

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses.....	5 - 6
Consolidated Statements of Cash Flows.....	7
Notes to the Consolidated Financial Statements	8 - 23

Independent Auditor's Report

Board of Directors
The Lutheran High School Association of Greater Milwaukee and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of The Lutheran High School Association of Greater Milwaukee and Affiliate (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lutheran High School Association of Greater Milwaukee and Affiliate as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Lutheran High School Association of Greater Milwaukee and Affiliate and to meet other ethical responsibilities in accordance with the 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 these 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 The Lutheran High School Association of Greater Milwaukee and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Ritz Holman LLP
Serving business, nonprofits, individuals and trusts.

330 E. Kilbourn Ave., Suite 550 t. 414.271.1451
Milwaukee, WI 53202 f. 414.271.7464
ritzholman.com

Board of Directors
The Lutheran High School Association of Greater Milwaukee and Affiliate

Auditor's 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 auditor's 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 The Lutheran High School Association of Greater Milwaukee and Affiliate'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 The Lutheran High School Association of Greater Milwaukee and Affiliate'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.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
October 13, 2022

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022			2021		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
ASSETS						
CURRENT ASSETS						
Cash	\$ 460,769	\$ 1,285,434	\$ 1,746,203	\$ 4,650,227	\$ 864,475	\$ 5,514,702
Accounts Receivable - Net	527,995	67,339	595,334	386,834	98,875	485,709
Pledges Receivable	---	534,530	534,530	---	524,036	524,036
Other Asset	19,171	---	19,171	18,605	---	18,605
Prepaid Expenses	171,445	---	171,445	36,210	---	36,210
Total Current Assets	<u>\$ 1,179,380</u>	<u>\$ 1,887,303</u>	<u>\$ 3,066,683</u>	<u>\$ 5,091,876</u>	<u>\$ 1,487,386</u>	<u>\$ 6,579,262</u>
FIXED ASSETS						
Land	\$ 1,733,453	\$ ---	\$ 1,733,453	\$ 1,734,305	\$ ---	\$ 1,734,305
Construction in Progress	---	807,038	807,038	---	259,747	259,747
Land Improvements	5,329,920	---	5,329,920	5,329,920	---	5,329,920
Building and Building Improvements	53,505,783	---	53,505,783	52,374,996	---	52,374,996
Furniture, Fixtures and Equipment	2,560,145	---	2,560,145	2,373,381	---	2,373,381
Vehicles	369,241	---	369,241	302,412	---	302,412
Total Fixed Assets	<u>\$ 63,498,542</u>	<u>\$ 807,038</u>	<u>\$ 64,305,580</u>	<u>\$ 62,115,014</u>	<u>\$ 259,747</u>	<u>\$ 62,374,761</u>
Accumulated Depreciation	(21,451,265)	---	(21,451,265)	(19,600,181)	---	(19,600,181)
Net Fixed Assets	<u>\$ 42,047,277</u>	<u>\$ 807,038</u>	<u>\$ 42,854,315</u>	<u>\$ 42,514,833</u>	<u>\$ 259,747</u>	<u>\$ 42,774,580</u>
LONG-TERM ASSETS						
Accounts Receivable	\$ 161,405	\$ ---	\$ 161,405	\$ 159,578	\$ ---	\$ 159,578
Pledges Receivable - Net	---	47,579	47,579	---	512,044	512,044
Other Asset	122,095	---	122,095	141,266	---	141,266
Total Long-Term Assets	<u>\$ 283,500</u>	<u>\$ 47,579</u>	<u>\$ 331,079</u>	<u>\$ 300,844</u>	<u>\$ 512,044</u>	<u>\$ 812,888</u>
OTHER ASSETS						
Security Deposit	\$ 15,700	\$ ---	\$ 15,700	\$ 15,700	\$ ---	\$ 15,700
Total Other Assets	<u>\$ 15,700</u>	<u>\$ ---</u>	<u>\$ 15,700</u>	<u>\$ 15,700</u>	<u>\$ ---</u>	<u>\$ 15,700</u>
TOTAL ASSETS	<u>\$ 43,525,857</u>	<u>\$ 2,741,920</u>	<u>\$ 46,267,777</u>	<u>\$ 47,923,253</u>	<u>\$ 2,259,177</u>	<u>\$ 50,182,430</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 610,928	\$ 41,930	\$ 652,858	\$ 489,090	\$ 64,678	\$ 553,768
Accrued Payroll	1,301,570	---	1,301,570	1,251,035	---	1,251,035
Current Portion of CARES Act PPP Loan	---	---	---	2,857,500	---	2,857,500
Current Portion of Mortgages Payable	537,978	---	537,978	379,416	---	379,416
Deferred Revenue	1,273,016	---	1,273,016	1,297,491	---	1,297,491
Total Current Liabilities	<u>\$ 3,723,492</u>	<u>\$ 41,930</u>	<u>\$ 3,765,422</u>	<u>\$ 6,274,532</u>	<u>\$ 64,678</u>	<u>\$ 6,339,210</u>
LONG-TERM LIABILITIES						
CARES Act PPP Loan	\$ ---	\$ ---	\$ ---	\$ 2,857,500	\$ ---	\$ 2,857,500
Less: Current Portion of CARES Act PPP Loan	---	---	---	(2,857,500)	---	(2,857,500)
Mortgages Payable	20,922,825	---	20,922,825	21,392,170	901,727	22,293,897
Less: Current Portion of Mortgages Payable	(537,978)	---	(537,978)	(379,416)	---	(379,416)
Accrued Payroll	768,933	---	768,933	895,987	---	895,987
Student Activities - Auxiliary	(550,510)	550,510	---	149,417	(149,417)	---
Total Long-Term Liabilities	<u>\$ 20,603,270</u>	<u>\$ 550,510</u>	<u>\$ 21,153,780</u>	<u>\$ 22,058,158</u>	<u>\$ 752,310</u>	<u>\$ 22,810,468</u>
Total Liabilities	<u>\$ 24,326,762</u>	<u>\$ 592,440</u>	<u>\$ 24,919,202</u>	<u>\$ 28,332,690</u>	<u>\$ 816,988</u>	<u>\$ 29,149,678</u>
NET ASSETS						
Without Donor Restrictions						
Operating	\$ 19,199,095	\$ ---	\$ 19,199,095	\$ 19,590,563	\$ ---	\$ 19,590,563
With Donor Restrictions	---	2,149,480	2,149,480	---	1,442,189	1,442,189
Total Net Assets	<u>\$ 19,199,095</u>	<u>\$ 2,149,480</u>	<u>\$ 21,348,575</u>	<u>\$ 19,590,563</u>	<u>\$ 1,442,189</u>	<u>\$ 21,032,752</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,525,857</u>	<u>\$ 2,741,920</u>	<u>\$ 46,267,777</u>	<u>\$ 47,923,253</u>	<u>\$ 2,259,177</u>	<u>\$ 50,182,430</u>

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Donations	\$ 53,611	\$ 637,995	\$ 691,606	\$ 913,779	\$ 2,210,980	\$ 3,124,759
Grants	---	410,832	410,832	---	952,350	952,350
Paycheck Protection Program Grant	2,857,500	---	2,857,500	---	---	---
Tuition	19,089,941	---	19,089,941	17,498,422	---	17,498,422
Fees						
Sports Fees	92,080	---	92,080	86,180	---	86,180
Class Fees	18,445	---	18,445	17,761	---	17,761
Other Fees	68,186	---	68,186	66,801	---	66,801
Food Sales	742,279	---	742,279	368,132	---	368,132
International Student Program	119,538	---	119,538	48,576	---	48,576
Elementary Band	182,263	---	182,263	150,435	---	150,435
Partnership Income	745,019	---	745,019	780,359	---	780,359
Rent	300,209	---	300,209	117,901	---	117,901
Gate Receipts	75,328	---	75,328	38,988	---	38,988
Interest Income	25,157	---	25,157	49,979	---	49,979
Gain on Sale of Fixed Assets	714,513	---	714,513	738,640	---	738,640
Student Activities Income	---	15,438	15,438	---	11,885	11,885
Other Income	592,584	26,019	618,603	333,001	11,490	344,491
In-Kind Revenue	14,135	---	14,135	39,977	---	39,977
Net Assets Released from Restrictions	382,993	(382,993)	---	2,907,244	(2,907,244)	---
Total Revenue	<u>\$ 26,073,781</u>	<u>\$ 707,291</u>	<u>\$ 26,781,072</u>	<u>\$ 24,156,175</u>	<u>\$ 279,461</u>	<u>\$ 24,435,636</u>
EXPENSES						
Program Services	\$ 21,460,120	\$ ---	\$ 21,460,120	\$ 17,770,679	\$ ---	\$ 17,770,679
Management and General	3,889,527	---	3,889,527	3,512,970	---	3,512,970
Fundraising	1,115,602	---	1,115,602	929,641	---	929,641
Total Expenses	<u>\$ 26,465,249</u>	<u>\$ ---</u>	<u>\$ 26,465,249</u>	<u>\$ 22,213,290</u>	<u>\$ ---</u>	<u>\$ 22,213,290</u>
CHANGE IN NET ASSETS	\$ (391,468)	\$ 707,291	\$ 315,823	\$ 1,942,885	\$ 279,461	\$ 2,222,346
Net Assets, Beginning of Year	19,590,563	1,442,189	21,032,752	17,647,678	1,162,728	18,810,406
NET ASSETS, END OF YEAR	<u>\$ 19,199,095</u>	<u>\$ 2,149,480</u>	<u>\$ 21,348,575</u>	<u>\$ 19,590,563</u>	<u>\$ 1,442,189</u>	<u>\$ 21,032,752</u>

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Fundraising	2022 Total
Salaries and Wages	\$ 10,246,449	\$ 1,518,212	\$ 455,151	\$ 12,219,812
Retirement	816,205	85,064	39,709	940,978
Employee Benefits	2,845,411	296,547	138,433	3,280,391
Payroll Taxes	594,528	92,195	14,285	701,008
Stipends	718,821	8,150	1,500	728,471
Professional Fees	477,147	244,898	186,219	908,264
Supplies	640,010	111,265	61,861	813,136
Telephone	61,530	27,270	1,889	90,689
Postage	10,978	834	43,689	55,501
Printing	31,351	173	68,868	100,392
Occupancy	718,522	133,643	30,737	882,902
Equipment Rental and Maintenance	298,476	68,526	3,628	370,630
Depreciation	1,815,409	46,901	---	1,862,310
Travel	111,478	61,261	17,542	190,281
Conferences, Conventions and Meetings	43,859	18,365	---	62,224
Graduation Materials	20,731	286	---	21,017
Awards	12,370	25,408	---	37,778
Food	495,669	---	---	495,669
Promotions	43,013	9,033	441	52,487
International Student Program	12,593	---	---	12,593
Capital Outlay	153,683	22,095	845	176,623
Recruitment	8,384	4,993	---	13,377
Write-Off	67,942	---	---	67,942
Student Aid	579,828	---	---	579,828
Interest Expense	---	741,233	---	741,233
Insurance	8,962	181,673	---	190,635
Membership Dues	61,895	9,812	1,322	73,029
Donations	329,992	10,362	1,362	341,716
School Events	---	---	9,575	9,575
Field Trips	7,258	---	---	7,258
Student Housing Expenses	3,928	---	---	3,928
Meals and Entertainment	41,656	140,522	38,546	220,724
Sports Fees	156,883	---	---	156,883
Testing	22,535	---	---	22,535
Other Expense	2,624	30,806	---	33,430
TOTALS	\$ 21,460,120	\$ 3,889,527	\$ 1,115,602	\$ 26,465,249

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fundraising	2021 Total
Salaries and Wages	\$ 8,896,821	\$ 1,442,050	\$ 442,043	\$ 10,780,914
Retirement	655,521	111,769	43,336	810,626
Employee Benefits	2,478,083	217,262	124,407	2,819,752
Payroll Taxes	530,933	66,676	13,342	610,951
Stipends	520,112	3,375	1,500	524,987
Professional Fees	257,242	238,593	74,700	570,535
Supplies	743,650	148,699	48,267	940,616
Telephone	47,927	46,606	1,300	95,833
Postage	6,752	693	19,247	26,692
Printing	8,023	1,136	53,637	62,796
Occupancy	520,242	141,122	31,490	692,854
Equipment Rental and Maintenance	231,028	6,206	1,222	238,456
Depreciation	1,635,155	161,315	---	1,796,470
Travel	52,153	20,948	15,979	89,080
Conferences, Conventions and Meetings	20,370	19,658	---	40,028
Graduation Materials	22,927	---	---	22,927
Awards	8,642	18,966	---	27,608
Food	212,743	---	---	212,743
Promotions	31,561	5,835	8,291	45,687
International Student Program	21,173	---	---	21,173
Capital Outlay	13,252	7,902	---	21,154
Recruitment	150	545	---	695
Moving Fees	525	---	---	525
Write-Off	55,663	---	---	55,663
Student Aid	677,881	---	---	677,881
Interest Expense	---	635,640	---	635,640
Insurance	7,285	148,699	---	155,984
Membership Dues	45,242	6,487	2,224	53,953
Donations	20,709	6,684	2,961	30,354
School Events	---	---	13,769	13,769
Field Trips	361	---	---	361
Student Housing Expenses	1,025	---	---	1,025
Meals and Entertainment	15,203	32,580	31,926	79,709
Sports Fees	13,443	---	---	13,443
Testing	16,834	---	---	16,834
Other Expense	2,048	23,524	---	25,572
TOTALS	\$ 17,770,679	\$ 3,512,970	\$ 929,641	\$ 22,213,290

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 315,823	\$ 2,222,346
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,862,310	1,796,470
Forgiveness of Paycheck Protection Program	(2,857,500)	---
Gain on Sale of Fixed Assets	(714,513)	(738,240)
(Increase) Decrease in Accounts Receivable	(111,452)	167,292
(Increase) Decrease in Pledges Receivable	453,971	60,472
(Increase) Decrease in Other Asset	18,605	18,055
(Increase) Decrease in Prepaid Expenses	(135,236)	278,194
(Increase) Decrease in Credit Card Holding	---	397
Increase (Decrease) in Accounts Payable	99,090	(1,112,749)
Increase (Decrease) in Accrued Payroll	(76,519)	439,121
Increase (Decrease) in Deferred Revenue	(24,475)	47,811
	<u>\$ (1,169,896)</u>	<u>\$ 3,179,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (1,942,896)	\$ (5,981,677)
Proceeds from Sale of Fixed Assets	715,365	999,045
	<u>\$ (1,227,531)</u>	<u>\$ (4,982,632)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgages	\$ (469,345)	\$ (2,891,990)
Payments on LCEF Loans	(901,727)	---
Proceeds from LCEF Loans	---	4,861,133
	<u>\$ (1,371,072)</u>	<u>\$ 1,969,143</u>
Net Increase in Cash and Cash Equivalents	\$ (3,768,499)	\$ 165,680
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,514,702</u>	<u>5,349,022</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,746,203</u>	<u>\$ 5,514,702</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 741,233	\$ 635,640

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

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE A - Summary of Significant Accounting Policies

Association

The Lutheran High School Association of Greater Milwaukee and Affiliate (Association) is a group of premier schools dedicated to sharing Jesus, shaping lives and developing leaders; built on Jesus Christ and His Word, ensuring exceptional experiences in four pillars of focus: Spiritual Growth, Academics, Athletics, and the Arts.

Consolidated Financial Statements

The consolidated financial statements include the accounts of Lutheran High School Association of Greater Milwaukee and Spartan Development, LLC. The Association owns a 56% controlling interest in Spartan Development, LLC. The minority share is owned by Burow Holdings, LLC. Certain transactions between the entities have been eliminated for financial statement presentation.

Lightning Holdings, Inc.

A parcel of land at Lake Country Lutheran High School to the east of Campus Drive totaling 16.9 Acres to be developed for multi-family luxury apartments (LOT 2 OF CSM 10497) was contributed to Lightning Development, LLC on November 18, 2020, for a value of \$1,300,000 granting an 18.45% ownership interest in Lightning Development, LLC. In order to preserve the non-profit status of the Association as well as for proper unrelated business tax considerations of investment in a for-profit multi-family housing development, the Association's ownership interest in Lightning Development, LLC was assigned by the Association to a newly created holding company, Lightning Holdings, Inc. The Association is the sole shareholder of Lightning Holdings, Inc. The Board of Lightning Holdings Inc. consists of three (3) independent members with any new member requiring approval of the Association. As part of the agreement with Lightning Development, LLC, Lightning Holdings, Inc. shall receive a preferred guaranteed minimum rate of return on investment of at least 10% annually to be paid upon completion of a rent stabilization period. Rent Stabilization was achieved in May 2022. The Organization earned 6% on Contributed Capital prior to stabilization and 10% after. As of June 30, 2022 and 2021, Lightning Holdings has accrued \$135,995, and \$-0-, of rental income from investment. Future returns of 594,028 to be collected in future years consists of: \$131,806 in 2023, \$132,167 in 2024, \$131,806 in 2025, 131,806 in 2026 and \$66,443 in 2027.

Minority Interest

The Association owns a 56% controlling interest in Spartan Development, LLC. The minority share is owned by Burow Holdings, LLC. All significant intercompany transactions and accounts are eliminated.

Accounting Method

The accompanying consolidated financial statements of The Lutheran High School Association of Greater Milwaukee have been prepared on the accrual basis of accounting.

Basis of Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Deferred Revenue

Deferred revenue consists of tuition and other revenue that has been prepaid for the 2022 - 2023 year.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE A - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of consolidated 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 and 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.

Functional Expenses

The Association allocates costs based on their functional and natural classification in the statement of functional expenses. Program costs are those associated with carrying out the mission of the Association; management costs are those for management of the Association including accounting, office expense, human resources, budgeting or board of directors costs; and fundraising costs are those attributed to the solicitation of contributions. Whenever possible, the Association allocates costs directly to program, management or fundraising. The cost of individuals that participate in more than one function are allocated to each function based on that individual's time in each function. Other costs that relate to more than one function are allocated based on their estimated share in each function.

Contributions and Grant Revenue

Contributions received and unconditional promises to give are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Association's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year expires, 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. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying consolidated financial statements.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE A - Summary of Significant Accounting Policies (continued)

Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual, are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Association is included in grants receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Association records the disallowance at the time the final assessment is made. Management believes that disallowances, if any, would not have a significant effect on the consolidated financial statements.

Agency Accounts and Student Activities

The cash of auxiliary groups and student organizations is included on the consolidated financial statements of The Lutheran High School Association of Greater Milwaukee and Affiliate. The groups and student organizations' cash is included in the cash of the Association. Additionally, the revenue and expenses are also included in the Association's consolidated financial statements as these activities are now under the control of the Association.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less. The cash equivalents of investments are included in the total of investments.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Association capitalizes assets with an original cost of \$5,000 or greater.

NOTE B - Accounting Change and Future Pronouncements

Accounting Change

The Association's financial statements have changed to adopt the *Accounting Standards Update 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, and all subsequently issued accounting updates issued to clarify the standards. The updates are effective for the year ended June 30, 2022. The amendments in this update are required and provide new presentation and disclosure requirements about contributed nonfinancial assets to nonprofits, including additional disclosure requirements for recognized contributed services. Contributed nonfinancial assets are required to be reported as a separate line in the statement of activities. A financial statement note is required to provide disaggregated contributed nonfinancial assets by category including: the type of contributed nonfinancial asset; qualitative information about the monetization or utilization of the nonfinancial assets; the policy about the monetization or utilization of nonfinancial assets; a description of restrictions, valuation, and the market used to determine the fair value. The amendments, required to be presented retrospectively to all periods presented, do not change the recognition and measurement requirements for those assets.

The adoption of the new standard did not result in a material impact to the Association's financial statements.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE B - Accounting Change and Future Pronouncements (continued)

Future Pronouncements

Accounting Standards Update 2016-02, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards Update 2020-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20) will be effective for fiscal years beginning after December 15, 2021. The amendments in this update represent changes to clarify the codification. An organization shall apply the amendment prospectively. This amendment impacts the effective yield of an existing individual callable debt security.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2022. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE C - Concentration of Risk

The Association maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2022 and 2021, the Association's uninsured cash balances totaled \$1,312,908 and \$4,966,204, respectively.

NOTE D - Liquidity

The Association has financial assets available to meet cash needs for general expenditure consisting of the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$1,746,203	\$5,514,702
Accounts Receivable	595,334	485,709
Pledges Receivable	<u>534,530</u>	<u>524,036</u>
Available for Use	<u>\$2,876,067</u>	<u>\$6,254,447</u>

Financial assets of \$2,149,480 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts and pledges receivable are subject to implied time restrictions but are expected to be collected within one year. The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. As more fully described in Note H, the Association also has committed lines of credit in the amount of \$1,500,000, which it could draw upon in the event of an unanticipated liquidity need.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE E - Accounts Receivable - Net

Accounts receivable - net consists of the following as of June 30, 2022 and 2021:

<u>Source</u>	<u>2022</u>	<u>2021</u>
Tuition	\$ 738,049	\$ 686,185
Partnership	17,626	43,999
Other	6,737	635
School Donations and Activities from Foundation	81,083	154,004
3in1 Thrift Store	181,405	179,578
Triun3	89,857	25,623
Burow Holdings, LLC	108,624	72,643
Lightning Holdings, Inc.	141,658	5,647
Cooperative Educational Service Agency No. 6	---	39,773
We Play for Him	---	57,600
Allowance for Uncollectible Accounts	<u>(608,300)</u>	<u>(616,400)</u>
Net Accounts Receivable	<u>\$ 756,739</u>	<u>\$ 645,287</u>
	<u>2022</u>	<u>2021</u>
Current Gross Accounts Receivable	\$1,203,634	\$1,102,109
Long-Term Gross Accounts Receivable	<u>161,405</u>	<u>159,578</u>
Total Accounts Receivable	\$1,365,039	\$1,261,687
Less: Allowance for Doubtful Accounts	<u>(608,300)</u>	<u>(616,400)</u>
Total Net Accounts Receivable	<u>\$ 756,739</u>	<u>\$ 645,287</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE F - Net Pledges Receivable

Net pledges receivable consists of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current Gross Pledges Receivable	\$ 534,530	\$ 524,036
Long-Term Gross Pledges Receivable	<u>233,250</u>	<u>771,065</u>
Total Pledges Receivable	\$ 767,780	\$1,295,101
Less: Allowance for Doubtful Accounts	<u>(185,671)</u>	<u>(259,020)</u>
Total Net Pledges Receivable	<u>\$ 582,109</u>	<u>\$1,036,081</u>

Gross pledges receivable are expected to be collected as follows:

<u>In the Year Ending June 30,</u>	<u>Amount</u>
2023	\$534,530
2024	163,250
2025	<u>70,000</u>
Total Gross Pledges Receivable	<u>\$767,780</u>

NOTE G - Officer Housing Advance

The Association entered into an employment agreement with an officer of the Association. The terms of this agreement provide for an advance in the amount of \$200,000 for the purpose of housing assistance. Starting April 1, 2019, the advance requires monthly interest and principal repayments with a maturity on April 1, 2029. The monthly payments are forgiven and recognized as compensation for each month the officer remains employed. If the officer is no longer employed by the Association, the advance then becomes payable by the officer for the remaining duration of the ten-year agreement. The advance is secured by the officer's home. The balance on the advance at June 30, 2022 and 2021, was \$141,266 and \$159,870, respectively. The interest rate on the advance is 3%. Interest on the advance as of June 30, 2022 and 2021, was \$4,542 and \$5,091, respectively.

Future principal payments to be received are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 19,171
2024	19,745
2025	20,354
2026	20,973
2027	21,611
Thereafter	<u>39,412</u>
Total Future Payments	<u>\$141,266</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE H - Line of Credit

The Association has a \$1,500,000 revolving line of credit bearing a variable rate, which was 4.375%, which matures on September 28, 2022. As of June 30, 2022 and June 30, 2021, the line of credit did not have an outstanding balance. The line of credit is secured by the Association's real estate.

NOTE I - Mortgages Payable

The Association entered into a long-term mortgage loan commitment for \$15,000,000. The loan requires monthly interest only payments beginning on October 30, 2015, and continuing through September 30, 2017. Starting October 30, 2017, the loan requires monthly interest and principal payments with the loan maturity on September 30, 2035. Payments are due monthly for 20 years with a final balloon payment while the loan is amortized over 30 years. The loan is secured by the Association's real estate. The balance of the mortgage at June 30, 2022 and June 30, 2021, was \$13,143,709 and \$13,530,108, respectively. The interest rate at June 30, 2022, was 3.125%.

The Association entered into a long-term construction mortgage loan commitment for the purpose of an expansion at Lake Country Lutheran High School. The loan has an available principal amount of \$3,674,100 of which \$-0- and \$901,727, respectively had been drawn as of June 30, 2022 and June 30, 2021. The loan was fully paid off on December 7, 2021.

The Affiliate entered into a long-term mortgage loan commitment for \$7,862,062 in November 2019, for the purpose of a student housing development at Martin Luther High School. The balance of the loan was \$7,779,116 and \$7,862,062 as of June 30, 2022 and 2021, respectively. The loan carries a variable interest rate. The interest rate as of June 30, 2022 and 2021, was 3.80% and 4.05%, respectively. The loan is set to mature on November 21, 2051. The loan is secured by the Association's real estate.

Interest expense for the years ended June 30, 2022 and 2021, was \$741,233 and \$635,640, respectively.

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 537,978
2024	556,054
2025	574,742
2026	594,064
2027	614,041
Thereafter	<u>18,045,946</u>
Total Future Payments	<u>\$20,922,825</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE J - CARES Act Paycheck Protection Program Loan

The Association received a CARES Act Paycheck Protection Program (PPP) Loan on April 16, 2020, in the amount of \$2,857,500. As of June 30, 2022 and 2021, the interest rate was 1% and 1%, respectively. The balance of the loan as of June 30, 2022 and 2021, was \$-0- and \$2,857,500, respectively. The principal and interest on the loan was fully forgiven on August 23, 2021, since the Association acted in accordance with the guidelines of the Small Business Administration.

In addition, the Association has deferred payroll taxes. Deferred payroll taxes as of June 30, 2022 and 2021, are \$156,003 and \$313,107 respectively. This amount is required to be paid by December 31, 2022.

NOTE K - Revenue From Contracts with Customers

Tuition and Fees Revenue

Tuition revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for tuition services. The Association bills the student's family for tuition at the beginning of the semester the services will be provided. Revenue is recognized as the performance obligations are satisfied. Performance obligations are considered to be satisfied over the time period the services are performed.

Beginning Deferred Revenue	\$ 1,291,091
Revenue Recognized From Prior Year Deferred	(1,291,091)
New Fee Revenue Collected	19,019,840
Revenue Recognized on Tuition and Fees	<u>(17,768,208)</u>
Ending Deferred	<u>\$ 1,251,632</u>

Student Activity Fees

The Association requests annual activity fees from students for sports, classes, and other activities. The fees are recorded as revenue at the point in time when the fee is used for a specific purpose. Activity fee revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for the student activity fees. Total revenue from student activity fees for the years ended June 30, 2022 and 2021, was \$178,711 and \$170,742, respectively.

Elementary Band and International Student Program Fees

The Association collects revenue from individuals seeking to participate in the elementary band program and international student program. Revenue is recognized as it is earned as collected and subsequently no deferred amounts have been recorded. Revenue for these programs are reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for the access to these programs. Total revenue from elementary band and international student program fees for the years ended June 30, 2022 and 2021, was \$301,801 and \$199,011, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE K - Revenue From Contracts with Customers (continued)

Food Sales

The Association requests money from students for lunch and other food services. The fees are recorded as revenue at the point in time when the money is collected. Food sales revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for the food sales fees. Total revenue from food sales for the years ended June 30, 2022 and 2021, was \$742,279 and \$368,132, respectively.

Rental Income

The Association leases space to other organizations in the buildings that it owns. Rental income is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing the use of the Association's property. Rental income for the years ended June 30, 2022 and 2021, totaled \$164,265 and \$117,901, respectively. The Association, receives monthly payments between \$310 and \$1,842.

Beginning Deferred Revenue	\$ 6,400
Revenue Recognized on Prior Year Deferred	(6,400)
New Rental Revenue Collected	157,865
Revenue Recognized on Rental Income	<u>(157,865)</u>
Ending Deferred	<u>\$ ---</u>

Supply Chain Assistance

The Association received a one-time payment that was distributed to assist schools with milk and fresh vegetable purchases.

Beginning Deferred Revenue	\$ ---
Supply Chain Assistance Revenue Received	21,384
Revenue Recognized on Rental Income	<u>---</u>
Ending Deferred	<u>\$ 21,384</u>

NOTE L - Operating Leases

The Association leased 13 copiers in fiscal year 2022 with monthly payments totaling \$5,980. The lease expense for the years ended June 30, 2022 and 2021, totaled \$71,761 and \$46,485, respectively.

The Association leased four postage meters with monthly payments totaling \$700 in fiscal year 2022. The lease expense for the years ended June 30, 2022 and 2021, totaled \$8,401 and \$6,694 respectively.

The Association leased two vehicles with monthly payments totaling \$655 in fiscal year 2022. The lease expense for the years ended June 30, 2022 and 2021, totaled \$7,854 and \$5,222, respectively.

In July 2020, the Association signed into a lease for cubicles and office furniture with monthly payments totaling \$712. The lease expense for the years ended June 30, 2022 and 2021, totaled \$8,545 and \$8,545, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE L - Operating Leases (continued)

In July 2016, the Association signed a lease and sublease agreement for additional office space. The sublease began September 1, 2016, and continues through March 31, 2025. Rent expense for the years ended June 30, 2022 and 2021, totaled \$80,469 and \$79,760, respectively.

The Association signed a lease with Spartan Development LLC to occupy the second, third and basement floors of the Spartan Condominium. The lease began on August 12, 2020, and ends on July 1, 2035. Rent expense for the years ended June 30, 2022 and 2021, totaled \$441,900 and \$378,000, respectively. All transactions are eliminated with this lease.

In June 2021, the Association signed into a lease to occupy and operate a school. The lease began on July 1, 2021, and ends on July 1, 2024. Rent expense for the years ended June 30, 2022 and 2021, totaled \$15,428 and \$-0-, respectively.

Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 656,274
2024	666,270
2025	615,430
2026	549,569
2027	520,189
Thereafter	<u>4,486,102</u>
Total Future Payments	<u>\$7,493,834</u>

NOTE M - Deferred Revenue

Deferred revenue consists of the following at June 30, 2022 and 2021:

<u>Source</u>	<u>2022</u>	<u>2021</u>
Tuition	\$1,251,632	\$1,291,091
Supply Chain Assistance	21,384	---
Rental Income	<u>---</u>	<u>6,400</u>
Total	<u>\$1,273,016</u>	<u>\$1,297,491</u>

NOTE N - Long-Term Accrued Payroll

Long-term accrued payroll consists of banked benefit days and paid time off accrual. The value of banked benefit days and paid time off accrual was \$612,930 and \$582,880 at June 30, 2022 and 2021, respectively. In addition, the Association has \$156,003 and \$313,107 of deferred payroll taxes as discussed in Note J as of June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, the banked benefit days account contains a present value discount of \$75,202 which was calculated based on the expected age of retirement for beneficiaries, the expected rate of growth in Medicare Part B, and a net present value rate of 3.125% and 3.125%, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE O - Net Assets With Donor Restrictions

The Association had \$582,109 of time and purpose net assets with donor restrictions and \$1,567,372 of purpose net assets with donor restrictions, which consists of the following:

<u>Source</u>	<u>2022</u>	<u>2021</u>
Pledges Receivable	\$ 582,109	\$1,036,081
Milwaukee Lutheran Free Enterprise	494,651	136,519
Milwaukee Lutheran School Donations	152,501	94,775
Lake Country Lutheran School Donations	109,061	61,385
Lake Country Lutheran Multi-Purpose Stage	501,145	---
Milwaukee Lutheran Class Room 230	80,923	---
Martin Luther Library	109,215	---
Martin Luther School Donations	54,411	---
Milwaukee Lutheran Scholarships	<u>65,465</u>	<u>113,429</u>
Total Net Assets With Donor Restrictions	<u>\$2,149,481</u>	<u>\$1,442,189</u>

NOTE P - Ground Lease Asset

The Association signed a ground lease with Spartan Development, LLC to lease land to build a student residence. The lease period is 98 years after the date of completion of construction, which was August 12, 2020. The initial rent was \$1,100,000 capital contribution from Spartan Development, LLC. The yearly lease payment is \$1 per year. The value of the ground lease asset was \$1,100,000 and \$1,100,000 as of June 30, 2022 and 2021, respectively. The transactions are eliminated with this lease.

NOTE Q - In-Kind Donations

The Association utilized \$14,135 and \$39,977 of donated goods and services for various programs in the Association. The goods and services were valued using the fair market value given current market rates. The donated goods and services consisted of the following for the years ended June 30, 2022 and 2021:

<u>Source</u>	<u>2022</u>	<u>2021</u>
Classroom Supplies	\$ ---	\$ 18,829
Auction	---	1,000
Pavement Repairs-MLHS	7,000	---
Entertainment Tickets-Assn	3,110	---
Dugouts-LCHS	2,500	---
Plants-Martin Luther	1,275	---
Band Equipment-MLHS	<u>250</u>	<u>20,148</u>
Total	<u>\$14,135</u>	<u>\$39,977</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE R - COVID Funding

Congress has passed stimulus bills related to COVID funding. These bills included the following funding that was available to the schools:

The Emergency Assistance for Non-Public Schools (EANS) program was established in the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) to provide services or assistance to eligible non-public schools to address educational disruptions caused by COVID-19. The American Rescue Plan (ARP) Act continued the program with some changes. The private school did not receive services nor was it reimbursed for expenses under the EANS program. The school was reimbursed for certain expenses through the EANS program. The following chart provides information on these reimbursed expenses:

School Year	Amount Reimbursed	Amount Related to K-12 Grade Educational Programming	Amount of Reimbursement Used for Fixed Assets	Included in Financial Statements	Reserve Balance Schedule
2021-22	271,279	271,279	{-0-}	Expense excluded from financial statements	N/A
2020-21	39,773	39,773	{-0-}	Expense excluded from financial statements	N/A

Total amounts of reimbursements by school are

<u>School</u>	<u>2022</u>	<u>2021</u>
Martin Luther High School	\$ 55,858	\$ 3,732
Milwaukee Lutheran High School	157,081	33,366
Lake Country Lutheran High School	27,725	2,675
Mount Calvary Lutheran School	<u>30,615</u>	<u>---</u>
Total	<u>\$271,279</u>	<u>\$39,773</u>

Additionally, the school received services and assistance directly from a Cooperative Educational Service Agency (CESA) or contracted by a CESA. The expenses and revenues associated with these direct services are not reflected in the financial statements or PSCP Reserve Balance Schedule.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE S - Retirement Plans

The Association participates in Concordia Retirement Plan which is a defined benefit plan operated by a related party, Concordia Plan Services. This plan includes the Concordia Retirement Plan (CRP) with Retiree Medical Supplement (RMS).

Employees are eligible for the plan if they are hired to work over 20 hours per week for more than five consecutive months. Pension benefits are based on years of service and compensation. Employees are vested in the retirement plan after five years. Employees are eligible to receive the RMS benefit upon retirement if he/she completed 15 years or more of credible service and the employee is either age 60 or older or the employee's age plus years of creditable service equals or exceeds 85. Concordia Plan Services determines the percentage of salary for eligible workers that the Association is required to pay into the plan which is based on years of tenure and age. Contributions for the defined benefit plan are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Newly enrollees to the CRP, who are non-faculty/non-LCMS called church workers are enrolled in the Account Option rather than the Traditional CRP. The Account Option provides a Retirement Cash Account (RCA) that vests after three (3) years. Employees receive compensation credits that are deposited into their RCA annually with amount of contribution based on years of service. The RCA is portable upon termination of employment once an employee is vested.

The Association also participates in Concordia Retirement Savings Plan (CRSP) which is a defined contribution plan. Employees are eligible to contribute to the plan if they are hired to work over 20 hours per week for more than five consecutive months. The Association matches 50% of an employee's contribution to the plan, not to exceed 1% of the employee's regular, annual compensation.

The total retirement expense for the Concordia Plans was \$940,978 and \$810,626 for the years ended June 30, 2022 and 2021, respectively. No amounts were due to/from Concordia Plan Services as of June 30, 2022 and June 30, 2021.

NOTE T - Rental Income

The Association leases space at the schools to other organizations in the buildings that it owns. Rental income for the year ended June 30, 2022 and 2021, totaled \$164,265 and \$117,901, respectively.

Future premium payments will consist of the following for the year ended June 30:

<u>Year</u>	<u>Amount</u>
2023	\$29,295
2024	<u>3,720</u>
Total Future Payments	<u>\$33,015</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE T - Rental Income (continued)

Future premium payments for rental of the dormitory will consist of the following for the year ended June 30:

<u>Year</u>	<u>Amount</u>
2023	\$ 634,498
2024	739,759
2025	753,837
2026	768,185
2027	784,314
Thereafter	<u>5,184,889</u>
Total Future Payments	<u>\$8,209,879</u>

NOTE U - Related Party Transactions

The Association entered into an employment agreement with an individual that is a relative of the CEO.

The Association entered into an agreement with a company owned by the CFO where they share employees to perform services to benefit both parties. The company also rents cubicle space from the Association.

The Lutheran High School Association of Greater Milwaukee Foundation (the "Foundation") was created to support the charitable activities of the Association. Governance within the Foundation consists of nine (9) board members consisting of three (3) key employees of the Association (Chief Executive Officer, Chief Financial Officer, and the most senior member of Mission Advancement), three (3) members as appointed by the Association and up to six (6) other members as elected by the Foundation Board of Directors. The Association provides office facilities, management, event planning, record keeping, accounting services, and related overhead costs to the Foundation for which it paid a management fee. The Foundation makes donations to the Association each year as approved by the Foundation Board primarily for the purpose of funding student aid, scholarships, and other costs associated with advancement efforts for the benefit of the Association. Each month, the Association invoices the Foundation. Total payments by the Foundation to the Association during the year ended June 30, 2022 and 2021, were \$351,592 and \$319,661 respectively. The Foundation receives all donations and passes them on to the Association if the donation is designated for a specific school in the Association. Total donations received by the Association from the Foundation during the year ended June 30, 2022 and 2021, were \$1,098,590 and \$2,178,430 respectively. Total amounts receivable from the Foundation at the year ended June 30, 2022 and 2021, were \$81,083 and \$150,004 respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE V - Income Taxes

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions taken in previous fiscal years and those expected to be taken in future fiscal years. As of June 30, 2022 and June 30, 2021, the Association had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Association does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE W - Subsequent Events

The Association has evaluated events and transactions occurring after June 30, 2022, through October 13, 2022, the date the consolidated financial statements are available to be issued, for possible adjustments to the consolidated financial statements or disclosures. The Association has determined that no subsequent events need to be disclosed.