

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
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 - 25

## 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, 2023 and 2022, 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 2023 and 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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**

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### **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 11, 2023

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$ 1,172,141	\$ 1,377,505	\$ 2,549,646	\$ 460,769	\$ 1,285,434	\$ 1,746,203
Accounts Receivable - Net	517,014	14,726	531,740	527,995	67,339	595,334
Pledges Receivable	---	116,500	116,500	---	534,530	534,530
Investments	6,716,264	---	6,716,264	---	---	---
Other Asset	19,745	---	19,745	19,171	---	19,171
Prepaid Expenses	170,587	---	170,587	171,445	---	171,445
Total Current Assets	<u>\$ 8,595,751</u>	<u>\$ 1,508,731</u>	<u>\$ 10,104,482</u>	<u>\$ 1,179,380</u>	<u>\$ 1,887,303</u>	<u>\$ 3,066,683</u>
<b>FIXED ASSETS</b>						
Land	\$ 1,733,453	\$ ---	\$ 1,733,453	\$ 1,733,453	\$ ---	\$ 1,733,453
Construction in Progress	---	690,956	690,956	---	807,038	807,038
Land Improvements	5,496,642	---	5,496,642	5,329,920	---	5,329,920
Building and Building Improvements	49,991,849	---	49,991,849	53,505,783	---	53,505,783
Furniture, Fixtures and Equipment	2,763,541	---	2,763,541	2,560,145	---	2,560,145
Vehicles	369,241	---	369,241	369,241	---	369,241
Total Fixed Assets	<u>\$ 60,354,726</u>	<u>\$ 690,956</u>	<u>\$ 61,045,682</u>	<u>\$ 63,498,542</u>	<u>\$ 807,038</u>	<u>\$ 64,305,580</u>
Accumulated Depreciation	(22,904,944)	---	(22,904,944)	(21,451,265)	---	(21,451,265)
Net Fixed Assets	<u>\$ 37,449,782</u>	<u>\$ 690,956</u>	<u>\$ 38,140,738</u>	<u>\$ 42,047,277</u>	<u>\$ 807,038</u>	<u>\$ 42,854,315</u>
<b>RIGHT-OF-USE ASSETS</b>						
Right-of-Use Assets - Operating	\$ 553,321	\$ ---	\$ 553,321	\$ 716,340	\$ ---	\$ 716,340
Total Right-of-Use Assets	<u>\$ 553,321</u>	<u>\$ ---</u>	<u>\$ 553,321</u>	<u>\$ 716,340</u>	<u>\$ ---</u>	<u>\$ 716,340</u>
<b>LONG-TERM ASSETS</b>						
Accounts Receivable	\$ 149,759	\$ ---	\$ 149,759	\$ 161,405	\$ ---	\$ 161,405
Pledges Receivable - Net	---	134,550	134,550	---	47,579	47,579
Other Asset	102,350	---	102,350	122,095	---	122,095
Total Long-Term Assets	<u>\$ 252,109</u>	<u>\$ 134,550</u>	<u>\$ 386,659</u>	<u>\$ 283,500</u>	<u>\$ 47,579</u>	<u>\$ 331,079</u>
<b>OTHER ASSETS</b>						
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>
<b>TOTAL ASSETS</b>	<u>\$ 46,866,663</u>	<u>\$ 2,334,237</u>	<u>\$ 49,200,900</u>	<u>\$ 44,242,197</u>	<u>\$ 2,741,920</u>	<u>\$ 46,984,117</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 1,298,649	\$ 30,405	\$ 1,329,054	\$ 610,928	\$ 41,930	\$ 652,858
Accrued Payroll	771,829	---	771,829	1,301,570	---	1,301,570
Current Portion of Mortgages Payable	556,054	---	556,054	537,978	---	537,978
Deferred Revenue	1,515,439	---	1,515,439	1,273,016	---	1,273,016
Current Portion of Lease Liabilities - Operating	198,067	---	198,067	183,476	---	183,476
Total Current Liabilities	<u>\$ 4,340,038</u>	<u>\$ 30,405</u>	<u>\$ 4,370,443</u>	<u>\$ 3,906,968</u>	<u>\$ 41,930</u>	<u>\$ 3,948,898</u>
<b>LONG-TERM LIABILITIES</b>						
Mortgages Payable	\$ 20,378,748	\$ ---	\$ 20,378,748	\$ 20,922,825	\$ ---	\$ 20,922,825
Less: Current Portion of Mortgages Payable	(556,054)	---	(556,054)	(537,978)	---	(537,978)
Accrued Payroll	607,603	---	607,603	768,933	---	768,933
Student Activities - Auxiliary	(421,211)	421,211	---	(550,510)	550,510	---
Lease Liabilities - Operating	355,254	---	355,254	532,864	---	532,864
Total Long-Term Liabilities	<u>\$ 20,364,340</u>	<u>\$ 421,211</u>	<u>\$ 20,785,551</u>	<u>\$ 21,136,134</u>	<u>\$ 550,510</u>	<u>\$ 21,686,644</u>
Total Liabilities	<u>\$ 24,704,378</u>	<u>\$ 451,616</u>	<u>\$ 25,155,994</u>	<u>\$ 25,043,102</u>	<u>\$ 592,440</u>	<u>\$ 25,635,542</u>
<b>NET ASSETS</b>						
<b>Without Donor Restrictions</b>						
Operating	\$ 19,175,072	\$ ---	\$ 19,175,072	\$ 19,199,095	\$ ---	\$ 19,199,095
Board Designated	2,987,213	---	2,987,213	---	---	---
Total Without Donor Restrictions	<u>\$ 22,162,285</u>	<u>\$ ---</u>	<u>\$ 22,162,285</u>	<u>\$ 19,199,095</u>	<u>\$ ---</u>	<u>\$ 19,199,095</u>
<b>With Donor Restrictions</b>						
Total Net Assets	<u>\$ 22,162,285</u>	<u>\$ 1,882,621</u>	<u>\$ 24,044,906</u>	<u>\$ 19,199,095</u>	<u>\$ 2,149,480</u>	<u>\$ 21,348,575</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 46,866,663</u>	<u>\$ 2,334,237</u>	<u>\$ 49,200,900</u>	<u>\$ 44,242,197</u>	<u>\$ 2,741,920</u>	<u>\$ 46,984,117</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, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>						
Donations	\$ 1,065,814	\$ 780,302	\$ 1,846,116	\$ 53,611	\$ 637,995	\$ 691,606
Grants	---	135,505	135,505	2,857,500	410,832	3,268,332
Employee Retention Credit	2,987,213	---	2,987,213	---	---	---
Tuition	18,953,181	---	18,953,181	19,089,941	---	19,089,941
<b>Fees</b>						
Sports Fees	105,589	---	105,589	92,080	---	92,080
Class Fees	16,970	---	16,970	18,445	---	18,445
Other Fees	65,686	---	65,686	68,186	---	68,186
Food Sales	827,803	---	827,803	742,279	---	742,279
International Student Program	581,580	---	581,580	119,538	---	119,538
Elementary Band	201,154	---	201,154	182,263	---	182,263
Partnership Income	707,269	---	707,269	745,019	---	745,019
Rent	193,844	---	193,844	300,209	---	300,209
Gate Receipts	86,182	---	86,182	75,328	---	75,328
Interest Income	362,074	---	362,074	25,157	---	25,157
Gain on Sale of Fixed Assets	---	---	---	714,513	---	714,513
Gain on Sale of LLC Interests	672,415	---	672,415	---	---	---
Student Activities Income	---	108,746	108,746	---	15,438	15,438
Other Income	670,725	---	670,725	592,584	26,019	618,603
In-Kind Revenue	85,560	---	85,560	14,135	---	14,135
Net Assets Released from Restrictions	1,291,412	(1,291,412)	---	382,993	(382,993)	---
<b>Total Revenue</b>	<u>\$ 28,874,471</u>	<u>\$ (266,859)</u>	<u>\$ 28,607,612</u>	<u>\$ 26,073,781</u>	<u>\$ 707,291</u>	<u>\$ 26,781,072</u>
<b>EXPENSES</b>						
Program Services	\$ 20,801,290	\$ ---	\$ 20,801,290	\$ 21,460,120	\$ ---	\$ 21,460,120
Management and General	4,136,758	---	4,136,758	4,071,971	---	4,071,971
Fundraising	973,233	---	973,233	933,158	---	933,158
<b>Total Expenses</b>	<u>\$ 25,911,281</u>	<u>\$ ---</u>	<u>\$ 25,911,281</u>	<u>\$ 26,465,249</u>	<u>\$ ---</u>	<u>\$ 26,465,249</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 2,963,190</u>	<u>\$ (266,859)</u>	<u>\$ 2,696,331</u>	<u>\$ (391,468)</u>	<u>\$ 707,291</u>	<u>\$ 315,823</u>
Net Assets, Beginning 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>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 22,162,285</u>	<u>\$ 1,882,621</u>	<u>\$ 24,044,906</u>	<u>\$ 19,199,095</u>	<u>\$ 2,149,480</u>	<u>\$ 21,348,575</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, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 9,650,962	\$ 1,287,732	\$ 478,611	\$ 11,417,305
Retirement	751,902	96,460	34,980	883,342
Employee Benefits	2,555,686	266,352	124,337	2,946,375
Payroll Taxes	481,861	134,208	15,407	631,476
Stipends	660,650	300	1,500	662,450
Professional Fees	400,801	735,825	714	1,137,340
Supplies	834,459	155,296	85,963	1,075,718
Telephone	74,259	31,753	1,634	107,646
Postage	8,939	640	29,119	38,698
Printing	32,898	1,188	65,673	99,759
Occupancy	771,177	152,226	25,270	948,673
Equipment Rental and Maintenance	296,003	60,834	4,628	361,465
Depreciation	1,822,511	13,391	---	1,835,902
Travel	125,300	65,675	27,009	217,984
Conferences, Conventions and Meetings	71,942	10,405	---	82,347
Graduation Materials	22,648	---	---	22,648
Awards	17,932	46,121	---	64,053
Food	545,901	---	---	545,901
Promotions	105,395	4,086	3,328	112,809
International Student Program	17,619	---	---	17,619
Capital Outlay	119,695	5,511	---	125,206
Recruitment	7,009	6,505	---	13,514
Moving Fees	9,679	---	---	9,679
Write-Off	133,903	---	---	133,903
Student Aid	808,577	---	---	808,577
Interest Expense	---	709,038	---	709,038
Insurance	1,613	130,615	---	132,228
Membership Dues	93,482	12,662	3,263	109,407
Donations	26,893	18,714	2,142	47,749
School Events	170	---	9,489	9,659
Field Trips	18,714	23,655	---	42,369
Meals and Entertainment	32,554	133,393	60,166	226,113
Sports Fees	275,118	---	---	275,118
Testing	22,406	---	---	22,406
Other Expense	2,632	34,173	---	36,805
<b>TOTALS</b>	<b>\$ 20,801,290</b>	<b>\$ 4,136,758</b>	<b>\$ 973,233</b>	<b>\$ 25,911,281</b>

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	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	427,342	3,775	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
<b>TOTALS</b>	<b>\$ 21,460,120</b>	<b>\$ 4,071,971</b>	<b>\$ 933,158</b>	<b>\$ 26,465,249</b>

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,696,331	\$ 315,823
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,835,902	1,862,310
Forgiveness of Paycheck Protection Program	---	(2,857,500)
Loss (Gain) on Sale of Fixed Assets	---	(714,513)
Loss (Gain) on Sale of LLC Interests	1,118,501	---
Unrealized/Realized Gain on Investments	(67,273)	---
(Increase) Decrease in Accounts Receivable	75,240	(111,452)
(Increase) Decrease in Pledges Receivable	331,059	453,971
(Increase) Decrease in Other Asset	19,171	18,605
(Increase) Decrease in Prepaid Expenses	859	(135,236)
Increase (Decrease) in Accounts Payable	676,196	99,090
Increase (Decrease) in Accrued Payroll	(691,071)	(76,519)
Increase (Decrease) in Deferred Revenue	242,422	(24,475)
	<u>\$ 6,237,337</u>	<u>\$ (1,169,896)</u>
Net Cash Provided (Used) by Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	\$ (797,772)	\$ (1,942,896)
Proceeds from Sale of Fixed Assets	---	715,365
Proceeds from Sale of LLC Interests	2,556,946	---
Purchases of Investments	(9,705,812)	---
Sales of Investments	3,056,821	---
	<u>\$ (4,889,817)</u>	<u>\$ (1,227,531)</u>
Net Cash Used by Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Mortgages	\$ (146,535)	\$ (469,345)
Payments on LCEF Loans	(397,542)	(901,727)
	<u>\$ (544,077)</u>	<u>\$ (1,371,072)</u>
Net Cash Used by Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 803,443	\$ (3,768,499)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,746,203</u>	<u>5,514,702</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,549,646</u>	<u>\$ 1,746,203</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 709,038	\$ 741,233
Donated Stock	59,594	---

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, 2023 AND 2022**

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**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, 2023 and 2022, Lightning Holdings has accrued \$43,701, and \$135,995 of rental income from investment. On November 4, 2022, Lightning Holdings sold 100% of their membership interest to Woodnote Equity resulting in a gain on sale of \$2,973,048.

**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 2023 - 2024 year.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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, 2023 AND 2022**

**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.

**Leases**

The Association recognizes operating and finance leases in accordance with the *FASB Accounting Standards Codification (ASC) 842*. A lease exists when an organization has the right to control the use of property, plant or equipment over a lease term.

The lessee classifies a lease as either a finance or operating lease. The accounting of a finance lease is similar to when an asset is purchased. An operating lease is when the right-of-use of an asset exists over the lease-term, but that the lease doesn't meet the definition of a finance lease.

The Association has elected to establish a threshold to exclude lease assets and obligations that are immaterial to the financial statements. The Association recognizes individual lease assets and liabilities when they are greater than \$5,000. However, if the combined lease assets or liabilities for individually insignificant leases are greater than \$10,000, the Organization recognizes the lease assets and obligations.

The Association has elected not to apply the recognition requirements in ASC 842 to short-term leases (those with a term of 12 or less months) and no expected purchase at the end of the term.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE B - Accounting Standards Changes and Change in Accounting Principles**

**Accounting Standards Changes**

The Association's financial statements include implementation of the following accounting standards updates:

*Accounting Standards Update 2020-07, Not-for-Profit entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This update requires contributed nonfinancial assets 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 in this update are applied on a retrospective basis. The implementation of this standard has not materially affected the financial statements of the Association.

*Accounting Standards Update 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs.* This update clarifies that an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-32-33 for each reporting period. This amendment impacts the effective yield of an existing individual callable debt security. Amendments in this update are applied on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. The implementation of this standard has not materially affected the financial statements of the Association.

*Accounting Standards Update 2016-02, Leases (Topic 842), which supersedes existing guidance in Topic 840, Leases.* The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Association adopted the leasing standards effective July 1, 2021, using the modified retrospective approach with July 1, 2021, as the initial date of application. Using this method, a cumulative-effect adjustment to net assets is recognized in the period of adoption. The Association elected to use all available practical expedients provided in the transition guidance. These allowed the Association to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. The adoption had a material impact on the Association's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Association to restate amounts as of July 1, 2021, resulting in an increase in operating lease ROU assets of \$716,340 and an increase in operating lease liabilities of \$716,340.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE B - Accounting Standards Changes and Change in Accounting Principles (continued)**

**Future Accounting Pronouncement**

*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 generally accepted accounting principles 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.

**Change in Accounting Principles**

The adoption of Topic 842 had a material impact on the Association's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of right-of-use operating lease assets of \$716,340 and operating lease liabilities of \$716,340. Adoption of the new standard had no impact to the Association's change in net assets and had no impact on cash flows.

The following details the statement of financial position line items effected as of July 1, 2021:

	<u>As Reported Under 840</u>	<u>As Reported Under 842</u>	<u>Effect of Change</u>
Assets			
Right-of-Use Asset – Operating Leases	---	\$716,340	\$716,340
Liabilities			
Lease Liability – Operating Lease	---	\$716,340	\$716,340

**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, 2023 and 2022, the Association's uninsured cash balances totaled \$2,331,726 and \$1,312,908, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE D - Liquidity**

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$2,549,646	\$1,746,203
Investments	6,716,264	---
Accounts Receivable	531,740	595,334
Pledges Receivable	<u>116,500</u>	<u>534,530</u>
Available for Use	<u>\$9,914,150</u>	<u>\$2,876,067</u>

Financial assets of \$1,882,621 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 I, 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.

**NOTE E - Accounts Receivable - Net**

Accounts receivable - net consists of the following as of June 30, 2023 and 2022:

<u>Source</u>	<u>2023</u>	<u>2022</u>
Tuition	\$237,640	\$ 738,049
Partnership	20,053	17,626
Other	36,989	6,737
School Donations and Activities from Foundation	138,193	81,083
3in1 Thrift Store	169,759	181,405
TRIUN3 and TRIUN3 Staffing Solutions	145,452	89,857
Burow Holdings, LLC	12,730	108,624
Lightning Holdings, Inc.	---	141,658
Mount Calvary Lutheran Church	2,151	---
Allowance for Uncollectible Accounts	<u>(81,468)</u>	<u>(608,300)</u>
Net Accounts Receivable	<u>\$681,499</u>	<u>\$ 756,739</u>
	<u>2023</u>	<u>2022</u>
Current Gross Accounts Receivable	\$613,208	\$1,203,634
Long-Term Gross Accounts Receivable	<u>149,759</u>	<u>161,405</u>
Total Accounts Receivable	\$762,967	\$1,365,039
Less: Allowance for Doubtful Accounts	<u>(81,468)</u>	<u>(608,300)</u>
Total Net Accounts Receivable	<u>\$681,499</u>	<u>\$ 756,739</u>



**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE F - Net Pledges Receivable**

Net pledges receivable consists of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Current Gross Pledges Receivable	\$116,500	\$534,530
Long-Term Gross Pledges Receivable	<u>186,250</u>	<u>233,250</u>
Total Pledges Receivable	\$302,750	\$767,780
Less: Present Value Discount	(21,425)	(32,115)
Less: Allowance for Doubtful Accounts	<u>(30,275)</u>	<u>(153,556)</u>
Total Net Pledges Receivable	<u>\$251,050</u>	<u>\$582,109</u>

Pledges were discounted using the borrowing rate of 3.875%. Gross pledges receivable are expected to be collected as follows:

<u>In the Year Ending June 30,</u>	<u>Amount</u>
2024	\$116,500
2025	97,250
2026	79,000
2027	<u>10,000</u>
Total Gross Pledges Receivable	<u>\$302,750</u>

**NOTE G - Fair Value Measurements**

The Association has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2023 and 2022:

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023 – Fixed Income	<u>\$6,716,264</u>	<u>\$6,716,264</u>	<u>\$ ---</u>	<u>\$ ---</u>
2022 – Fixed Income	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE H - 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, 2023 and 2022, was \$122,095 and \$141,266, respectively. The interest rate on the advance is 3%. Interest on the advance as of June 30, 2023 and 2022, was \$3,976 and \$4,542, respectively.

Future principal payments to be received are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 19,745
2025	20,354
2026	20,973
2027	21,611
2028	22,267
Thereafter	<u>17,145</u>
Total Future Payments	<u>\$122,095</u>

**NOTE I - Line of Credit**

The Association has a \$1,500,000 revolving line of credit bearing a variable rate, which was 3.875%, which matures on July 22, 2025. As of June 30, 2023 and June 30, 2022, the line of credit did not have an outstanding balance. The line of credit is secured by the Association's real estate.

**NOTE J - 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, 2023 and June 30, 2022, was \$12,746,167 and \$13,143,709, respectively. The interest rate at June 30, 2023, was 3.125%.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE J - Mortgages Payable (continued)**

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 \$7,632,581 and \$7,779,116 as of June 30, 2023 and 2022, respectively. The loan carries a variable interest rate. The interest rate as of June 30, 2023 and 2022, was 3.80% and 3.80%, 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, 2023 and 2022, was \$709,038 and \$741,233, respectively.

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 556,054
2025	574,742
2026	594,064
2027	614,041
2028	634,695
Thereafter	<u>17,405,152</u>
Total Future Payments	<u>\$20,378,748</u>

**NOTE K - CARES Act Employer Retention Credit**

The Association qualified to receive funding through the Employee Retention Credit for certain quarters in 2020 and 2021. Employee retention credits were \$2,987,213 and \$-0- as of June 30, 2023 and 2022. The grants were treated as conditional grants that were recorded as revenue when the IRS has approved, processed and paid the claims in May 2023. Employee retention credits are subject to audit by the IRS in subsequent years and the IRS is scrutinizing eligibility determinations made in the program. The School has set up a net asset reserve for the amount received through the employee retention credit. The following provides information on the ERC received by the school:

School Year	Credit Type	Total Credit	Credit Related to K-12th Grade Educational Programming	Included in Financial Statements	2020-2021 and 2021-2022 Funding Initially Recorded in 2022-2023
2020-2021	ERC	\$1,920,389	\$ 1,920,389	Government Assistance Revenue	\$ 1,920,389
2021-2022	ERC	\$1,066,824	\$ 1,066,824	Government Assistance Revenue	\$ 1,066,824

In addition, the Association has deferred payroll taxes. Deferred payroll taxes as of June 30, 2023 and 2022, are \$-0- and \$156,003 respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE L - 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	\$ 1,251,632
Revenue Recognized From Prior Year Deferred	(1,251,632)
New Fee Revenue Collected	20,452,717
Revenue Recognized on Tuition and Fees	<u>(18,953,456)</u>
Ending Deferred	<u>\$ 1,499,261</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, 2023 and 2022, was \$188,245 and \$178,711, 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, 2023 and 2022, was \$782,734 and \$301,801, respectively.

**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, 2023 and 2022, was \$827,803 and \$742,279, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE L - Revenue From Contracts with Customers (continued)**

**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, 2023 and 2022, totaled \$193,844 and \$300,209, respectively. The Association, receives monthly payments between \$310 and \$1,842.

Beginning Deferred Revenue	\$ ---
Revenue Recognized on Prior Year Deferred	---
New Rental Revenue Collected	193,844
Revenue Recognized on Rental Income	<u>(193,844)</u>
Ending Deferred	<u><u>\$ ---</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	\$ 21,384
Revenue Recognized on Prior Year Deferred	(21,384)
Supply Chain Assistance Revenue Received	16,178
Revenue Recognized on Supply Chain Assistance	<u>---</u>
Ending Deferred	<u><u>\$ 16,178</u></u>

**NOTE M - Leasing Activities**

**Operating Leases**

The Association leases office space at 10427 West Lincoln Avenue, West Allis, WI under an operating lease. The initial term of the lease is from April 1, 2020 through March 31, 2025. The Association has determined that they are not reasonably certain to renew for any additional years.

The Association leases a building at 2862 N 53<sup>rd</sup> Street, Milwaukee, WI under an operating lease. The initial term of the lease is from July 1, 2021 through June 30, 2024. The Association has determined that they are reasonably certain to renew for an additional three years, until June 30, 2027. Therefore, the extended lease term is included in the calculation of the right-of-use asset and lease liability.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE M - Leasing Activities (continued)**

**Operating Leases (continued)**

The Association leases sixteen copiers, three postage meters, three vehicles and furniture under operating leases. The earliest initial term for these leases is November 2019 and the latest lease extends until June 2027.

The Association uses their incremental borrowing rate of 3.88% to determine the value of their right-of-use assets and obligations for operating leases.

**Lease Term and Discount Rate**

For the year ended June 30, 2023:

The weighted average discount rate for operating leases is: 3.88%  
The weighted average remaining lease term in years for operating leases is: 2.81 years

For the year ended June 30, 2022:

The weighted average discount rate for operating leases is: 3.88%  
The weighted average remaining lease term in years for operating leases is: 3.60 years

**Lease Cost and Cash Flow Information**

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating Lease Costs:		
Fixed Lease Payments	\$237,008	\$217,602

The following summarizes cash flow information related to leases for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating Cash Flows from Operating Leases	\$212,094	\$187,954

The maturities of lease liabilities as of June 30, 2023 were as follows:

Year Ending June 30:	<u>Operating</u>
2024	\$216,592
2025	186,466
2026	111,872
2027	70,195
2028	<u>772</u>
Total Lease payments	\$585,897
Less: Present Value Discount	<u>(32,576)</u>
Present Value of Lease Liabilities	<u>\$553,321</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE M - Leasing Activities (continued)**

**Other Leasing Activity**

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, 2023 and 2022, totaled \$452,948 and \$441,900, respectively. All transactions are eliminated with this lease. None of the rent to Spartan Development LLC was included in the schedule of revenue and expenses by school.

**NOTE N - Deferred Revenue**

Deferred revenue consists of the following at June 30, 2023 and 2022:

<u>Source</u>	<u>2023</u>	<u>2022</u>
Tuition	\$1,499,261	\$1,251,632
Supply Chain Assistance	<u>16,178</u>	<u>21,384</u>
Total	<u>\$1,515,439</u>	<u>\$1,273,016</u>

**NOTE O - 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 \$607,603 and \$612,930 at June 30, 2023 and 2022, respectively. In addition, the Association has \$-0- and \$156,003 of deferred payroll taxes as discussed in Note K as of June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, the banked benefit days account contains a present value discount of \$85,943 and \$75,202 respectively 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.

**NOTE P - Net Assets With Donor Restrictions**

The Association had \$251,050 of time and purpose net assets with donor restrictions and \$1,631,571 of purpose net assets with donor restrictions, which consists of the following:

<u>Source</u>	<u>2023</u>	<u>2022</u>
Pledges Receivable	\$ 251,050	\$ 582,109
Milwaukee Lutheran Free Enterprise	341,808	494,651
Milwaukee Lutheran School Donations	215,650	152,501
Lake Country Lutheran School Donations	313,859	109,061
Lake Country Lutheran Multi-Purpose Stage	501,145	501,145
Milwaukee Lutheran Class Room 230	90,633	80,923
Martin Luther Library	66,812	109,215
Martin Luther School Donations	58,172	54,411
Milwaukee Lutheran Scholarships	<u>43,492</u>	<u>65,465</u>
Total Net Assets With Donor Restrictions	<u>\$1,882,621</u>	<u>\$2,149,481</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE Q - 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, 2023 and 2022, respectively. The transactions are eliminated with this lease.

**NOTE R - In-Kind Donations**

The Association utilized \$85,560 and \$14,135 of donated goods and services for various programs in the Association in the years ended June 30, 2023 and 2022, respectively. 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, 2023 and 2022:

<u>Source</u>	<u>2023</u>	<u>2022</u>
Furniture-MLHS	\$ 9,645	\$ ---
Christmas Tree-MLHS	100	---
Pavement Repairs-MLHS	---	7,000
Entertainment Tickets-Assn	---	3,110
Dugouts-LCL	---	2,500
Plants-Martin Luther	---	1,275
Grand Piano-LCL	69,863	---
Food-Martin Luther	407	---
Equipment-Martin Luther	1,286	---
Industrial Tools-MLHS	3,559	---
Industrial Tools-Martin Luther	500	---
Industrial Tools-LCL	200	---
Band Equipment-MLHS	<u>---</u>	<u>250</u>
Total	<u>\$85,560</u>	<u>\$14,135</u>

**NOTE S - 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 school was reimbursed for certain expenses through the EANS program. The following chart provides information on these reimbursed expenses:



**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE S - COVID Funding (continued)**

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
2022-23	36,884	36,884	{-0-}	Expense excluded from financial statements	N/A
2021-22	271,279	271,279	{-0-}	Expense excluded from financial statements	N/A

Total amounts of reimbursements by school are

<u>School</u>	<u>2023</u>	<u>2022</u>
Martin Luther High School	\$ ---	\$ 55,858
Milwaukee Lutheran High School	---	157,081
Lake Country Lutheran High School	2,983	27,725
Mount Calvary Lutheran School	<u>33,901</u>	<u>30,615</u>
Total	<u>\$36,884</u>	<u>\$271,279</u>

Additionally, the school received services and assistance directly from a Cooperative Educational Service Agency (CESA) or contracted by a CESA and TRIUN3 Staffing Solutions, LLC. The expenses and revenues associated with these direct services are not reflected in the financial statements or PSCP Reserve Balance Schedule.

**NOTE T - 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.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE T - Retirement Plans (continued)**

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 \$883,342 and \$940,978 for the years ended June 30, 2023 and 2022, respectively. No amounts were due to/from Concordia Plan Services as of June 30, 2023 and June 30, 2022.

**NOTE U - 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, 2023 and 2022, totaled \$172,343 and \$300,209, respectively. Future payments will consist of the following for the year ended June 30:

<u>Year</u>	<u>Amount</u>
2024	\$29,295
2025	<u>5,525</u>
Total Future Payments	<u>\$34,820</u>

**NOTE V - Related Party Transactions**

The Association entered into an agreement with an independent contractor 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 office space from the Association.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE V - Related Party Transactions (continued)**

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, 2023 and 2022, were \$1,346,717 and \$351,592 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, 2023 and 2022, were \$1,136,593 and \$1,098,590 respectively. Total amounts receivable from the Foundation at the year ended June 30, 2023 and 2022, were \$138,193 and \$81,083 respectively.

**NOTE W - 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. Income from certain activities, primarily the sale of assets from LLC interests is not directly related to the Association's tax-exempt purpose and is subject to taxation as unrelated business income. As of June 30, 2023 and June 30, 2022, the Association had unrelated tax payable of \$343,752 and \$-0-. Unrelated business income tax expense as of June 30, 2023 and June 30, 2022, was \$343,752 and \$-0-. The Association does not anticipate any significant changes to unrecognized income tax benefits over the next year.

**NOTE X - Subsequent Events**

The Association has evaluated events and transactions occurring after June 30, 2023, through October 11, 2023, 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 the following subsequent events need to be disclosed:

On July 1, 2023, the Association entered into an operating lease for Trinity Lutheran Classical School at 2500 S 68<sup>th</sup> St., West Allis, WI. The lease begins on July 1, 2023 and ends on June 30, 2026 with monthly rents of \$420 in 2024, \$428 in 2025 and \$437 in 2026.

The Association signed an operating lease for multiple copiers in August 2023. The lease term is from August 2023 until October 2028 with monthly payments of \$908.