

LUTHERAN CHURCH OF THE RESSURECTION

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
AUGUST 31, 2023**

LUTHERAN CHURCH OF THE RESSURECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lutheran Church of the Resurrection

Opinion

We have audited the accompanying financial statements of Lutheran Church of the Resurrection (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of August 31, 2023, and the related statements of support, revenue, and expenses-modified cash basis, functional expenses-modified cash basis, and cash flows-modified cash basis for the 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 assets, liabilities, and net assets of Lutheran Church of the Resurrection as of August 31, 2023, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 Church of the Resurrection 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Church of the Resurrections' 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 Church of the Resurrections' 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.

F.E.W. CPAs

F.E.W. CPAs
Saint Louis, Missouri
April 5, 2024

LUTHERAN CHURCH OF THE RESSURECTION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
AUGUST 31, 2023

| ASSETS | |
|---|--------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 488,032 |
| Investments | 1,131,248 |
| | 1,619,280 |
| NONCURRENT ASSETS | |
| Property held for sale | 12,053 |
| Property and equipment, net of accumulated depreciation | 2,721,757 |
| | 2,733,810 |
| Total assets | \$ 4,353,090 |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Accrued expenses | 38,454 |
| Prepaid tuition | \$ 74,011 |
| | 112,465 |
| NONCURRENT LIABILITIES | |
| None | - |
| Total noncurrent liabilities | - |
| Total liabilities | 112,465 |
| NET ASSETS | |
| Without donor restriction | 3,868,060 |
| With donor restriction | 372,565 |
| | 4,240,625 |
| Total liabilities and net assets | \$ 4,353,090 |

See accompanying notes and independent auditors' report

LUTHERAN CHURCH OF THE RESSURECTION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2023

| | Without Donor restriction | With Donor restriction | Total |
|---------------------------------------|------------------------------|---------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 968,534 | \$ 51,859 | \$ 1,020,393 |
| Tuition | 525,399 | - | 525,399 |
| Other school | 35,571 | - | 35,571 |
| Field trips | 650 | - | 650 |
| Fundraising | 610 | - | 610 |
| Rent | 11,490 | - | 11,490 |
| Other | 85,977 | - | 85,977 |
| | <u>1,628,231</u> | <u>51,859</u> | <u>1,680,090</u> |
| Net assets released from restrictions | | | |
| Satisfaction of restrictions | - | - | - |
| | <u>1,628,231</u> | <u>51,859</u> | <u>1,680,090</u> |
| EXPENSES | | | |
| Program | <u>1,578,530</u> | - | <u>1,578,530</u> |
| | <u>1,578,530</u> | - | <u>1,578,530</u> |
| Support expenses | | | |
| General and administration | 17,640 | - | 17,640 |
| Fundraising | 11,670 | - | 11,670 |
| | <u>29,310</u> | <u>-</u> | <u>29,310</u> |
| | <u>1,607,840</u> | <u>-</u> | <u>1,607,840</u> |
| Change in net assets from operations | <u>20,391</u> | <u>51,859</u> | <u>72,250</u> |
| INVESTMENT ACTIVITIES | | | |
| Unrealized gain on investments | 48,397 | - | 48,397 |
| Interest and dividends | 33,885 | - | 33,885 |
| | <u>82,282</u> | <u>-</u> | <u>82,282</u> |
| Changes in net assets | 102,673 | 51,859 | 154,532 |
| Net assets - beginning of year | <u>3,765,387</u> | <u>320,706</u> | <u>4,086,093</u> |
| Net assets - end of year | <u>\$ 3,868,060</u> | <u>\$ 372,565</u> | <u>\$ 4,240,625</u> |

See accompanying notes and independent auditors' report

LUTHERAN CHURCH OF THE RESSURECTION
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2023

| | Program | General and Administration | Fundraising | Total |
|-------------------------|---------------------|-------------------------------|------------------|---------------------|
| Salaries | \$ 691,060 | \$ 4,973 | \$ - | \$ 696,033 |
| Payroll taxes | 33,297 | - | - | 33,297 |
| Employee benefits | 161,953 | 12,667 | 2,438 | 177,058 |
| Utilities | 57,126 | - | - | 57,126 |
| Repairs and maintenance | 158,087 | - | 4,499 | 162,586 |
| School | 158,930 | - | 4,733 | 163,663 |
| Insurance | 29,185 | - | - | 29,185 |
| Administration | 17,838 | - | - | 17,838 |
| Fundraising | 9,926 | - | - | 9,926 |
| Depreciation | 105,065 | - | - | 105,065 |
| Bank fees | 12,861 | - | - | 12,861 |
| Ministry | 129,802 | - | - | 129,802 |
| Missionaries | 13,400 | - | - | 13,400 |
| Total | <u>\$ 1,578,530</u> | <u>\$ 17,640</u> | <u>\$ 11,670</u> | <u>\$ 1,607,840</u> |

See accompanying notes and independent auditors' report

LUTHERAN CHURCH OF THE RESSURECTION
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|----------------|
| Changes in net assets | \$ 154,532 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | |
| Depreciation | 105,065 |
| Impairment loss on property held for sale | 20,000 |
| Unrealized (gain) loss on investments | (48,397) |
| Changes in assets and liabilities: | |
| Increase (decrease) in accrued expenses | 19,757 |
| Increase (decrease) in prepaid tuition | <u>17,069</u> |
| Net cash provided by (used in) operating activities | <u>268,026</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|------------------|
| Purchase of investments | (300,820) |
| Proceeds from sale of property held for sale | 15,246 |
| Purchase of property and equipment | <u>(46,207)</u> |
| Net cash provided by (used in) investing activities | <u>(331,781)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|--------------------------|
| None | <u>-</u> |
| Net cash provided by (used in) financing activities | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (63,755) |
| Cash and cash equivalents - beginning of year | <u>551,787</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 488,032</u></u> |

See accompanying notes and independent auditors' report

LUTHERAN CHURCH OF THE RESSURECTION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Lutheran Church of the Resurrection (the "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.

Basis of Accounting

The records of the Organization are maintained on the modified cash basis of accounting. The modified cash basis differs from generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. The modifications to the cash basis include certain investments, property and equipment, prepaid tuition, and accrued expenses. 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 Organization have been prepared in accordance with the modified cash basis of accounting which requires the Organization to report 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 Organization. These net assets may be used at the discretion of the Organization'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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated 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 support, revenue, and expenses-modified cash basis.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purposes of the statement of cash flows-modified cash basis.

LUTHERAN CHURCH OF THE RESSURECTION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization has adopted "Accounting for Certain Investments Held by Non-Profit Organizations." Under the standard, investments in marketable securities 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 statement of activities.

Contributed Services

The Organization receives a significant amount of contributed services from unpaid volunteers who assist in fundraising and special projects. When such services represent specialized skills that would be otherwise purchased and the value of the services can be readily ascertained, those values are recorded as contributed services and charged to the appropriate expense category in the financial statements. No amounts have been recognized in the statement of support, revenue, and expenses-modified cash basis because the criteria for recognition under current accounting standards 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 support, revenue, and expenses-modified cash basis as net assets released from restrictions.

Income Taxes

The Organization 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 Church has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of August 31, 2023, no amounts have been recognized for uncertain tax positions.

Measure of Operations

The statement of support, revenue, and expenses-modified cash basis reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's program services and support services. Non-operating activities are limited to resources that generate a return on investment and other activities considered to be of a more unusual or nonrecurring nature.

LUTHERAN CHURCH OF THE RESSURECTION
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses-modified cash basis during the reporting period. Actual results could differ from those estimates.

Note 2 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at August 31, 2023:

| | |
|--|--------------|
| Financial assets at year-end: | |
| Cash and cash equivalents | \$ 488,032 |
| Investments | 1,131,248 |
| Total financial assets at year-end | 1,619,280 |
| Less amounts not available for general expenditures within one year: | |
| Net assets with period restrictions in excess of one year | - |
| Net assets with purpose restrictions | 372,565 |
| Total amounts not available to meet general expenditures within one year | 372,565 |
| Financial assets available to meet general expenditures within one year | \$ 1,246,715 |

NOTE 3 – BOARD DESIGNATED NET ASSETS

The board of directors has designated without donor restrictions net assets as of August 31, 2023 with the following purposes:

| | Purpose | Period |
|-------------------------|------------|--------|
| Living Stone/Foundation | \$ 216,177 | - |
| Mortgage Reserve | 30,000 | - |
| Operating reserve | 97,234 | - |
| Replacement Reserve | 58,860 | - |
| Total | \$ 402,271 | \$ - |

LUTHERAN CHURCH OF THE RESSURECTION
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2023

Note 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement of support, revenue, and expenses-modified cash basis. 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 5 - CONCENTRATION OF CREDIT RISK

The Organization maintains accounts at various banks. Each depositor is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. As of August 31, 2023, the Organization's cash deposits totaled \$720,824, which exceeds the federally insured limit by \$73,396.

The Church had cash deposits and securities held in an account with LCMS Foundation, totaling \$723,937, as of August 31, 2023. This balance is not insured by any federal government agency.

Note 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2023 are restricted as follows:

| | Purpose | Period |
|----------------------------|------------|--------|
| Bible class | \$ 2,250 | - |
| Landscaping fund | 75 | - |
| Mission trips | 4,927 | - |
| Missions needs | 1,607 | - |
| Family fund | 19,268 | - |
| Missions | 9,296 | - |
| Building projects | 276,229 | - |
| Music ministries | 7,273 | - |
| Coffee room remodel | 30,000 | - |
| Parochial school | 25 | - |
| Professional church worker | 8,323 | - |
| Youth activities | 13,292 | - |
| Total | \$ 372,565 | \$ - |

LUTHERAN CHURCH OF THE RESSURECTION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 7 – 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, 2022, and August 31, 2023, sales of the Joseph G. Collias Train collection were \$15,557. 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 62% of the remaining inventory is achievable. An asset impairment has been reflected in 2023 expense and the value of the property held for sale has been reduced to \$12,053.

Note 8 – 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 Organization 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.

LUTHERAN CHURCH OF THE RESSURECTION
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2023

Note 8 – FAIR VALUE MEASUREMENTS (continued)

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 as of August 31, 2023.

Certificates of Deposits: Valued at the net value of shares held by the Organization at year-end.

Securities held by LCMS Foundation: Investments pooled with other investment accounts. LCMS Foundation values the investment pools based on published closing prices of various securities on active exchanges.

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 Organization 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 tables set forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of August 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|-------------|--------------------|-------------|--------------------|
| Certificate of deposit | \$ - | \$ 557,322 | \$ - | \$ 557,322 |
| Securities held by LCMS | - | 573,926 | - | 573,926 |
| Total | \$ - | \$1,131,248 | \$ - | \$1,131,248 |

Note 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 5, 2024, the date the financial statements were available to be issued, and noted no reportable events.