



## NEW LIFE CHURCH

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2023 and 2022

# NEW LIFE CHURCH

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8

## **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 statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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.

Board of Elders  
New Life Church  
Colorado Springs, Colorado

***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.

*Capin Crouse LLP*

Colorado Springs, Colorado  
April 30, 2024

# NEW LIFE CHURCH

## Consolidated Statements of Financial Position

	December 31,	
	2023	2022
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 3,487,586	\$ 3,101,140
Prepaid expenses and other assets	210,609	232,065
Insurance claim receivable	397,447	-
Rent and other receivables	192,558	24,855
Interest rate swap agreements, net asset	38,832	217,254
	4,327,032	3,575,314
Operating leases–right-of-use assets	30,785	338,481
Land, buildings, and equipment–net	27,801,459	23,797,099
	4,357,817	3,913,804
<b>Total Assets</b>	<b>\$ 32,159,276</b>	<b>\$ 27,710,894</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 996,734	\$ 1,077,569
Deferred revenue	630,713	250,906
Operating lease obligations, current portion	33,400	192,030
Current portion of notes payable	218,076	3,172,768
	1,878,923	4,693,273
Operating lease obligations, net of current portion	-	150,619
Notes payable, net of current portion	6,158,827	5,901,079
<b>Total liabilities</b>	<b>8,037,750</b>	<b>10,744,971</b>
Net assets:		
Net assets without donor restrictions	22,585,924	15,979,747
Net assets with donor restrictions	1,535,602	986,176
<b>Total net assets</b>	<b>24,121,526</b>	<b>16,965,923</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 32,159,276</b>	<b>\$ 27,710,894</b>

See notes to financial statements

# NEW LIFE CHURCH

## Consolidated Statements of Activities

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING:</b>						
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 17,153,035	\$ 6,751,524	\$ 23,904,559	\$ 16,146,886	\$ 7,741,959	\$ 23,888,845
Noncash contributions	3,751,441	-	3,751,441	-	-	-
Program income	751,277	-	751,277	523,420	-	523,420
Rental income	437,928	-	437,928	110,857	-	110,857
Sales and other income	128,864	-	128,864	126,604	-	126,604
<b>Total Support and Revenue</b>	<b>22,222,545</b>	<b>6,751,524</b>	<b>28,974,069</b>	<b>16,907,767</b>	<b>7,741,959</b>	<b>24,649,726</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	6,202,098	(6,202,098)	-	7,563,917	(7,563,917)	-
<b>EXPENSES:</b>						
Program services	19,877,696	-	19,877,696	18,794,847	-	18,794,847
Supporting activities:						
General and administrative	1,832,246	-	1,832,246	1,750,021	-	1,750,021
Fundraising	41,502	-	41,502	51,600	-	51,600
<b>Total Expenses</b>	<b>21,751,444</b>	<b>-</b>	<b>21,751,444</b>	<b>20,596,468</b>	<b>-</b>	<b>20,596,468</b>
Change in Net Assets from Operations	6,673,199	549,426	7,222,625	3,875,216	178,042	4,053,258
<b>NON-OPERATING:</b>						
Change in interest rate swap agreements	(178,422)	-	(178,422)	845,142	-	845,142
Gain on extinguishment of debt related to swap agreements	111,400	-	111,400	96,000	-	96,000
Change in Net Assets	6,606,177	549,426	7,155,603	4,816,358	178,042	4,994,400
Net Assets, Beginning of Year	15,979,747	986,176	16,965,923	11,163,389	808,134	11,971,523
Net Assets, End of Year	<b>\$ 22,585,924</b>	<b>\$ 1,535,602</b>	<b>\$ 24,121,526</b>	<b>\$ 15,979,747</b>	<b>\$ 986,176</b>	<b>\$ 16,965,923</b>

See notes to financial statements

# NEW LIFE CHURCH

## Consolidated Statements of Functional Expenses

	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
Outreach and benevolence	2,470,867	1,761	2,300	2,474,928
Depreciation and amortization	1,887,242	209,693	-	2,096,935
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%	

	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
Outreach and benevolence	2,213,533	954	4,698	2,219,185
Depreciation and amortization	1,754,513	195,498	-	1,950,011
Facilities	1,443,346	165,872	-	1,609,218
Supplies and equipment	973,079	82,658	-	1,055,737
Events and meetings	954,130	30,299	23,757	1,008,186
Interest and bank charges	551,229	90,409	23,145	664,783
Professional services	404,974	148,511	-	553,485
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%	

See notes to financial statements

# NEW LIFE CHURCH

## Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 7,155,603	\$ 4,994,400
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,074,558	1,942,938
Amortization of deferred debt issue costs	22,377	7,073
Noncash lease expense	(1,553)	(4,639)
Noncash donation of land, buildings, and equipment	(3,817,930)	-
Loss on sale of land, buildings, and equipment	17,097	67,773
Contributions received for long-term purposes	(732,138)	(28,266)
Change in interest rate swap agreements	178,422	(845,142)
Gain on extinguishment of debt related to swap agreements	(111,400)	(96,000)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	21,456	42,556
Insurance claim receivable	(397,447)	-
Rent and other receivables	(167,703)	-
Accounts payable and accrued liabilities	(80,835)	(71,757)
Deferred revenue	379,807	228,184
Net Cash Provided by Operating Activities	4,540,314	6,237,120
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, and equipment	(1,504,063)	(1,456,950)
Proceeds from sale of land, buildings, and equipment	25,000	4,542
Net Cash Used by Investing Activities	(1,479,063)	(1,452,408)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for long-term purposes	732,138	28,266
Debt issuance costs	-	(17,802)
Proceeds from notes payable	1,230,396	-
Principal payments on notes payable	(4,637,339)	(6,386,254)
Net Cash Used by Financing Activities	(2,674,805)	(6,375,790)
Change in Cash and Cash Equivalents	386,446	(1,591,078)
Cash and Cash Equivalents, Beginning of Year	3,101,140	4,692,218
Cash and Cash Equivalents, End of Year	\$ 3,487,586	\$ 3,101,140

(continued)

See notes to financial statements



# NEW LIFE CHURCH

## Consolidated Statements of Cash Flows

(continued)

	Year Ended December 31,	
	2023	2022
NON-CASH ACTIVITY AND SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 413,646</u>	<u>\$ 470,463</u>
Land, buildings, and equipment obtained through notes payable	<u>\$ 799,022</u>	<u>\$ 2,760,452</u>
Land, buildings, and equipment obtained through accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 325,174</u>
Right-of-use assets obtained in exchange for lease obligations	<u>\$ -</u>	<u>\$ 645,741</u>

See notes to financial statements

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022, the Church has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$2,530,000 and \$2,104,000, 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 \$5,000 with lesser amounts expensed in the year purchased.

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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

#### 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 stock and vehicle donations. The total noncash contributions recorded on the consolidated statements of activities as of December 31, 2023 was \$3,751,441.

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 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. Sales income is related to the sale of various cafe and ministry resources. 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 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. 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 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, 2023 and 2022 was \$23,897 and \$33,765, respectively.

#### RECENTLY ADOPTED ACCOUNTING STANDARD

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance, *Current Expected Credit Losses (CECL)*, Accounting Standards Update (ASU) 2016-13. The Church adopted this standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and no disclosures were changed as a result.

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 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, 2023 and 2022. 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,	
	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 3,487,586	\$ 3,101,140
Insurance claim receivable	397,447	-
Rent and other receivables	192,558	24,855
Interest rate swap agreements, net asset	38,832	217,254
Financial assets, at year-end	<u>4,116,423</u>	<u>3,343,249</u>
Less those unavailable for general expenditures within one year, due to:		
Insurance claim receivable	(397,447)	-
Rent receivable	(139,494)	-
Interest rate swap agreements, net asset	(38,832)	(217,254)
Project funds not expected to be used within one year	<u>(1,116,448)</u>	<u>(490,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,424,202</u>	<u>\$ 2,635,995</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, 2023 and 2022, the Church had approximately \$2,050,000 and \$2,000,000, respectively, set aside specifically for use as a management designated emergency fund.

### 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 amount of the costs not yet paid to the Church total \$397,447, which has been recorded on the consolidated statements of financial position as of December 31, 2023.

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

5. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	December 31,	
	2023	2022
Land and land improvements	\$ 7,253,596	\$ 3,737,693
Buildings and building improvements	45,163,833	39,292,370
Equipment	11,690,997	11,432,634
	64,108,426	54,462,697
Less accumulated depreciation	(36,538,827)	(34,561,032)
	27,569,599	19,901,665
Work in progress	231,860	3,895,434
	\$ 27,801,459	\$ 23,797,099

Capitalized interest, included in work in progress as of December 31, 2023 and 2022, totaled \$0 and \$56,876, respectively.

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

	December 31,	
	2023	2022
Operating leases – right-of-use assets	\$ 30,785	\$ 338,481
Land, buildings, and equipment–net	27,801,459	23,797,099
Interest rate swap agreement, net asset	38,832	217,254
Less accrued interest payable	(23,392)	(39,081)
Less operating lease obligations	(33,400)	(342,649)
Less notes payable–net	(6,376,903)	(9,073,847)
	\$ 21,437,381	\$ 14,897,257

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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

The Church leases gathering and office space under several noncancelable agreements that do not qualify as short-term leases and that expire 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, 2023 and 2022, respectively, monthly payments under these leases total \$16,906 and \$16,481 with a discount rate of 3.22%. The monthly payments for each of these leases, except one, increase each year.

	December 31,	
	2023	2022
Operating leases—right-of-use assets	\$ 30,785	\$ 338,481
Operating lease liabilities	\$ 33,400	\$ 342,649
Operating lease costs	\$ 195,028	\$ 326,970
Short-term lease cost	\$ 204,348	\$ 166,895
Weighted-average discount rate	3.22%	3.28%
Weighted-average remaining lease term	0.33	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, 2024	\$ 33,624
Less amount representing interest	(224)
	\$ 33,400

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 7. INTEREST RATE SWAP AGREEMENTS:

The Church has one derivative agreement, known as an interest rate swap, as of December 31, 2023 and two agreements as of December 31, 2022. 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, the Church paid 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%. The original note payable balance covered by the agreement is \$9,917,832, and the aggregate notional amount of the swap agreement was \$0 and \$3,426,082 as of December 31, 2023 and 2022, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2023 and 2022, the interest rate swap had a fair value of \$0 and \$163,676, respectively.

The change in the fair value of the swap agreement of \$163,676 and \$615,706 for the years ended December 31, 2023 and 2022, respectively, is reported as non-operating change in interest rate swap agreements in the consolidated statements of activities. This swap agreement was terminated with the payoff of the related note payable during the year ended December 31, 2022 and the related gain is recorded as a non-operating gain on extinguishment of debt in the consolidated statements of activities.

Under the second swap agreement in place as of December 31, 2023 and 2022, the Church pays a fixed rate of 5.19% instead of a variable rate. During the years ended December 31, 2023 and 2022, the variable rate was 2.18% above SOFR, effectively 7.51% and 6.31% during the years ended December 31, 2023 and 2022, respectively. The original note payable balance covered by the agreement is \$2,000,000, and the aggregate notional amount of the swap agreement was \$1,730,153 and \$1,782,264 as of December 31, 2023 and 2022, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2023 and 2022, the interest rate swap had a fair value of \$38,832 and \$53,578, respectively.

The change in the fair value of the swap agreement of (\$14,746) and \$229,436 for the years ended December 31, 2023 and 2022, 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 assets as of December 31, 2023 and 2022 are recorded in the consolidated 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 Consolidated Financial Statements

December 31, 2023 and 2022

8. NOTES PAYABLE:

Notes payable consist of:

	December 31,	
	2023	2022
<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 matured in February 2023, after which it was converted to a term loan. During the year ended December 31, 2022, the Church was 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>	\$ 3,916,926	\$ 2,760,452
<p>Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. For the years ended December 31, 2023 and 2022, the note had a variable interest rate of 2.18% above SOFR, effectively 7.51% and 6.31%, 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, 2023 and 2022 was \$15,226 and \$14,477, respectively. The agreement terminates February 1, 2028, at which time a balloon payment will be required.</p>	1,730,153	1,782,264

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

8. NOTES PAYABLE, continued:

Notes payable consist of, continued:

	December 31,	
	2023	2022
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.	751,190	-
Multiple debt agreements maturing between 2023 and 2027 with principal and interest payments ranging from \$146 to \$607 due monthly and with interest rates ranging from 4.5% to 7.3%.	5,771	27,545
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%. The original principal portion of the note payable was \$9,917,832, and it was 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 was \$39,621. This note was paid in full during the year ended December 31, 2023.	-	3,426,082
Note payable to Bank of the West, secured by equipment, with monthly payments of \$18,517 due, including interest at 3.45%, fixed. This note was paid in full during the year ended December 31, 2023.	-	1,127,016
	6,404,040	9,123,359
Less current portion of notes payable	(218,076)	(3,172,768)
Less deferred debt issue costs—net	(27,137)	(49,512)
	\$ 6,158,827	\$ 5,901,079

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 \$10,633 and \$7,073 for the years ended December 31, 2023 and 2022, respectively. Accumulated amortization was \$49,648 and \$39,015, as of December 31, 2023 and 2022, respectively.

Future minimum payments on the notes payable are:

<u>Year Ending December 31,</u>		
2024	\$	218,076
2025		227,916
2026		237,565
2027		247,146
2028		1,682,200
Thereafter		<u>3,791,137</u>
	<u>\$</u>	<u>6,404,040</u>

The Church was in compliance with all financial and reporting covenants as of December 31, 2023.

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Missions projects	\$ 1,046,837	\$ 699,401
Building projects	396,448	115,020
Ministry projects	40,960	120,764
Scholarship fund	<u>51,357</u>	<u>50,991</u>
	<u>\$ 1,535,602</u>	<u>\$ 986,176</u>

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 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. In 2023, the ownership of this lease was transferred to Cross Peak View Coffee, LLC. Future minimum rentals are:

<u>Year Ending December 31,</u>	
2024	\$ 57,000
2025	57,000
2026	59,375
2027	62,700
2028	62,700
Thereafter	<u>506,825</u>
	<u>\$ 805,600</u>

During the year ended December 31, 2021, the Church signed agreements with multiple tenants to rent space from the retail center that was completed during the year ended December 31, 2023. Rents did not commence until the vendors opened for business, which occurred in 2023. The term of the leases is 10 years, with options for tenants to extend to additional years. In 2023, the ownership of these leases were transferred to Cross Peak View Retail Center LLC. Future minimum rentals are:

<u>Year Ending December 31,</u>	
2024	\$ 272,226
2025	273,812
2026	277,606
2027	281,513
2028	294,162
Thereafter	<u>1,439,207</u>
	<u>\$ 2,838,526</u>

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 \$543,001 and \$511,370, as of December 31, 2023 and 2022, respectively. The parking lot is being depreciated over a life of 20 years.

# NEW LIFE CHURCH

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### 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, 2023 and 2022 were \$322,167 and \$277,992, respectively.

### 13. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2023 and 2022, New Life Church donated cash and in-kind contributions to Dream Centers of \$775,648 and \$788,253, respectively. Dream Centers is considered a related party due to Dream Centers and the Church having overlapping board members.

Approximately \$499,000 (2.1%) and \$423,000 (1.8%) 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, 2023 and 2022, respectively. In addition to these amounts, the Church received approximately \$471,000 and \$288,000 from a donor advised fund initiated by an elder's gift during the years ended December 31, 2023 and 2022, respectively.

The Church has also contracted a board member's company to be the leasing agent for the retail center being built. During the years ended December 31, 2023 and 2022, the Church paid \$127,779 and \$41,607, respectively, to this related party.

During the years ended December 31, 2023 and 2022, the Church paid fees totaling \$92,798 and \$287,728, respectively, 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 both years ended December 31, 2023 and 2022, the Church made contributions and paid missions support and reimbursements totaling \$17,100 and \$18,000, respectively, to Every Home for Christ. 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 \$12,000 and \$25,509 during the years ended December 31, 2023 and 2022, respectively. An elder of the Church serves on the board of directors of this organization.

During the years ended December 31, 2023 and 2022, the Church received revenue from the sale of books and music of several of its pastors totaling \$683 and \$88,929, respectively.

# **NEW LIFE CHURCH**

## **Notes to Consolidated Financial Statements**

December 31, 2023 and 2022

### 14. SUBSEQUENT EVENTS:

An additional paydown of principal was made in the amount of \$225,000 subsequent to the year ended December 31, 2023, on the existing note payable with a swap agreement.

Subsequent events were evaluated through April 30, 2024, which is the date the consolidated financial statements were available to be issued.