



New life
CHURCH

NEW LIFE CHURCH

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

NEW LIFE CHURCH

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

Board of Elders
New Life Church
Colorado Springs, Colorado

We have audited the accompanying financial statements of New Life Church, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Elders
New Life Church
Colorado Springs, Colorado

Opinion

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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
April 28, 2020

NEW LIFE CHURCH

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,769,821	\$ 1,920,650
Prepaid expenses and other assets	299,724	190,252
	3,069,545	2,110,902
Land, buildings, and equipment–net	20,650,404	21,754,638
	\$ 23,719,949	\$ 23,865,540
Total Assets	\$ 23,719,949	\$ 23,865,540
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 792,067	\$ 650,266
Deferred revenue	25,417	127,177
Interest rate swap agreement, net liability	588,271	42,955
Current portion of capitalized lease obligation	111,725	111,725
Current portion of notes payable	502,041	484,449
	2,019,521	1,416,572
Capitalized lease obligation, net of current portion	139,192	237,350
Notes payable, net of current portion	12,429,208	13,165,801
	14,587,921	14,819,723
Net assets:		
Net assets without donor restrictions	8,258,967	8,135,652
Net assets with donor restrictions	873,061	910,165
	9,132,028	9,045,817
Total Liabilities and Net Assets	\$ 23,719,949	\$ 23,865,540

See notes to financial statements

NEW LIFE CHURCH

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions	\$ 15,292,790	\$ 1,780,053	\$ 17,072,843	\$ 14,055,287	\$ 1,797,796	\$ 15,853,083
Program income	638,669	-	638,669	878,593	-	878,593
Sales income	354,880	-	354,880	328,014	-	328,014
Rental and other income	35,294	-	35,294	38,139	-	38,139
Total Support and Revenue	<u>16,321,633</u>	<u>1,780,053</u>	<u>18,101,686</u>	<u>15,300,033</u>	<u>1,797,796</u>	<u>17,097,829</u>
NET ASSETS RELEASED:						
Purpose restrictions	1,817,157	(1,817,157)	-	1,893,121	(1,893,121)	-
EXPENSES:						
Program services	15,659,276	-	15,659,276	15,489,789	-	15,489,789
Supporting activities:						
General and administrative	1,783,073	-	1,783,073	1,617,479	-	1,617,479
Fundraising	27,810	-	27,810	11,822	-	11,822
Total Expenses	<u>17,470,159</u>	<u>-</u>	<u>17,470,159</u>	<u>17,119,090</u>	<u>-</u>	<u>17,119,090</u>
Change in Net Assets from Operations	668,631	(37,104)	631,527	74,064	(95,325)	(21,261)
NON-OPERATING:						
Change in interest rate swap agreement	(545,316)	-	(545,316)	99,478	-	99,478
Grant expense for deconsolidation	-	-	-	(2,501,561)	-	(2,501,561)
Change in Net Assets	123,315	(37,104)	86,211	(2,328,019)	(95,325)	(2,423,344)
Net Assets, Beginning of Year	<u>8,135,652</u>	<u>910,165</u>	<u>9,045,817</u>	<u>10,463,671</u>	<u>1,005,490</u>	<u>11,469,161</u>
Net Assets, End of Year	<u>\$ 8,258,967</u>	<u>\$ 873,061</u>	<u>\$ 9,132,028</u>	<u>\$ 8,135,652</u>	<u>\$ 910,165</u>	<u>\$ 9,045,817</u>

See notes to financial statements

NEW LIFE CHURCH

Statements of Functional Expenses

	Year Ended December 31, 2019			
Program Services	General and Administrative	Fundraising	Total	
Salaries and benefits	\$ 8,051,296	\$ 943,803	\$ -	\$ 8,995,099
Depreciation and amortization	1,649,650	183,680	-	1,833,330
Outreach and benevolence	1,451,033	4,528	-	1,455,561
Events and meetings	1,277,825	19,186	22,041	1,319,052
Facilities	1,059,357	119,859	-	1,179,216
Professional services	648,611	205,818	-	854,429
Supplies and equipment	731,362	51,040	3,531	785,933
Interest and bank charges	504,085	255,159	2,238	761,482
Cost of goods sold	286,057	-	-	286,057
	<u>\$ 15,659,276</u>	<u>\$ 1,783,073</u>	<u>\$ 27,810</u>	<u>\$ 17,470,159</u>
	89.6%	10.2%	0.2%	

	Year Ended December 31, 2018			
Program Services	General and Administrative	Fundraising	Total	
Operating expenses:				
Salaries and benefits	\$ 7,684,945	\$ 798,597	\$ -	\$ 8,483,542
Depreciation and amortization	1,644,707	182,755	-	1,827,462
Outreach and benevolence	1,772,371	5,657	200	1,778,228
Events and meetings	1,234,241	25,367	9,728	1,269,336
Facilities	982,128	113,854	-	1,095,982
Professional services	733,257	172,119	-	905,376
Interest and bank charges	526,245	239,890	1,894	768,029
Supplies and equipment	663,786	79,240	-	743,026
Cost of goods sold	248,109	-	-	248,109
Total operating Expenses	<u>15,489,789</u>	<u>1,617,479</u>	<u>11,822</u>	<u>17,119,090</u>
Nonoperating expense:				
Grant expense for deconsolidation	2,501,561	-	-	2,501,561
	<u>\$ 17,991,350</u>	<u>\$ 1,617,479</u>	<u>\$ 11,822</u>	<u>\$ 19,620,651</u>
	91.7%	8.2%	0.1%	

See notes to financial statements

NEW LIFE CHURCH

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 86,211	\$ (2,423,344)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Grant expense for deconsolidation	-	2,501,561
Depreciation and amortization expense	1,826,259	1,827,462
Amortization of deferred debt issue costs	7,071	6,809
Loss on sales of land, buildings, and equipment	4,150	14,873
Contributions received for long-term purposes	(117,226)	(63,577)
Change in interest rate swap agreement	545,316	(99,478)
Capitalized loan fees incurred	-	(31,578)
Change in operating assets and liabilities:		
Cash from deconsolidation	-	(706,943)
Prepaid expenses and other assets	(109,472)	58,855
Contributions receivable	-	7,500
Accounts payable and accrued liabilities	42,379	35,422
Deferred revenue	(101,760)	50,623
Net Cash Provided by Operating Activities	2,182,928	1,178,185
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(626,753)	(987,059)
Net Cash Used by Investing Activities	(626,753)	(987,059)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	117,226	63,577
Proceeds from debt	-	141,125
Payments on capital lease obligation	(98,158)	(93,846)
Principal payments on notes payable	(726,072)	(671,220)
Net Cash (Used) Provided by Financing Activities	(707,004)	(560,364)
Change in Cash and Cash Equivalents	849,171	(369,238)
Cash and Cash Equivalents, Beginning of Year	1,920,650	2,289,888
Cash and Cash Equivalents, End of Year	\$ 2,769,821	\$ 1,920,650
NON-CASH ACTIVITY AND SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 573,453	\$ 566,719
Land, buildings, and equipment obtained through accounts payable and accrued liabilities	\$ 99,422	\$ -
Land and building obtained through debt	\$ -	\$ 1,852,297

See notes to financial statements

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

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 mission of the Church is to make disciples for Jesus Christ. The Church conducts services in various congregational locations in and around Colorado Springs, Colorado. 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

For purposes of the statements of cash flows, 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, 2019 and 2018, the Church has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$2,060,000 and \$910,000, respectively. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

LAND, BUILDINGS, AND EQUIPMENT—NET

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

CLASSES OF NET ASSETS

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

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

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

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

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.

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, 2019 and 2018, was \$60,572 and \$68,222, respectively.

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CHANGE IN ACCOUNTING PRINCIPLE

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Church adopted the provisions of this new standard during the year ended December 31, 2019. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had no effect on change in net assets or net assets in total.

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The Church adopted the provisions of this new standard during the year ended December 31, 2019. This new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

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, 2019 and 2018. 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,	
	2019	2018
Financial assets: cash and cash equivalents	\$ 2,769,821	\$ 1,920,650
Less those unavailable for general expenditures within one year, due to:		
Project funds not expected to be used within one year	<u>(300,000)</u>	<u>(180,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,469,821</u>	<u>\$ 1,740,650</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, 2019 and 2018, the Church had approximately \$1,200,000 and \$1,000,000, respectively, set aside specifically for use as a management designated emergency fund. Additionally, as more fully described in note 6, the Church also had a line of credit in the amount of \$250,000, which it could have drawn upon during the years ended December 31, 2019 and 2018, in the event of an unanticipated liquidity need. This line of credit expired in 2019 and was not renewed.

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

4. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	December 31,	
	2019	2018
Land and land improvements	\$ 3,277,501	\$ 3,210,301
Buildings and building improvements	38,190,086	37,999,453
Equipment	8,792,180	8,968,989
	<u>50,259,767</u>	<u>50,178,743</u>
Less accumulated depreciation	<u>(29,609,363)</u>	<u>(28,424,105)</u>
	<u>\$ 20,650,404</u>	<u>\$ 21,754,638</u>

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

	December 31,	
	2019	2018
Land, buildings, and equipment–net	\$ 20,650,404	\$ 21,754,638
Interest rate swap agreement, net liability	(588,271)	(42,955)
Less obligations included in accounts payable and accrued liabilities	-	(20,649)
Less accrued interest payable	(44,126)	(45,600)
Less capitalized lease obligation	(250,917)	(349,075)
Less notes payable - net	<u>(12,931,249)</u>	<u>(13,650,250)</u>
	<u>\$ 6,835,841</u>	<u>\$ 7,646,109</u>

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

5. CAPITALIZED LEASE OBLIGATION–NET:

Capitalized lease obligation–net consists of:

	December 31,	
	2019	2018
Equipment capital lease with monthly payments of \$3,763 until July, 2022.	\$ 107,003	\$ 146,376
Equipment capital lease with monthly payments of \$2,967 until January, 2022.	68,514	100,384
Equipment capital lease with monthly payments of \$1,648 until November, 2022.	52,568	69,560
Equipment capital lease with monthly payments of \$933 until March, 2022.	22,832	32,755
	250,917	349,075
Less current portion	(111,725)	(111,725)
	\$ 139,192	\$ 237,350

Future minimum payments are:

<u>Year Ending December 31,</u>	
2020	\$ 111,725
2021	109,592
2022	43,652
	264,969
Less interest expense	(14,052)
	\$ 250,917

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

	December 31,	
	2019	2018
Furniture and equipment	\$ 501,275	\$ 501,275
Less accumulated amortization	(227,550)	(146,750)
	\$ 273,725	\$ 354,525

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

6. LINE OF CREDIT:

The Church was issued an unsecured line of credit from a bank in the amount of \$250,000 during the year ended December 31, 2012. The line of credit was renewed during the year ended December 31, 2018 and matured July 2019. The line of credit was not renewed. There were no funds drawn against this line of credit during the years ended December 31, 2019 and 2018.

7. INTEREST RATE SWAP AGREEMENTS:

The Church has two derivative agreements, known as interest rate swaps, as of December 31, 2019 and one as of December 31, 2018. 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, 2019 and 2018, the Church pays a fixed rate of 4.0% instead of a variable rate of 1.55% above LIBOR, effectively 3.25% and 4.01% as of December 31, 2019 and 2018, respectively. The original note payable balance covered by the agreement is \$9,917,832, and the aggregate notional amount of the swap agreement was \$8,994,749 and \$9,323,425 as of December 31, 2019 and 2018, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2019 and 2018, the interest rate swap had a fair value of \$(411,292) and \$30,247, respectively.

The change in the fair value of the swap agreement of \$(441,539) and \$172,680 for the years ended December 31, 2019 and 2018, respectively, is reported as non-operating change in interest rate swap agreement in the statements of activities. This amount will be recomputed each year using the interest rates effective at the year end.

Under the second swap agreement in place as of December 31, 2018, the Church pays a fixed rate of 5.19% instead of a variable rate of 2.15% above LIBOR, effectively 3.85% and 4.61% as of December 31, 2019 and 2018 respectively. The original note payable balance covered by the agreement is \$2,000,000, and the aggregate notional amount of the swap agreement was \$1,923,411 and \$1,965,989 as of December 31, 2019 and 2018 respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2019 and 2018, the interest rate swap had a fair value of \$(176,979) and \$(73,202), respectively.

The change in the fair value of the swap agreement of \$(103,777) and \$(73,202) for the years ended December 31, 2019 and 2018, 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 the year end.

A net liability is recorded in the statements of financial position for the fair value of these interest rate swap agreements as of December 31, 2019 and 2018.

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

7. INTEREST RATE SWAP AGREEMENTS, continued:

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 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.

8. NOTES PAYABLE:

Notes payable consist of:

	December 31,	
	2019	2018
<p>Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Variable interest rate of 1.55% above LIBOR, effective 3.25% and 4.01% as of December 31, 2019 and 2018, respectively, on \$9,917,832 principal portion of the note payable, payable at the fixed interest rate of 4.00% per a swap agreement with the difference being paid to, or by the bank to reflect the total interest rate. Principal and interest payments are due monthly and fluctuate based on the relationship between the effective interest rate and the fixed interest rate. The monthly payment of principal and interest as of December 31, 2019 and 2018 was \$57,463 and \$57,473, respectively. The agreement terminates January 1, 2027, at which time a balloon payment will be required.</p>	\$ 8,994,749	\$ 9,323,425
<p>Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Monthly payments of \$15,885 are due, including interest at 2.83% fixed until January 1, 2022. After that date, the interest rate becomes variable at 1.55% above LIBOR until it matures on January 1, 2027, at which point a balloon payment will be required.</p>	2,066,018	2,420,836

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

8. NOTES PAYABLE, continued:

Notes payable consist of, continued:

Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Variable interest rate of 2.15% above LIBOR, effective 3.85% and 4.61% as of December 31, 2019 and 2018, respectively, on \$2,000,000 principal portion of the note payable, payable at the fixed interest rate of 5.19% per a swap agreement with the difference being paid to, or by the bank to reflect the total interest rate. Principal and interest payments are due monthly and fluctuate based on the relationship between the effective interest rate and the fixed interest rate. The monthly payment of principal and interest as of December 31, 2019 and 2018 was \$12,050 and \$12,038, respectively. The agreement terminates February 1, 2028, at which time a balloon payment will be required.

	1,923,411	1,965,989
	12,984,178	13,710,250
Less current portion of notes payable	(502,041)	(484,449)
Less deferred debt issue costs—net	(52,929)	(60,000)
	\$ 12,429,208	\$ 13,165,801

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 \$7,703 and \$6,809 for the years ended December 31, 2019 and 2018, respectively. Accumulated amortization was \$17,796 and \$10,093 as of December 31, 2019 and 2018, respectively.

Future minimum payments on the notes payable are:

<u>Year Ending December 31,</u>			
2020	\$	502,041	
2021		523,019	
2022		543,644	
2023		564,916	
2024		586,025	
Thereafter		10,264,533	
	\$	12,984,178	

The Church was in compliance with all financial and reporting covenants as of December 31, 2019.

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2019	2018
Missions projects	\$ 516,062	\$ 446,554
For the Sake of the City	172,584	385,582
Building projects	109,385	-
Scholarship fund	75,482	78,029
	<u>\$ 873,513</u>	<u>\$ 910,165</u>

10. OPERATING LEASES:

The Church leases church gathering and office space and certain office equipment under operating lease agreements. Lease terms provide that the Church is to pay, in addition to the minimum rentals summarized below, applicable taxes and any additional print charges. Lease expense under these agreements for the years ended December 31, 2019 and 2018, was \$34,309 and \$33,509, respectively. Future minimum lease payments are \$10,800 for the year ended December 31, 2020.

Also, in May 2006, the Church entered into a fifty-year lease with Pikes Peak Community College to lease a portion of the college's land. In lieu of rent, the Church agreed to construct and maintain a parking lot and pay the electricity for the parking lot. The parking lot was completed during the year ended December 31, 2006, and capitalized at \$632,623 with accumulated depreciation of \$416,467 and \$384,846 as of December 31, 2019 and 2018, 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.

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, 2019 and 2018 were \$215,543 and \$209,383, respectively.

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

13. RELATED PARTY TRANSACTIONS:

Approximately \$279,000 (1.6%) and \$356,000 (2.2%) of contribution revenue was received from related parties, including certain board members of the Board or Directors and senior staff, during the years ended December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019 and 2018, the Church made contributions and paid missions support and reimbursements totaling \$9,800 and \$15,000, respectively, to Every Home for Christ. The executive director/chief financial officer of the organization is also an elder of the Church. The Church also made contributions to Springs Rescue Mission of \$15,915 and \$27,159 during the years of December 31, 2019 and 2018, respectively. A board member of the Church is also on the board of Springs Rescue Mission.

During the year ended December 31, 2019 and 2018, the Church purchased from David C. Cook books and worship CDs authored by several key employees totaling \$6,867 and \$7,880, respectively. Additionally, the Church purchased from the same publisher \$1,156 and \$8,887 for materials sold in the bookstore for the years ended December 31, 2019 and 2018, respectively. The publisher owns the rights to the Church's recorded worship music as well. The royalties earned during the year ended December 31, 2019 and 2018, amounted to \$49,784 and \$56,159, respectively. The CEO of this company is a member of the board of elders of the Church.

During the year ended December 31, 2019, the Church received revenue from the book sales of two of its pastors of \$44,911 in total.

The Church paid Fernweh Creative \$147,000 and \$167,526 for creative and graphic design services during the years ended December 31, 2019 and 2018, respectively. The company is owned by the son of one of the Church's executive pastors.

During the year ended December 31, 2019, the Church paid fees totaling \$241,963 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.

NEW LIFE CHURCH

Notes to Financial Statements

December 31, 2019 and 2018

14. SUBSEQUENT EVENTS:

Subsequent to the year ended December 31, 2019, the Church signed an agreement with a vendor to lease part of its land. Once the agreement goes into effect, which is expected to be during the fall of 2020, the term of the lease is fifteen years with the option to extend an additional fifteen years. Total rents expected to be received in the aggregate over the first fifteen year period are \$943,350.

The Church started a new congregation subsequent to the year ended December 31, 2019.

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus as a “Public Health Emergency of International Concern,” ultimately classifying the resulting COVID-19 as a pandemic. Federal, state, and local governments have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home advisories, and quarantining of people who may have been exposed to the virus. The duration of disruption and related impact cannot be reasonably estimated at this time. The Church is monitoring donation income and program receipts and mission critical expenditures. Expenditures are being reduced as necessary. Management believes that the Church has sufficient reserves and liquidity to fund ongoing essential ministries through this time of uncertainty. We believe the mission of the Church will not change. We continue to see a day when every life is saturated and transformed by the hope of the Gospel.

Subsequent events were evaluated through April 28, 2020, which is the date the financial statements were available to be issued.