



*New life*  
CHURCH

**NEW LIFE CHURCH AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS  
With Independent Auditors' Report

December 31, 2015 and 2014

# NEW LIFE CHURCH AND AFFILIATE

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## INDEPENDENT AUDITORS' REPORT

Board of Elders  
New Life Church and Affiliate  
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of New Life Church and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the 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; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 and Affiliate  
Colorado Springs, Colorado

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Life Church and Affiliate, as of December 31, 2015 and 2014, and the changes in their 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, 2016

# NEW LIFE CHURCH AND AFFILIATE

## Consolidated Statements of Financial Position

	December 31,	
	2015	2014
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 2,192,844	\$ 2,001,834
Prepaid expenses and other assets	223,439	247,573
Property held for sale	-	2,780,078
	2,416,283	5,029,485
Deferred debt issue costs, net of accumulated amortization of \$17,794 and \$12,175 in 2015 and 2014, respectively	38,396	44,015
Interest rate swap agreements asset	-	45,598
Land, buildings, and equipment—net	24,123,042	25,125,886
<b>Total Assets</b>	<b>\$ 26,577,721</b>	<b>\$ 30,244,984</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 398,086	\$ 417,337
Accrued replacement cost	-	191,562
Deferred revenue	196,221	265,239
Interest rate swap agreements liability	108,385	-
Current portion of notes payable	563,047	522,090
	1,265,739	1,396,228
Notes payable, net of current portion	12,926,852	16,652,937
	14,192,591	18,049,165
Net assets:		
Unrestricted:		
Undesignated	1,651,298	1,175,199
Equity in property held for sale	-	2,780,078
Equity in land, buildings, and equipment—net	10,437,953	7,982,832
	12,089,251	11,938,109
Temporarily restricted	295,879	257,710
	12,385,130	12,195,819
<b>Total Liabilities and Net Assets</b>	<b>\$ 26,577,721</b>	<b>\$ 30,244,984</b>

See notes to consolidated financial statements

# NEW LIFE CHURCH AND AFFILIATE

## Consolidated Statements of Activities

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions	\$ 12,136,479	\$ 1,469,758	\$ 13,606,237	\$ 11,335,467	\$ 2,074,881	\$ 13,410,348
Program income	1,639,941	-	1,639,941	1,360,028	-	1,360,028
Grant income	-	65,562	65,562	-	471,548	471,548
Sales income	288,298	-	288,298	316,142	-	316,142
Rental and other income	723,537	-	723,537	17,257	-	17,257
Total Support and Revenue	14,788,255	1,535,320	16,323,575	13,028,894	2,546,429	15,575,323
NET ASSETS RELEASED:						
Purpose restrictions	1,497,151	(1,497,151)	-	2,644,901	(2,644,901)	-
EXPENSES:						
Salaries and benefits	7,806,873	-	7,806,873	6,944,320	-	6,944,320
Missions	2,267,276	-	2,267,276	2,485,294	-	2,485,294
Depreciation and amortization	1,675,948	-	1,675,948	1,634,302	-	1,634,302
Ministry	1,875,900	-	1,875,900	1,560,407	-	1,560,407
Facilities	1,119,907	-	1,119,907	965,462	-	965,462
Interest	586,448	-	586,448	695,300	-	695,300
Office expenses	366,285	-	366,285	311,586	-	311,586
Cost of sales	281,644	-	281,644	281,962	-	281,962
Total Expenses	15,980,281	-	15,980,281	14,878,633	-	14,878,633
Change in Net Assets from Operations	305,125	38,169	343,294	795,162	(98,472)	696,690
NON-OPERATING:						
Change in interest rate swap agreements	(153,983)	-	(153,983)	(614,457)	-	(614,457)
Change in Net Assets	151,142	38,169	189,311	180,705	(98,472)	82,233
Net Assets, Beginning of Year	11,938,109	257,710	12,195,819	11,757,404	356,182	12,113,586
Net Assets, End of Year	\$ 12,089,251	\$ 295,879	\$ 12,385,130	\$ 11,938,109	\$ 257,710	\$ 12,195,819

See notes to consolidated financial statements

# NEW LIFE CHURCH AND AFFILIATE

## Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 189,311	\$ 82,233
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,670,329	1,628,683
Amortization of deferred debt issue costs	5,619	5,619
Gain on sale of property held for sale	(694,116)	-
(Gain) loss on sales of land, buildings, and equipment	(7,396)	22
Contributions received for long-term purposes	(465,808)	(1,441,229)
Change in interest rate swap agreements	153,983	614,457
Change in operating assets and liabilities:		
Prepaid expenses and other assets	24,134	(64,483)
Accounts payable and accrued liabilities	(19,251)	(77,167)
Accrued replacement cost	(191,562)	191,562
Deferred revenue	(69,018)	60,042
Net Cash Provided by Operating Activities	596,225	999,739
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of property held for sale	3,474,194	-
Purchases of land, buildings, and equipment	(669,190)	(1,433,274)
Proceeds from sales of land, building, and equipment	9,101	3,600
Net Cash Provided (Used) by Investing Activities	2,814,105	(1,429,674)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for long-term purposes	465,808	1,441,229
Principal payments on notes payable	(3,685,128)	(1,214,746)
Net Cash Provided (Used) by Financing Activities	(3,219,320)	226,483
Net Change in Cash and Cash Equivalents	191,010	(203,452)
Cash and Cash Equivalents, Beginning of Year	2,001,834	2,205,286
Cash and Cash Equivalents, End of Year	\$ 2,192,844	\$ 2,001,834
<b>NON-CASH ACTIVITY AND SUPPLEMENTAL DISCLOSURES:</b>		
Land, buildings, and equipment obtained through accounts payable	\$ 5,659	\$ 126,631
Cash paid for interest, none capitalized	\$ 596,269	\$ 697,422

See notes to consolidated financial statements

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 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 (the Code), and is not a private foundation under Section 509(a) of the Code. The mission of NLC is to make disciples for Jesus Christ. NLC's primary source of revenue is from contributions.

The Dream Centers of Colorado Springs (Dream Centers) was incorporated in 2011, to provide health and hope for people in Colorado Springs who are working to rebuild their dreams. Dream Centers is operated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Code, and is not a private foundation under Section 509(a) of the Code. NLC controls Dream Centers through economic dependence, board control and is the sole member of the corporation.

NLC and Dream Centers are referred to collectively as the Church.

### 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

The accompanying consolidated financial statements include the accounts of NLC and Dream Centers. All significant intercompany transactions have been eliminated in consolidation.

#### CASH AND CASH EQUIVALENTS

For purposes of the consolidated 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. These accounts may, at times, exceed federally insured limits. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

#### PROPERTY HELD FOR SALE

Property held for sale consisted of one parcel of land as of December 31, 2014. The parcel sold during the year ended December 31, 2015 for net proceeds of \$3,474,194, resulting in a gain of \$694,116. Property held for sale was recorded at the lower of book value or net realizable value.



# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 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 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.

#### ACCRUED REPLACEMENT COST

During the year ended December 31, 2014, NLC experienced hail damage and \$191,562 was received as a claim. Repairs were not done during the year ended December 31, 2014; however repairs to all damaged property occurred during the year ended December 31, 2015. A liability for these replacement costs was recorded in the amount of \$191,562 as of December 31, 2014. There is no liability as of December 31, 2015 as the related repairs were completed.

#### CLASSES OF NET ASSETS

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

*Unrestricted net assets* 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.

*Temporarily restricted net assets* are those which are stipulated by donors for specific purposes.

#### 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. The Church reports gifts of land, buildings, and equipment as unrestricted support 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.

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 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. 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. Contributed rent is recorded by the Church at estimated fair market value when it receives discounted or free rent of facilities for its ministries. Contributed rent is recorded as contributions in the consolidated statements of activities. During the years ended December 31, 2015 and 2014, the Church received contributed rent of \$25,200.

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

#### CONTRIBUTED SERVICES

The Not-for-Profit Topic of the FASB ASC, requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. Contributed services consist of medical services used in the women's clinic of Dream Centers and professional services. These services are valued using existing compensation amounts and externally published rates. Contributed services are recorded at their estimated fair market value on the date the services are provided and were \$228,969 and \$325,902 during the years ended December 31, 2015 and 2014, respectively. These services are included as contributions on the consolidated statements of activities.

#### 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, 2015 and 2014, was \$78,537 and \$58,984, respectively.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2015, the Church had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

Dream Centers is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

3. DEFERRED DEBT ISSUE COSTS—NET:

Deferred debt issue costs consist of \$56,190 of costs associated with the notes payable (see Note 7) obtained during the year ended December 31, 2012. These costs have been capitalized and are being amortized over the terms of the longest debt instrument using the straight-line method. Amortization expense was \$5,619, for both of the years ended December 31, 2015 and 2014. Accumulated amortization for deferred debt issue costs was \$17,794 and \$12,175, as of December 31, 2015 and 2014, respectively.

4. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net consist of:

	December 31,	
	2015	2014
Land and land improvements	\$ 2,127,564	\$ 2,098,364
Buildings and building improvements	37,629,902	37,314,386
Equipment	8,387,466	8,144,047
	<u>48,144,932</u>	<u>47,556,797</u>
Less accumulated depreciation	(24,023,102)	(22,430,911)
	<u>24,121,830</u>	<u>25,125,886</u>
Construction in process	1,212	-
	<u>\$ 24,123,042</u>	<u>\$ 25,125,886</u>

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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

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

	December 31,	
	2015	2014
Land, buildings, and equipment–net	\$ 24,123,042	\$ 25,125,886
Deferred debt issue costs–net	38,396	44,015
Interest rate swap agreements asset	-	45,598
Interest rate swap agreements liability	(108,385)	-
Less lease obligations included in accounts payable and accrued liabilities	(77,382)	-
Less accrued interest payable	(47,819)	(57,640)
Less notes payable	(13,489,899)	(17,175,027)
	<u>\$ 10,437,953</u>	<u>\$ 7,982,832</u>

Subsequent to year end, the Church entered into an agreement with a contractor to do a significant amount of bathroom remodel work at the main church campus for approximately \$230,000. This work is anticipated to be completed during the year ending December 31, 2016.

5. 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, 2015 and matures July 2016. There were not any funds drawn against this line of credit during the years ended December 31, 2015 and 2014.

6. INTEREST RATE SWAP AGREEMENTS:

The Church has two derivative agreements known as interest rate swaps. In substance, these agreements exchange the variable rate terms contained in two loan agreements for a fixed rate of interest contracted with the financial institution.

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

6. INTEREST RATE SWAP AGREEMENTS, continued:

Under the first swap agreement, the Church pays a fixed rate of 4.3% instead of a variable rate of 2.44% above LIBOR, effectively 2.684% as of December 31, 2015. The original note payable balance covered by the agreement was \$11,000,000, and the aggregate notional amount of the swap agreement was \$10,200,086 and \$10,471,241 as of December 31, 2015 and 2014, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2015 and 2014, the interest rate swap had a fair value of \$(105,997) and \$36,381, respectively, and is recorded as an asset (liability) in the consolidated statements of financial position as interest rate swap agreements asset (liability).

Under the second swap agreement, the Church pays a fixed rate of 3.84% instead of a variable rate of 2.44% above LIBOR, effectively 2.684% as of December 31, 2015. The original note payable balance covered by the agreement was \$1,500,000, and the aggregate notional amount of the swap agreement was \$1,384,564 and \$1,423,526 as of December 31, 2015 and 2014, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2015 and 2014, the interest rate swap had a fair value of \$(2,388) and \$9,217, respectively, and is recorded as an asset (liability) in the consolidated statements of financial position as interest rate swap agreements asset (liability).

As of December 31, 2015 and 2014, the interest rate swaps had a combined fair value of a \$(108,385) and \$45,598, and are reported in the consolidated statements of financial position as an interest rate swap agreements asset/(liability). The change in the fair value of the swap agreements of \$(153,983) and \$(614,457) for the years ended December 31, 2015 and 2014, 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 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 are considered Level 2 under the fair value hierarchy and are 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 AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

7. NOTES PAYABLE:

Notes payable consist of:

	December 31,	
	2015	2014
Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Monthly payments of \$7,199 are due, including interest at 3.11%. Note payable was paid in full as of December 31, 2015.	\$ -	\$ 562,661
Note payable to Bank of the West, secured by the Church's land, buildings, and equipment. Monthly payments of \$23,893 are due, including interest at 3.07%. The agreement matures November 1, 2017, at which time a balloon payment will be required.	1,905,249	4,717,599
Note payable to Bank of the West, variable interest rate of 2.44% above LIBOR, effective 2.684%, on the principal portion of the note payable (original balance of \$1,500,000), payable at the fixed interest rate of 3.84% 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 payment of principal and interest as of December 31, 2015 and 2014, was \$6,864 and \$6,521, respectively. The agreement terminates November 1, 2019, at which time a balloon payment will be required, secured by the Church's land, buildings, and equipment.	1,384,564	1,423,526

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

7. NOTES PAYABLE, continued:

Notes payable consist of, continued:

	December 31,	
	2015	2014
<p>Note payable to Bank of the West, variable interest rate of 2.44% above LIBOR, effective 2.684%, on the principal portion of the note payable (original balance of \$11,000,000), payable at the fixed interest rate of 4.3% 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, 2015 and 2014, was \$49,279 and \$46,675, respectively. The agreement terminates November 1, 2022, at which time a balloon payment will be required, secured by the Church's land, buildings, and equipment.</p>	10,200,086	10,471,241
	13,489,899	17,175,027
Less current portion of note payable	(563,047)	(522,090)
	\$ 12,926,852	\$ 16,652,937

Subsequent to year end, the interest rate on the debt instrument that bore interest at 3.07% decreased to 2.58%, and the variable interest rate on the debt instruments that bore variable interest at 2.44% decreased to 1.95%. These decreased rates are effective January 1, 2016.

Future minimum payments on the notes payable are:

<u>Year Ending December 31,</u>	
2016	\$ 563,047
2017	2,003,080
2018	353,181
2019	1,581,197
2020	336,626
Thereafter	8,652,768
	\$ 13,489,899

The Church was in compliance with all financial and reporting covenants as of December 31, 2015.

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2015	2014
New Life Church:		
Missions projects	\$ 199,616	\$ 156,492
Scholarship fund	85,248	87,553
Building projects	9,772	13,665
	294,636	257,710
The Dream Centers of Colorado Springs:		
Adopt a block	1,243	-
	1,243	-
	\$ 295,879	\$ 257,710

9. OPERATING LEASES:

NLC leases office equipment and church gathering and office space operating lease agreements, and Dream Centers rents space for the women's clinic. 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, 2015 and 2014, was \$100,426 and \$64,478, respectively. Future minimum lease payments are:

Year Ending December 31,	
2016	\$ 42,655
2017	33,509
2018	12,709
2019	2,309
	\$ 91,182

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 \$289,952 and \$258,321 as of December 31, 2015 and 2014, respectively. The parking lot is being depreciated over a life of 20 years.



# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

### 10. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities benefited. Functional expenses are:

	Year Ended December 31,	
	2015	2014
Program services	\$ 14,370,151	\$ 13,415,334
Supporting activities:		
General and administrative	1,567,798	1,418,115
Fund-raising	42,332	45,184
	<u>\$ 15,980,281</u>	<u>\$ 14,878,633</u>

### 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 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 (excluding the senior pastor) for the years ended December 31, 2015 and 2014 were \$148,646 and \$130,233, respectively. As part of the senior pastor's annual compensation, the non-staff elders, which comprise the compensation committee, discretionally allocated a percentage of his compensation to this plan in the amount of \$22,826 and \$17,904, during the years ended December 31, 2015 and 2014, respectively.

# NEW LIFE CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

13. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2015 and 2014, the Church made contributions and paid mission support and reimbursements totaling \$83,014 and \$113,882, respectively, to a related organization. The executive director/chief financial officer of the organization is also an elder of the Church. The Church also made contributions to a local related organization of \$4,575 and \$10,552 during the years ended December 31, 2015 and 2014, respectively. Both the CEO and a board member of the local organization are elders of the Church.

During the years ended December 31, 2015 and 2014, the Church also paid \$8,500 and \$12,980, respectively, for honorariums related to a worship band. The leader of the worship band is a member of the executive team.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated. Other than the transactions noted in footnotes 4 and 7, there were no other significant transactions to be disclosed.

## **SUPPLEMENTAL INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTAL INFORMATION**

Board of Elders  
New Life Church and Affiliate  
Colorado Springs, Colorado

We have audited the consolidated financial statements of New Life Church and Affiliate as of and for the years ended December 31, 2015 and 2014, and our report thereon dated April 28, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Capin Crouse LLP*

Colorado Springs, Colorado  
April 28, 2016

# NEW LIFE CHURCH AND AFFILIATE

## Consolidating Statements of Financial Position

	December 31,							
	2015				2014			
	NLC	Dream Centers	Eliminations	Total	NLC	Dream Centers	Eliminations	Total
<b>ASSETS:</b>								
Current assets:								
Cash and cash equivalents	\$ 1,618,307	\$ 574,537	\$ -	\$ 2,192,844	\$ 1,605,067	\$ 396,767	\$ -	\$ 2,001,834
Prepaid expenses and other assets	187,114	36,325	-	223,439	217,113	30,460	-	247,573
Property held for sale	-	-	-	-	2,780,078	-	-	2,780,078
	<u>1,805,421</u>	<u>610,862</u>	<u>-</u>	<u>2,416,283</u>	<u>4,602,258</u>	<u>427,227</u>	<u>-</u>	<u>5,029,485</u>
Deferred debt issue costs–net	38,396	-	-	38,396	44,015	-	-	44,015
Interest rate swap agreements asset	-	-	-	-	45,598	-	-	45,598
Land, buildings, and equipment–net	<u>22,594,054</u>	<u>1,528,988</u>	<u>-</u>	<u>24,123,042</u>	<u>23,633,062</u>	<u>1,492,824</u>	<u>-</u>	<u>25,125,886</u>
<b>Total Assets</b>	<u><u>\$ 24,437,871</u></u>	<u><u>\$ 2,139,850</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,577,721</u></u>	<u><u>\$ 28,324,933</u></u>	<u><u>\$ 1,920,051</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,244,984</u></u>
<b>LIABILITIES AND NET ASSETS:</b>								
Liabilities:								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 364,211	\$ 33,875	\$ -	\$ 398,086	\$ 407,243	\$ 10,094	\$ -	\$ 417,337
Accrued replacement cost	-	-	-	-	191,562	-	-	191,562
Deferred revenue	196,221	-	-	196,221	265,239	-	-	265,239
Interest rate swap agreements liability	108,385	-	-	108,385	-	-	-	-
Current portion of notes payable	<u>563,047</u>	<u>-</u>	<u>-</u>	<u>563,047</u>	<u>522,090</u>	<u>-</u>	<u>-</u>	<u>522,090</u>
	<u>1,231,864</u>	<u>33,875</u>	<u>-</u>	<u>1,265,739</u>	<u>1,386,134</u>	<u>10,094</u>	<u>-</u>	<u>1,396,228</u>
Notes payable, net of current portion	<u>12,926,852</u>	<u>-</u>	<u>-</u>	<u>12,926,852</u>	<u>16,652,937</u>	<u>-</u>	<u>-</u>	<u>16,652,937</u>
	<u><u>14,158,716</u></u>	<u><u>33,875</u></u>	<u><u>-</u></u>	<u><u>14,192,591</u></u>	<u><u>18,039,071</u></u>	<u><u>10,094</u></u>	<u><u>-</u></u>	<u><u>18,049,165</u></u>

(continued)

# NEW LIFE CHURCH AND AFFILIATE

## Consolidating Statements of Financial Position

(continued)

	December 31,							
	2015				2014			
	NLC	Dream Centers	Eliminations	Total	NLC	Dream Centers	Eliminations	Total
LIABILITIES AND NET ASSETS,								
continued:								
Net assets:								
Unrestricted:								
Undesignated	1,075,554	575,744	-	1,651,298	758,066	417,133	-	1,175,199
Equity in property held for sale	-	-	-	-	2,780,078	-	-	2,780,078
Equity in land, buildings, and equipment—net	8,908,965	1,528,988	-	10,437,953	6,490,008	1,492,824	-	7,982,832
	9,984,519	2,104,732	-	12,089,251	10,028,152	1,909,957	-	11,938,109
Temporarily restricted	294,636	1,243	-	295,879	257,710	-	-	257,710
	10,279,155	2,105,975	-	12,385,130	10,285,862	1,909,957	-	12,195,819
Total Liabilities and Net Assets	\$ 24,437,871	\$ 2,139,850	\$ -	\$ 26,577,721	\$ 28,324,933	\$ 1,920,051	\$ -	\$ 30,244,984

# NEW LIFE CHURCH AND AFFILIATE

## Consolidating Statements of Activities

	Year Ended December 31,							
	2015				2014			
	NLC	Dream Centers	Eliminations	Total	NLC	Dream Centers	Eliminations	Total
<b>OPERATING:</b>								
<b>SUPPORT AND REVENUE:</b>								
Contributions	\$ 13,302,807	\$ 1,199,754	\$ (896,324)	\$ 13,606,237	\$ 12,935,198	\$ 1,248,970	\$ (773,820)	\$ 13,410,348
Program income	1,639,941	-	-	1,639,941	1,360,028	-	-	1,360,028
Grant income	-	65,562	-	65,562	-	471,548	-	471,548
Sales income	288,298	-	-	288,298	316,142	-	-	316,142
Rental and other income	714,176	9,361	-	723,537	17,132	125	-	17,257
<b>Total Support and Revenue</b>	<b>15,945,222</b>	<b>1,274,677</b>	<b>(896,324)</b>	<b>16,323,575</b>	<b>14,628,500</b>	<b>1,720,643</b>	<b>(773,820)</b>	<b>15,575,323</b>
<b>EXPENSES:</b>								
Salaries and benefits	7,430,210	508,002	(131,339)	7,806,873	6,746,832	322,539	(125,051)	6,944,320
Missions	2,690,551	341,710	(764,985)	2,267,276	2,761,489	372,574	(648,769)	2,485,294
Depreciation and amortization	1,630,971	44,977	-	1,675,948	1,618,132	16,170	-	1,634,302
Ministry	1,875,900	-	-	1,875,900	1,560,407	-	-	1,560,407
Facilities	1,056,343	63,564	-	1,119,907	894,817	70,645	-	965,462
Interest	586,448	-	-	586,448	695,300	-	-	695,300
Office expenses	245,879	120,406	-	366,285	233,103	78,483	-	311,586
Cost of sales	281,644	-	-	281,644	281,962	-	-	281,962
<b>Total Expenses</b>	<b>15,797,946</b>	<b>1,078,659</b>	<b>(896,324)</b>	<b>15,980,281</b>	<b>14,792,042</b>	<b>860,411</b>	<b>(773,820)</b>	<b>14,878,633</b>
<b>Change in Net Assets from Operations</b>	<b>147,276</b>	<b>196,018</b>	<b>-</b>	<b>343,294</b>	<b>(163,542)</b>	<b>860,232</b>	<b>-</b>	<b>696,690</b>

(continued)

# NEW LIFE CHURCH AND AFFILIATE

## Consolidating Statements of Activities

(continued)

	Year Ended December 31,							
	2015				2014			
	NLC	Dream Centers	Eliminations	Total	NLC	Dream Centers	Eliminations	Total
NON-OPERATING:								
Change in interest rate swap agreements	(153,983)	-	-	(153,983)	(614,457)	-	-	(614,457)
Change in Net Assets	(6,707)	196,018	-	189,311	(777,999)	860,232	-	82,233
Net Assets, Beginning of Year	10,285,862	1,909,957	-	12,195,819	11,063,861	1,049,725	-	12,113,586
Net Assets, End of Year	\$ 10,279,155	\$ 2,105,975	\$ -	\$ 12,385,130	\$ 10,285,862	\$ 1,909,957	\$ -	\$ 12,195,819