

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Balance Sheet	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 14

Independent Auditor's Report

Board of Directors
The Lutheran High School Association of Greater Milwaukee

We have audited the accompanying financial statements of The Lutheran High School Association of Greater Milwaukee which comprise the balance sheet as of June 30, 2018, and 2017, and the related statements of activities 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
The 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 The Lutheran High School Association of Greater Milwaukee as of June 30, 2018, and 2017, 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.

A handwritten signature in black ink that reads "Ritz Holman LLP". The signature is written in a cursive, flowing style.

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
September 11, 2018

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
BALANCE SHEET
JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,765,133	\$ 2,371,221	\$ 4,136,354	\$ 1,756,810	\$ 436,487	\$ 2,193,297
Accounts Receivable - Net	327,019	197,815	524,834	220,836	17,602	238,438
Pledges Receivable	---	773,500	773,500	---	25,000	25,000
Prepaid Expenses	13,266	2,000	15,266	17,466	---	17,466
Total Current Assets	<u>\$ 2,105,418</u>	<u>\$ 3,344,536</u>	<u>\$ 5,449,954</u>	<u>\$ 1,995,112</u>	<u>\$ 479,089</u>	<u>\$ 2,474,201</u>
FIXED ASSETS						
Land	\$ 1,994,305	\$ ---	\$ 1,994,305	\$ 1,994,305	\$ ---	\$ 1,994,305
Land Improvements	3,508,871	---	3,508,871	3,458,666	---	3,458,666
Building and Building Improvements	36,003,972	---	36,003,972	35,251,725	---	35,251,725
Furniture, Fixtures and Equipment	1,652,566	---	1,652,566	1,356,153	---	1,356,153
Vehicles	222,694	---	222,694	186,365	---	186,365
Total Fixed Assets	<u>\$ 43,382,408</u>	<u>\$ ---</u>	<u>\$ 43,382,408</u>	<u>\$ 42,247,214</u>	<u>\$ ---</u>	<u>\$ 42,247,214</u>
Accumulated Depreciation	(15,244,440)	---	(15,244,440)	(14,113,482)	---	(14,113,482)
Net Fixed Assets	<u>\$ 28,137,968</u>	<u>\$ ---</u>	<u>\$ 28,137,968</u>	<u>\$ 28,133,732</u>	<u>\$ ---</u>	<u>\$ 28,133,732</u>
LONG-TERM ASSETS						
Pledges Receivable - Net	\$ ---	\$ 106,000	\$ 106,000	\$ ---	\$ 315,483	\$ 315,483
Total Long-Term Assets	<u>\$ ---</u>	<u>\$ 106,000</u>	<u>\$ 106,000</u>	<u>\$ ---</u>	<u>\$ 315,483</u>	<u>\$ 315,483</u>
OTHER ASSETS						
Security Deposit	\$ 15,000	\$ ---	\$ 15,000	\$ 15,000	\$ ---	\$ 15,000
Escrow Account	---	100,012	100,012	---	---	---
Total Other Assets	<u>\$ 15,000</u>	<u>\$ 100,012</u>	<u>\$ 115,012</u>	<u>\$ 15,000</u>	<u>\$ ---</u>	<u>\$ 15,000</u>
TOTAL ASSETS	<u>\$ 30,258,386</u>	<u>\$ 3,550,548</u>	<u>\$ 33,808,934</u>	<u>\$ 30,143,844</u>	<u>\$ 794,572</u>	<u>\$ 30,938,416</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 673,513	\$ 69,308	\$ 742,821	\$ 403,056	\$ 1,348	\$ 404,404
Accrued Payroll	939,998	---	939,998	937,481	---	937,481
Current Portion of Note Payable	3,342	---	3,342	---	---	---
Current Portion of Mortgage Payable	341,538	---	341,538	249,612	---	249,612
Deferred Revenue	1,416,437	---	1,416,437	1,437,658	---	1,437,658
Total Current Liabilities	<u>\$ 3,374,828</u>	<u>\$ 69,308</u>	<u>\$ 3,444,136</u>	<u>\$ 3,027,807</u>	<u>\$ 1,348</u>	<u>\$ 3,029,155</u>
LONG-TERM LIABILITIES						
Note Payable	\$ 24,329	\$ ---	\$ 24,329	\$ ---	\$ ---	\$ ---
Less: Current Portion of Note Payable	(3,342)	---	(3,342)	---	---	---
Mortgages Payable	14,686,592	---	14,686,592	14,973,593	---	14,973,593
Less: Current Portion of Mortgage Payable	(341,538)	---	(341,538)	(249,612)	---	(249,612)
Accrued Payroll	777,778	---	777,778	735,692	---	735,692
Student Activities - Auxiliary	233,406	(233,406)	---	252,685	(252,685)	---
Total Long-Term Liabilities	<u>\$ 15,377,225</u>	<u>\$ (233,406)</u>	<u>\$ 15,143,819</u>	<u>\$ 15,712,358</u>	<u>\$ (252,685)</u>	<u>\$ 15,459,673</u>
Total Liabilities	<u>\$ 18,752,053</u>	<u>\$ (164,098)</u>	<u>\$ 18,587,955</u>	<u>\$ 18,740,165</u>	<u>\$ (251,337)</u>	<u>\$ 18,488,828</u>
NET ASSETS						
Unrestricted	\$ 11,506,333	\$ ---	\$ 11,506,333	\$ 11,403,679	\$ ---	\$ 11,403,679
Temporarily Restricted	---	3,714,646	3,714,646	---	1,045,909	1,045,909
Total Net Assets	<u>\$ 11,506,333</u>	<u>\$ 3,714,646</u>	<u>\$ 15,220,979</u>	<u>\$ 11,403,679</u>	<u>\$ 1,045,909</u>	<u>\$ 12,449,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,258,386</u>	<u>\$ 3,550,548</u>	<u>\$ 33,808,934</u>	<u>\$ 30,143,844</u>	<u>\$ 794,572</u>	<u>\$ 30,938,416</u>

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

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted Operating Funds	Temporarily Restricted Funds	Total	Unrestricted Operating Funds	Temporarily Restricted Funds	Total
REVENUE						
Donations	\$ 763,411	\$ 3,577,437	\$ 4,340,848	\$ 236,231	\$ 414,591	\$ 650,822
Grants	95,600	321,497	417,097	124,500	214,000	338,500
Tuition	14,878,804	---	14,878,804	14,041,853	---	14,041,853
Fees						
Sports Fees	170,757	---	170,757	178,039	---	178,039
Class Fees	17,672	---	17,672	28,058	---	28,058
Other Fees	77,252	---	77,252	102,646	---	102,646
Food Sales	533,005	---	533,005	558,628	---	558,628
International Student Program	525,000	---	525,000	445,533	---	445,533
Summer Programs	5,810	---	5,810	96,361	---	96,361
Instrument Rentals	---	---	---	140	---	140
Partnership Income	846,847	---	846,847	1,039,304	---	1,039,304
Ad Revenue	---	---	---	1,335	---	1,335
Rent	112,358	---	112,358	137,575	---	137,575
Interest Income	37,556	132	37,688	16,738	171	16,909
Other Income	385,475	---	385,475	422,073	---	422,073
In-Kind Revenue	39,970	20,000	59,970	3,022	30,000	33,022
Net Assets Released from Restrictions	1,250,329	(1,250,329)	---	950,374	(950,374)	---
Total Revenue	\$ 19,739,846	\$ 2,668,737	\$ 22,408,583	\$ 18,382,410	\$ (291,612)	\$ 18,090,798
EXPENSES						
Instructional and Student Activities	\$ 11,250,669	\$ ---	\$ 11,250,669	\$ 10,068,389	\$ ---	\$ 10,068,389
Administration and Building Maintenance	7,693,150	---	7,693,150	7,675,572	---	7,675,572
Fundraising	693,373	---	693,373	317,525	---	317,525
Total Expenses	\$ 19,637,192	\$ ---	\$ 19,637,192	\$ 18,061,486	\$ ---	\$ 18,061,486
CHANGE IN NET ASSETS	\$ 102,654	\$ 2,668,737	\$ 2,771,391	\$ 320,924	\$ (291,612)	\$ 29,312
Net Assets, Beginning of Year	11,403,679	1,045,909	12,449,588	11,082,755	1,337,521	12,420,276
NET ASSETS, END OF YEAR	\$ 11,506,333	\$ 3,714,646	\$ 15,220,979	\$ 11,403,679	\$ 1,045,909	\$ 12,449,588

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,771,391	\$ 29,312
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,130,958	1,019,748
(Increase) Decrease in Accounts Receivable	(286,396)	(185,944)
(Increase) Decrease in Pledges Receivable	(539,017)	8,106
(Increase) Decrease in Prepaid Expenses	2,200	(9,339)
(Increase) Decrease in Life Insurance Cash Surrender Value	---	1,934
(Increase) Decrease in Other Asset	---	8,338
Increase (Decrease) in Accounts Payable	338,417	94,233
Increase (Decrease) in Accrued Payroll	44,603	192,686
Increase (Decrease) in Deferred Revenue	(21,221)	184,232
	\$ 3,440,935	\$ 1,343,306
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (1,135,194)	\$ (1,263,331)
	\$ (1,135,194)	\$ (1,263,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgages	\$ (287,001)	\$ (26,407)
Proceeds from Truck Loan	24,329	---
Net Increase in LCEF Escrow Account	(100,012)	---
	\$ (362,684)	\$ (26,407)
Net Increase in Cash and Cash Equivalents	\$ 1,943,057	\$ 53,568
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,193,297	2,139,729
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,136,354	\$ 2,193,297
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 392,039	\$ 392,899

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, 2018 AND 2017

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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: unrestricted net assets and temporarily restricted net assets. Assets of the restricted classes are created only by donor-imposed 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 2018 - 2019 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 temporarily restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted net assets 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, 2018 AND 2017**

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.

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, 2018 and 2017, the Association's uninsured cash balances totaled \$3,995,589 and \$2,169,197, respectively.

NOTE C - Accounts Receivable - Net

Accounts receivable - net consists of the following as of June 30, 2018 and 2017:

<u>Source</u>	<u>2018</u>	<u>2017</u>
Tuition	\$ 554,895	\$ 542,132
Partnership	47,035	30,147
Other	2,047	25,360
School Donations and Activities from Foundation	328,681	161,989
3in1 Thrift Store	112,176	---
Band	---	3,810
Allowance for Uncollectible Accounts	<u>(520,000)</u>	<u>(525,000)</u>
Net Accounts Receivable	<u>\$ 524,834</u>	<u>\$ 238,438</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE D - Net Pledges Receivable

Net pledges receivable consists of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Current Gross Pledges Receivable	\$ 773,500	\$ 25,000
Long-Term Gross Pledges Receivable	<u>382,500</u>	<u>594,200</u>
Total Pledges Receivable	\$1,156,000	\$ 619,200
Less: Present Value Discount	---	(210,717)
Less: Allowance for Doubtful Accounts	<u>(276,500)</u>	<u>(68,000)</u>
Total Net Pledges Receivable	<u>\$ 879,500</u>	<u>\$ 340,483</u>

Gross pledges receivable are expected to be collected as follows:

<u>In the Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 773,500
2020	302,500
2021	<u>80,000</u>
Total Gross Pledges Receivable	<u>\$1,156,000</u>

NOTE E - Line of Credit

The Association has a \$1,500,000 revolving line of credit bearing a variable rate, which was 3.875%, due on September 30, 2018. As of June 30, 2018 and June 30, 2017, the balance on the line of credit was \$-0-. The line of credit is secured by the Association's real estate.

NOTE F - 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, 2018 and June 30, 2017, was \$14,686,592 and \$14,973,593, respectively. The interest rate at June 30, 2018, was 2.625%.

Interest expense for the years ended June 30, 2018 and 2017, was \$392,039 and \$392,899, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE F - Mortgages Payable (continued)

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 341,538
2020	350,612
2021	359,927
2022	369,489
2023	379,306
Thereafter	<u>12,885,720</u>
Total Future Payments	<u>\$14,686,592</u>

NOTE G - Note Payable

In May 2018, the Association entered into a note payable for a new vehicle. The note has a fixed interest rate of 7.44% and is collateralized by the underlying asset. The balance of the note payable as of June 30, 2018 and 2017, was \$24,329 and \$-0-, respectively.

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 3,342
2020	3,599
2021	3,876
2022	4,174
2023	4,495
Thereafter	<u>4,843</u>
Total Future Payments	<u>\$24,329</u>

NOTE H - Operating Leases

The Association leased eleven copiers in fiscal year 2018 with monthly payments totaling \$3,281. The lease expense for the years ended June 30, 2018 and 2017, totaled \$41,831 and \$41,214, respectively.

The Association leased four postage meters with monthly payments totaling \$596 in fiscal year 2018. The lease expense for the years ended June 30, 2018 and 2017, totaled \$7,139 and \$4,982, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE H - Operating Leases (continued)

In July 2016, the Association signed a lease and sublease agreement for additional office space. The sublease began September 1, 2016, and ends March 31, 2020. The lease continues from April 1, 2020, through March 31, 2025. Rent expense for the years ended June 30, 2018 and 2017 totaled \$69,187 and \$40,176, respectively.

Future payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$112,820
2020	113,746
2021	117,410
2022	101,751
2023	84,677
Thereafter	<u>148,577</u>
Total Future Payments	<u>\$678,981</u>

NOTE I - Deferred Revenue

Deferred revenue consists of the following at June 30, 2018 and 2017:

<u>Source</u>	<u>2018</u>	<u>2017</u>
Tuition	\$1,394,902	\$1,309,077
Band Camp and Summer PE	16,654	19,312
Credits	---	109,269
Other	<u>4,881</u>	<u>---</u>
Total	<u>\$1,416,437</u>	<u>\$1,437,658</u>

NOTE J - Rental Income

The Association leases space to other organizations in the buildings that it owns. Rental income for the year ended June 30, 2018 and 2017, totaled \$112,358 and \$137,575, 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>
2019	<u>\$18,559</u>
Total Future Payments	<u>\$18,559</u>

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE K - 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 \$777,778 and \$735,692 at June 30, 2018 and 2017, respectively.

NOTE L - Temporarily Restricted Net Assets

The Association had \$879,500 of temporarily time and purpose-restricted net assets and \$2,835,148 of temporarily purpose-restricted net assets, which consists of the following:

<u>Source</u>	<u>2018</u>	<u>2017</u>
Pledges Receivable	\$ 879,500	\$ 340,483
R3 Campaign	---	37,166
Milwaukee Lutheran Free Enterprise	373,061	---
Milwaukee Lutheran Career Academy	544,490	---
Milwaukee Lutheran Scholarships	176,000	82,500
Martin Luther Fitness Center	105,832	---
Martin Luther Band Room	61,780	---
Martin Luther After School Program	---	106,466
Martin Luther GPS Program	---	16,667
Martin Luther Donations	70,923	38,667
Milwaukee Lutheran Donations	21,067	31,035
Lake Country Lutheran Donations	91,659	14,482
Lake Country Lutheran Storage Shed	---	75,557
Student Activities - Auxiliary	233,406	252,685
50K Project	8,721	28,957
Lake Country Lutheran Expansion	1,139,092	---
Other	<u>9,115</u>	<u>21,244</u>
Total Temporarily Restricted Net Assets	<u>\$3,714,646</u>	<u>\$1,045,909</u>

NOTE M - In-Kind Donations

The Association received \$59,970 and \$33,022 of donated goods and services, which consisted of the following for the years ended June 30, 2018 and 2017:

<u>Source</u>	<u>2018</u>	<u>2017</u>
Classroom Supplies	\$ 5,100	\$ 616
Art	25,800	---
Lake Country Lutheran Track	20,000	30,000
Furniture and Equipment	---	406
Athletic Equipment	4,750	---
Band Equipment	4,070	2,000
Miscellaneous	<u>250</u>	<u>---</u>
Total	<u>\$59,970</u>	<u>\$33,022</u>

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE N - 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 \$760,502 and 706,855 for the years ended June 30, 2018 and 2017, respectively. No amounts were due to/from Concordia Plan Services as of June 30, 2018 and June 30, 2017.

NOTE O - 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, 2018 and June 30, 2017, 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.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE P - Subsequent Events

The Association has evaluated events and transactions occurring after June 30, 2018, through September 11, 2018, the date the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures.

On August 9, 2018 the Association entered into a construction loan agreement for \$3,674,100 which matures on August 9, 2023. The beginning interest rate is 4% and is to be adjusted yearly based on the Lender's weighted average cost of capital plus up to an additional 2.5%. The loan is collateralized by the underlying asset as well as a general security agreement. The Association is to make interest only payments until the date of maturation.