

**ELife Church**  
**D.B.A. Experience Life Church**

**Financial Statements**  
and  
Independent Auditor's Report

**December 31, 2012 and 2011**

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### **Independent Auditor's Report**

To the Board of Directors  
ELife Church D.B.A. Experience Life Church

We have audited the accompanying financial statements of ELife Church D.B.A. Experience Life Church (the Church), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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.

#### **Auditor's 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 opinions.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ELife Church, D.B.A. Experience Life Church, as of December 31, 2012 and 2011, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma  
April 3, 2013



ELife Church  
D.B.A. Experience Life Church

**Statements of Financial Position**

December 31,

	2012	2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 982,500	\$ 819,405
Prepays and other assets	46,528	104,609
Total current assets	<u>1,029,028</u>	<u>924,014</u>
<b>Property and Equipment</b>		
Land	552,363	552,363
Buildings and improvements	2,177,240	2,150,410
Furniture and equipment	543,181	371,974
Construction in progress	3,310,645	154,373
Accumulated depreciation	(321,481)	(90,401)
Net property and equipment	<u>6,261,948</u>	<u>3,138,719</u>
Total Assets	<u>\$ 7,290,976</u>	<u>\$ 4,062,733</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 462,697	\$ 40,281
Accrued liabilities	15,252	10,218
Notes payable, current portion	105,731	13,062
Total current liabilities	<u>583,680</u>	<u>63,561</u>
<b>Notes Payable, Net of Current Portion</b>	<u>1,719,513</u>	<u>416,327</u>
Total liabilities	2,303,193	479,888
<b>Net Assets</b>		
Unrestricted	<u>4,987,783</u>	<u>3,582,845</u>
Total Liabilities and Net Assets	<u>\$ 7,290,976</u>	<u>\$ 4,062,733</u>

The accompanying notes are an integral part of these financial statements.

ELife Church  
D.B.A. Experience Life Church

**Statements of Activities**

Years Ended December 31,

	2012	2011
<b>Revenues and Other Support</b>		
Tithes and offerings	\$ 4,363,538	\$ 3,553,102
<b>Program Expenses</b>		
Ministry expense	2,212,739	1,506,241
Missions	302,555	281,227
Total program expenses	2,515,294	1,787,468
<b>Supporting Services</b>		
Administration	443,306	388,248
Total expenses	2,958,600	2,175,716
<b>Increase in Net Assets</b>	1,404,938	1,377,386
<b>Net Assets at Beginning of Year</b>	3,582,845	2,205,459
<b>Net Assets at End of Year</b>	\$ 4,987,783	\$ 3,582,845

The accompanying notes are an integral part of these financial statements.

ELife Church  
D.B.A. Experience Life Church

**Statements of Cash Flows**

Years Ended December 31,

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 1,404,938	\$ 1,377,386
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Contributions restricted for long-term purposes	-	(38,975)
Depreciation expense	231,080	75,727
(Increase) decrease in prepaids and other assets	58,081	(78,707)
Increase (decrease) in accounts payable	422,416	(15,260)
Increase in accrued liabilities	5,034	376
Net cash provided by operating activities	<u>2,121,549</u>	<u>1,320,547</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	<u>(3,354,309)</u>	<u>(1,984,767)</u>
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for long-term purposes	-	38,975
Advances on long-term debt	1,510,698	-
Payments on long-term debt	<u>(114,843)</u>	<u>(12,551)</u>
Net cash provided by financing activities	<u>1,395,855</u>	<u>26,424</u>
<b>Increase (Decrease) in Cash</b>	163,095	(637,796)
<b>Cash at Beginning of Year</b>	<u>819,405</u>	<u>1,457,201</u>
<b>Cash at End of Year</b>	<u>\$ 982,500</u>	<u>\$ 819,405</u>

The accompanying notes are an integral part of these financial statements.

**Notes to Financial Statements**

December 31, 2012 and 2011

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**Note A - Summary of Significant Accounting Policies**

*1. Organization and Mission*

ELife Church D.B.A. Experience Life Church (the "Church") is incorporated in the State of Texas as a not for-profit religious organization. The Church's function is to provide pastoral leadership and direction in the West Texas area. The vision of the Church is to help people experience all God has for them in this life by experiencing a life-changing relationship with Jesus, by experiencing biblical community, and by experiencing sacrificial service.

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation and has no information or income tax reporting requirement.

*2. Basis of Accounting*

The financial statements of the Church have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

*3. Use of Estimates*

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

*4. Cash*

Cash consists of cash on hand, demand deposits and savings accounts. Cash balances from time to time exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Church has not experienced any losses on cash deposits and believes it is not exposed to any significant cash credit risk.

Interest paid and incurred during 2012 and 2011 was \$28,548 and \$17,449, respectively.

*5. Property and Equipment*

Property and equipment are stated at cost. The Church primarily capitalizes purchases exceeding \$2,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	15 to 20 years
Furniture and equipment	3 to 10 years

Depreciation expense for 2012 and 2011 was \$231,080 and \$75,727, respectively.

## **Notes to Financial Statements**

December 31, 2012 and 2011

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### **Note A - Summary of Significant Accounting Policies - Continued**

#### *6. Revenue Recognition*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restrictions expire in the same fiscal year in which the contributions are recognized, contributions that are restricted by the donor are reported as increases in unrestricted net assets. Revenues and support for the Church are primarily derived from unrestricted contributions from the Church membership.

#### *7. Donated Services*

No amounts have been reflected in the financial statements for donated services. The Church pays for most services requiring specific expertise. A large number of people contribute significant amounts of time to the activities of the Church without compensation. The financial statements do not reflect the value of those contributed services.

#### *8. Advertising Costs*

Advertising costs are expensed as incurred and were approximately \$130,000 and \$65,300 in 2012 and 2011, respectively.

#### *9. Subsequent Events*

The Church has evaluated subsequent events through April 3, 2013, the date which the financial statements were available to be issued.

### **Note B - Property and Equipment**

In 2010, the Church purchased land on the south side of Lubbock in the amount of \$400,222 for the future site of another church location. During 2012, the Church began construction of the new building. The total cost of construction is estimated to be approximately \$4,453,000 to be completed in 2013. Interest incurred and capitalized during 2012 was approximately \$14,100.

### **Note C - Commitment and Contingencies**

In December 2011, the Church entered into a lease agreement for the use of space in Amarillo Texas for another church location. The lease is a six month lease agreement beginning January 2012. The Church is currently leasing the space month to month.



**Notes to Financial Statements**

December 31, 2012 and 2011

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**Note D - Long-term Debt**

During 2010, the Church entered into a 5-year note payable with South Central Investment Co, LLC for \$445,000. The note carries a fixed annual interest rate of 4.00 percent and requires monthly payments of \$2,500, maturing on September 1, 2015. The note is secured by real property and had a balance at December 31, 2012 and 2011 of \$314,546 and \$429,389, respectively.

During 2012, the Church entered into a construction loan agreement with a financial institution in the amount of \$4,219,400 for the construction of the Church's Southwest location. The note is secured by real property and had a balance at December 31, 2012 of \$1,510,698. As of March 2013, the Church does not anticipate borrowing the full amount of the loan. The Church is required to make monthly payments of interest only on the outstanding balance payable on the 13<sup>th</sup> of each month through the maturity of the construction loan agreement of May 13, 2013. At May 13, 2013, the note shall convert to a long-term loan agreement with 107 monthly installments due on the 13<sup>th</sup> of each month with the remaining balance due April 13, 2022. Monthly installments will be based on a 15 year amortization of amount drawn as of April 13, 2013. The interest rate through April 13, 2018 shall be at a fixed rate of 4.25% per annum. Beginning April 13, 2018, interest shall adjust to a fixed rate equal to the current "Prime Rate" in the "Money Rate" section of The Wall Street Journal southwest edition, and remain fixed until maturity.

Annual maturities of long-term debt are as follows: \$105,731 due in 2013, \$157,483 due in 2014, \$425,017 due in 2015, \$157,958 due in 2016, \$164,804 due in 2017 and \$814,251 due thereafter.