

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE

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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 statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lutheran High School Association of Greater Milwaukee and Affiliate as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Lutheran High School Association of Greater Milwaukee and Affiliate and to meet other ethical responsibilities in accordance with the ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Lutheran High School Association of Greater Milwaukee and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 8, 2024

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash	\$ 604,838	\$ 1,789,246	\$ 2,394,084	\$ 1,172,141	\$ 1,377,505	\$ 2,549,646
Accounts Receivable - Net	1,017,302	132,940	1,150,242	517,014	14,726	531,740
Pledges Receivable	---	191,750	191,750	---	116,500	116,500
Investments	6,065,384	---	6,065,384	6,716,264	---	6,716,264
Prepaid Expenses	94,889	---	94,889	170,587	---	170,587
Inventory	45,576	---	45,576	---	---	---
Other Asset	30,315	---	30,315	19,745	---	19,745
Total Current Assets	<u>\$ 7,858,304</u>	<u>\$ 2,113,936</u>	<u>\$ 9,972,240</u>	<u>\$ 8,595,751</u>	<u>\$ 1,508,731</u>	<u>\$ 10,104,482</u>
FIXED ASSETS						
Land	\$ 1,733,453	\$ ---	\$ 1,733,453	\$ 1,733,453	\$ ---	\$ 1,733,453
Construction in Progress	---	272,916	272,916	---	690,956	690,956
Land Improvements	5,564,718	---	5,564,718	5,496,642	---	5,496,642
Building and Building Improvements	50,891,466	---	50,891,466	49,991,849	---	49,991,849
Furniture, Fixtures and Equipment	3,364,662	---	3,364,662	2,763,541	---	2,763,541
Vehicles	599,549	---	599,549	369,241	---	369,241
Total Fixed Assets	<u>\$ 62,153,848</u>	<u>\$ 272,916</u>	<u>\$ 62,426,764</u>	<u>\$ 60,354,726</u>	<u>\$ 690,956</u>	<u>\$ 61,045,682</u>
Accumulated Depreciation	(24,718,603)	---	(24,718,603)	(22,904,944)	---	(22,904,944)
Net Fixed Assets	<u>\$ 37,435,245</u>	<u>\$ 272,916</u>	<u>\$ 37,708,161</u>	<u>\$ 37,449,782</u>	<u>\$ 690,956</u>	<u>\$ 38,140,738</u>
RIGHT-OF-USE ASSETS						
Right-of-Use Assets - Operating	\$ 760,388	\$ ---	\$ 760,388	\$ 553,321	\$ ---	\$ 553,321
Total Right-of-Use Assets	<u>\$ 760,388</u>	<u>\$ ---</u>	<u>\$ 760,388</u>	<u>\$ 553,321</u>	<u>\$ ---</u>	<u>\$ 553,321</u>
LONG-TERM ASSETS						
Accounts Receivable	\$ 143,953	\$ ---	\$ 143,953	\$ 149,759	\$ ---	\$ 149,759
Pledges Receivable - Net	---	462,091	462,091	---	134,550	134,550
Investments	2,000,000	---	2,000,000	---	---	---
Other Asset	192,035	---	192,035	102,350	---	102,350
Total Long-Term Assets	<u>\$ 2,335,988</u>	<u>\$ 462,091</u>	<u>\$ 2,798,079</u>	<u>\$ 252,109</u>	<u>\$ 134,550</u>	<u>\$ 386,659</u>
OTHER ASSETS						
Security Deposit	\$ 15,700	\$ ---	\$ 15,700	\$ 15,700	\$ ---	\$ 15,700
Total Other Assets	<u>\$ 15,700</u>	<u>\$ ---</u>	<u>\$ 15,700</u>	<u>\$ 15,700</u>	<u>\$ ---</u>	<u>\$ 15,700</u>
TOTAL ASSETS	<u>\$ 48,405,625</u>	<u>\$ 2,848,943</u>	<u>\$ 51,254,568</u>	<u>\$ 46,866,663</u>	<u>\$ 2,334,237</u>	<u>\$ 49,200,900</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 2,709,718	\$ 5,863	\$ 2,715,581	\$ 1,298,649	\$ 30,405	\$ 1,329,054
Accrued Payroll	861,941	---	861,941	771,829	---	771,829
Current Portion of Mortgages Payable	575,301	---	575,301	556,054	---	556,054
Deferred Revenue	1,262,183	---	1,262,183	1,515,439	---	1,515,439
Current Portion of Lease Liabilities - Operating	278,137	---	278,137	198,067	---	198,067
Total Current Liabilities	<u>\$ 5,687,280</u>	<u>\$ 5,863</u>	<u>\$ 5,693,143</u>	<u>\$ 4,340,038</u>	<u>\$ 30,405</u>	<u>\$ 4,370,443</u>
LONG-TERM LIABILITIES						
Mortgages Payable	\$ 19,818,135	\$ ---	\$ 19,818,135	\$ 20,378,748	\$ ---	\$ 20,378,748
Less: Current Portion of Mortgages Payable	(575,301)	---	(575,301)	(556,054)	---	(556,054)
Accrued Payroll	627,077	---	627,077	607,603	---	607,603
Student Activities - Auxiliary	(391,958)	391,958	---	(421,211)	421,211	---
Lease Liabilities - Operating	430,491	---	430,491	355,254	---	355,254
Total Long-Term Liabilities	<u>\$ 19,908,444</u>	<u>\$ 391,958</u>	<u>\$ 20,300,402</u>	<u>\$ 20,364,340</u>	<u>\$ 421,211</u>	<u>\$ 20,785,551</u>
Total Liabilities	<u>\$ 25,595,724</u>	<u>\$ 397,821</u>	<u>\$ 25,993,545</u>	<u>\$ 24,704,378</u>	<u>\$ 451,616</u>	<u>\$ 25,155,994</u>
NET ASSETS						
Without Donor Restrictions						
Operating	\$ 19,822,688	\$ ---	\$ 19,822,688	\$ 19,175,072	\$ ---	\$ 19,175,072
Board Designated	2,987,213	---	2,987,213	2,987,213	---	2,987,213
Total Without Donor Restrictions	<u>\$ 22,809,901</u>	<u>\$ ---</u>	<u>\$ 22,809,901</u>	<u>\$ 22,162,285</u>	<u>\$ ---</u>	<u>\$ 22,162,285</u>
With Donor Restrictions						
Total Net Assets	<u>\$ 22,809,901</u>	<u>\$ 2,451,122</u>	<u>\$ 25,261,023</u>	<u>\$ 22,162,285</u>	<u>\$ 1,882,621</u>	<u>\$ 24,044,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,405,625</u>	<u>\$ 2,848,943</u>	<u>\$ 51,254,568</u>	<u>\$ 46,866,663</u>	<u>\$ 2,334,237</u>	<u>\$ 49,200,900</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, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Donations	\$ 1,339,532	\$ 1,546,451	\$ 2,885,983	\$ 1,065,814	\$ 780,302	\$ 1,846,116
Grants	---	219,765	219,765	---	135,505	135,505
Employee Retention Credit	---	---	---	2,987,213	---	2,987,213
Tuition	25,489,519	---	25,489,519	18,953,181	---	18,953,181
Fees						
Sports Fees	108,959	---	108,959	105,589	---	105,589
Class Fees	15,985	---	15,985	16,970	---	16,970
Uniform Fees	102,924	---	102,924	---	---	---
Other Fees	53,247	---	53,247	65,686	---	65,686
Food Sales	1,035,871	---	1,035,871	827,803	---	827,803
International Student Program	889,300	---	889,300	581,580	---	581,580
Elementary Band	224,761	---	224,761	201,154	---	201,154
Partnership Income	739,578	---	739,578	707,269	---	707,269
Rent	147,081	---	147,081	193,844	---	193,844
Gate Receipts	92,647	---	92,647	86,182	---	86,182
Interest Income	462,906	---	462,906	362,074	---	362,074
Gain on Sale of LLC Interests	---	---	---	672,415	---	672,415
Student Activities Income	---	29,253	29,253	---	108,746	108,746
Other Income	885,624	1,670	887,294	670,725	---	670,725
In-Kind Revenue	2,710	---	2,710	85,560	---	85,560
Net Assets Released from Restrictions	1,228,638	(1,228,638)	---	1,291,412	(1,291,412)	---
Total Revenue	\$ 32,819,282	\$ 568,501	\$ 33,387,783	\$ 28,874,471	\$ (266,859)	\$ 28,607,612
EXPENSES						
Program Services	\$ 24,936,065	\$ ---	\$ 24,936,065	\$ 20,801,290	\$ ---	\$ 20,801,290
Management and General	6,158,928	---	6,158,928	4,136,758	---	4,136,758
Fundraising	1,076,673	---	1,076,673	973,233	---	973,233
Total Expenses	\$ 32,171,666	\$ ---	\$ 32,171,666	\$ 25,911,281	\$ ---	\$ 25,911,281
CHANGE IN NET ASSETS	\$ 647,616	\$ 568,501	\$ 1,216,117	\$ 2,963,190	\$ (266,859)	\$ 2,696,331
Net Assets, Beginning of Year	22,162,285	1,882,621	24,044,906	19,199,095	2,149,480	21,348,575
NET ASSETS, END OF YEAR	\$ 22,809,901	\$ 2,451,122	\$ 25,261,023	\$ 22,162,285	\$ 1,882,621	\$ 24,044,906

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, 2024**

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 11,310,249	\$ 1,363,064	\$ 526,554	\$ 13,199,867
Retirement	834,681	89,468	45,170	969,319
Employee Benefits	2,710,232	290,505	146,669	3,147,406
Payroll Taxes	607,038	142,153	17,251	766,442
Stipends	869,277	11,848	1,525	882,650
Professional Fees	1,847,016	818,090	---	2,665,106
Supplies	871,035	146,585	121,669	1,139,289
Telephone	54,705	26,371	1,775	82,851
Postage	2,238	593	32,421	35,252
Printing	18,146	8,466	60,422	87,034
Occupancy	760,233	168,638	30,203	959,074
Equipment Rental and Maintenance	455,289	108,694	4,463	568,446
Depreciation	1,766,100	47,560	---	1,813,660
Travel	140,238	80,343	26,534	247,115
Conferences, Conventions and Meetings	59,781	22,470	---	82,251
Graduation Materials	22,077	1,563	---	23,640
Awards	22,724	6,265	---	28,989
Food	496,319	---	---	496,319
Promotions	186,784	74,220	63	261,067
International Student Program	12,923	---	---	12,923
Capital Outlay	83,057	1,887	---	84,944
Recruitment	4,003	19,310	---	23,313
Write-Off	60,608	---	---	60,608
Student Aid	1,068,084	---	---	1,068,084
School Uniforms	123,541	---	---	123,541
Interest Expense	---	680,568	---	680,568
Insurance	10,401	179,340	---	189,741
Membership Dues	127,068	17,296	3,601	147,965
Donations	39,493	1,600,711	5,375	1,645,579
School Events	7,484	---	10,472	17,956
Field Trips	94,581	---	---	94,581
Meals and Entertainment	65,945	204,890	42,506	313,341
Sports Fees	179,667	---	---	179,667
Testing	25,048	360	---	25,408
Other Expense	---	47,670	---	47,670
TOTALS	\$ 24,936,065	\$ 6,158,928	\$ 1,076,673	\$ 32,171,666

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
TOTALS	\$ 20,801,290	\$ 4,136,758	\$ 973,233	\$ 25,911,281

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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,216,117	\$ 2,696,331
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,813,660	1,835,902
Loss (Gain) on Sale of LLC Interests	---	1,118,501
Unrealized/Realized Gain on Investments	(418,487)	(67,273)
(Increase) Decrease in Accounts Receivable	(612,696)	75,240
(Increase) Decrease in Pledges Receivable	(402,791)	331,059
(Increase) Decrease in Other Asset	(100,255)	19,171
(Increase) Decrease in Inventory	(45,576)	---
(Increase) Decrease in Prepaid Expenses	75,697	859
(Increase) Decrease in Right-of-Use Assets - Operating	(207,067)	---
Increase (Decrease) in Accounts Payable	1,386,527	676,196
Increase (Decrease) in Accrued Payroll	109,586	(691,071)
Increase (Decrease) in Lease Liabilities - Operating	155,307	---
Increase (Decrease) in Deferred Revenue	<u>(253,256)</u>	<u>242,422</u>
Net Cash Provided by Operating Activities	<u>\$ 2,716,766</u>	<u>\$ 6,237,337</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (1,381,082)	\$ (797,772)
Proceeds from Sale of LLC Interests	---	2,556,946
Purchases of Investments	(19,126,687)	(9,705,812)
Sales of Investments	<u>18,196,054</u>	<u>3,056,821</u>
Net Cash Used by Investing Activities	<u>\$ (2,311,715)</u>	<u>\$ (4,889,817)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgages	\$ (152,196)	\$ (146,535)
Payments on LCEF Loans	<u>(408,417)</u>	<u>(397,542)</u>
Net Cash Used by Financing Activities	<u>\$ (560,613)</u>	<u>\$ (544,077)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (155,562)	\$ 803,443
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,549,646</u>	<u>1,746,203</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,394,084</u>	<u>\$ 2,549,646</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 680,568	\$ 709,038
Taxes Paid	338,825	---
Donated Stock	72,552	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, 2024 AND 2023

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023, Lightning Holdings has accrued \$-0-, and \$43,701 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.

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 2024 - 2025 year.

THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2024 AND 2023

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 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.

Inventory

Inventory is valued at the lower of cost or fair market value and includes items available for resale.

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 LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE A - Summary of Significant Accounting Policies (continued)

Leases (continued)

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.

NOTE B - Accounting Standards Change

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. The implementation of this standard has not materially affected the financial statements of the Association.

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, 2024 and 2023, the Association's uninsured cash balances totaled \$2,194,981 and \$2,331,726, respectively.

NOTE D - Liquidity

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

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$2,349,084	\$2,549,646
Investments	6,065,384	6,716,264
Accounts Receivable	1,150,242	531,740
Pledges Receivable	<u>191,750</u>	<u>116,500</u>
Available for Use	<u>\$9,756,460</u>	<u>\$9,914,150</u>

Financial assets of \$2,451,122 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.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE E - Accounts Receivable - Net

Accounts receivable - net consists of the following as of June 30, 2024 and 2023:

<u>Source</u>	<u>2024</u>	<u>2023</u>
Tuition	\$ 191,638	\$ 237,640
Partnership	90,674	20,053
Other	14,671	36,989
Advertising Receivable	140,000	---
School Donations and Activities from Foundation	326,878	138,193
3in1 Thrift Store	163,953	169,759
TRIUN3 and TRIUN3 Staffing Solutions	539,939	145,452
Burow Holdings, LLC	---	12,730
Mount Calvary Lutheran Church	1,660	2,151
Trinity Lutheran Church	1,566	---
Allowance for Uncollectible Accounts	<u>(176,784)</u>	<u>(81,468)</u>
Net Accounts Receivable	<u>\$1,294,195</u>	<u>\$681,499</u>
	<u>2024</u>	<u>2023</u>
Current Gross Accounts Receivable	\$1,327,026	\$613,208
Long-Term Gross Accounts Receivable	<u>143,953</u>	<u>149,759</u>
Total Accounts Receivable	\$1,470,979	\$762,967
Less: Allowance for Doubtful Accounts	<u>(176,784)</u>	<u>(81,468)</u>
Total Net Accounts Receivable	<u>\$1,294,195</u>	<u>\$681,499</u>

NOTE F - Net Pledges Receivable

Net pledges receivable consists of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Current Gross Pledges Receivable	\$191,750	\$116,500
Long-Term Gross Pledges Receivable	<u>577,500</u>	<u>186,250</u>
Total Pledges Receivable	\$769,250	\$302,750
Less: Present Value Discount	(38,484)	(21,425)
Less: Allowance for Doubtful Accounts	<u>(76,925)</u>	<u>(30,275)</u>
Total Net Pledges Receivable	<u>\$653,841</u>	<u>\$251,050</u>

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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE F - Net Pledges Receivable (continued)

<u>In the Year Ending June 30,</u>	<u>Amount</u>
2025	\$191,750
2026	229,000
2027	220,500
2028	<u>128,000</u>
Total Gross Pledges Receivable	<u>\$769,250</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, 2024 and 2023:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2024 -				
Fixed Income	\$6,064,939	\$6,064,939	\$ ---	\$ ---
Cash	445	445	---	---
LCEF Investment	<u>2,000,000</u>	---	---	<u>2,000,000</u>
Total	<u>\$8,065,384</u>	<u>\$6,065,384</u>	---	<u>\$2,000,000</u>
2023 - Fixed Income	<u>\$6,716,264</u>	<u>\$6,716,264</u>	\$ ---	\$ ---

The Association's LCEF Investment is managed by Lutheran Church Extension Fund (LCEF). The fair values is measured based on the statement provided by LCEF. The table below presents information about recurring fair value measurement (Level 3 measurements):

	<u>2024</u>	<u>2023</u>
Beginning Net Asset Value as of July 1	\$ ---	\$ ---
Purchases	2,071,405	---
Distributions	<u>(71,405)</u>	---
Ending Net Asset Value as of June 30	<u>\$2,000,000</u>	<u>\$ ---</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE H - Officer Housing Advances

The Association entered into an employment agreement with two officers of the Association. The terms of this agreement provide for an advance in the amount of \$200,000 and \$120,000 for the purpose of housing assistance. Starting April 1, 2019 and July 1, 2024, the advance requires monthly interest and principal repayments with a maturity on April 1, 2029 and July 1, 2034. The monthly payments are forgiven and recognized as compensation for each month the officers remains employed. If the officers are no longer employed by the Association, the advance then becomes payable by the officers for the remaining duration of the ten-year agreement. The advances are secured by the officers' homes. The balance on the advance at June 30, 2024 and 2023, was \$222,350 and \$122,095, respectively. Interest on the loan originating in April 2019 has an interest rate of 3%; the loan originating in 2024 has an interest rate of 4%. Interest on the advance as of June 30, 2024 and 2023, was \$4,586 and \$3,976, respectively.

Future principal payments to be received are as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 30,315
2026	31,340
2027	32,400
2028	33,495
2029	28,830
Thereafter	<u>65,970</u>
Total Future Payments	<u>\$222,350</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, 2024 and June 30, 2023, 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, 2024 and June 30, 2023, was \$12,337,751 and \$12,746,167, respectively. The interest rate at June 30, 2024 and 2023, was 3.125% and 3.125%, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 \$7,480,384 and \$7,632,581 as of June 30, 2024 and 2023, respectively. The loan carries a variable interest rate. The interest rate as of June 30, 2024 and 2023, 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, 2024 and 2023, was \$680,568 and \$709,038, respectively.

Future principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 575,301
2026	594,641
2027	614,636
2028	635,309
2029	656,684
Thereafter	<u>16,741,564</u>
Total Future Payments	<u>\$19,818,135</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 \$-0- and \$2,987,213 as of June 30, 2024 and 2023. 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

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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	\$ 1,499,261
Revenue Recognized From Prior Year Deferred	(1,499,261)
New Fee Revenue Collected	25,231,057
Revenue Recognized on Tuition and Fees	<u>(23,990,258)</u>
Ending Deferred	<u>\$ 1,240,799</u>

Student Activity and Student Uniform Fees

The Association requests annual activity fees from students for sports, classes, and other activities. The Association also sells school uniforms at Milwaukee Lutheran High School. 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, 2024 and 2023, was \$281,115 and \$188,245, 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, 2024 and 2023, was \$1,114,061 and \$782,734, 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, 2024 and 2023, was \$1,035,871 and \$827,803, respectively.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023, totaled \$147,081 and \$193,844, respectively. The Association, receives monthly payments between \$310 and \$1,842.

Beginning Deferred Revenue	\$	---
Revenue Recognized on Prior Year Deferred		---
New Rental Revenue Collected		147,081
Revenue Recognized on Rental Income		<u>(147,081)</u>
Ending Deferred	\$	<u>---</u>

Supply Chain Assistance

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

Beginning Deferred Revenue	\$	16,178
Revenue Recognized on Prior Year Deferred		(16,178)
Supply Chain Assistance Revenue Received		26,056
Revenue Recognized on Supply Chain Assistance		<u>(26,056)</u>
Ending Deferred	\$	<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 53rd 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 exercised their option to renew this lease 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 Association leases twenty copiers, four postage meters, one system wide printing and copying monitoring system, three vehicles, door security detectors and furniture under operating leases. The earliest initial term for these leases is October 2019 and the latest lease extends until October 2029.

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.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE M - Leasing Activities (continued)

Lease Term and Discount Rate

For the year ended June 30, 2024:

The weighted average discount rate for operating leases is: 3.88%
The weighted average remaining lease term in years for operating leases is: 2.34 years

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

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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating Lease Costs:		
Fixed Lease Payments	\$314,025	\$237,008

The following summarizes cash flow information related to leases for the year ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating Cash Flows from Operating Leases	\$320,793	\$212,094

The maturities of lease liabilities as of June 30, 2024 were as follows:

Year Ending June 30:	<u>Operating</u>
2025	\$296,228
2026	228,994
2027	181,098
2028	25,229
2029	<u>16,062</u>
Total Lease payments	\$747,611
Less: Present Value Discount	<u>(38,983)</u>
Present Value of Lease Liabilities	<u>\$708,628</u>

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, 2024 and 2023, totaled \$464,271 and \$452,948, 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.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE N - Deferred Revenue

Deferred revenue consists of the following at June 30, 2024 and 2023:

<u>Source</u>	<u>2024</u>	<u>2023</u>
Tuition	\$1,240,799	\$1,499,261
Elementary Band	15,684	---
Athletic Sponsorship	5,700	---
Supply Chain Assistance	<u>---</u>	<u>16,178</u>
Total	<u>\$1,262,183</u>	<u>\$1,515,439</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 \$627,077 and \$607,603 at June 30, 2024 and 2023, respectively.

As of June 30, 2024 and 2023, the banked benefit days account contains a present value discount of \$62,765 and \$85,943 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 3.875% and 3.875%, respectively.

NOTE P - Net Assets With Donor Restrictions

The Association had \$653,841 of time and purpose net assets with donor restrictions and \$1,797,280 of purpose net assets with donor restrictions, which consists of the following:

<u>Source</u>	<u>2024</u>	<u>2023</u>
Pledges Receivable	\$ 653,841	\$ 251,050
Milwaukee Lutheran Free Enterprise	100,000	341,808
Milwaukee Lutheran School Donations	244,894	215,650
Lake Country Lutheran School Donations	83,599	313,859
Lake Country Lutheran Multi-Purpose Stage	501,145	501,145
Milwaukee Lutheran Class Room 230	---	90,633
Milwaukee Lutheran Security	123,000	---
Mount Calvary Lutheran School Donations	22,734	---
Milwaukee Lutheran Elevator	538,444	---
Martin Luther Library	35,077	66,812
Martin Luther School Donations	91,420	58,172
Milwaukee Lutheran Scholarships	<u>56,968</u>	<u>43,492</u>
Total Net Assets With Donor Restrictions	<u>\$2,451,122</u>	<u>\$1,882,621</u>

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023, respectively. The transactions are eliminated with this lease.

NOTE R - In-Kind Donations

The Association utilized \$2,710 and \$85,560 of donated goods and services for various programs in the Association in the years ended June 30, 2024 and 2023, 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, 2024 and 2023:

<u>Source</u>	<u>2024</u>	<u>2023</u>
Furniture - MLHS	\$ ---	\$ 9,645
Christmas Tree - MLHS	---	100
Grand Piano - LCL	---	69,863
Food - Martin Luther	---	407
Equipment - Martin Luther	---	1,286
Industrial Tools - MLHS	2,210	3,559
Industrial Tools - Martin Luther	---	500
Industrial Tools - LCL	---	200
Band Equipment - MLHS	<u>500</u>	<u>---</u>
Total	<u>\$2,710</u>	<u>\$85,560</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, 2024 AND 2023**

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
2023-24	8,292	8,292	{-0-}	Expense excluded from financial statements	N/A
2022-23	36,884	36,884	{-0-}	Expense excluded from financial statements	N/A

Total amounts of reimbursements by school are

<u>School</u>	<u>2024</u>	<u>2023</u>
Lake Country Lutheran High School	\$ ---	\$ 2,983
Martin Luther High School	1,362	---
Mount Calvary Lutheran School	<u>6,930</u>	<u>33,901</u>
Total	<u>\$8,292</u>	<u>\$36,884</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, 2024 AND 2023**

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 \$969,319 and \$883,342 for the years ended June 30, 2024 and 2023, respectively. No amounts were due to/from Concordia Plan Services as of June 30, 2024 and June 30, 2023.

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, 2024 and 2023, totaled \$147,081 and \$193,844, respectively. Future payments will consist of the following for the year ended June 30:

<u>Year</u>	<u>Amount</u>
2025	\$35,300
2026	9,725
2027	<u>4,200</u>
Total Future Payments	<u>\$49,225</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
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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, 2024 and 2023, were \$1,909,012 and \$1,346,717 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, 2024 and 2023, were \$1,123,924 and \$1,136,593 respectively. Total amounts receivable from the Foundation at the year ended June 30, 2024 and 2023, were \$323,852 and \$138,193 respectively. The Association has a goal to build up its investment holdings in the Foundation and donated \$1,600,000 and \$-0- during the years ended June 30, 2024 and 2023, respectively, to the Foundation.

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, 2024 and June 30, 2023, the Association had unrelated tax payable of \$-0- and \$343,752. Unrelated business income tax expense as of June 30, 2024 and June 30, 2023, was \$-0- and \$343,752. 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, 2024, through October 8, 2024, 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 September 6, 2024, the Association entered into an operating lease with The Way Church as a lessor for the space located at 5201 S 76th St, Greendale, WI. The lease terms extend from October 6, 2024 through September 25, 2025 with annual rent of \$22,100.

**THE LUTHERAN HIGH SCHOOL ASSOCIATION OF GREATER MILWAUKEE AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE X - Subsequent Events (continued)

On July 31, 2024, the Association signed an agreement to purchase all of the assets and assume all of the liabilities of Our Redeemer Lutheran Church as of July 31, 2024 for a purchase price of \$1. The agreement also stipulates that the seller pay to the Association the amount equal to the unearned tuition payments as of the closing date. In addition, beginning September 15, 2024, quarterly contributions of \$68,750 are due to the Association from the seller for assuming the seller's liabilities, continuing for a total of twelve quarterly payments, for an aggregate total of \$825,000.