

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE

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Independent Auditor's Report

Board of Directors
Lutheran High School Association of Greater Milwaukee

We have audited the accompanying financial statements of Lutheran High School Association of Greater Milwaukee which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Organization'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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Directors
Lutheran High School Association of Greater Milwaukee

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran High School Association of Greater Milwaukee as of June 30, 2019 and 2018, 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.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
October 2, 2019

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019			2018		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,189,102	\$ 964,564	\$ 2,153,666	\$ 1,765,133	\$ 2,471,233	\$ 4,236,366
Accounts Receivable - Net	357,795	270,819	628,614	327,019	197,815	524,834
Pledges Receivable	---	456,700	456,700	---	773,500	773,500
Other Asset	17,508	---	17,508	---	---	---
Prepaid Expenses	58,426	---	58,426	13,266	2,000	15,266
Total Current Assets	<u>\$ 1,622,831</u>	<u>\$ 1,692,083</u>	<u>\$ 3,314,914</u>	<u>\$ 2,105,418</u>	<u>\$ 3,444,548</u>	<u>\$ 5,549,966</u>
FIXED ASSETS						
Land	\$ 1,994,305	\$ ---	\$ 1,994,305	\$ 1,994,305	\$ ---	\$ 1,994,305
Construction in Progress	---	4,859,472	4,859,472	---	---	---
Land Improvements	3,763,968	---	3,763,968	3,508,871	---	3,508,871
Building and Building Improvements	36,571,310	---	36,571,310	36,003,972	---	36,003,972
Furniture, Fixtures and Equipment	1,874,204	---	1,874,204	1,652,566	---	1,652,566
Vehicles	294,147	---	294,147	222,694	---	222,694
Total Fixed Assets	<u>\$ 44,497,934</u>	<u>\$ 4,859,472</u>	<u>\$ 49,357,406</u>	<u>\$ 43,382,408</u>	<u>\$ ---</u>	<u>\$ 43,382,408</u>
Accumulated Depreciation	(16,442,041)	---	(16,442,041)	(15,244,440)	---	(15,244,440)
Net Fixed Assets	<u>\$ 28,055,893</u>	<u>\$ 4,859,472</u>	<u>\$ 32,915,365</u>	<u>\$ 28,137,968</u>	<u>\$ ---</u>	<u>\$ 28,137,968</u>
LONG-TERM ASSETS						
Accounts Receivable	\$ 120,859	\$ ---	\$ 120,859	\$ ---	\$ ---	\$ ---
Pledges Receivable - Net	---	50,825	50,825	---	106,000	106,000
Other Asset	177,926	---	177,926	---	---	---
Total Long-Term Assets	<u>\$ 298,785</u>	<u>\$ 50,825</u>	<u>\$ 349,610</u>	<u>\$ ---</u>	<u>\$ 106,000</u>	<u>\$ 106,000</u>
OTHER ASSETS						
Security Deposit	\$ 15,000	\$ ---	\$ 15,000	\$ 15,000	\$ ---	\$ 15,000
Escrow Account	---	---	---	---	---	---
Total Other Assets	<u>\$ 15,000</u>	<u>\$ ---</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ ---</u>	<u>\$ 15,000</u>
TOTAL ASSETS	<u>\$ 29,992,509</u>	<u>\$ 6,602,380</u>	<u>\$ 36,594,889</u>	<u>\$ 30,258,386</u>	<u>\$ 3,550,548</u>	<u>\$ 33,808,934</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 585,796	\$ 207,399	\$ 793,195	\$ 673,513	\$ 69,308	\$ 742,821
Accrued Payroll	1,010,746	---	1,010,746	939,998	---	939,998
Current Portion of Note Payable	---	---	---	3,342	---	3,342
Current Portion of Mortgages Payable	384,656	---	384,656	341,538	---	341,538
Deferred Revenue	1,360,680	---	1,360,680	1,416,437	---	1,416,437
Total Current Liabilities	<u>\$ 3,341,878</u>	<u>\$ 207,399</u>	<u>\$ 3,549,277</u>	<u>\$ 3,374,828</u>	<u>\$ 69,308</u>	<u>\$ 3,444,136</u>
LONG-TERM LIABILITIES						
Note Payable	\$ ---	\$ ---	\$ ---	\$ 24,329	\$ ---	\$ 24,329
Less: Current Portion of Note Payable	---	---	---	(3,342)	---	(3,342)
Mortgages Payable	14,303,375	1,648,337	15,951,712	14,686,592	---	14,686,592
Less: Current Portion of Mortgages Payable	(384,656)	---	(384,656)	(341,538)	---	(341,538)
Accrued Payroll	721,484	---	721,484	777,778	---	777,778
Student Activities - Auxiliary	228,490	(228,490)	---	233,406	(233,406)	---
Total Long-Term Liabilities	<u>\$ 14,868,693</u>	<u>\$ 1,419,847</u>	<u>\$ 16,288,540</u>	<u>\$ 15,377,225</u>	<u>\$ (233,406)</u>	<u>\$ 15,143,819</u>
Total Liabilities	<u>\$ 18,210,571</u>	<u>\$ 1,627,246</u>	<u>\$ 19,837,817</u>	<u>\$ 18,752,053</u>	<u>\$ (164,098)</u>	<u>\$ 18,587,955</u>
NET ASSETS						
Without Donor Restrictions						
Operating	\$ 11,781,938	\$ ---	\$ 11,781,938	\$ 11,506,333	\$ ---	\$ 11,506,333
With Donor Restrictions	---	4,975,134	4,975,134	---	3,714,646	3,714,646
Total Net Assets	<u>\$ 11,781,938</u>	<u>\$ 4,975,134</u>	<u>\$ 16,757,072</u>	<u>\$ 11,506,333</u>	<u>\$ 3,714,646</u>	<u>\$ 15,220,979</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,992,509</u>	<u>\$ 6,602,380</u>	<u>\$ 36,594,889</u>	<u>\$ 30,258,386</u>	<u>\$ 3,550,548</u>	<u>\$ 33,808,934</u>

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Donations	\$ 919,399	\$ 1,858,085	\$ 2,777,484	\$ 763,411	\$ 3,577,437	\$ 4,340,848
Grants	72,000	285,736	357,736	95,600	321,497	417,097
Tuition	15,919,447	---	15,919,447	14,878,804	---	14,878,804
Fees						
Sports Fees	92,896	---	92,896	102,980	---	102,980
Class Fees	16,783	---	16,783	17,672	---	17,672
Gate Receipts	87,344	---	87,344	67,777	---	67,777
Other Fees	75,811	---	75,811	77,252	---	77,252
Food Sales	578,925	---	578,925	533,005	---	533,005
International Student Program	363,942	---	363,942	525,000	---	525,000
Elementary Band	158,018	---	158,018	176,946	---	176,946
Partnership Income	800,958	---	800,958	846,847	---	846,847
Rent	135,079	---	135,079	112,358	---	112,358
Interest Income	27,252	1,588	28,840	37,556	132	37,688
Other Income	229,076	8,034	237,110	214,339	---	214,339
In-Kind Revenue	10,800	---	10,800	39,970	20,000	59,970
Net Assets Released from Restrictions	892,955	(892,955)	---	1,250,329	(1,250,329)	---
Total Revenue	\$ 20,380,685	\$ 1,260,488	\$ 21,641,173	\$ 19,739,846	\$ 2,668,737	\$ 22,408,583
EXPENSES						
Program Services	\$ 16,820,066	\$ ---	\$ 16,820,066	\$ 16,432,471	\$ ---	\$ 16,432,471
Management and General	2,564,101	---	2,564,101	2,467,050	---	2,467,050
Fundraising	720,913	---	720,913	737,671	---	737,671
Total Expenses	\$ 20,105,080	\$ ---	\$ 20,105,080	\$ 19,637,192	\$ ---	\$ 19,637,192
CHANGE IN NET ASSETS	\$ 275,605	\$ 1,260,488	\$ 1,536,093	\$ 102,654	\$ 2,668,737	\$ 2,771,391
Net Assets, Beginning of Year	11,506,333	3,714,646	15,220,979	11,403,679	1,045,909	12,449,588
NET ASSETS, END OF YEAR	\$ 11,781,938	\$ 4,975,134	\$ 16,757,072	\$ 11,506,333	\$ 3,714,646	\$ 15,220,979

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

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	2019 Total
Salaries and Wages	\$ 8,132,217	\$ 1,061,822	\$ 379,312	\$ 9,573,351
Retirement	686,818	108,795	34,880	830,493
Employee Benefits	2,227,960	148,531	99,020	2,475,511
Payroll Taxes	471,625	65,645	10,024	547,294
Stipends	555,655	750	2,400	558,805
Professional Fees	231,438	206,941	3,250	441,629
Supplies	924,482	119,347	11,253	1,055,082
Telephone	11,716	22,190	300	34,206
Postage	11,552.0	568	21,638	33,758
Printing	18,684	435	51,694	70,813
Occupancy	529,944	72,318	32,216	634,478
Equipment Rental and Maintenance	226,003	334	---	226,337
Depreciation	1,185,944	11,657	---	1,197,601
Travel	96,968	37,974	22,085	157,027
Conferences, Conventions and Meetings	54,432	38,420	837	93,689
Graduation Materials	16,460	27	---	16,487
Awards	9,559	18,245	525	28,329
Food	372,746	---	20	372,766
Promotions	11,351	1,018	7,405	19,774
International Student Program	45,738	---	---	45,738
Student Activities	4,916	---	---	4,916
Capital Outlay	92,038	10,393	---	102,431
Recruitment	29,753	3,699	---	33,452
Moving Fees	7,442	---	---	7,442
Student Aid	684,448	---	---	684,448
Interest Expense	---	391,769	---	391,769
Insurance	7,147	94,837	---	101,984
Membership Dues	67,262	11,618	63	78,943
Donations	10,953	28,539	5,539	45,031
School Events	---	---	18,134	18,134
Field Trips	9,261	---	---	9,261
Meals and Entertainment	22,933	94,162	19,631	136,726
Sports Fees	25,633	---	---	25,633
Testing	36,641	---	---	36,641
Other Expense	347	14,067	687	15,101
TOTALS	\$ 16,820,066	\$ 2,564,101	\$ 720,913	\$ 20,105,080

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

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	2018 Total
Salaries and Wages	\$ 7,554,218	\$ 986,353	\$ 352,352	\$ 8,892,923
Retirement	631,977	95,899	32,626	760,502
Employee Benefits	2,177,593	160,403	92,353	2,430,349
Payroll Taxes	440,897	52,228	7,221	500,346
Stipends	547,588	---	899	548,487
Professional Fees	232,659	294,551	---	527,210
Supplies	783,418	52,776	96,107	932,301
Telephone	17,824	65,053	---	82,877
Postage	8,108.0	238	20,173	28,519
Printing	13,901	10,109	56,128	80,138
Occupancy	532,005	70,562	28,559	631,126
Equipment Rental and Maintenance	204,489	4,459	---	208,948
Depreciation	1,121,288	9,670	---	1,130,958
Travel	89,196	20,624	16,331	126,151
Conferences, Conventions and Meetings	21,756	23,484	62	45,302
Graduation Materials	20,174	---	---	20,174
Awards	10,019	31,737	40	41,796
Food	305,633	---	---	305,633
Promotions	22,392	1,993	13,683	38,068
International Student Program	87,339	---	---	87,339
Student Activities	19,279	---	---	19,279
Entertainment	---	124	---	124
Capital Outlay	335,770	4,394	---	340,164
Recruitment	911	14,219	---	15,130
Collection Fees	32	---	---	32
Moving Fees	1,500	---	---	1,500
Write-Off	340,483	---	---	340,483
Student Aid	713,397	---	---	713,397
Interest Expense	---	392,039	---	392,039
Insurance	5,597	83,974	---	89,571
Membership Dues	59,376	10,244	180	69,800
Donations	47,125	23,400	2,007	72,532
Field Trips	14,863	---	---	14,863
Meals and Entertainment	19,061	46,246	18,005	83,312
Sports Fees	22,889	---	---	22,889
Testing	29,714	---	---	29,714
Other Expense	---	12,271	945	13,216
TOTALS	\$ 16,432,471	\$ 2,467,050	\$ 737,671	\$ 19,637,192

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,536,093	\$ 2,771,391
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,197,601	1,130,958
(Increase) Decrease in Accounts Receivable	(224,640)	(286,396)
(Increase) Decrease in Pledges Receivable	371,975	(539,017)
(Increase) Decrease in Other Asset	(195,434)	---
(Increase) Decrease in Prepaid Expenses	(43,160)	2,200
Increase (Decrease) in Accounts Payable	50,374	338,417
Increase (Decrease) in Accrued Payroll	14,454	44,603
Increase (Decrease) in Deferred Revenue	(55,756)	(21,221)
	<u>\$ 2,651,507</u>	<u>\$ 3,440,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	<u>\$ (5,974,998)</u>	<u>\$ (1,135,194)</u>
	<u>\$ (5,974,998)</u>	<u>\$ (1,135,194)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgages	\$ (383,217)	\$ (287,001)
Proceeds from LCEF Loan	1,648,337	---
Proceeds from Truck Loan	---	24,329
Payment on Truck Loan	(24,329)	---
	<u>\$ 1,240,791</u>	<u>\$ (262,672)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (2,082,700)	\$ 2,043,069
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,236,366</u>	<u>2,193,297</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,153,666</u></u>	<u><u>\$ 4,236,366</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 391,769	\$ 392,039

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

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - Summary of Significant Accounting Policies

Association

The Lutheran High School Association of Greater Milwaukee (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.

Accounting Method

The accompanying 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.

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.

Agency Accounts and Student Activities

The cash of auxiliary groups and student organizations is included on the financial statements of The Lutheran High School Association of Greater Milwaukee. 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 financial statements as these activities are now under the control of the Association.

Deferred Revenue

Deferred revenue consists of tuition, band camp and other revenue that has been prepaid for the 2019 - 2020 year.

Contributions

All contributions are considered available for the Association's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increase net assets without donor restrictions. When a restriction 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. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized. Contributions of donated property are recorded at their fair market value at the date of donation.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 Organization 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 Organization; management costs are those for management of the Organization 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 Organization 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.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2019 financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE B - 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, 2019 and 2018, the Association's uninsured cash balances totaled \$1,912,318 and \$3,995,589, respectively.

NOTE C - Accounting Change

For year ended June 30, 2019, the Organization's financial statements changed to adopt the *Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, effective for years beginning after December 15, 2017. This update is required and makes significant changes in reporting of net asset classes, liquidity and functional expenses. Before the change, net assets had three classifications including unrestricted, temporarily restricted, and permanently restricted. After the change, net assets are considered to be with donor restrictions and without donor restrictions. Before the change, the amount of an endowment considered to be underwater reduced unrestricted net assets. After the change, the amount of an endowment considered to be underwater reduces net assets with donor restrictions. Other new requirements include presenting a statement of functional expenses and footnotes providing information about the functional expenses and liquid financial assets of the Organization.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE C - Accounting Change (continued)

The Organization applied the change on a retrospective basis within the summarized comparative information for the year ended June 30, 2018 and in information for the year ended June 30, 2019. The effect of this change resulted in the net assets that were previously considered to be temporarily restricted net assets now to be considered net assets with donor restrictions as of June 30, 2019 and 2018. The change also resulted in a presentation which includes a statement of functional expenses and functional expense and liquidity footnotes.

NOTE D - Liquidity

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

Cash and Cash Equivalents	\$2,153,666
Accounts Receivable	628,614
Pledges Receivable	<u>456,700</u>
 Total Financial Assets	 <u>\$3,238,980</u>

Financial assets of \$1,692,083 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 Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note H, the Organization 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.

NOTE E - Accounts Receivable - Net

Accounts receivable - net consists of the following as of June 30, 2019 and 2018:

<u>Source</u>	<u>2019</u>	<u>2018</u>
Tuition	\$ 574,926	\$ 554,895
Partnership	33,227	47,035
Other	2,346	2,047
School Donations and Activities from Foundation	310,678	328,681
3in1 Thrift Store	160,859	112,176
We Play for Him	34,917	---
Restricted Grants	142,520	---
Allowance for Uncollectible Accounts	<u>(510,000)</u>	<u>(520,000)</u>
 Net Accounts Receivable	 <u>\$ 749,473</u>	 <u>\$ 524,834</u>

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE E - Accounts Receivable – Net (continued)

	<u>2019</u>	<u>2018</u>
Current Gross Accounts Receivable	\$1,138,614	\$1,044,834
Long-Term Gross Accounts Receivable	<u>120,859</u>	<u>---</u>
Total Accounts Receivable	\$1,259,473	\$1,044,834
Less: Allowance for Doubtful Accounts	<u>(510,000)</u>	<u>(520,000)</u>
Total Net Accounts Receivable	<u>\$ 749,473</u>	<u>\$ 524,834</u>

NOTE F - Net Pledges Receivable

Net pledges receivable consists of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current Gross Pledges Receivable	\$ 456,700	\$ 773,500
Long-Term Gross Pledges Receivable	<u>220,000</u>	<u>382,500</u>
Total Pledges Receivable	\$676,700	\$1,156,000
Less: Allowance for Doubtful Accounts	<u>(169,175)</u>	<u>(276,500)</u>
Total Net Pledges Receivable	<u>\$ 507,525</u>	<u>\$ 879,500</u>

Gross pledges receivable are expected to be collected as follows:

<u>In the Year Ending June 30,</u>	<u>Amount</u>
2020	\$456,700
2021	127,000
2022	42,000
2023	26,000
2024	<u>25,000</u>
Total Gross Pledges Receivable	<u>\$676,700</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, 2019 was \$195,434. The interest rate on the advance is 3%. Interest on the advance as of June 30, 2019 was \$1,221.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE G - Officer Housing Advance (continued)

Future principal payments to be received are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 17,508
2021	18,056
2022	18,605
2023	19,171
2024	19,745
Thereafter	<u>102,349</u>
Total Future Payments	<u>\$195,434</u>

NOTE H - Line of Credit

The Association has a \$1,500,000 revolving line of credit bearing a variable rate, which was 4.00%, which matures on September 28, 2021. As of June 30, 2019 and June 30, 2018, 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, 2019 and June 30, 2018, was \$14,303,375 and \$14,686,592, respectively. The interest rate at June 30, 2019, was 2.625%.

The Association entered into a long-term construction mortgage loan commitment. The loan has an available principal amount of \$3,674,100 of which \$1,648,337 has been drawn as of June 30, 2019. Interest-only payments are due monthly until the maturity date of August 9, 2023. On that date the full unpaid principal and interest are due one balloon payment. The interest rate is variable based on the weighted annual average rate of interest plus up to an additional 2.5 percentage points. As on June 30, 2019 the interest rate was 4.0%. The loan is secured by the Association's real estate.

Interest expense for the years ended June 30, 2019 and 2018, was \$391,769 and \$392,039, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE I - Mortgages Payable (continued)

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 384,657
2021	394,876
2022	405,367
2023	416,137
2024	2,075,530
Thereafter	<u>12,275,145</u>
Total Future Payments	<u>\$15,951,712</u>

NOTE J - Operating Leases

The Association leased eleven copiers in fiscal year 2019 with monthly payments totaling \$3,201. The lease expense for the years ended June 30, 2019 and 2018, totaled \$36,795 and \$41,831, respectively.

The Association leased four postage meters with monthly payments totaling \$595 in fiscal year 2019. The lease expense for the years ended June 30, 2019 and 2018, totaled \$7,139 and \$7,139, respectively.

In July 2016, the Association signed a lease and sublease agreement for additional office space. The sublease began September 1, 2016, and ends March 31, 2020. The lease continues from April 1, 2020, through March 31, 2025. Rent expense for the years ended June 30, 2019 and 2018 totaled \$72,818 and \$69,187, respectively.

Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$116,979
2021	120,642
2022	104,984
2023	87,910
2024	86,521
Thereafter	<u>64,481</u>
Total Future Payments	<u>\$581,517</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE K - Deferred Revenue

Deferred revenue consists of the following at June 30, 2019 and 2018:

<u>Source</u>	<u>2019</u>	<u>2018</u>
Tuition	\$1,355,044	\$1,394,902
Band Camp and Summer PE	---	16,654
Other	<u>5,636</u>	<u>4,881</u>
Total	<u>\$1,360,680</u>	<u>\$1,416,437</u>

NOTE L - Rental Income

The Association leases space to other organizations in the buildings that it owns. Rental income for the year ended June 30, 2019 and 2018, totaled \$135,079 and \$112,358 respectively. The organization receives monthly payments between \$360 and \$1,746.

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

<u>Year</u>	<u>Amount</u>
2020	\$18,559
2021	<u>4,320</u>
Total Future Payments	<u>\$22,879</u>

NOTE M - 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 \$721,484 and \$777,778 at June 30, 2019 and 2018, respectively.

As of June 30, 2019 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 2.625%.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE N - Net Assets With Donor Restrictions

The Association had \$507,525 of time and purpose net assets with donor restrictions and \$4,467,609 of purpose net assets with donor restrictions, which consists of the following:

<u>Source</u>	<u>2019</u>	<u>2018</u>
Pledges Receivable	\$ 507,525	\$ 879,500
Milwaukee Lutheran Metal Shop	57,784	---
Milwaukee Lutheran Career Academy	854,513	917,551
Milwaukee Lutheran Scholarships	184,000	176,000
Milwaukee Lutheran Donations	126,944	21,067
Milwaukee Lutheran Capital Projects	52,708	---
Martin Luther Fitness Center	---	105,832
Martin Luther Band Room	29,334	61,780
Martin Luther Student Center	51,095	---
Martin Luther Ceiling and Lighting	198,422	---
Martin Luther Capital Projects	429,265	---
Martin Luther Donations	24,429	70,923
Lake Country Lutheran Donations	93,266	91,659
Lake Country Lutheran Soccer Field	62,392	---
Lake Country Lutheran Capital Projects	46,230	---
Student Activities - Auxiliary	228,490	233,406
Lake Country Lutheran Expansion	1,986,831	1,139,092
Other	<u>41,906</u>	<u>17,836</u>
Total Net Assets With Donor Restrictions	<u>\$4,975,134</u>	<u>\$3,714,646</u>

NOTE O - In-Kind Donations

The Association received \$10,800 and \$59,970 of donated goods and services, which consisted of the following for the years ended June 30, 2019 and 2018:

<u>Source</u>	<u>2019</u>	<u>2018</u>
Classroom Supplies	\$ 5,000	\$ 5,100
Art	4,000	25,800
Lake Country Lutheran Track	---	20,000
Athletic Equipment	---	4,750
Band Equipment	1,800	4,070
Miscellaneous	<u>---</u>	<u>250</u>
Total	<u>\$10,800</u>	<u>\$59,970</u>

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE P - 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. 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.

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 were \$830,493 and \$760,502 for the years ended June 30, 2019 and 2018, respectively. No amounts were due to/from Concordia Plan Services as of June 30, 2019 and June 30, 2018.

NOTE Q - 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, 2019 and June 30, 2018, 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 R - Subsequent Events

The Association has evaluated events and transactions occurring after June 30, 2019, through October 2, 2019, the date the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures.

The Association is in discussions to create Spartan Development LLC for the creation of a student housing development.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE S - Eligible Education Expenses

Eligible education expenses are used in the reserve schedules of the Private School Choice Program and the Special Needs Scholarship Program for each member school. Eligible education expenses from the association are allocated to each member school based on the student count as of May 2019. See below for each member school's calculation of the eligible education expenses as of June 30, 2019 and June 30, 2018.

<u>Martin Luther High School</u>	<u>2019</u>	<u>2018</u>
Expenses per Functional Schedule	\$4,986,260	\$4,753,658
Association Allocations	471,323	291,940
Depreciation	<u>123,229</u>	<u>112,618</u>
Total	<u>\$5,580,812</u>	<u>\$5,158,216</u>
<u>Milwaukee Lutheran High School</u>	<u>2019</u>	<u>2018</u>
Expenses per Functional Schedule	\$7,182,136	\$6,982,158
Association Allocations	705,137	449,699
Depreciation	<u>307,376</u>	<u>261,925</u>
Total	<u>\$8,194,649</u>	<u>\$7,693,782</u>
<u>Lake Country Lutheran High School</u>	<u>2019</u>	<u>2018</u>
Expenses per Functional Schedule	\$3,188,836	\$3,153,099
Association Allocations	342,865	181,339
Depreciation	<u>755,339</u>	<u>746,745</u>
Total	<u>\$4,287,040</u>	<u>\$4,081,183</u>