables	203,173	192,558
	<u>3,789,145</u>	<u>3,891,752</u>
Restricted cash	850,072	396,448
Interest rate swap agreement	42,119	38,832
Operating leases—right-of-use assets	-	30,785
Land, buildings, and equipment—net	<u>27,881,996</u>	<u>27,801,459</u>
Total Assets	<u><u>\$ 32,563,332</u></u>	<u><u>\$ 32,159,276</u></u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 705,448	\$ 555,378
Accrued and other liabilities	606,945	1,072,069
Operating lease obligations, current portion	-	33,400
Current portion of notes payable	227,916	218,076
	<u>1,540,309</u>	<u>1,878,923</u>
Notes payable, net of current portion	<u>6,405,001</u>	<u>6,158,827</u>
Total liabilities	<u><u>7,945,310</u></u>	<u><u>8,037,750</u></u>
Net assets:		
Net assets without donor restrictions	22,612,787	22,585,924
Net assets with donor restrictions	2,005,235	1,535,602
Total net assets	<u><u>24,618,022</u></u>	<u><u>24,121,526</u></u>
Total Liabilities and Net Assets	<u><u>\$ 32,563,332</u></u>	<u><u>\$ 32,159,276</u></u>

See notes to consolidated financial statements

NEW LIFE CHURCH

Consolidated Statements of Activities

	Year Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions	\$ 18,654,624	\$ 2,181,888	\$ 20,836,512	\$ 17,086,546	\$ 6,751,524	\$ 23,838,070
Noncash contributions	-	-	-	3,817,930	-	3,817,930
Program income	668,846	-	668,846	751,277	-	751,277
Rental income	574,349	-	574,349	437,928	-	437,928
Gain on insurance claims	1,280,993	-	1,280,993	-	-	-
Sales and other income	240,477	-	240,477	128,864	-	128,864
Total Support and Revenue	<u>21,419,289</u>	<u>2,181,888</u>	<u>23,601,177</u>	<u>22,222,545</u>	<u>6,751,524</u>	<u>28,974,069</u>
NET ASSETS RELEASED:						
Purpose restrictions	<u>1,712,255</u>	<u>(1,712,255)</u>	<u>-</u>	<u>6,202,098</u>	<u>(6,202,098)</u>	<u>-</u>
EXPENSES:						
Program services	<u>21,109,500</u>	<u>-</u>	<u>21,109,500</u>	<u>19,877,696</u>	<u>-</u>	<u>19,877,696</u>
Supporting activities:						
General and administrative	<u>1,971,591</u>	<u>-</u>	<u>1,971,591</u>	<u>1,832,246</u>	<u>-</u>	<u>1,832,246</u>
Fundraising	<u>26,877</u>	<u>-</u>	<u>26,877</u>	<u>41,502</u>	<u>-</u>	<u>41,502</u>
Total Expenses	<u>23,107,968</u>	<u>-</u>	<u>23,107,968</u>	<u>21,751,444</u>	<u>-</u>	<u>21,751,444</u>
Change in Net Assets from Operations	23,576	469,633	493,209	6,673,199	549,426	7,222,625
NON-OPERATING:						
Change in interest rate swap agreements	3,287	-	3,287	(178,422)	-	(178,422)
Gain on extinguishment of debt related to swap agreements	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,400</u>	<u>-</u>	<u>111,400</u>
Change in Net Assets	26,863	469,633	496,496	6,606,177	549,426	7,155,603
Net Assets, Beginning of Year	<u>22,585,924</u>	<u>1,535,602</u>	<u>24,121,526</u>	<u>15,979,747</u>	<u>986,176</u>	<u>16,965,923</u>
Net Assets, End of Year	<u>\$ 22,612,787</u>	<u>\$ 2,005,235</u>	<u>\$ 24,618,022</u>	<u>\$ 22,585,924</u>	<u>\$ 1,535,602</u>	<u>\$ 24,121,526</u>

See notes to consolidated financial statements

NEW LIFE CHURCH

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2024			
	Program Services	General and Administrative	Fundraising	Total
Operating expenses:				
Salaries and benefits	\$ 11,427,025	\$ 1,256,222	\$ -	\$ 12,683,247
Depreciation and amortization	2,234,027	248,417	-	2,482,444
Outreach and benevolence	2,457,539	-	-	2,457,539
Facilities	1,661,165	184,574	-	1,845,739
Supplies and equipment	1,320,624	169,687	1,008	1,491,319
Events and meetings	1,116,408	14,490	25,869	1,156,767
Interest and bank charges	436,472	65,034	-	501,506
Professional services	423,698	33,167	-	456,865
Cost of goods sold	32,542	-	-	32,542
	<u>\$ 21,109,500</u>	<u>\$ 1,971,591</u>	<u>\$ 26,877</u>	<u>\$ 23,107,968</u>
	91.4%	8.5%	0.1%	
	Year Ended December 31, 2023			
	Program Services	General and Administrative	Fundraising	Total
Operating expenses:				
Salaries and benefits	\$ 10,622,782	\$ 1,173,755	\$ -	\$ 11,796,537
Depreciation and amortization	1,887,242	209,693	-	2,096,935
Outreach and benevolence	2,470,867	1,761	2,300	2,474,928
Facilities	1,597,437	177,493	-	1,774,930
Supplies and equipment	1,165,618	99,310	-	1,264,928
Events and meetings	1,038,988	21,784	38,246	1,099,018
Interest and bank charges	581,509	75,432	-	656,941
Professional services	433,589	73,018	956	507,563
Cost of goods sold	79,664	-	-	79,664
	<u>\$ 19,877,696</u>	<u>\$ 1,832,246</u>	<u>\$ 41,502</u>	<u>\$ 21,751,444</u>
	91.4%	8.4%	0.2%	

See notes to consolidated financial statements

NEW LIFE CHURCH

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 496,496	\$ 7,155,603
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,477,506	2,074,558
Amortization of deferred debt issue costs	4,938	22,377
Noncash lease expense	(2,615)	(1,553)
Noncash donation of land, buildings, and equipment	-	(3,817,930)
Loss on sale of land, buildings, and equipment	9,679	17,097
Contributions received for long-term purposes	(546,643)	(732,138)
Gain on insurance claims	(1,280,993)	-
Change in interest rate swap agreements	(3,287)	178,422
Gain on extinguishment of debt related to swap agreements	-	(111,400)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	50,477	21,456
Insurance claim receivable	-	(397,447)
Rent and other receivables	(10,615)	(167,703)
Accounts payable	150,070	(178,084)
Accrued and other liabilities	(67,677)	431,162
Net Cash Provided by Operating Activities	<u>1,277,336</u>	<u>4,494,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(2,599,722)	(1,504,063)
Proceeds from sale of land, buildings, and equipment	32,000	25,000
Proceeds from insurance company	1,242,788	45,894
Net Cash Used by Investing Activities	<u>(1,324,934)</u>	<u>(1,433,169)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	546,643	732,138
Debt issuance costs	(32,810)	-
Draw on line of credit	727,000	1,230,396
Principal payments on notes payable	(443,114)	(4,637,339)
Net Cash Provided (Used) by Financing Activities	<u>797,719</u>	<u>(2,674,805)</u>
Change in Cash, Cash Equivalents, and Restricted Cash	750,121	386,446
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>3,487,586</u>	<u>3,101,140</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 4,237,707</u>	<u>\$ 3,487,586</u>

(continued)

See notes to consolidated financial statements

NEW LIFE CHURCH

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31,	
	2024	2023
SUMMARY OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 3,387,635	\$ 3,091,138
Restricted cash	850,072	396,448
	<u>\$ 4,237,707</u>	<u>\$ 3,487,586</u>
NON-CASH ACTIVITY AND SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 259,494</u>	<u>\$ 413,646</u>
Land, buildings, and equipment obtained through notes payable	<u>\$ 727,000</u>	<u>\$ 799,022</u>

See notes to consolidated financial statements

NEW LIFE CHURCH

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

1. NATURE OF ORGANIZATIONS:

New Life Church (NLC) is an independent, nondenominational, charismatic church founded in 1985. NLC 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, NLC is subject to federal income tax on any unrelated business taxable income. NLC is not a private foundation under Section 509(c) of the IRC. NLC is comprised of multiple congregations, meeting in six locations, and speaking three languages in and around Colorado Springs, Colorado. NLC's mission is to make disciples in the Pikes Peak Region by calling people to worship, connect, and serve. NLC's primary source of revenue is from contributions. Cross Peak View Retail Center, LLC and Cross Peak View Coffee, LLC (the LLCs) were organized in 2023 to own and operate commercial retail leases. NLC is the single member of the LLCs. Additionally, the assets and liabilities of Austin Bluffs Community Church (ABC Church) were acquired by NLC during the year ended December 31, 2023, as described further in the Support, Revenue, and Expenses section of Note 2. NLC, ABC Church, and the LLCs are collectively referred to as the Church in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Church maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated 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 consolidated 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 consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the activities of the LLCs and ABC Church. All material transactions and balances between NLC, ABC Church, and the LLCs have been eliminated in the consolidation.

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, 2024 and 2023, the Church had cash, cash equivalents, and restricted cash on deposit with financial institutions that exceeded the federally insured (FDIC) balance by approximately \$3,037,000 and \$2,530,000, respectively.

RESTRICTED CASH

Cash restricted for long-term purposes consists of contributions restricted for land, buildings, and equipment that had not been expended as of December 31, 2024 and 2023.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 on depreciable assets 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 \$5,000 with lesser amounts expensed in the year purchased.

CLASSES OF NET ASSETS

The consolidated 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.

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 consolidated 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.

Noncash contributions consist primarily of the acquisition of ABC Church by the Church during the year ended December 31, 2023. The related contribution recorded on the consolidated statements of activities, totaling \$3,557,858, consists of the fair value of the assets of ABC Church on the date of acquisition, less the liabilities assumed by the Church. Those values were as follows: land of \$2,100,000, building of \$2,400,000, other assets of \$105,342; net of a note payable of \$799,022 and other liabilities totaling \$248,462. The ABC Church assets are used in the Church's operations. Additional noncash contributions consist of vehicle and other donations. The total noncash contributions recorded on the consolidated statements of activities as of December 31, 2023 was \$3,817,930.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE AND EXPENSES, continued

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. Rental income consists of revenues received for rental of Church facilities and the LLC rental income from commercial leases. Rental income is recorded when earned which is at the time facilities are used. Sales income is related to the sale of various cafe items and ministry resources and is recorded when earned which is when items are sold. 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. Other income is recognized when earned. Should amounts not be collected when a 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. Rental and other receivables totaled \$24,855 as of January 1, 2023.

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

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of functional expenses report certain categories of expenses that are attributable to program or supporting 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, 2024 and 2023 was \$33,646 and \$23,897, respectively.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023. 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,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 3,387,635	\$ 3,091,138
Insurance claim receivable	38,205	397,447
Rent and other receivables	203,173	192,558
Restricted cash	850,072	396,448
Financial assets, at year-end	<u>4,479,085</u>	<u>4,077,591</u>
Less those unavailable for general expenditures within one year, due to:		
Insurance claim receivable	(38,205)	(397,447)
Rent receivable	(156,621)	(139,494)
Restricted cash	(850,072)	(396,448)
Project funds not expected to be used within one year	<u>(565,734)</u>	<u>(720,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,868,453</u>	<u>\$ 2,424,202</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.

4. INSURANCE CLAIM RECEIVABLE:

In 2022, a hail storm damaged the roof of ABC Church's building. Subsequent to the year ended December 31, 2023, the Church received an estimate of repair costs from its insurance company. The estimated amount of the costs not yet paid to the Church totaled \$38,205 and \$397,447 as of December 31, 2024 and 2023, respectively.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

5. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	December 31,	
	2024	2023
Land and land improvements	\$ 7,253,596	\$ 7,253,596
Buildings and building improvements	46,817,692	45,163,833
Equipment	11,915,406	11,690,997
	65,986,694	64,108,426
Less accumulated depreciation	(39,002,514)	(36,538,827)
	26,984,180	27,569,599
Work in progress	897,816	231,860
	<u>\$ 27,881,996</u>	<u>\$ 27,801,459</u>

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

	December 31,	
	2024	2023
Operating leases–right-of-use assets	\$ -	\$ 30,785
Land, buildings, and equipment–net	27,881,996	27,801,459
Interest rate swap agreement, net asset	42,119	38,832
Less accrued interest payable	(23,936)	(23,392)
Less operating lease obligations	-	(33,400)
Less notes payable–net	(6,632,917)	(6,376,903)
	<u>\$ 21,267,262</u>	<u>\$ 21,437,381</u>

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

6. OPERATING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Church leased gathering and office space under several noncancelable agreements that did not qualify as short-term leases and that expired at various dates through 2024. 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, 2024 and 2023, respectively, monthly payments under these leases totaled \$0 and \$16,906 with a discount rate of 0% and 3.22%, respectively. Total cash paid for these leases was \$42,124 and \$196,581 for the years ended December 31, 2024 and 2023, respectively. The monthly payments for each of these leases, except one, increased each year.

	December 31,	
	2024	2023
Operating leases—right-of-use assets	\$ -	\$ 30,785
Operating lease liabilities	\$ -	\$ 33,400
Operating lease costs	\$ 39,509	\$ 195,028
Short-term lease cost	\$ 177,721	\$ 204,348
Weighted-average discount rate	---	3.22%
Weighted-average remaining lease term	---	0.33

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

7. INTEREST RATE SWAP AGREEMENTS:

The Church had one derivative agreement, known as an interest rate swap, as of December 31, 2024 and 2023. In substance, this agreement exchanges the variable rate terms contained in the underlying loan agreement for fixed rates of interest contracted with the financial institution.

Under the swap agreement, the Church pays a fixed rate of 5.19% instead of a variable rate. During the years ended December 31, 2024 and 2023, the variable rate was 2.18% above SOFR, effectively 6.52% and 7.51%, respectively. The original note payable balance covered by the agreement is \$2,000,000, and the aggregate notional amount of the swap agreement was \$1,450,546 and \$1,730,153 as of December 31, 2024 and 2023, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2024 and 2023, the interest rate swap had a fair value of \$42,119 and \$38,832, respectively.

The change in the fair value of the swap agreement of \$3,287 and (\$14,746) for the years ended December 31, 2024 and 2023, respectively, is reported as non-operating change in interest rate swap agreements in the consolidated statements of activities. This amount will be recomputed each year using the interest rates effective at the year end.

The net asset as of December 31, 2024 and 2023 is recorded in the consolidated statements of financial position for the fair value of the interest rate swap agreement.

During the year ended December 31, 2023, the Church terminated another swap agreement with the payoff of the related note payable, and the related gain is recorded as a non-operating gain on extinguishment of debt in the consolidated statements of activities.

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 agreement 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 is 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.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

8. NOTES PAYABLE:

Notes payable consist of:

	December 31,	
	2024	2023
Term loan payable to BMO Financial Group, secured by the Church's land and buildings. The loan has an original 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. The loan was originally a construction line of credit with \$4,000,000 on the line of credit, which matured in February 2023, after which it was converted to the term loan.	\$ 3,814,467	\$ 3,916,926
Note payable to BMO Financial Group, secured by the Church's land, buildings, and equipment. For the years ended December 31, 2024 and 2023, the note had a variable interest rate of 2.18% above SOFR, effectively 6.52% and 7.51%, respectively. The original principal portion of the note payable was \$2,000,000, 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, 2024 and 2023 was \$12,995 and \$15,226, respectively. The agreement terminates February 1, 2028, at which time a balloon payment will be required.	1,450,546	1,730,153

NEW LIFE CHURCH

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

8. NOTES PAYABLE, continued:

Notes payable consist of, continued:

	December 31,	
	2024	2023
Line of credit payable to BMO Financial Group, secured by the Church's land, buildings, and equipment, with a maximum amount of \$5,000,000. For the year ended December 31, 2024, the line had a variable interest rate of 2.66% above SOFR, effectively 4.34%. The line may be converted to a term loan at any time before September 19, 2029, otherwise the agreement will terminate on that date, at which time all outstanding principal and interest will be due.	727,000	-
Note payable to First Citizens Bank, secured by the Church's land, buildings, and equipment acquired from ABC Church. Monthly payments of \$7,394 are due, including interest at 3.95% fixed until March 31, 2029, at which point a balloon payment will be required.	691,529	751,190
Debt agreement, secured by equipment, maturing in 2027 with principal and interest payments of \$146 due monthly and with an interest rate of 7.3%.	4,383	5,771
	6,687,925	6,404,040
Less current portion of notes payable	(227,916)	(218,076)
Less deferred debt issue costs—net	(55,008)	(27,137)
	<u>\$ 6,405,001</u>	<u>\$ 6,158,827</u>

NEW LIFE CHURCH

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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 \$4,938 and \$22,377 for the years ended December 31, 2024 and 2023, respectively. Accumulated amortization was \$54,586 and \$49,648, as of December 31, 2024 and 2023, respectively.

Future minimum payments on the notes payable are:

<u>Year Ending December 31,</u>	
2025	\$ 227,916
2026	237,565
2027	247,146
2028	1,457,200
2029	1,277,651
Thereafter	<u>3,240,447</u>
	<u>\$ 6,687,925</u>

The Church was in compliance with, or has obtained a waiver for, all financial and reporting covenants as of December 31, 2024. The Church is required to submit audited financials to the bank within 120 days of fiscal year end. The Church received a waiver for this covenant extending the deadline through May 16, 2025.

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Missions projects	\$ 1,096,342	\$ 1,046,837
Building projects	854,202	396,448
Scholarship fund	50,769	51,357
Ministry projects	<u>3,922</u>	<u>40,960</u>
	<u>\$ 2,005,235</u>	<u>\$ 1,535,602</u>

NEW LIFE CHURCH

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

10. RENTAL AGREEMENTS:

The Church leases part of its land to a renter. The initial term of the lease was fifteen years with the option to extend an additional fifteen years. In 2023, the ownership of this lease was transferred to Cross Peak View Coffee, LLC. Rental income of \$62,890 related to this lease was recognized in the consolidated statements of activities for both years ended December 31, 2024 and 2023. Future minimum rentals are:

<u>Year Ending December 31,</u>	
2025	\$ 57,000
2026	59,375
2027	62,700
2028	62,700
2029	62,700
Thereafter	<u>444,125</u>
	<u><u>\$ 748,600</u></u>

The Church rents retail center space to multiple tenants. The initial term of the leases is 10 years, with options for tenants to extend to additional years. In 2023, the ownership of these leases was transferred to Cross Peak View Retail Center LLC. Rental income of \$283,464 and \$233,109 related to these leases was recognized in the consolidated statements of activities for the years ended December 31, 2024 and 2023, respectively. Future minimum rentals are:

<u>Year Ending December 31,</u>	
2025	\$ 273,812
2026	277,606
2027	281,513
2028	294,162
2029	304,415
Thereafter	<u>1,134,792</u>
	<u><u>\$ 2,566,300</u></u>

Rental income for each of the leases described above is recognized on a straight-line basis over the term of the leases. This has resulted in rent receivable of \$156,621 and \$139,494 for the years ended December 31, 2024 and 2023, respectively.

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 \$574,632 and \$543,001, as of December 31, 2024 and 2023, respectively. The parking lot is being depreciated over a life of 20 years.

NEW LIFE CHURCH

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

11. OPERATING AND NON-OPERATING ACTIVITIES:

The activity of the Church has been reported in the consolidated 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, 2024 and 2023 were \$355,458 and \$322,167, respectively.

13. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2024 and 2023, New Life Church donated cash and in-kind contributions to Dream Centers of \$910,478 and \$775,648, respectively. Dream Centers is considered a related party due to Dream Centers and the Church having overlapping board members.

Approximately \$427,000 (2.1%) and \$499,000 (2.1%) of contribution revenue was received from related parties, including certain members of the Board of Elders, senior staff, and their family members, during the years ended December 31, 2024 and 2023, respectively. In addition to these amounts, the Church received approximately \$96,000 and \$471,000 from a donor advised fund initiated by an elder's gifts during the years ended December 31, 2024 and 2023, respectively.

The Church has also contracted a board member's company to be the leasing agent for the retail center. During the years ended December 31, 2024 and 2023, the Church paid \$73,280 and \$127,779, respectively, to this related party.

During the year ended December 31, 2023, the Church paid fees totaling \$92,798 to two companies that provide church management and donation processing services. An elder of the Church served on the board of directors of the parent holding company until May 17, 2023.

During the years ended December 31, 2024 and 2023, the Church paid fees totaling \$38,400 and \$0, respectively, to a website consulting company. The son of a senior staff member is the owner of the company.

During both years ended December 31, 2024 and 2023, the Church made contributions and paid missions support and reimbursements totaling \$9,200 and \$17,100, respectively, to an organization. The senior vice president/chief financial officer of that organization is also an elder of the Church.

The Church gave donations to a separate 501(c)3 organization of \$13,424 and \$12,000 during the years ended December 31, 2024 and 2023, respectively. An elder of the Church serves on the board of directors of this organization.

NEW LIFE CHURCH

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

14. SUBSEQUENT EVENTS:

Subsequent events were evaluated through May 16, 2025, which is the date the consolidated financial statements were available to be issued.