

**LUTHERAN ELEMENTARY
SCHOOL ASSOCIATION**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION

CONTENTS

	<u>Pages</u>
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	1
Statement of Activities	2
Statement of Functional Expenses	3
Statement of Cash Flows	4
Notes to Financial Statements	5-15

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lutheran Elementary School Association

We have audited the accompanying financial statements of Lutheran Elementary School Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the fiscal year 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 audit. We conducted our audit 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 of 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Elementary School Association as of June 30, 2021, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Lutheran Elementary School Association's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Fick, Eggemeyer, and Williamson CPAs
Saint Louis, Missouri
August 24, 2021

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 935,991	\$ 760,668
Investments	10,343,691	7,933,791
Grants receivable	57,000	57,000
Other assets	71,345	69,422
Total current assets	11,408,027	8,820,881
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation	9,203	8,674
Total noncurrent assets	9,203	8,674
Total assets	\$ 11,417,230	\$ 8,829,555
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payroll taxes payable	\$ 4,594	\$ 4,243
Other liabilities	761	936
Notes payable	55,711	56,000
Total current liabilities	61,066	61,179
NONCURRENT LIABILITIES		
None	-	-
Total noncurrent liabilities	-	-
Total liabilities	61,066	61,179
NET ASSETS		
Without donor restriction	832,456	1,039,202
With donor restriction	10,523,708	7,729,174
Total net assets	11,356,164	8,768,376
Total liabilities and net assets	\$ 11,417,230	\$ 8,829,555

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
SUPPORT AND REVENUE				
Contributions	\$ 416	\$ 825,641	\$ 826,057	\$ 352,071
Dues	31,266	-	31,266	31,375
PPP loan forgiveness	56,000	-	56,000	-
Fundraising	413,171	-	413,171	335,528
Total support and revenue	500,853	825,641	1,326,494	718,974
Net assets released from restrictions				
Satisfaction of restrictions	358,908	(358,908)	-	-
Total	859,761	466,733	1,326,494	718,974
EXPENSES				
Program	943,704	-	943,704	841,161
Total program expenses	943,704	-	943,704	841,161
Support expenses				
General and administration	9,165	-	9,165	20,437
Fundraising	113,638	-	113,638	167,746
Total support expenses	122,803	-	122,803	188,183
Total expenses	1,066,507	-	1,066,507	1,029,344
Changes in net assets from operations	(206,746)	466,733	259,987	(310,370)
INVESTMENT ACTIVITIES				
Dividend and interest income	-	199,088	199,088	214,397
Realized gain/(loss) on securities	-	979,728	979,728	61,048
Unrealized gain/(loss) on securities	-	1,231,132	1,231,132	(75,152)
Investment fees	-	(82,147)	(82,147)	(75,494)
Donor endowment allocations	-	-	-	(12,577)
Total investment activities	-	2,327,801	2,327,801	112,222
Changes in net assets	(206,746)	2,794,534	2,587,788	(198,148)
Net assets - beginning of year	1,039,202	7,729,174	8,768,376	8,966,524
Net assets - end of year	\$ 832,456	\$ 10,523,708	\$ 11,356,164	\$ 8,768,376

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	Program	General and Administration	Fundraising	2021 Total	2020 Total
Salaries	\$ 231,047	\$ 5,501	\$ 38,508	\$ 275,056	\$ 258,650
Payroll taxes	13,131	313	2,189	15,633	14,426
Employee benefits	40,348	961	6,725	48,034	44,843
Scholarships	558,500	-	-	558,500	510,001
Fundraising	-	-	49,484	49,484	61,240
Joint marketing	26,043	620	4,340	31,003	32,608
Rent	20,306	533	3,728	24,567	22,458
Office supplies	1,399	33	233	1,665	1,131
Telephone	2,795	66	467	3,328	3,479
Educator development	524	237	1,658	2,419	2,172
Postage and printing	4,079	97	680	4,856	5,576
Professional development	11,454	48	339	11,841	17,126
Professional fees	4,116	98	686	4,900	4,785
Depreciation	2,906	69	484	3,459	2,789
Insurance	4,339	103	723	5,165	3,574
Travel	1,288	31	214	1,533	3,642
Curriculum guides	-	-	-	-	6,726
Counseling	8,892	212	1,482	10,586	11,206
Other	5,216	68	478	5,762	5,985
Computer maintenance	5,390	129	898	6,417	4,852
STEM programming	1,931	46	322	2,299	8,806
Student assessment support	-	-	-	-	3,269
Total	<u>\$ 943,704</u>	<u>\$ 9,165</u>	<u>\$ 113,638</u>	<u>\$ 1,066,507</u>	<u>\$ 1,029,344</u>

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,587,788	\$ (198,148)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,459	2,789
Net realized (gain)/loss on securities	(979,728)	(61,048)
Net unrealized (gain)/loss on securities	(1,231,132)	75,152
PPP loan forgiveness	(56,000)	-
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	-	4,000
(Increase) decrease in other receivables	-	1,500
(Increase) decrease in other assets	(1,923)	(1,850)
Increase (decrease) in accounts payable	-	(1,495)
Increase (decrease) in payroll taxes payable	351	307
Increase (decrease) in pension payable	-	(1,565)
Increase (decrease) in deferred revenue	-	(4,620)
Increase (decrease) in other liabilities	(175)	505
Net cash provided by (used in) operating activities	<u>322,640</u>	<u>(184,473)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,988)	(7,888)
Purchases of investments	(199,040)	-
Proceeds from sales of investments	-	145,690
Net cash provided by (used in) investing activities	<u>(203,028)</u>	<u>137,802</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	<u>55,711</u>	<u>56,000</u>
Net cash provided by (used in) financing activities	<u>55,711</u>	<u>56,000</u>
Net increase (decrease) in cash and cash equivalents	175,323	9,329
Cash and cash equivalents - beginning of year	<u>760,668</u>	<u>751,339</u>
Cash and cash equivalents - end of year	<u><u>\$ 935,991</u></u>	<u><u>\$ 760,668</u></u>

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Association

The Lutheran Elementary School Association (the "Association") is a recognized service Association, designated by the Board of Congregational Services of The Lutheran Church - Missouri Synod. The Association serves the Metropolitan St. Louis Area by providing funding to support scholarships for underprivileged youth to attend private metro-area schools and educational resources to member schools. The Association's support comes primarily from individual donors' contributions and various religious and social agency grants.

New Accounting Pronouncement

As of July 1, 2020 the Association adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that replaces previously existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Adoption of ASU 2014-09 will have no impact on the previously reported financial statements.

Basis of Accounting

The financial statements of the Association have been prepared on an accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements of the Association have been prepared in accordance with the accrual basis of accounting. The Association reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The Association considers all highly liquid investments and certificates of deposit with a maturity of three months or less to be cash equivalents.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

Grants receivable represent amounts due to the Association that have not been collected. Grants receivable for the fiscal years ended June 30, 2021 and 2020 were \$57,000 and \$57,000, respectively. Based upon management's estimated collections, a provision for doubtful accounts has not been established as management considers all accounts to be collectible as of June 30, 2021 and 2020.

Investments

The Association has adopted "Accounting for Certain Investments Held by Non-Profit Associations". Under the standard, investments with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated assets, at their estimated fair market value on the date of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Currently, assets are depreciated over useful lives of five to seven years. Expenditures for repairs and maintenance are charged to operating expense as incurred. Depreciation expense for the fiscal years ended June 30, 2021 and 2020 was \$3,459 and \$2,789, respectively.

Contributed Services

The Association receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction, depending on the nature of the restriction, is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Association is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The Association adopted the provisions of Accounting for Uncertainty in Income Taxes on July 1, 2010. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of June 30, 2021, no amounts have been recognized for uncertain tax positions. The Association's tax returns filed for fiscal year 2017 and prior are closed.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's program services and support services. Nonoperating activities are limited to resources that generate a return on investment and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Joint Marketing

The Association uses joint marketing to promote its programs among the audiences it serves. Marketing costs are expensed as incurred. For fiscal years 2021 and 2020, marketing expenses were \$31,003 and \$32,608, respectively.

Comparative Data

The amounts shown for the fiscal year ended June 30, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 totals are not intended to present all information necessary for a fair presentation in conformity with the accrual basis of accounting. Such information should be read in conjunction with the Association's financial statements for the year fiscal year ended June 30, 2020, from which the summarized information was derived.

Note 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between general and administration, fundraising, or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

Note 3 - CONCENTRATION OF CREDIT RISK

The carrying amount of the Association's deposits held at Lutheran Federal Credit Union as of June 30, 2021, and 2020 totaled \$244,646 and \$126,064, respectively. Bank balances totaled \$252,608 and \$137,223, respectively. As of June 30, 2021, \$250,000 of the bank balance was insured by the Federal Deposit Insurance Corporation (FDIC) and \$2,608 was unsecured. As of June 30, 2020, the entire bank balance of \$137,223 was secured by FDIC coverage.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 3 - CONCENTRATION OF CREDIT RISK (continued)

The carrying amount and bank balance of the Association's deposits held at the Lutheran Church Extension Fund as of June 30, 2021 and 2020 totaled \$402,234 and \$251,224, respectively. The entire bank balances were unsecured as of June 30, 2021 and 2020.

The carrying amount of the Association's investments held at Lutheran Legacy Foundation and Youth Bridge Community Foundation as of June 30, 2021 and 2020 totaled \$6,358,670 and \$5,020,252, respectively. The entire investment balances were unsecured as of June 30, 2021 and 2020.

The carrying amount of the Association's cash and investments held at United Missouri Bank as of June 30, 2021 and 2020 totaled \$4,243,883 and \$3,266,990, respectively. As of June 30, 2021, \$247,741 of cash and \$250,000 of investments were insured by the Securities Investor Protection Corporation (SIPC), leaving \$3,746,142 of investments unsecured. As of June 30, 2020, \$250,000 of cash and \$250,000 of investments were insured by the Securities Investor Protection Corporation (SIPC), leaving \$94,261 of cash and \$2,672,730 of investments unsecured.

Note 4 - GRANTS RECEIVABLE

The following grants were receivable at June 30, 2021 and 2020:

	2021	2020
Serving Children Through Lutheran Schools 2020-2021	\$ -	\$ 57,000
Serving Children Through Lutheran Schools 2021-2022	57,000	-
Total	<u>\$ 57,000</u>	<u>\$ 57,000</u>

Note 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2021 and 2020:

	2021	2020
Computer equipment	\$ 9,578	\$ 10,336
Office furniture and equipment	600	800
STEM equipment	7,288	7,288
Total depreciable property	17,466	18,424
Accumulated depreciation	(8,263)	(9,750)
Property and equipment, net	<u>\$ 9,203</u>	<u>\$ 8,674</u>

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 6 - INVESTMENTS

Fair Value Measurements

Financial Accounting Standards Board Statement *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under *Fair Value Measurements* are described below:

- Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2* - Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for fiscal 2021.

Mutual, equity, and fixed income funds: Valued at the net asset value of shares held by the Association at year-end.

Common stocks and exchange-traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Municipal, corporate, and U.S. government bonds: Valued by the investment administrator holding the securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Funds held by the Lutheran Legacy Foundation (LLF) and Youth Bridge Community Foundation (YB) are pooled with other investor accounts and invested jointly. LLF and YB both value the investment pools based on published closing prices of various securities on active exchanges.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2021:

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 6 - INVESTMENTS (continued)

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 1,875,438	\$ -	\$ 136,842	\$ 2,012,280
Fixed income funds	104,253	-	78,546	182,799
Common stocks	878,452	-	-	878,452
Corporate bonds	-	713,262	-	713,262
Municipal bonds	-	5,258	-	5,258
Government bonds	-	419,479	-	419,479
Securities held by LLF	-	-	6,132,161	6,132,161
Total	<u>\$ 2,858,143</u>	<u>\$ 1,137,999</u>	<u>\$ 6,347,549</u>	<u>\$ 10,343,691</u>

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equity funds	\$ 1,243,285	\$ -	\$ 114,395	\$ 1,357,680
Fixed income funds	104,183	-	65,211	169,394
Common stocks	715,363	-	-	715,363
Corporate bonds	-	550,393	-	550,393
Municipal bonds	-	15,679	-	15,679
Government bonds	-	293,845	-	293,845
Securities held by LLF	-	-	4,831,437	4,831,437
Total	<u>\$ 2,062,831</u>	<u>\$ 859,917</u>	<u>\$ 5,011,043</u>	<u>\$ 7,933,791</u>

The tables below set forth a summary of changes in the fair value of the Association's level 3 assets for the fiscal year ended June 30, 2021 and 2020:

	2021	2020
	Securities held by LLF	Securities held by LLF
Balance - beginning of year	\$ 4,831,437	\$ 4,913,140
Realized gain (loss)	1,213,545	29,543
Unrealized gain (loss)	243,546	(9,051)
Interest and dividends	127,962	120,640
Investment fees	(54,418)	(47,751)
Deposits	30,688	7,500
Disbursements	(260,599)	(182,584)
Balance - end of year	<u>\$ 6,132,161</u>	<u>\$ 4,831,437</u>

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 6 - INVESTMENTS (continued)

	2021	2020
	Securities held by YB	Securities held by YB
Balance - beginning of year	\$ 179,606	\$ 170,518
Realized gain (loss)	14,115	4,786
Unrealized gain (loss)	27,096	268
Interest and dividends	3,797	4,218
Investment fees	(1,042)	(915)
Deposits	94	750
Disbursements	(8,278)	(19)
Balance - end of year	<u>\$ 215,388</u>	<u>\$ 179,606</u>

Note 7 - NOTES PAYABLE

In April 2020, the Association received loan proceeds in the amount of \$56,000 under the Paycheck Protection Program ("PPP"). The PPP is administered by the Small Business Administration. The loan and accrued interest are forgivable after eight to twenty-four weeks as long as the Association uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Association reduces payroll during the eight to twenty-four week period. The unforgiven portion of the PPP loan is payable over a two-year period at an interest rate of 1%, with a deferral of payments for the first six months. The loan may be prepaid by the Association at any time prior to maturity with no prepayment penalties. On April 14, 2021, the entire loan balance was forgiven, and \$56,000 was recorded as PPP loan forgiveness on the statement of activities. The balance as of June 30, 2021 and 2020 was \$0 and \$56,000, respectively.

In January 2021, the Association received additional loan proceeds in the amount of \$55,711 under the Paycheck Protection Program ("PPP"). The Association intends to use the proceeds for purposes consistent with the PPP. The Association currently believes that its use of the loan proceeds will meet the conditions for forgiveness. As of June 30, 2021, the Association had not yet requested loan forgiveness, and the loan balance was \$55,711.

Note 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include assets that have been restricted for a specific purpose or period. Assets with a purpose restriction must be used for the intended purpose specified by the donor. The restriction expires when the stipulated purpose for which the resource was restricted has been fulfilled. Assets with a period restriction must be used during the period the donor has restricted them for, which can be temporary or permanent in nature. All donor-restricted endowment funds held by the Association are considered permanently restricted, and earnings on the endowments are considered purpose restricted.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes or periods:

	2021		2020	
	Purpose	Period	Purpose	Period
Endowment funds	\$ -	\$ 6,559,609	\$ -	\$ 6,048,867
Endowment funds				
Scholarships	2,295,637	-	1,259,753	-
Operations and programming	1,078,117	-	320,384	-
Lutheran education	57,000	-	57,000	-
STEM programming	9,462	-	60	-
Other scholarships	168,566	-	-	-
Other operations and programming	355,317	-	43,110	-
Total	<u>\$ 3,964,099</u>	<u>\$ 6,559,609</u>	<u>\$ 1,680,307</u>	<u>\$ 6,048,867</u>

Note 9 - AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets at June 30, 2021 and 2020:

Financial assets at year-end:	2021	2020
Cash and cash equivalents	\$ 935,991	\$ 760,668
Investments	10,343,691	7,933,791
Grants receivable	57,000	57,000
Total financial assets at year-end	<u>11,336,682</u>	<u>8,751,459</u>
Less amounts not available for general expenditures:		
Net assets with period restrictions in excess of one year	6,559,609	6,048,867
Net assets with purpose restrictions	3,964,099	1,680,307
Total amounts not available to meet general expenditures	<u>10,523,708</u>	<u>7,729,174</u>
Financial assets available to meet general expenditures within one year	<u>\$ 812,974</u>	<u>\$ 1,022,285</u>

Note 10 - DONOR RESTRICTED & BOARD DESIGNATED ENDOWMENTS

The Association's endowments consist of six funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2021 follows:

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 10 - DONOR RESTRICTED & BOARD DESIGNATED ENDOWMENTS (continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment corpus	\$ -	\$ 6,559,609	\$ 6,559,609
Donor restricted endowment earnings	-	3,373,754	3,373,754
Board designated endowment funds			
Scholarships	517,201	-	517,201
Operating and programming	149,777	-	149,777
Total endowment funds	<u>\$ 666,978</u>	<u>\$ 9,933,363</u>	<u>\$ 10,600,341</u>

Changes in endowments net assets as of June 30, 2021 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 564,349	\$ 7,629,004	\$ 8,193,353
Contributions	-	235,296	235,296
Investment return, net	102,629	2,327,801	2,430,430
Released from restrictions	-	(258,738)	(258,738)
Endowment net assets - end of year	<u>\$ 666,978</u>	<u>\$ 9,933,363</u>	<u>\$ 10,600,341</u>

Endowment net asset composition by type of fund as of June 30, 2020 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment corpus	\$ -	\$ 6,048,867	\$ 6,048,867
Donor restricted endowment earnings	-	1,580,137	1,580,137
Board designated endowment funds			
Scholarships	430,479	-	430,479
Operating and programming	133,870	-	133,870
Total endowment funds	<u>\$ 564,349</u>	<u>\$ 7,629,004</u>	<u>\$ 8,193,353</u>

Changes in endowments net assets as of June 30, 2020 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 562,519	\$ 7,958,291	\$ 8,520,810
Reclassifications of net assets	-	685	685
Contributions	1,830	325,779	327,609
Investment return, net	-	124,799	124,799
Released from restrictions	-	(780,550)	(780,550)
Endowment net assets - end of year	<u>\$ 564,349</u>	<u>\$ 7,629,004</u>	<u>\$ 8,193,353</u>

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 11 - OPERATING LEASES

- I. In July 2016, the Association entered a five-year operating lease with South Towne LLC for office space. Over the term of the lease, minimum monthly lease payments range from \$1,641 to \$1,953. Upon termination, the lease does not subject the Association to any additional minimum lease payments. As of June 30, 2021, the future minimum lease payments follow:

For the fiscal years ending June 30,

2022	\$	1,953
Total	\$	<u>1,953</u>

- II. In January 2018, the Association entered an operating lease for a copier starting in March 2018. Minimum monthly lease payments are \$305 for a term of 60 months. Upon termination, the lease does not subject the Association to any additional minimum lease payments. As of June 30, 2021, the future minimum lease payments follow:

For the fiscal years ending June 30,

2022	\$	3,657
2023		<u>2,438</u>
Total	\$	<u>6,095</u>

Lease expenses associated with these leases were \$27,227 and \$26,251 for the fiscal years ending June 30, 2021, and 2020, respectively.

Note 12 - LINE OF CREDIT

The Association renewed a \$250,000 line of credit with UMB Bank on April 14, 2021 that matures on June 30, 2022. The line of credit carries a variable interest rate with a minimum of 3.50% per annum. The balance as of June 30, 2021 and 2020 was \$0.

Note 13 - REVENUE RECOGNITION UNDER ASU 2014-09

Contracts with Customers

As of June 30, 2021, and 2020, revenue from dues received from members totaled \$31,266 and \$31,375, respectively. No impairment losses were recognized on receivables or contract assets.

Disaggregated Revenue

Membership dues are recognized over time. Membership revenue is earned from Lutheran schools and early childhood centers across several counties in Missouri and Illinois, and the number of members does not change significantly from year to year. Hence, economic factors do not materially affect the nature, timing, and uncertainty of revenues or cash flows from membership dues.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 13 - REVENUE RECOGNITION UNDER ASU 2014-09 (continued)

Contract Balances

As of June 30, 2021 and 2020, the ending contract-type balances were both \$0.

Performance Obligations

Contract performance for membership obligations is satisfied over time during the course of each fiscal year of membership.

The Association does not charge interest on accounts receivable and has no formal obligation to its members for refunds of dues or conference fees.

Significant Judgements

Membership dues are set by the Association's Advisory Council. As a result, management utilizes judgement in the recognition of membership dues. During fiscal 2021, there were no changes in recognition methodology. Also, during fiscal 2021 there were no changes in the judgements utilized for determining the timing of the satisfaction of performance obligations or transaction prices allocated to performance obligations.

The output method is used to recognize revenue for performance obligations satisfied over time, and that method was applied by recognizing annual membership dues for a given membership year monthly over the course of the membership year.

Adjusting consideration for the effects of the time value of money is not necessary for the Association's receivables. Further, the financial statements include no estimates of variable consideration or noncash consideration.

There have been no allocations of transaction prices, including estimates of standalone selling prices of goods or services promised, or allocation of discounts and variable consideration to a particular part of a contract.

Practical Expedients Used for Financing Components

There is no financing component to the Association's recognition of revenue.

Transition Disclosures

The Lutheran Elementary School Association adopted ASC 606 on July 1, 2020, and it was applied retrospectively using the *Modified Retrospective Method*. The difference between contract-type revenue using prior revenue recognition methods and revenue using new guidance is \$0. The practical expedient used to analyze the effect of the adoption of ASC 606 was the *Right to Invoice* expedient. There was no difference in methods used for recognition of contract revenue with members versus contracts with non-members.

Note 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 24, 2021, the date which the financial statements were available for issue, and noted no reportable events.