

LUTHERAN CHURCH OF THE RESURRECTION

Financial Statements
with
Independent Auditor's Report

AUGUST 31, 2020 AND 2019



THE FIRM FOR GROWTH.®

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THE FIRM FOR GROWTH.®

Independent Auditor's Report

Mission and Ministry Leadership Team
Lutheran Church of the Resurrection
St. Louis, Missouri

We have audited the accompanying financial statements of Lutheran Church of the Resurrection (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expense 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 audits 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 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 Church'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 Church'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 Church of the Resurrection as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In March 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” As discussed in Note L to the financial statements, given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Brown Smith Wallace, LLP

St. Louis, Missouri
December 8, 2020

LUTHERAN CHURCH OF THE RESURRECTION

Statements of Financial Position

August 31, 2020 and 2019

(See Independent Auditor's Report)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 433,048	\$ 406,569
Accounts receivable	-	5,000
Notes receivable	5,000	-
Certificates of deposit	248,877	248,877
Prepaid expenses	2,083	419
Investments	341,161	315,653
Property held for sale	62,900	145,000
Property and equipment, net	2,891,164	2,951,515
TOTAL ASSETS	\$ 3,984,233	\$ 4,073,033
LIABILITIES AND NET ASSETS		
Deferred revenue	\$ 66,648	\$ 50,582
Accounts payable	34,536	47,860
Mortgage payable	437,070	725,901
PPP Loan payable	146,500	-
Total Liabilities	684,754	824,343
Net Assets		
Without Donor Restrictions		
Board designated	397,438	531,582
Undesignated	337,192	413,797
Net investment in property and equipment	2,454,094	2,225,614
Total Without Donor Restrictions	3,188,724	3,170,993
With Donor Restrictions		
Purpose restrictions	110,755	77,697
Total Net Assets	3,299,479	3,248,690
TOTAL LIABILITIES AND NET ASSETS	\$ 3,984,233	\$ 4,073,033

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

LUTHERAN CHURCH OF THE RESURRECTION

Statement of Activities

Year Ended August 31, 2020

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
General membership offerings	\$ 931,780	\$ 80,690	\$ 1,012,470
Memorials and bequests	2,715	-	2,715
Total Support	<u>934,495</u>	<u>80,690</u>	<u>1,015,185</u>
Revenues:			
Investment earnings	34,479	-	34,479
Preschool tuition	378,572	-	378,572
Rent and other income	15,922	-	15,922
Total Revenues	<u>428,973</u>	<u>-</u>	<u>428,973</u>
Asset Impairment	(65,425)	-	(65,425)
Net assets released from restrictions	47,632	(47,632)	-
Total support and revenue	<u>1,345,675</u>	<u>33,058</u>	<u>1,378,733</u>
Expenses			
Program:			
Mission	659,571	-	659,571
Preschool	394,596	-	394,596
Youth Group	562	-	562
	<u>1,054,729</u>	<u>-</u>	<u>1,054,729</u>
General and administrative	273,215	-	273,215
Total expenses	<u>1,327,944</u>	<u>-</u>	<u>1,327,944</u>
CHANGE IN NET ASSETS	<u>17,731</u>	<u>33,058</u>	<u>50,789</u>
Net assets at beginning of year	<u>3,170,993</u>	<u>77,697</u>	<u>3,248,690</u>
Net assets at end of year	<u><u>\$ 3,188,724</u></u>	<u><u>\$ 110,755</u></u>	<u><u>\$ 3,299,479</u></u>

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

LUTHERAN CHURCH OF THE RESURRECTION

Statement of Activities

Year Ended August 31, 2019

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
General membership offerings	\$ 909,463	\$ 40,253	\$ 949,716
In-Kind Donation	150,000	-	150,000
Youth Group	19,537	-	19,537
Memorials and bequests	2,758	-	2,758
Total Support	1,081,758	40,253	1,122,011
Revenues:			
Investment earnings	23,053	-	23,053
Preschool tuition	496,408	-	496,408
Rent and other income	50,255	-	50,255
Total Revenues	569,716	-	569,716
Net assets released from restrictions	59,910	(59,910)	-
Total support and revenue	1,711,384	(19,657)	1,691,727
Expenses			
Program:			
Mission	715,980	-	715,980
Preschool	391,306	-	391,306
Youth Group	31,477	-	31,477
	1,138,763	-	1,138,763
General and administrative	297,813	-	297,813
Total expenses	1,436,576	-	1,436,576
CHANGE IN NET ASSETS	274,808	(19,657)	255,151
Net assets at beginning of year	2,896,185	97,354	2,993,539
Net assets at end of year	\$ 3,170,993	\$ 77,697	\$ 3,248,690

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

LUTHERAN CHURCH OF THE RESURRECTION

Statement of Functional Expenses

For the Year Ended August 31, 2020

(See Independent Auditor's Report)

Operating Expenses	Program Services			Total Program Services	General and Administrative	2020 Total Services
	Mission	Preschool	Youth			
Grants and other assistance	\$ 216,080	\$ 501	\$ 562	\$ 217,143	\$ -	\$ 217,143
Salaries and wages	219,362	286,880	-	506,242	-	506,242
Depreciation	2,146	4,328	-	6,474	92,194	98,668
Housing allowance	77,714	-	-	77,714	-	77,714
Altar flowers	1,238	-	-	1,238	-	1,238
Bulletins	3,341	-	-	3,341	-	3,341
Utilities	-	799	-	799	39,456	40,255
Phone/internet	-	2,316	-	2,316	5,942	8,258
Postage	-	-	-	-	724	724
Stewardship	-	-	-	-	9,187	9,187
Music expense	27,826	-	-	27,826	-	27,826
Office	-	5,164	-	5,164	1,638	6,802
Insurance	3,449	3,854	-	7,303	19,878	27,181
Payroll processing	2,209	2,053	-	4,262	-	4,262
Ministry expense	21,719	-	-	21,719	-	21,719
Communications	-	-	-	-	1,628	1,628
Janitorial	-	13,490	-	13,490	18,586	32,076
Repairs	-	2,820	-	2,820	43,798	46,618
Payroll taxes	11,017	22,713	-	33,730	-	33,730
Equipment and supplies	-	12,526	-	12,526	12,093	24,619
Other	3,894	4,607	-	8,501	2,680	11,181
National youth gathering	-	-	-	-	-	-
Interest	-	-	-	-	19,541	19,541
Employee Benefits	69,576	29,408	-	98,984	-	98,984
Bank Fees	-	3,137	-	3,137	5,870	9,007
Total Expenses	\$ 659,571	\$ 394,596	\$ 562	\$ 1,054,729	\$ 273,215	\$ 1,327,944

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

LUTHERAN CHURCH OF THE RESURRECTION

Statement of Functional Expenses

For the Year Ended August 31, 2019

(See Independent Auditor's Report)

Operating Expenses	Program Services			Total Program Services	General and Administrative	2019 Total Services
	Mission	Preschool	Youth			
Grants and other assistance	\$ 211,044	\$ 5,020	\$ -	\$ 216,064	\$ -	\$ 216,064
Salaries and wages	243,807	289,014	-	532,821	-	532,821
Depreciation	1,966	1,333	-	3,299	88,426	91,725
Housing allowance	84,189	-	-	84,189	-	84,189
Altar flowers	2,411	-	-	2,411	-	2,411
Bulletins	5,508	-	-	5,508	-	5,508
Utilities	-	717	-	717	46,926	47,643
Phone	-	1,577	-	1,577	3,314	4,891
Postage	-	-	-	-	990	990
Stewardship	-	-	-	-	7,003	7,003
Music expense	34,057	-	-	34,057	-	34,057
Office	-	9,115	1,118	10,233	3,567	13,800
Insurance	2,698	2,410	-	5,108	19,844	24,952
Payroll processing	4,032	660	-	4,692	-	4,692
Ministry expense	34,920	-	3,978	38,898	-	38,898
Communications	-	-	-	-	1,265	1,265
Janitorial	-	8,338	-	8,338	24,100	32,438
Repairs	-	3,661	-	3,661	54,520	58,181
Payroll taxes	13,848	22,213	-	36,061	-	36,061
Equipment and supplies	-	19,326	-	19,326	11,663	30,989
Other	-	2,270	-	2,270	1,959	4,229
National youth gathering	-	-	26,381	26,381	-	26,381
Interest	-	-	-	-	30,609	30,609
Employee Benefits	77,500	22,058	-	99,558	-	99,558
Bank Fees	-	3,594	-	3,594	3,627	7,221
Total Expenses	\$ 715,980	\$ 391,306	\$ 31,477	\$ 1,138,763	\$ 297,813	\$ 1,436,576

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

LUTHERAN CHURCH OF THE RESURRECTION

Statements of Cash Flows

For the Years Ended August 31, 2020 and 2019

(See Independent Auditor's Report)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 50,789	\$ 255,151
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Impairment of property held for sale	62,900	-
Proceeds from sale of investment	-	5,000
Depreciation	98,668	91,725
Unrealized (gain)/loss on investments	(19,595)	227
In-Kind donation	-	(150,000)
Property held for sale	19,200	-
(Increase) decrease in operating assets		
Prepaid expenses	(1,664)	88
Note receivable	5,000	-
Accounts receivable	-	(5,000)
Increase (decrease) in operating liabilities		
Accounts payable	(13,324)	14,245
Deferred revenue	16,066	1,246
Net cash provided by operating activities	218,040	212,682
Cash flows from investing activities:		
Purchase of investments	(5,913)	(10,941)
Purchase of property and equipment	(38,317)	(7,647)
Note receivable	(5,000)	-
Net cash used in investing activities	(49,230)	(18,588)
Cash flows from financing activities:		
Principal payments made on mortgage payable	(288,831)	(225,401)
Proceeds from PPP loan	146,500	-
Net cash used in financing activities	(142,331)	(225,401)
Net increase (decrease) in cash and cash equivalents	26,479	(31,307)
Cash and cash equivalents, beginning of year	406,569	437,876
Cash and cash equivalents, end of year	\$ 433,048	\$ 406,569
Cash paid during the year for:		
Interest	\$ 19,541	\$ 30,609

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

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note A - Nature of Operations

Lutheran Church of the Resurrection (Church), was organized in 1956 and is an affiliated religious organization of the Lutheran Church – Missouri Synod. The Church's mission is dedicated to spreading the gospel through establishing, developing, and promotion of all aspects of church ministry within Sunset Hills, Missouri and neighboring communities. The Church is supported primarily through contributions from its membership and operation of a preschool.

Note B - Summary of Significant Accounting Policies

Financial Statement Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-205-05, Presentation of Financial Statements of Not for Profit Entities under which the Church is required to report information regarding its financial position and activities according to two classes of net assets. Net Assets, revenues, gains and losses therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in the general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated funds from net assets without donor restrictions for specific operating purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature, such as those that will be met by events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated purpose for which the resource was restricted has been fulfilled.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

Financial Instruments and Credit Risk

The Church manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by the Church to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investment in money market funds. To date, the Church has not experienced losses in any of these accounts. Although the fair value of investments are subject to fluctuation on a year-to-year basis, the Church believes the investment policies and guidelines are prudent for the long-term welfare of the Church.

Change in Accounting Principle

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to the Church on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted under the modified prospective in fiscal year 2020. No restatement of prior amounts was recognized in the fiscal year 2020 financial statements.

In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, permitting private entities that have not yet issued their financial statements as of June 3, 2020, to defer ASU 2014-09 Revenue from Contracts with Customers for annual reporting periods beginning after December 15, 2019. The Association has chosen to adopt and implement ASU 2020-05 for the year ended April 30, 2020 permitting deferral of adoption of ASU 2014-09 Revenue from Contracts with Customers until April 30, 2021.

Revenues and Support

Revenue is recognized when earned. Preschool tuition is deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities, or other assets are received or upon receipt of a beneficial interest. Unconditional promises to give are recognized when the promise is made.

Cash and Cash Equivalents

The Church considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

Note Receivable

The note receivable reports at the principal amount outstanding, net allowances for credit losses.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Property and Equipment

The Church records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of respective assets are expensed currently.

The Church's management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Management has determined no long-lived assets were impaired at August 31, 2020 and 2019.

Investments

The Church records investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment earnings are reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The Church holds a CD with Simmons bank. The CD is recorded at cost and matures on September 23, 2023.

Functional Allocation of Expenses

The cost of program and support service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain direct costs have been allocated among the programs and supporting services benefited. Indirect costs have not been allocated to specific programs and are accounted for as general and administrative.

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Church is organized as a Missouri nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3) of the Internal Revenue Code.

The Church has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

Donated Materials and Services

Volunteers contribute significant amounts of time to our program services, administration; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are reported at fair value at the date of donation.

Subsequent Events

Subsequent events have been evaluated through December 8, 2020, which is the date the financial statements were available to be issued.

PPP Loan Payable

The Small Business Administration Paycheck Protection Program (PPP) loan obtained by the Church is presented as a liability until forgiven or paid back. If any part of the loan is forgiven and legal release is received, the Church will reduce the liability by the amounts forgiven and record a gain on extinguishment in the statement of activities.

Note C - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 322,293	\$ 328,872
Accounts receivable	-	5,000
Certificate of deposit	248,877	248,877
Note receivable	5,000	-
Investments	<u>341,161</u>	<u>315,653</u>
	<u>\$ 917,331</u>	<u>\$ 898,402</u>

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note C - Liquidity and Availability (Continued)

Included in the amounts above are \$397,438 and \$531,582 of assets as of August 31, 2020 and August 31, 2019, respectively, that have been designated by the board of directors for various purposes. These purposes include a mortgage, operating, and replacement reserve as well as the Living Stone/Foundation designation (see details in Note H). The board designated amounts are considered net assets without donor restriction and can be utilized for general operating expenditures if determined and approved by the board of directors.

Note D - Property and Equipment

Property and equipment consists of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings and landscape	\$ 3,658,053	\$ 3,658,053
Building improvements	831,265	831,265
Equipment	590,138	551,821
Land	<u>35,000</u>	<u>35,000</u>
Total property and equipment	5,114,456	5,076,138
Less accumulated depreciation and amortization	<u>(2,223,292)</u>	<u>(2,124,624)</u>
Property and equipment, net	<u>\$ 2,891,164</u>	<u>\$ 2,951,515</u>

Depreciation expense for the years ending August 31, 2020 and 2019, was \$98,668 and \$91,725.

Note E - Investments and Fair Value Measurements

The Church reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset, at market at the measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtainable from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note E - Investments and Fair Value Measurements (Continued)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices of similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mutual funds: Valued at the daily closing price as reported by the funds. Mutual funds held by the Church are open end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The mutual funds held by the Church are deemed to be actively traded.

Collective Trust Funds: Valued at the Net Asset Value (NAV) reported by each investment fund. The NAV, as provided by the investment fund, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Transactions (purchases and sales) may occur daily.

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note E - Investments and Fair Value Measurements (Continued)

The following tables present assets measured at fair value on a recurring basis at August 31, 2020 and 2019.

<u>2020</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 9,878	\$ 9,878	\$ -	\$ -
Total leveled investments	<u>9,878</u>	<u>9,878</u>	<u>-</u>	<u>-</u>
Collective trust funds:				
Equity funds	171,824			
Fixed income funds	<u>159,021</u>			
Total collective trust funds	<u>330,845</u>			
Cash equivalents	<u>438</u>			
Total investments	<u>\$ 341,161</u>			

<u>2019</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 9,855	\$ 9,855	\$ -	\$ -
Total leveled investments	<u>9,855</u>	<u>9,855</u>	<u>-</u>	<u>-</u>
Collective trust funds:				
Equity funds	153,783			
Fixed income funds	<u>151,453</u>			
Total collective trust funds	<u>305,236</u>			
Cash equivalents	<u>562</u>			
Total investments	<u>\$ 315,653</u>			

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note E - Investments and Fair Value Measurements (Continued)

The following tables summarize investments measured at fair value based on NAV per share as of August 31, 2020 and 2019:

<u>Investment Name</u>	<u>2020</u>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective trust funds	\$ 330,845	-	Daily	Daily

<u>Investment Name</u>	<u>2019</u>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective trust funds	\$ 305,336	-	Daily	Daily

Note F - Mortgage Payable

The Church has a \$1,307,187 promissory note from Commerce Bank dated June 30, 2016. Mortgage payable is secured by building and land and is due June 30, 2021, payable monthly at an interest rate of 3.57%. The remaining amount of \$437,070 is due during year end 2021.

Total interest expense for the year ended August 31, 2020 and 2019 was respectively \$19,541 and \$30,609.

Note G - Net Assets With Donor Restrictions

Net assets available with the following purpose restrictions as of August 31 are as follows:

	<u>2020</u>	<u>2019</u>
Pastor Designated	\$ 49,400	\$ 6,400
Family, Music, BC Seminary Professors	10,731	5,899
Financial Aid Professional Church Workers	8,322	10,903
Hands in Service, Landscaping	1,882	5,828
Missions, Mission Trips	36,730	25,146
Parochial School Scholarship	3,503	6,432
Together in Missions	-	15,072
Children's Ministry, Youth Ministry	187	2,017
	<u>\$ 110,755</u>	<u>\$ 77,697</u>

Net assets were released from donor purpose restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Purpose restricted net assets releases from donor restricted net assets were \$47,632 and \$59,910 for the years ended August 31, 2020 and 2019, respectively.

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note H - Board Designated Net Assets

The Board of Directors has designated without donor restrictions net assets as of August 31, 2020 and 2019 primarily for the following purposes:

	<u>2020</u>	<u>2019</u>
Living Stone/Foundation	\$ 234,267	\$ 242,267
Mortgage Reserve	-	126,144
Operating Reserve	97,234	97,234
Replacement Reserve	<u>65,937</u>	<u>65,937</u>
	<u>\$ 397,438</u>	<u>\$ 531,582</u>

Note I - Employee Benefit Plan

The Church participates in a retirement plan. Substantially all full-time employees are covered by the plan. The Plan provides workers with income during retirement. All full-time workers (those employed more than 20 hours per week and at least 5 months a year) are eligible. Eligible members in the plan are 100% vested after five years in all contributions and earnings on the member's account balance. The Plan provides a disability benefit (for the worker) and a pre-retirement lump-sum death benefit (for the worker and enrolled dependents). All full-time workers are offered the opportunity to enroll themselves and eligible dependents in the Plan. The Church contributes a fixed percentage of each participant's salary to the plans. The Plan also provides health and welfare benefits covering substantially all full-time employees (those employed more than 30 hours per week).

Total expenses for the years ended August 31, 2020 and 2019 were \$84,684 and \$87,108, respectively.

Note J - Property Held for Sale

In July 2019, the church was gifted a railroad collection from a member of the congregation. The donor's husband was the author of seven critically acclaimed railroad books. The collection was assembled over a span of more than seventy years, and included; approximately seventeen thousand railroad negatives taken by himself and others; twenty- seven thousand black & white and color photos that, for the most part he personally printed to his high standards; one thousand three-hundred 35 mm color railroad and trackside structure slides; locomotive and structure diagrams; railroad timetables and related reference materials. The church houses the collection in an office on premises. The collection was assigned a carrying value of \$150,000 at time of receipt.

Between September 1, 2019 and August 31, 2020 sales of the Joseph G. Collias Train collection were \$16,675. Over 80% of the sales of this collection occurred in September and October of 2019. Due to the limited appeal and salability of the materials, management has evaluated the future liquidation value of the collection and has determined that a realistic future sales goal of 50% of the remaining inventory is achievable. An asset impairment has been reflected in 2020 expense and the value of the property held for sale has been reduced to \$62,900.

LUTHERAN CHURCH OF THE RESURRECTION

Notes to Financial Statements - Continued

August 31, 2020 and 2019

(See Independent Auditor's Report)

Note K - PPP Loan Payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The legislation includes provisions for expansion of the U.S. Small Business Administration's 7(a) Loan Program to support the new Paycheck Protection Program ("PPP"). The Church applied and was awarded a loan in the amount of \$146,500 under the PPP.

The loan bears interest at 1% with any accrued interest to be forgiven along with the principal balance. This loan is unsecured, and all unpaid principal and interest shall be due upon maturity on April 16, 2022, if not forgiven. As of October 31, 2020, the notes payable balance was \$146,500.

Loans made under the PPP can be forgiven if certain conditions are met. As of October 31, 2020, the Church had not received approval that the certain conditions were met, therefore no forgiveness has been recorded.

Note L - Risk and Uncertainty

The Church's financial performance, estimates, reserves, contracts, and operations in the next 12 months may be affected by the ongoing outbreak of the coronavirus disease ("COVID-19"), which was declared a pandemic by the World Health Organization. The full extent and duration of the impact of COVID-19 on the Church's operations and financial performance is currently unknown and depends on uncertain and unpredictable developments.