

IN 2022,  
**OUR CHURCH ENGAGED PEOPLE  
 AROUND THE WORLD...**



**THROUGH WEEKLY EXPERIENCES.**

WE WELCOMED MORE THAN 67,000 PEOPLE INTO OUR 44 PHYSICAL LOCATIONS IN 12 STATES. WE ALSO WELCOMED MORE THAN 114,000 PEOPLE TO NEARLY 90 SERVICES AT LIFE.CHURCH ONLINE. ETERNITIES ARE DIFFERENT FOR EACH OF THE 51,713 PEOPLE WHO RAISED THEIR HAND AND STEPPED INTO A RELATIONSHIP WITH JESUS THROUGH LIFE.CHURCH.

**ON SOCIAL MEDIA.**

AS PEOPLE SCROLL THROUGH SOCIAL MEDIA, WE LOOK TO CREATE MEANINGFUL CONNECTIONS. FOLLOWERS OF THESE PAGES HAVE GROWN TO NEARLY 15 MILLION ACROSS ALL SOCIAL MEDIA PLATFORMS, PROVIDING OPPORTUNITIES TO SHARE THE HOPE AND LOVE OF CHRIST THROUGH MORE THAN 351 MILLION INTERACTIONS.



**ACROSS GENERATIONS.**

MORE THAN 12,000 KIDS AND NEARLY 5,000 MIDDLE AND HIGH SCHOOL STUDENTS ATTENDED WEEKLY EXPERIENCES DESIGNED SPECIFICALLY FOR THEM. ADDITIONALLY, THEY'VE SPENT MORE THAN 2 MILLION HOURS WATCHING LIFEKIDS AND SWITCH CONTENT ON YOUTUBE.

**THROUGH PASSIONATE VOLUNTEERS.**

EVERY WEEK, MORE THAN 9,000 VOLUNTEERS SHOWED GOD'S LOVE TO THE THOUSANDS OF PEOPLE WALKING THROUGH OUR DOORS BOTH PHYSICALLY AND DIGITALLY. OUR NEWEST LOCATION, IN NORTH DENVER, COLORADO, WELCOMED OVER 500 PEOPLE ON OPENING WEEKEND WITH THE HELP OF 70 VOLUNTEERS, WHO SERVED IN A VARIETY OF ROLES FROM OPERATING TECHNOLOGY TO WELCOMING EACH PERSON WITH A SMILE.



**OUR CHURCH IS REACHING EVEN FURTHER...**

THROUGH THE MUSIC OF LIFE.CHURCH WORSHIP & SWITCH.



THIS YEAR, WE CELEBRATED THE RELEASE OF THREE NEW ALBUMS—BETTER VIEW, PART II; BETTER VIEW DELUXE; AND GRACE UPON GRACE—AS WELL AS SEVERAL SINGLES FROM BOTH LIFE.CHURCH WORSHIP AND SWITCH. OVER THE COURSE OF THE YEAR, MUSIC FROM THE HEART OF OUR CHURCH WAS STREAMED NEARLY 51 MILLION TIMES.

**BY INVESTING \$41 MILLION THIS YEAR IN ...**

**MISSIONS**

WE HELPED ADDRESS IMPORTANT NEEDS IN OUR COMMUNITIES BY SUPPORTING MORE THAN 90 LOCAL MISSION PARTNERS WITH BOTH GRANTS AND THE TIME OF THOUSANDS OF VOLUNTEERS FROM OUR CHURCH.

THROUGH OUR 13 GLOBAL MISSION PARTNERS, WE ALSO HELPED BRING RELIEF TO PEOPLE AFFECTED BY NATURAL DISASTERS, FREE THOSE TRAPPED IN HUMAN TRAFFICKING, EQUIP LOCAL CHURCHES TO TRANSFORM THEIR COMMUNITIES, AND PLANT CHURCHES AROUND THE WORLD.

**YouVersion**

PEOPLE AROUND THE GLOBE CONTINUE TO REGULARLY ENGAGE WITH THE BIBLE FOR FREE THROUGH YOUVERSION WITH 2,829 BIBLE VERSIONS IN 1,914 LANGUAGES.

IN 2022, THE YOUVERSION COMMUNITY READ MORE THAN 52 BILLION CHAPTERS, PLAYED NEARLY 7 BILLION AUDIO CHAPTERS, CREATED OVER 2 BILLION HIGHLIGHTS, BOOKMARKS, AND NOTES, AND COMPLETED 68 MILLION BIBLE PLANS.

**BIBLE TRANSLATION**

THIS YEAR, MORE THAN 31,000 PEOPLE IN BOTH THE YOUVERSION AND LIFE.CHURCH COMMUNITIES CONTRIBUTED NEARLY \$3 MILLION TOWARD TRANSLATING THE BIBLE INTO ADDITIONAL LANGUAGES AND FORMATS.

WE'RE EXCITED TO CONTINUE WORKING ALONGSIDE OUR GLOBAL TRANSLATION PARTNERS TO GET GOD'S WORD TO PEOPLE ALL OVER THE WORLD—NO MATTER THE LANGUAGE THEY SPEAK.

**IN 2022, YOUR GENEROSITY IS MAKING IT POSSIBLE TO...**

**EQUIP THOUSANDS OF CHURCHES.**

THROUGH LIFE.CHURCH OPEN NETWORK, WE WERE ABLE TO PUT FREE MINISTRY RESOURCES LIKE SERMONS, WORSHIP, KIDS LESSONS, AND MORE INTO THE HANDS OF 65,000 PASTORS AND LEADERS AROUND THE WORLD SO THEY CAN SERVE THE PEOPLE THEY'RE CALLED TO REACH.

**EXPAND YOUVERSION ENGAGEMENT.**

IN AUGUST, WE LAUNCHED YOUVERSION FOR CHURCHES WITH A GOAL OF EQUIPPING CHURCHES WITH THE TOOLS TO EMBRACE THE HYBRID SPACE WHERE DIGITAL AND PHYSICAL CHURCH MEET. SO FAR, WE'VE SEEN MORE THAN 8,000 CHURCHES ENGAGE THEIR COMMUNITIES THROUGH THESE NEW TOOLS.

**EXTEND OUR DIGITAL IMPACT.**

THROUGH ONLINE EXPERIENCES, SOCIAL MEDIA, AND WORSHIP, WE WORKED ON EVEN MORE CREATIVE WAYS TO MEET PEOPLE WHERE THEY ARE.

**LAUNCH FIVE NEW LOCATIONS THIS YEAR.**

TO REACH MORE PEOPLE WHO DON'T KNOW CHRIST, WE LAUNCHED A TOTAL OF FIVE LOCATIONS IN NEW AND EXISTING COMMUNITIES.

VISIT [WWW.LIFE.CHURCH/AUDITED](http://WWW.LIFE.CHURCH/AUDITED) FOR OUR AUDITED FINANCIAL STATEMENTS.

**LIFE COVENANT CHURCH, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**WITH**  
**REPORT OF INDEPENDENT AUDITOR**

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Batts Morrison  
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

## REPORT OF INDEPENDENT AUDITOR

The Board of Directors  
Life Covenant Church, Inc.  
Edmond, Oklahoma

### *Opinion*

We have audited the accompanying consolidated financial statements of Life Covenant Church, Inc. (“the Church”), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and cash flows for the year 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 consolidated financial position of Life Covenant Church, Inc. as of December 31, 2022, the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 the 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.

### *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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, including omissions, 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.

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Batts Morrison Wales & Lee, P.A. • Certified Public Accountants

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Keeping Watch for Nonprofits Across the United States®

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 risk 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

***Other Information***

Management is responsible for the other information included in the Church's 2022 summary of outreach and impact. The other information includes highlights of the Church's activities and programs to reach people around the world during 2022, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Batts Morrison Wales & Lee, P.A.*

BATTS MORRISON WALES & LEE, P.A.

Plano, Texas  
May 24, 2023

**LIFE COVENANT CHURCH, INC.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**December 31, 2022**

<b>Assets</b>	
Cash and cash equivalents	\$ 1,932,667
Other receivables	7,841,781
Investments	102,081,395
Assets held for sale	20,278,591
Unamortized intangible assets	4,013,143
Property and equipment, net	347,512,392
Other assets	<u>2,773,359</u>
Total assets	<u>\$ 486,433,328</u>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accrued expenses, accounts payable and note payable	<u>\$ 17,516,933</u>
Total liabilities	17,516,933
Net assets:	
Without donor restrictions	468,724,994
With donor restrictions	<u>191,401</u>
Total net assets	<u>468,916,395</u>
Total liabilities and net assets	<u>\$ 486,433,328</u>

**LIFE COVENANT CHURCH, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Contributions, revenues and gains</b>			
Contributions	\$ 179,034,880	\$ 36,757,703	\$ 215,792,583
Loss on investments, net	(14,129,538)	(7,225)	(14,136,763)
Net gain on disposal of assets	904,606	-	904,606
Other revenue	4,770,282	-	4,770,282
Net assets released from restrictions	36,726,894	(36,726,894)	-
<b>Total contributions, revenues and gains</b>	<b>207,307,124</b>	<b>23,584</b>	<b>207,330,708</b>
<b>Expenses</b>			
Program expenses:			
Campus and central operations	58,163,740	-	58,163,740
Weekend experiences	38,300,070	-	38,300,070
YouVersion	28,946,444	-	28,946,444
Next generation	24,192,690	-	24,192,690
Local and global missions	11,332,169	-	11,332,169
LifeGroups	7,443,012	-	7,443,012
Free resources	1,756,590	-	1,756,590
<b>Total program expenses</b>	<b>170,134,715</b>	<b>-</b>	<b>170,134,715</b>
Supporting expenses:			
General and administrative	18,421,454	-	18,421,454
<b>Total expenses</b>	<b>188,556,169</b>	<b>-</b>	<b>188,556,169</b>
<b>Change in net assets</b>	<b>18,750,955</b>	<b>23,584</b>	<b>18,774,539</b>
Net assets, beginning of year	449,974,039	167,817	450,141,856
<b>Net assets, end of year</b>	<b>\$ 468,724,994</b>	<b>\$ 191,401</b>	<b>\$ 468,916,395</b>

**LIFE COVENANT CHURCH, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2022**

**Cash Flows from Operating Activities**

Change in net assets	\$ 18,774,539
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization of property and equipment	14,020,409
Net loss on investments	14,128,831
Net gain on disposal of assets	(904,606)
Noncash contributions	(1,133,300)
Proceeds from sales of donated financial assets	944,762
Impairment of intangible assets	7,932
Changes in operating assets and liabilities:	
Other receivables	(2,334,853)
Other assets	178,908
Accounts payable and accrued expenses	<u>(134,510)</u>
Net cash provided by operating activities	43,548,112

**Cash Flows from Investing Activities**

Purchases of property and equipment	(47,810,656)
Proceeds from sales of assets	2,469,715
Purchases of investments	(35,820,011)
Proceeds from sales and maturities of investments	<u>33,517,799</u>
Net cash used in investing activities	(47,643,153)

**Cash Flows from Financing Activities**

Net proceeds from note payable	<u>5,070,000</u>
Net increase in cash	974,959
Cash and cash equivalents, beginning of year	<u>957,708</u>
Cash and cash equivalents, end of year	<u>\$ 1,932,667</u>

**Supplemental Information: Non-cash Financial Activities**

Approximately \$4,758,000 of property and equipment additions are included in "accrued expenses, accounts payable and note payable" in the accompanying consolidated statement of financial position as of December 31, 2022.



## LIFE COVENANT CHURCH, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

#### Note 1 – Organization and Summary of Significant Accounting Policies

##### Nature of organization

Life Covenant Church, Inc. (“Life.Church”) is an Oklahoma not-for-profit corporation, operating as a religious organization. The mission of Life.Church is "to lead people to become fully devoted followers of Christ". Life.Church is one church operating in a multisite environment, offering a variety of locations, times, and formats. As of December 31, 2022, Life.Church operated 44 campuses in Arkansas, Colorado, Florida, Iowa, Kansas, Missouri, Nebraska, New Mexico, New York, Oklahoma, Tennessee, Texas, and a community on the internet, known as Life.Church Online. Life.Church is supported primarily through contributions from attendees.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of Life.Church include the accounts of subsidiaries (“the subsidiaries”) held for various operations of the church for which Life.Church maintains the authority to directly, or indirectly, appoint the manager or governing bodies. All significant interorganizational balances and transactions have been eliminated in consolidation.

##### Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting U.S. GAAP.

##### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates included in the accompanying financial statements are the provisions for depreciation and amortization and the estimated fair value of investments.

##### Cash and cash equivalents

Life.Church considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, excluding cash and cash equivalent funds held outside of operational cash and in Life.Church's investment portfolio.

##### Other receivables

Other receivables consist primarily of contributions made by donors to Life.Church via electronic means which had not settled to a Life.Church bank account as of December 31, 2022.

##### Property and equipment

Property and equipment are carried at cost, if purchased, or estimated fair value, if contributed. Property and equipment purchases and contributions are capitalized if they are in excess of \$5,000; otherwise they are expensed as incurred. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the underlying assets.

Costs associated with internal-use software are evaluated for capitalization and subsequent amortization. Maintenance and modifications for internally developed software to remain functional are estimated to have a useful life of less than one year and, as a result, are expensed as incurred. Other internally developed software projects are capitalized if the total project cost exceeds \$10,000, and the expenditures meet the capitalization requirements. Capitalized software costs are included as a component of other property and equipment and amortized over a period not to exceed three years.

#### Income tax status

Life.Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. Life.Church is further classified as a public charity for federal tax purposes and each of the subsidiaries included in the consolidation are considered disregarded entities. Neither Life.Church nor the disregarded entities have incurred unrelated business income and as a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements.

#### Revenue recognition

Contributions are recognized as revenues in the period received at their face or estimated fair values. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. When a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as “net assets released from restrictions”.

#### Advertising costs

Advertising costs are expensed as incurred and were approximately \$6,497,000 in 2022.

#### Investments

Investments in debt and equity securities are stated at fair value. The carrying value of investments received by gift is the fair value at the date the gift is made and is based on the average of the high and low price on the gift date for securities with readily determinable fair values and/or the best estimate of fair value as determined by qualified appraisal and/or management for nonmarketable securities.

#### Fair value measurements

Life.Church follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that Life.Church has the ability to access.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observed for substantially the full term of the asset or liability.
- Level 3 – Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by Life.Church at the beginning of each reporting period. There were no transfers in 2022.

Financial assets carried at fair value on a recurring basis include investments.

#### Concentration

Life.Church maintains cash in bank depository accounts which, at times, may exceed federally insured limits. Life.Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

#### Assets held for sale

Life.Church measures assets held for sale at the lower of its carrying amount or fair value less cost to sell. Gains or losses are recognized for any subsequent changes to fair value less cost to sell. Property is classified as held for sale when (1) management with the appropriate authority commits to a plan to sell the asset, (2) the asset is available for immediate sale in its present condition, (3) an active program to locate a buyer and other actions required to complete the plan have been initiated, (4) the sale of the property or asset within one year is probable and will qualify for accounting purposes as a sale, (5) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and (6) actions required to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. In isolated instances, assets held for sale may exceed one year due to events or circumstances beyond Life.Church's control. Assets held for sale are not depreciated.

At December 31, 2022, parcels of land and buildings with carrying values of approximately \$20,279,000 were being marketed for sale.

#### Unamortized intangible assets

Unamortized intangible assets are carried at cost if purchased, or fair value on the gift date if donated. Costs incurred to renew, extend, or maintain the asset's useful life are expensed as incurred. Life.Church evaluates the remaining useful life and performs an evaluation for impairment of indefinite lived intangibles annually or more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. If based on the totality of events and circumstances and their potential effect on significant inputs to the fair value determination of the unamortized intangible asset, Life.Church determines that it is more likely than not that the asset is impaired, Life.Church will then calculate the fair value of the intangible asset and perform the quantitative impairment test. The quantitative impairment test consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, Life.Church recognizes an impairment loss in an amount equal to that excess.

#### Subsequent events

Management has evaluated subsequent events through May 24, 2023, which is the date the consolidated financial statements were available to be issued. Subsequent to year-end, Life.Church entered into three contracts on parcels of land to sell for approximately \$3,320,000.

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)," and subsequently issued other associated ASU's related to Topic 842 which supersede Accounting Standards Codification ("ASC") 840 and require lessees to recognize right of use ("ROU") lease assets and liabilities on the balance sheet for long-term leases formerly classified as operating leases under ASC 840, and to disclose key information about leasing arrangements.

Life.Church adopted this ASU on January 1, 2022 using a modified retrospective method for all ROU leases that existed at the period of adoption. See Note 4 for additional discussion of the new lease standard.

## Note 2 – Investments and Fair Value Measurements

The following is a description of the methodologies used to estimate the fair value of assets and their classification within the fair value hierarchy.

Life.Church gives highest priority to quoted prices in an active market. Mutual funds, corporate stocks, obligations of the U.S. Government, and corporate bonds for which there is a quoted price in an active market, are classified within Level 1 of the hierarchy.

Level 2 inputs under the market approach would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

Private equity shares are classified within Level 3 of the hierarchy. Fair value is based on the current stock issuance price, which is considered a significant unobservable input.

Nonpublicly traded limited partnership interests are carried at fair value based on information provided by the fund manager. Life.Church uses management agreements, analyst notes, audited financial statements and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC 820) and determines if any adjustment to the fair value is necessary. Life.Church's non publicly traded limited partnerships have no unfunded commitments and no lock up periods as of December 31, 2022.

Life.Church has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a nonrecurring basis at December 31, 2022. Assets carried at fair value on a recurring basis are classified within the fair value hierarchy at December 31, 2022, as follows:

	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments:				
Mutual Funds	\$ 22,131,738	\$ 22,131,738	\$ -	\$ -
Corporate stocks	14,116,648	14,116,648	-	-
Obligations of the U.S. Government	11,662,233	11,662,233	-	-
Corporate bonds	6,572,050	6,572,050	-	-
Nonpublicly traded limited partnerships	37,661,955	-	-	37,661,955
Private equity shares	1,799,928	-	-	1,799,928
Total investments in the fair value hierarchy	93,944,552	\$ 54,482,669	\$ -	\$ 39,461,883
Money market and similar funds not subject to fair value hierarchy	4,356,370			
Nonpublicly traded limited partnership, measured at net asset value*	3,780,473			
Total assets at fair value and/or net asset value	\$ 102,081,395			

\*U.S. GAAP permits nonpublicly traded investments whose fair value is measured using net asset value to be omitted from the fair value hierarchy.

The following table summarizes the changes in the fair value of Life Church's Level 3 financial assets for the year ended December 31, 2022:

Balance at January 1, 2022	\$ 45,669,648
Purchases	6,725,000
Withdrawals	(8,250,000)
Net investment performance	<u>(4,682,765)</u>
Balance at December 31, 2022	<u>\$ 39,461,883</u>

### Note 3 – Property and Equipment

Property and equipment and related accumulated depreciation are summarized as follows at December 31, 2022:

	Cost	Accumulated Depreciation	Net
Buildings and improvements	\$ 293,650,502	\$ (69,380,120)	\$ 224,270,382
Land	95,050,855	-	95,050,855
Construction in progress	20,344,267	-	20,344,267
Equipment	14,970,636	(10,816,698)	4,153,938
Software	11,318,841	(8,883,573)	2,435,268
Other	4,117,261	(2,859,579)	1,257,682
	<u>\$ 439,452,362</u>	<u>\$ (91,939,970)</u>	<u>\$ 347,512,392</u>

### Note 4 – Leases

Life Church adopted ASU 2016-02, "Leases (Topic 842)" on January 1, 2022 using a modified retrospective approach for all ROU leases that existed at the period of adoption. Adoption of this standard resulted in ROU lease assets and lease liabilities of approximately \$1.1 million as of December 31, 2022. Operating leases are included in property and equipment and liabilities on the accompanying consolidated statement of financial position as of December 31, 2022. Operating lease payments are included in cash flows from operations on the accompanying consolidated statement of cash flows.

Future minimum lease payments are as follows:

2023	\$ 611,414
2024	401,712
2025	<u>132,795</u>
Total Minimum Operating Lease Payments	<u>\$ 1,145,921</u>

## **Note 5 – Unamortized Intangible Assets**

Life.Church previously purchased the internet domain, Bible.com, for \$3,519,381, and has acquired established profiles for various social media sites for \$490,000. The domain and profiles were not purchased with the intent of generating future cash flows but rather for the sole purpose of furthering Life.Church's mission through global Bible engagement. Additionally, digital assets of \$11,694 were donated in a prior year and retained as an investment strategy. Costs incurred to renew and maintain intangible assets are expensed as incurred.

Life.Church evaluated the useful lives of the domain, profiles, and digital assets, and determined they remain indefinite. Management performed a qualitative impairment assessment and concluded the digital assets were impaired. This impairment totaled \$7,932 at December 31, 2022. All other intangible asset values remained intact.

## **Note 6 – Financing Activities**

On August 22<sup>nd</sup>, 2022, Life.Church amended a revolving line of credit arrangement with a financial institution, increasing the maximum possible balance to \$50,000,000. The line of credit has variable interest equal to the SOFR Index plus 1.6% per annum. The rate at December 31, 2022, is 5.92% and the outstanding balance is \$5,070,000. The line of credit is secured by nine of Life.Church's properties, requires a liquidity maintenance of \$25,000,000, and assesses a fee of 0.125% of the average unused portion of the maximum possible balance which is due quarterly. The line of credit matures on July 27, 2026.

## **Note 7 – Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2022 are comprised of unspent contributions, Life.Church's beneficial interest in assets held by others, and accumulated but undistributed earnings of beneficial interest in assets held by others. During 2022, contributions with donor restrictions were received for Life.Church's ministries of Local & Global Missions, Free Resources, New Locations, Digital Reach, and YouVersion and Bible Translations. All such amounts have been expended for their restricted purposes as of December 31, 2022, or plan to be expended by December 31, 2023.

## **Note 8 – Retirement Plan**

Life.Church sponsors a defined contribution retirement plan covering all permanent employees effective on the first day of employment. Life.Church makes a discretionary contribution of a percentage of gross earnings for each employee. The plan contains a provision allowing eligible participants to defer a portion of their wages into the plan, in accordance with section 401(k) of the Internal Revenue Code. Life.Church makes a matching contribution for a portion of those wage deferrals. Life.Church's contributions to the plan totaled approximately \$6,272,000 in 2022.

Life.Church sponsors a defined contribution retirement plan covering certain permanent employees. The plan provisions allow for employer contributions only, in accordance with section 403(b) of the Internal Revenue Code. Life.Church's contributions to the plan totaled approximately \$330,000 in 2022.

## **Note 9 – Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Salaries and benefits of program employees have been directly charged to the related programs. Depreciation, amortization, and interest expense have been allocated to Life.Church's programs and supporting services based on the square footage utilized in

providing the program or supporting service. Below are expenses presented by natural and functional classification:

	<i>Campus and central operations</i>	<i>Weekend experiences</i>	<i>YouVersion</i>	<i>Next generation</i>	<i>Local and global missions</i>	<i>LifeGroups</i>	<i>Free resources</i>
<b>Program Expenses:</b>							
Direct ministry expense	\$ 554,052	\$ 4,033,657	\$ 87,480	\$ 2,148,486	\$ 10,107,597	\$ 237,976	\$ 12,503
Marketing and communications	544,890	1,524,551	4,860,172	79,266	4,911	21,335	70,098
Facilities and equipment	25,045,503	2,022,530	5,691,573	510,685	28,670	69,354	109,598
Personnel related expenses	4,313,631	1,648,981	662,436	670,232	183,508	240,924	70,175
Contractors and consulting	652,511	6,155,359	3,058,217	1,090,702	13,518	21,592	148,979
Salaries and benefits	21,596,697	19,014,064	14,096,103	16,262,835	993,965	6,848,103	870,862
Depreciation and amortization	5,456,456	3,900,928	490,463	3,430,484	-	3,728	474,375
<b>Total Program Expenses</b>	<b>\$ 58,163,740</b>	<b>\$ 38,300,070</b>	<b>\$ 28,946,444</b>	<b>\$ 24,192,690</b>	<b>\$ 11,332,169</b>	<b>\$ 7,443,012</b>	<b>\$ 1,756,590</b>
<b>Expenses:</b>							
	<b>Program Expenses</b>	<b>General and administrative</b>	<b>Total</b>				
Direct ministry expense	\$ 17,181,751	\$ 470,258	\$ 17,652,009				
Marketing and communications	7,105,223	60,893	7,166,116				
Facilities and equipment	33,477,913	3,469,270	36,947,183				
Personnel related expenses	7,789,887	1,217,302	9,007,189				
Contractors and consulting	11,140,878	1,144,181	12,285,059				
Salaries and benefits	79,682,629	11,795,581	91,478,210				
Depreciation and amortization	13,756,434	263,969	14,020,403				
<b>Total Expenses</b>	<b>\$ 170,134,715</b>	<b>\$ 18,421,454</b>	<b>\$ 188,556,169</b>				

## Note 10 – Liquidity and Availability of Financial Assets

As of December 31, 2022, Life.Church's financial assets available within one year for general expenditures, are as follows:

<b>Financial resources:</b>	
Cash and cash equivalents	\$ 1,932,667
Investments	100,281,467
Other receivables	<u>7,841,781</u>
<b>Financial assets available in one year</b>	<b>110,055,915</b>
<b>Liquidity resources:</b>	
Bank line of credit available balance, less liquidity maintenance	<u>19,930,000</u>
<b>Total financial assets and other liquidity resources</b>	<b><u>\$ 129,985,915</u></b>

Investments in private equity, totaling \$1,799,928, are subject to selling restrictions and therefore not available for general expenditure. Beneficial interest in assets held by others, consisting of donor-restricted endowments and income restricted for a specific purpose, are also not available for general expenditure. Other financial assets with donor-imposed restrictions are available for general expenditure, as the nature of the restrictions are ministry related.

As part of Life.Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures (inclusive of real estate purchases), liabilities, and other obligations come due. Life.Church invests cash in excess of daily requirements in short-term investments and currently maintains strategic reserves of an estimated two months of critical expenses, included in investments, as well as a line of credit with an available amount of \$19,930,000, excluding the liquidity maintenance requirement of \$25,000,000 (see Note 6). These amounts combined exceed three months of average operational expenses, as of December 31, 2022.

## **Note 11 – Commitments and Contingencies**

Life.Church self-insures its employee's health and dental insurance coverage. Under the health program, Life.Church provides for health costs of up to \$200,000 per employee per year, while the excess cost policy provides for losses over that amount. Under the dental program, Life.Church provides for health costs of up to \$1,500 per employee per year. Provisions for losses expected under the self-insurance programs are recorded based upon Life.Church's estimates of the liability for claims incurred and totaled approximately \$1,323,000 at December 31, 2022 and are included in the liabilities of the accompanying consolidated financial statement of position.

At December 31, 2022, Life.Church was under contract for the remodel of a building in Oklahoma and the construction of buildings in Iowa, Texas, Colorado, Florida, and Oklahoma. The unbilled amount of these contracts totaled approximately \$35,200,000 as of December 31, 2022 and will be paid as construction is completed. Construction on these properties should be substantially complete in 2023.