

**LUTHERAN ELEMENTARY
SCHOOL ASSOCIATION**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lutheran Elementary School Association

Opinion

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, 2023, 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.

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, 2023, and the changes in 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lutheran Elementary School Association 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Elementary School Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements.

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 risks of material misstatement of the 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 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 Lutheran Elementary School Association'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 the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Elementary School Association'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.

Report on Summarized Comparative Information

We have previously audited Lutheran Elementary School Association's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, 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
October 30, 2023

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,021,663	\$ 1,052,073
Investments	8,993,469	8,597,502
Grants receivable	55,000	23,000
Pledges and dues receivable	6,029	-
Other assets	76,735	73,132
Total current assets	<u>10,152,896</u>	<u>9,745,707</u>
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation	<u>13,988</u>	<u>10,375</u>
Total noncurrent assets	<u>13,988</u>	<u>10,375</u>
Total assets	<u><u>\$ 10,166,884</u></u>	<u><u>\$ 9,756,082</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 869	\$ -
Payroll taxes payable	7,042	6,337
Other liabilities	<u>-</u>	<u>2,436</u>
Total current liabilities	<u>7,911</u>	<u>8,773</u>
NONCURRENT LIABILITIES		
None	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>7,911</u>	<u>8,773</u>
NET ASSETS		
Without donor restriction	1,175,862	1,026,717
With donor restriction	<u>8,983,111</u>	<u>8,720,592</u>
Total net assets	<u>10,158,973</u>	<u>9,747,309</u>
Total liabilities and net assets	<u><u>\$ 10,166,884</u></u>	<u><u>\$ 9,756,082</u></u>

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restriction	With Donor Restriction	2023 Total	2022 Total
SUPPORT AND REVENUE				
Contributions	\$ 4,017	\$ 365,254	\$ 369,271	\$ 409,634
Dues	34,704	-	34,704	31,429
Debt forgiveness	-	-	-	55,711
Fundraising	390,033	-	390,033	489,887
Total support and revenue	428,754	365,254	794,008	986,661
Net assets released from restrictions				
Satisfaction of restrictions	987,038	(987,038)	-	-
Total	1,415,792	(621,784)	794,008	986,661
EXPENSES				
Program	1,028,512	-	1,028,512	1,020,394
Total program expenses	1,028,512	-	1,028,512	1,020,394
Support expenses				
General and administration	38,095	-	38,095	32,333
Fundraising	203,163	-	203,163	167,914
Total support expenses	241,258	-	241,258	200,247
Total expenses	1,269,770	-	1,269,770	1,220,641
Changes in net assets from operations	146,022	(621,784)	(475,762)	(233,980)
INVESTMENT ACTIVITIES				
Dividend and interest income	3,123	271,305	274,428	326,855
Net realized gain/(loss) on securities	-	854,939	854,939	238,974
Net unrealized gain/(loss) on securities	-	(164,391)	(164,391)	(1,849,448)
Investment fees	-	(77,550)	(77,550)	(91,256)
Total investment activities	3,123	884,303	887,426	(1,374,875)
Changes in net assets	149,145	262,519	411,664	(1,608,855)
Net assets - beginning of year	1,026,717	8,720,592	9,747,309	11,356,164
Net assets - end of year	<u>\$ 1,175,862</u>	<u>\$ 8,983,111</u>	<u>\$ 10,158,973</u>	<u>\$ 9,747,309</u>

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	Program	General and Administration	Fundraising	2023 Total	2022 Total
Salaries	\$ 242,080	\$ 8,966	\$ 47,818	\$ 298,864	\$ 283,657
Payroll taxes	13,703	508	2,707	16,918	17,221
Employee benefits	58,940	2,183	11,643	72,766	57,398
Scholarships	504,350	18,680	99,624	622,654	621,649
Fundraising	64,841	2,402	12,808	80,051	89,151
Joint marketing	22,447	831	4,434	27,712	33,128
Rent	22,994	852	4,542	28,388	24,621
Office supplies	833	31	165	1,029	2,295
Telephone	2,257	84	446	2,787	2,868
Staff development	19,810	734	3,913	24,457	3,621
Professional development	15,094	559	2,982	18,635	13,512
Postage and printing	3,809	141	752	4,702	5,522
Professional fees - staff search	-	-	-	-	17,563
Professional fees - other	17,737	657	3,504	21,898	5,090
Depreciation	4,682	173	925	5,780	4,100
Insurance	4,892	181	966	6,039	7,721
Travel	2,498	93	493	3,084	2,537
Counseling	7,447	276	1,471	9,194	10,796
Other	10,797	400	2,133	13,330	6,067
Computer maintenance	4,839	179	956	5,974	5,827
STEM programming	4,462	165	881	5,508	6,297
Total	<u>\$ 1,028,512</u>	<u>\$ 38,095</u>	<u>\$ 203,163</u>	<u>\$ 1,269,770</u>	<u>\$ 1,220,641</u>

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 411,664	\$ (1,608,855)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,780	4,100
Net realized (gain)/loss on securities	(854,939)	(238,974)
Net unrealized (gain)/loss on securities	164,391	1,849,448
Debt forgiveness	-	(55,711)
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	(32,000)	34,000
(Increase) decrease in pledges and dues receivable	(6,029)	-
(Increase) decrease in other assets	(3,603)	(1,787)
Increase (decrease) in accounts payable	869	-
Increase (decrease) in payroll taxes payable	705	1,743
Increase (decrease) in other liabilities	<u>(2,436)</u>	<u>1,675</u>
Net cash provided by (used in) operating activities	<u>(315,598)</u>	<u>(14,361)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,393)	(5,272)
Proceeds from sales of investments	<u>294,581</u>	<u>135,715</u>
Net cash provided by (used in) investing activities	<u>285,188</u>	<u>130,443</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
None	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(30,410)	116,082
Cash and cash equivalents - beginning of year	<u>1,052,073</u>	<u>935,991</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,021,663</u></u>	<u><u>\$ 1,052,073</u></u>

See accompanying notes and independent auditors' report

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

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 that are 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.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on changes in net assets or cash flows as previously reported.

Comparative Data

The amounts shown for the fiscal year ended June 30, 2022 in the accompanying financial statements are included to provide a basis for comparison with 2023 and present summarized totals only. Accordingly, the 2022 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 fiscal year ended June 30, 2022, from which the summarized information was derived.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

The Association has adopted "Accounting for Certain Investments Held by Non-Profit Organizations". 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.

Grants Receivable

Grants receivable represent amounts due to the Association that have not been collected. Grants receivable for the fiscal years ended June 30, 2023 and 2022 were \$55,000 and \$23,000, respectively. Based on 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, 2023 and 2022.

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. The Association follows the practice of capitalizing all expenditures for capital assets as assets with an initial, individual cost of \$500 or more and a useful life in excess of one year. Currently, assets are depreciated over useful lives of five to seven years. Expenditures for repairs and maintenance are charged to operating expenses as incurred. Depreciation expense for the fiscal years ended June 30, 2023 and 2022 was \$5,780 and \$4,100, respectively.

Contributed Services

The Association receives a significant amount of donated services from unpaid volunteers who assist in fundraising 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.

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 2023 and 2022, marketing expenses were \$27,712 and \$33,128, respectively.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023, no amounts have been recognized for uncertain tax positions. The Association's tax returns filed for the fiscal year 2020 and prior are closed.

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.

New Accounting Pronouncement

During the 2023 fiscal year, the Association adopted ASU 2016-02 Leases (Topic 842), which superseded existing guidance for accounting for leases under Topic 840, Leases. The adoption of the guidance requires the recognition of the remaining value of operating leases as assets and liabilities on the statement of financial position as right-of-use assets and future minimum lease obligations, respectively. Presently, the Association has no material operating leases.

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 and bank balance of the Association's deposits held at the Lutheran Church Extension Fund as of June 30, 2023 and 2022 totaled \$405,810 and \$402,234, respectively. The entire bank balances were uninsured as of June 30, 2023 and 2022.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 3 - CONCENTRATION OF CREDIT RISK (Continued)

The carrying amount of the Association's investments held at Lutheran Legacy Foundation and Youth Bridge Community Foundation as of June 30, 2023 and 2022 totaled \$5,521,797 and \$5,175,322, respectively, including cash deposits of \$0 and \$10,115, respectively. The entire investment balances were uninsured as of June 30, 2023 and 2022.

The carrying amount of the Association's deposits held at Lutheran Federal Credit Union as of June 30, 2023, and 2022 totaled \$256,699 and \$338,250, respectively. Bank balances totaled \$269,778 and \$355,609, respectively. Each depositor is insured by the National Credit Union Share Insurance Fund (NCUA) for up to \$250,000. Of the bank balances, \$19,778 and \$105,609, respectively, were uninsured as of June 30, 2023 and 2022.

The Association maintained investments at United Missouri Bank (UMB). Each depositor is insured by the Securities Investor Protection Corporation (SIPC) for up to \$500,000 of investments, including a \$250,000 limit for cash. As of June 30, 2023 and 2022, total investments were \$3,830,726 and \$3,732,829, respectively, including cash deposits of \$359,054 and \$300,534, respectively. Of the investment balances, \$3,330,726 and \$3,232,829 were uninsured as of June 30, 2023 and 2022.

Note 4 - 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 2023.

Certificates of deposit: Valued at cost, which approximates fair market value.

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

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - INVESTMENTS (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 76,178	\$ -	\$ 76,178
Equity funds	1,427,153	-	146,112	1,573,265
Fixed income funds	92,386	-	59,679	152,065
Common stocks	786,169	-	-	786,169
Corporate bonds	-	404,969	-	404,969
Municipal bonds	-	-	-	-
Government bonds	-	684,817	-	684,817
Securities held by LLF	-	-	5,316,006	5,316,006
Total	<u>\$ 2,305,708</u>	<u>\$ 1,165,964</u>	<u>\$ 5,521,797</u>	<u>\$ 8,993,469</u>

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 13,282	\$ -	\$ 13,282
Equity funds	1,466,935	-	112,153	1,579,088
Fixed income funds	95,385	-	70,375	165,760
Common stocks	836,429	-	-	836,429
Corporate bonds	-	520,301	-	520,301
Municipal bonds	-	5,072	-	5,072
Government bonds	-	494,892	-	494,892
Securities held by LLF	-	-	4,982,678	4,982,678
Total	<u>\$ 2,398,749</u>	<u>\$ 1,033,547</u>	<u>\$ 5,165,206</u>	<u>\$ 8,597,502</u>

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - INVESTMENTS (Continued)

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, 2023 and 2022:

	2023	2022
	Securities held by LLF	Securities held by LLF
Balance - beginning of year	\$ 4,982,678	\$ 6,132,161
Realized gain (loss)	(187,661)	122,783
Unrealized gain (loss)	627,764	(1,260,101)
Interest and dividends	182,546	229,432
Investment fees	(49,727)	(58,576)
Deposits	38,161	68,929
Disbursements	(277,755)	(251,950)
Balance - end of year	<u>\$ 5,316,006</u>	<u>\$ 4,982,678</u>

	2023	2022
	Securities held by YB	Securities held by YB
Balance - beginning of year	\$ 182,528	\$ 215,388
Realized gain (loss)	1,577	9,703
Unrealized gain (loss)	17,118	(38,397)
Interest and dividends	3,325	3,935
Investment fees	(1,011)	(983)
Deposits	10,115	-
Disbursements	(7,861)	(7,118)
Balance - end of year	<u>\$ 205,791</u>	<u>\$ 182,528</u>

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.

Note 5 - GRANTS RECEIVABLE

The following grants were receivable at June 30, 2023 and 2022:

	2023	2022
Serving Children Through Lutheran Schools 2022-2023	\$ -	\$ 23,000
Serving Children Through Lutheran Schools 2023-2024	55,000	-
Total	<u>\$ 55,000</u>	<u>\$ 23,000</u>

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2023 and 2022:

	2023	2022
Computer equipment	\$ 14,149	\$ 14,149
Office furniture and equipment	600	600
Other equipment	17,382	7,989
Total depreciable property	32,131	22,738
Accumulated depreciation	(18,143)	(12,363)
Property and equipment, net	<u>\$ 13,988</u>	<u>\$ 10,375</u>

Note 7 - NOTES PAYABLE

In January 2021, the Association received loan proceeds in the amount of \$55,711 under the Paycheck Protection Program ("PPP"). The PPP is administered by the Small Business Administration. The loan and accrued interest (1%) are forgivable after eight to twenty-four weeks as long as the Association used the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities. On November 14, 2021, the entire loan balance was forgiven and \$55,711 was recorded as debt forgiveness on the statement of activities. The balance as of June 30, 2023 and 2022 was \$0.

Note 8 - AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets at June 30, 2023 and 2022:

Financial assets at year-end:	2023	2022
Cash and cash equivalents	\$ 1,021,663	\$ 1,052,073
Investments	8,993,469	8,597,502
Grants receivable	55,000	23,000
Pledges and dues receivable	6,029	-
Total financial assets at year-end	<u>10,076,161</u>	<u>9,672,575</u>
Less amounts not available for general expenditures:		
Net assets with period restrictions in excess of one year	6,546,817	6,493,156
Net assets with purpose restrictions	2,436,294	2,227,436
Total amounts not available to meet general expenditures	<u>8,983,111</u>	<u>8,720,592</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,093,050</u>	<u>\$ 951,983</u>

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 9 - 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 in perpetuity, and earnings on the endowments are considered purpose restricted.

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes or periods:

	2023		2022	
	Purpose	Period	Purpose	Period
Endowment funds	\$ -	\$ 6,546,817	\$ -	\$ 6,493,156
Scholarships	1,569,391	-	1,336,885	-
Operations and programming	596,092	-	447,652	-
Lutheran education	55,000	-	23,000	-
STEM programming	14,037	-	19,439	-
Other scholarships	192,776	-	152,000	-
Other operations and programming	8,998	-	248,460	-
Total	<u>\$ 2,436,294</u>	<u>\$ 6,546,817</u>	<u>\$ 2,227,436</u>	<u>\$ 6,493,156</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 U.S. GAAP, 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, 2023 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment corpus	\$ -	\$ 6,546,817	\$ 6,546,817
Donor restricted endowment earnings	-	2,165,483	2,165,483
Board Designated endowment funds			
Scholarships	504,923	-	504,923
Operating and programming	135,351	-	135,351
Total endowment funds	<u>\$ 640,274</u>	<u>\$ 8,712,300</u>	<u>\$ 9,352,574</u>

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Changes in endowment net assets as of June 30, 2023 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 630,457	\$ 8,277,693	\$ 8,908,150
Contributions	9,817	29,500	39,317
Investment return, net	2,434	880,051	882,485
Released from restrictions	(2,434)	(474,944)	(477,378)
Endowment net assets - end of year	<u>\$ 640,274</u>	<u>\$ 8,712,300</u>	<u>\$ 9,352,574</u>

Endowment net asset composition by type of fund as of June 30, 2022 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment corpus	\$ -	\$ 6,493,156	\$ 6,493,156
Donor restricted endowment earnings	-	1,784,537	1,784,537
Board Designated endowment funds			
Scholarships	495,106	-	495,106
Operating and programming	135,351	-	135,351
Total endowment funds	<u>\$ 630,457</u>	<u>\$ 8,277,693</u>	<u>\$ 8,908,150</u>

Changes in endowment net assets as of June 30, 2022 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 666,978	\$ 9,933,363	\$ 10,600,341
Contributions	36,503	35,340	71,843
Investment return, net	(73,024)	(1,374,875)	(1,447,899)
Released from restrictions	-	(316,135)	(316,135)
Endowment net assets - end of year	<u>\$ 630,457</u>	<u>\$ 8,277,693</u>	<u>\$ 8,908,150</u>

Note 11 - REVENUE RECOGNITION UNDER ASU 2014-09

Contracts with Customers

As of June 30, 2023 and 2022, revenue from dues received from members totaled \$34,704 and \$31,429, respectively. No impairment losses were recognized on receivables or contract assets.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 11 - REVENUE RECOGNITION UNDER ASU 2014-09 (Continued)

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.

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.

Contract Balances

As of June 30, 2023 and 2022, the ending contract-type balances were both \$0.

Significant Judgments

Membership dues are set by the Association's Advisory Council. As a result, management utilizes judgment in the recognition of membership dues. During fiscal 2023, there were no changes in recognition methodology. Also, during fiscal 2023 there were no changes in the judgments 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.

LUTHERAN ELEMENTARY SCHOOL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 12 - LINE OF CREDIT

In April 2021, the Association entered a \$250,000 line of credit agreement with UMB Bank. The line of credit matured on June 30, 2022, and the Association elected not to renew the agreement. The line of credit carried a variable interest rate with a minimum of 3.50% per annum. The balance as of June 30, 2023 and 2022 was \$0.

Note 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2023, the date which the financial statements were available for issue, and noted no reportable events.

