ST. PETER LUTHERAN CHURCH,
SCHOOL AND FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2022

ST. PETER LUTHERAN CHURCH,
SCHOOL AND FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
St. Peter Lutheran Church, School and Foundation
111 West Olive Street
Arlington Heights, Illinois 60004

Opinion

We have audited the accompanying financial statements of St. Peter Lutheran Church, School and Foundation, which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Peter Lutheran Church, School and Foundation as of June 30, 2022, and the changes in its net assets and its 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of St. Peter Lutheran Church, School and Foundation and to meet our other ethical responsibilities in accordance with the relevant 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Peter Lutheran Church, School and Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 St. Peter Lutheran Church, School and Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Peter Lutheran Church, School and Foundation'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.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As more fully described in Note B to the consolidated financial statements, the Organization has not recorded the cost for the legacy building and land, and related depreciation for the legacy building. In our opinion, accounting principles generally accepted in the United States of America require that the cost of the legacy building and land should be recorded at cost, if purchased, or at fair value, if donated or contributed, and the building should be depreciated over its estimated useful life. Quantification of the effects on the consolidated financial statements of the preceding practice is not practicable.

PORTE BROWN LLC
Certified Public Accountants

Porte Brown LLC

Elk Grove Village, Illinois
August 21, 2023

ST. PETER LUTHERAN CHURCH, SCHOOL AND FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS

CURRENT ASSETS		
Cash, cash equivalents, and restricted cash	$ 952,066	
Investments	5,477,529	
Tuition receivables	3,344	
Other receivables	5,383	
Prepaid expenses	52,251	$ 6,490,573
FIXED ASSETS		
Property and equipment	5,894,658	
Construction in progress	340,740	
Less: Accumulated depreciation	(1,170,362)	5,065,036
TOTAL ASSETS		$ 11,555,609

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 61,858	
Accrued expenses	121,090	
Deferred tuition	130,935	
Current portion of long-term debt	123,798	$ 437,681
LONG-TERM DEBT		
Net of current portion included above		2,039,877
NET ASSETS		
Without donor restrictions	4,869,823	
With donor restrictions	4,208,228	9,078,051
TOTAL LIABILITIES AND NET ASSETS		$ 11,555,609

The accompanying notes are an integral part of these financial statements

ST. PETER LUTHERAN CHURCH, SCHOOL AND FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions	Total
Envelope and basket offerings	$ 1,773,775	$ -	$ 1,773,775
Other contributions	70,067	318,159	388,226
Facility usage fees	42,991	-	42,991
School tuition and fees	3,265,832	-	3,265,832
Children's program income	425,213	-	425,213
Gain on extinguishment of debt	812,200	-	812,200
Other income	29,666	-	29,666
Investment loss, net	(300,135)	(370,853)	(670,988)
Loss on sale of asset held for sale	(37,235)	-	(37,235)
Net assets released from restrictions	460,153	(460,153)	-
	6,542,527	(512,847)	6,029,680
EXPENSES			
Program services	5,766,445	-	5,766,445
Management and general	463,968	-	463,968
Fundraising	119,235	-	119,235
	6,349,648	-	6,349,648
CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION	192,879	(512,847)	(319,968)
DEPRECIATION AND AMORTIZATION	169,780	-	169,780
CHANGE IN NET ASSETS	23,099	(512,847)	(489,748)
NET ASSETS, BEGINNING OF YEAR	4,846,724	4,721,075	9,567,799
NET ASSETS, END OF YEAR	$ 4,869,823	$ 4,208,228	$ 9,078,051

The accompanying notes are an integral part of these financial statements

ST. PETER LUTHERAN CHURCH, SCHOOL AND FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services					
	Ministerial	**School**	**Total Programs**	**Management and General**	**Fundraising Services**	**Total**
EXPENSES						
Salaries	$ 554,153	$ 2,470,570	$ 3,024,723	$ 282,878	$ 26,332	$ 3,333,933
Benefits	152,137	730,284	882,421	64,890	18,370	965,681
Bank charges and credit card fee	-	-	-	14,010	-	14,010
Repairs and maintenance	54,408	101,043	155,451	-	-	155,451
Conferences and training	27,615	11,706	39,321	26	-	39,347
Curriculum	-	68,316	68,316	-	-	68,316
Fieldtrips and activities	-	111,481	111,481	-	1,432	112,913
Insurance	25,157	43,617	68,774	-	-	68,774
Interest	31,359	58,916	90,275	4,751	-	95,026
Marketing	1,586	17,673	19,259	-	-	19,259
Miscellaneous	1,075	9,123	10,198	15,762	-	25,960
Missions	298,186	29,894	328,080	-	-	328,080
Outside services	106,809	175,926	282,735	12,295	55,496	350,526
Printing and postage	8,968	15,024	23,992	2,868	2,631	29,491
Supplies and resources	153,980	194,928	348,908	29,124	14,973	393,005
Technology	45,067	98,464	143,531	37,364	-	180,895
Utilities	60,162	108,818	168,980	-	-	168,980
TOTAL EXPENSES	1,520,662	4,245,783	5,766,445	463,968	119,235	6,349,648
Depreciation and amortization	59,423	110,357	169,780	-	-	169,780
TOTAL FUNCTIONAL EXPENSES	$ 1,580,085	$ 4,356,140	$ 5,936,225	$ 463,968	$ 119,235	$ 6,519,428

The accompanying notes are an integral part of these financial statements

ST. PETER LUTHERAN CHURCH, SCHOOL AND FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

OPERATING ACTIVITIES	$ (489,748)	
Change in net assets		
Adjustments to reconcile change in net assets		
cash used by operating activities		
Depreciation	167,222	
Amortization of debt issuance costs	2,558	
Gain on extinguishment of debt	(812,200)	
Loss on sale of asset held for sale	37,235	
Net realized and unrealized loss on investments	857,656	
Changes in:		
Other receivables	1,019	
Prepaid expenses	83,576	
Tuition receivables	1,710	
Accounts payable	(68,745)	
Accrued expenses	61,800	
Deferred tuition	(9,799)	
Net cash used by operating activities		$ (167,716)
INVESTING ACTIVITIES		
Purchase of investments	(2,471,660)	
Proceeds from sale of investments	2,810,232	
Proceeds from sale of asset held for sale	487,765	
Construction in progess	(156,815)	
Purchase of fixed assets	(216,856)	
Net cash provided by investing activities		452,666
FINANCING ACTIVITIES		
Repayment of long-term debt	(166,427)	
Net cash used by financing actitvities		(166,427)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH		118,523
BEGINNING CASH, CASH EQUIVALENTS AND RESTRICTED CASH		833,543
ENDING CASH, CASH EQUIVALENTS AND RESTRICTED CASH		$ 952,066
SUPPLEMENTAL INFORMATION TO CASH FLOWS		
Cash paid during the year for:		
Income taxes		$ -
Interest		95,026
Noncash investing and financing activities:		
Decrease in fair value of investments		$ (1,243,016)
Gain on extinguishment of debt		812,200

The accompanying notes are an integral part of these financial statements

NOTE A – NATURE OF OPERATIONS

St. Peter Lutheran Church (the "Church") was founded in 1860 and is a congregation of the Lutheran Church-Missouri Synod, a not-for-profit organization whose purpose is to serve the community by providing worship services, service opportunities, spiritual care, outreach efforts, and education to the members of the congregation and community.

St. Peter Lutheran School (the "School") was founded in 1864. The School's purpose is to provide a distinctively Christian education to the children of the congregation and community.

St. Peter Lutheran Foundation (the "Foundation"), is a not-for-profit supporting organization. The Foundation's purpose is to generate funding to support the mission of St. Peter Lutheran Church & School. The Governing Board of the Church has the authority to invest and reinvest the assets of the Foundation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

FINANCIAL STATEMENT PRESENTATION

In accordance with FASB ASC 958-205, "Not-for-Profit Entities Presentation of Financial Statements," the Organization 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.

> Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions and providing services less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.
>
> Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of donated assets, either temporarily or permanently, until the donor restriction expires, the net assets are restricted.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Church, School and the Foundation. Collectively referred to as "the Organization". All significant intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION

In accordance with FASB ASC 958-605-25 Not-for-Profit Entities Revenue Recognition, contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair market values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. In addition, FASB ASC 958-605 requires not-for-profit organizations to distinguish between contributions received that increase net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

Revenue from facility usage fees, school tuition fees, and children's summer program income are recognized at the point in time the activity or event is held. Revenue from school tuition is recognized over time. Amounts received for future facility usage fees, school tuition and fees, and children's summer program income are deferred and recognized as revenue in the fiscal year the activity or event is held. Facility usage and school and program attendance is open to members and non-members of the Organization. Events take place within the United States of America. Revenue from facility usage fees, school tuition and fees, and children's summer program income can be impacted by the choice of general interest in the Organization's mission.

The following table disaggregates the Organization's revenue from contracts with customers and noncontractual revenue for the year ending June 30, 2022:

Contracts with customers	$ 3,723,842
Noncontractual revenue	2,305,838
	$ 6,029,680

The following table disaggregates the Organization's contract revenue based on the timing or satisfaction of performance obligations for the year ended June 30, 2022:

Performance obligations satisfied over time	$ 3,638,192
Performance obligations satisfied at a point in time	85,650
	$ 3,723,842

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

The ending balances of contract receivables and liabilities from contracts with customers are as follows:

	June 30, 2022	July 1, 2021
Tuition receivable	$ 3,344	$ 5,054
Deferred tuition	130,935	140,734

No impairment losses were incurred in the year ended June 30, 2022 with respect to contract assets arising from contracts with customers.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are those funds presently available for use by or on behalf of the Organization, including amounts available for general and administrative expenses. These net assets without donor restrictions may also include board-designated amounts.

At June 30, 2022, board designated amounts consist of:

Designated for specific purposes - 10-in-10 Initiative	$ 523,961
Endowment funds	2,097,704
	$ 2,621,665

Included in net assets without donor restrictions is a fund with a balance of $2,496,378, which was created to reflect the amount of member contributions plus principal repayments of the loan for the New Life Center (including the Building Projects fund).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DONOR IMPOSED RESTRICTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions which increases that net asset class.

At June 30, 2022, net assets with donor restrictions are available for the following:

Purpose restrictions, available for spending:	
Capital Campaign	$ 6,216
School	(113,669)
Bleacher Project	25,000
Facility Repairs	108,267
Variable Tuition Support	80,814
Other miscellaneous - church	77,067
Thrivent grant	31,513
Youth programs	27,511
Higher education support	3,771
South African mission	3,504
Forward in Faith	24,774
Benevolence	40,108
Endowment funds held in perpetuity (Note H)	3,893,353
	$ 4,208,228

Net assets released from restriction during the year ended June 30, 2022 were as follows:

Restriction satisfied by expenditures	$ 384,709
School fund annual release of assets	75,444
	$ 460,153

CONTRIBUTED SERVICES

Contributions in-kind are recognized in accordance with the provisions of FASB ASC 958-605-25, *Not-for-Profit Entities Revenue Recognition Contributions Received*. Contributed services that require a specialized skill and that the Organization would have paid for if not donated are recorded at the estimated fair value at the time the services are rendered. During the year, the Organization did not receive any services requiring recognition.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EXPENSE RECOGNITION AND ALLOCATION

The Organization allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of time; building costs and depreciation based on square footage usage; allocable administrative expenses based on headcount; and interest expense for 2014 building project loan based on square footage usage.

General and administrative expenses include compensation and benefits for the finance and human resource functions as well as those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, investments purchased with an original maturity of three months or less to be cash equivalents. The cash restrictions reflect special gifts toward school and church initiatives including the innovation lab and classroom/building improvements in addition to special ministry related gifts. The following table provides a breakdown of cash, cash equivalents, and restricted cash:

Cash and cash equivalents	$ 501,643
Cash - restricted	450,423
	$ 952,066

CONCENTRATION OF CREDIT RISK

The Church has cash and cash equivalents in excess of the federally insured limits of $250,000 at one banking institution. These amounts potentially subject the Organization to credit risk if the banking institution fails.

UNCOLLECTIBLE ACCOUNTS

The Organization considers all receivables to be fully collectible; accordingly, no allowance for uncollectible accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

Investments are stated at fair value based on quoted market prices or market prices for similar securities. Unrealized gains and losses are recognized based on the change in fair value and are reported as a component of investment income. Realized gains and losses are recognized using the cost method and are reported as a component of investment income. In addition, external and direct internal expenses relating to investment activities have been netted against investment income.

Investments as of June 30, 2022 are as follows:

	Fair Value	Cost	Unrealized Loss
Mutual funds	$ 4,748,906	$ 4,789,159	$ (40,253)
Annuities	728,623	728,623	-
	$ 5,477,529	$ 5,517,782	$ (40,253)

Investment income for the year ended June 30, 2022 is a follows:

Interest and dividends	$ 161,424
Annuity income	43,717
Realized gain on sale of investments	385,330
Unrealized loss on investments	(1,243,016)
Investment expenses	(18,443)
	$ (670,988)

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the estimated lives of the related assets. Depreciation expense for the year ended June 30, 2022, was $169,780. The Organization has adopted a policy to capitalize assets using a $5,000 threshold.

Major classifications of property and equipment are summarized below:

	Lives in Years	Amount
Life Center Building and improvements	10 - 70	$ 5,534,045
Furnitures and fixtures	7 - 15	360,613
		$ 5,894,658

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIXED ASSETS AND DEPRECIATION (Continued)

The legacy building and land have not been recorded on the consolidated statement of financial position as the cost records have not been maintained. Accounting principles generally accepted in the United States of America require that the cost of the legacy building and land be recorded at cost, if purchased, or at fair value, if donated or contributed, and the building should be depreciated over its estimated useful life. In 2011 an appraisal was completed, which valued the building at $4,540,000 and the land at $2,160,000.

INCOME TAXES

The Church, School and Foundation are tax-exempt organizations as part of the Lutheran Church-Missouri Synod group ruling under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal and state income taxes has been made. The Church, School and Foundation are not required to file any federal and state income tax returns.

The Organization has adopted the provision of FASB ASC Topic 740, *Income Taxes*, relating to the accounting for uncertainty in income taxes. Management believes the Church, School and Foundation are not subject to U.S. federal, state, and local income taxes. Management is not aware of any uncertain tax positions.

DEBT ISSUANCE COSTS

Debt issuance costs are reported as a deduction from the face amount of the related debt. The debt issuance costs are amortized over the term of the related debt.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 21, 2023, the date which the consolidated financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization considers all expenditures related to its ongoing program activities, as well as the services undertaken to support those activities to be general expenditures. The Organization regularly monitors liquidity required to meet its operation needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the financial assets available to meet general expenditures over the next year, the Organization operates with a budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following table shows the total financial assets held by the Organization and the amounts of which could readily be made available within one year of June 30, 2022 to meet general expenditures:

Cash, cash equivalents and restricted cash	$ 952,066
Other receivables	5,383
Tuition receivables	3,344
Investments	5,477,529
Total financial assets	6,438,322
Less those unavailable for general expenditures within one year due to:	
Contractual or donor imposed restrictions	(314,875)
Investments held in perpetuity	(3,821,682)
Board designations	
Designated for specific purposes - 10-in-10 Initiative	(523,962)
Quasi-endowment fund, primarily for long-term investing	(1,895,365)
Financial assets available to meet general expenditures within one year	$ (117,562)

The Governing Board has directed certain funds to a quasi-endowment fund which is intended for long term investment and specific project funds for the 10-in-10 Initiative. However, these reserves, may be drawn upon, if necessary, to meet unexpected liquidity needs in the event of financial distress with a vote of the Governing Board. Additionally, the Organization maintains a $200,000 line of credit. As of June 30, 2022, the full amount remained available on the line of credit.

NOTE D – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2022.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization, which are based on quoted market prices, as of the end of the year.

Annuity funds: Valued based on the expected value at the end of the contract if the contract is held to maturity.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income funds	$ 1,172,521	$ -	$ -	$ 1,172,521
Equity funds	3,576,385	-	-	3,576,385
Annuity funds	-	-	728,623	728,623
	$ 4,748,906	$ -	$ 728,623	$ 5,477,529

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and Losses: the following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2022.

Balance, beginning of year	$ 728,623
Realized gains/(losses)	-
Unrealized gains/(losses)	-
Purchases and sales - net	-
Balance, end of year	$ 728,623

NOTE E – LONG TERM DEBT

Long-term debt consists of the following:

	Total Debt	Current Portion
An installment loan payable at $17,052 per month, principal and interest at 4.25%, maturing with a final payment in July 2036. The loan is collateralized by a building and its respective land.	$ 2,193,585	$ 113,592
Less unamortized debt issuance costs	(53,725)	
Less current portion	(113,592)	
Long-term portion	$ 2,026,268	

The total debt maturing in years subsequent to June 30, 2022, is as follows:

Year-ending June 30,	
2023	$ 113,592
2024	118,515
2025	123,651
2026	129,011
2027	134,601
2028 and subsequent years	1,574,215
	$ 2,193,585

NOTE E – LONG TERM DEBT (Continued)

The Organization has participated in the Paycheck Protection Program with a loan through BMO Harris Bank National Association. The terms of the loan are for monthly repayment of principal and interest at 1% beginning 10 months after the end of the covered period and a final maturity of date of February 23, 2026. This program allows for an application of loan forgiveness. At the time these financial statements were available to be issued the Organization has applied for and received forgiveness. The forgiveness has been recorded on the consolidated statement of financial position as Gain on extinguishment of debt

NOTE F – RETIREMENT PLAN

The Lutheran Church-Missouri Synod has entered into a group tax sheltered annuity program under Internal Revenue Code Section 403(b). The Church makes contributions for employees based on percentage of the employees' compensation. Total expense for the year ended June 30, 2022, was $19,048.

NOTE G – LEASE COMMITMENTS

The Church has entered into lease commitments as of June 30, 2022 for various office equipment and technology hardware. The Church has two office equipment loans with monthly rent of $1,011 ending March 2025 and $731 ending December 2025. The Church also entered into a technology lease with annual rent of $11,907 ending June 2024 and $19,345 ending June 2025. Total lease expense for the year ended June 30, 2022 was $48,834.

Future minimum lease payments for the above operating leases are as follows:

Year-ending June 30,	
2023	$ 52,158
2024	52,158
2025	37,218
2026	4,386
	$ 145,920

NOTE G – LEASE COMMITMENTS (Continued)

The Church also has a month to month lease for software support ranging from $352 to $364 per month. Total lease expense under this lease for the year ended June 30, 2022 was $4,304.

NOTE H – ENDOWMENT

The Organization's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The governing body has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net asset with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the Organization and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Organization;
(7) The investment policies of the Organization.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a diversified asset portfolio so that on an annualized, net-of-fees and expenses basis, the total return goal of the portfolio will be to equal or exceed the spending rate plus administrative fees without assuming undue risk. The Organization's investments are allocated between equities, fixed income, and cash and cash equivalents. Each investment category has a target weight and a maximum weight.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NOTE H – ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for expenditure an amount that does not overspend the earnings of the fund. In establishing this policy, the Organization considered the long-term expected return and preservation of principal on its endowment. Accordingly, over the long-term, the Organization expects on an annualized, net-of-fees and expenses basis, the total return goal of the portfolio will be equal to or exceed the spending rate plus administrative fees over a rolling five-year period. This is consistent with the Organization's objective to maintain the endowment assets held in perpetuity.

Endowment Net Asset Composition by Type of Fund at June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Operational Endowment Fund	$ 1,731,785	$ -	$ 1,731,785
Church Endowment Fund	(223,667)	1,408,779	1,185,112
School Endowment Fund	176,446	1,246,864	1,423,310
Scott Minson Fund	-	66,933	66,933
Balgeman Fund	-	76,224	76,224
Heimsoth Fund	-	88,717	88,717
Laue Rahn School Fund	-	728,621	728,621
Robert & Harriet Schwake Fund	189,473	-	189,473
Amy Marie Ershen Fund	-	83,796	83,796
Klehm Bldg & Grounds Fund	-	66,976	66,976
	$ 1,874,037	$ 3,766,910	$ 5,640,947

Changes in Endowment Net Assets for the fiscal year ending June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, Beginning of the year	$ 2,447,446	$ 4,349,207	$ 6,796,653
Investment income	(450,853)	(263,853)	(714,706)
Contributions	56,502	-	56,502
Transfers	75,221	(75,444)	(223)
Appropriation of endowment assets for expenditure	(254,279)	(243,000)	(497,279)
End of the year	$ 1,874,037	$ 3,766,910	$ 5,640,947

NOTE H – ENDOWMENT (Continued)

The School Endowment Fund released its annual 5% from net assets with donor restrictions (reflected in Transfers, above.)

At June 30, 2022, there were permanently restricted endowment funds, which were underwater. Granting may be limited until funds are no longer underwater.

NOTE I - UNEMPLOYMENT TAXES

The Organization is exempt from contributing toward Illinois' unemployment fund. As such the Organization's employees are not covered by the Illinois unemployment compensation fund.

NOTE J – ACCOUNTING CHANGE

CONTRIBUTED NONFINANCIAL ASSETS (IN-KIND CONTRIBUTIONS)

ASU 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958) became effective for years beginning on or after July 1, 2021, for not-for-profit entities. The standard requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions on nonfinancial assets. Effective for the year ended June 30, 2022, the Organization adopted the provisions in the ASU 2020-07.

NOTE K – RECENT ACCOUNTING PRONOUNCEMENTS

LEASES

ASU 2016-02, Leases (Topic 842) becomes effective on January 1, 2022, for calendar-year non-public entities, but early adoption is permitted at any time. The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. Generally, all leases will be captured on the balance sheet for lessees at transition, as there is no grandfathering of existing operating leases. The Organization is currently evaluating the impact this standard will have on the financial statements when adopted.

MEASUREMENT OF CREDIT LOSSES ON FINANCIAL INSTRUMENTS

ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments becomes effective for fiscal years beginning after December 15, 2022, including interim periods with those fiscal years, for non-public entities, but early adoption is permitted at any time. The standard requires entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The new guidance affects loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company is currently evaluating the impact this standard will have on the financial statements when adopted.

PorteBrown®
ACCOUNTANTS &
ADVISORS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Governing Board of
St. Peter Lutheran Church, School and Foundation
111 West Olive Street
Arlington Heights, Illinois 60004

Our report on our review of the consolidated financial statements of St. Peter Lutheran Church, School and Foundation as of and for the year ended June 30, 2022 appears on pages 1 and 2. The objective of that review was to perform procedures to obtain limited assurance as a basis for reporting whether we were aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying consolidating statements of financial position and consolidating statements of activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the review procedures applied in our review of the consolidated financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.

PORTE BROWN LLC
Certified Public Accountants

Porte Brown LLC

Elk Grove Village, Illinois
August 21, 2023

ST. PETER LUTHERAN CHURCH, SCHOOL AND FOUNDATION

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS

	St. Peter Church & School	St. Peter Foundation	Eliminating Entries	Total
CURRENT ASSETS				
Cash, cash equivalents, and restricted cash	$ 821,783	$ 130,283	$ -	$ 952,066
Investments	728,623	4,748,906	-	5,477,529
Tuition receivables	3,344	-	-	3,344
Other receivables	5,383	-	-	5,383
Prepaid expenses and other current assets	52,251	-	-	52,251
Due from Church (Foundation balance)	-	33,135	(33,135)	-
	1,611,384	4,912,324	(33,135)	6,490,573
FIXED ASSETS				
Property and equipment	5,894,658	-	-	5,894,658
Construction in progress	340,740			340,740
Less: Accumulated depreciation	(1,170,362)	-	-	(1,170,362)
	5,065,036	-	-	5,065,036
TOTAL ASSETS	$ 6,676,420	$ 4,912,324	$ (33,135)	$ 11,555,609

LIABILITIES AND NET ASSETS

	St. Peter Church & School	St. Peter Foundation	Eliminating Entries	Total
CURRENT LIABILITIES				
Accounts payable	$ 61,858	$ -	$ -	$ 61,858
Accrued expenses	121,090	-	-	121,090
Deferred tuition	130,935	-	-	130,935
Due to Foundation (Church balance)	33,135	-	(33,135)	-
Current portion of long-term debt	123,798	-	-	123,798
	470,816	-	(33,135)	437,681
LONG-TERM DEBT				
Net of current portion included above	2,039,877	-	-	2,039,877
NET ASSETS				
Without donor restrictions	2,995,786	1,874,037	-	4,869,823
With donor restrictions	1,169,941	3,038,287	-	4,208,228
	4,165,727	4,912,324	-	9,078,051
TOTAL LIABILITIES AND NET ASSETS	$ 6,676,420	$ 4,912,324	$ (33,135)	$ 11,555,609

See independent accountant's review report on supplementary information

ST. PETER LUTHERAN CHURCH, SCHOOL AND FOUNDATION

CONSOLIDATING STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	St. Peter Church and School		St. Peter Foundation			
SUPPORT AND REVENUE	**Without Donor Restrictions**	**With Donor Restrictions**	**Without Donor Restrictions**	**With Donor Restrictions**	**Eliminating Entries**	**Total**
Envelope and basket offerings	$ 1,773,775	$ -	$ -	$ -	$ -	$ 1,773,775
Other contributions	13,566	554,159	56,501	-	(236,000)	388,226
Facility usage fees	42,991	-	-	-	-	42,991
School tuition and fees	3,265,832	-	-	-	-	3,265,832
Children's program income	425,213	-	-	-	-	425,213
Gain on extinguishment of debt	812,200					812,200
Other income	98,967	-	-	-	(69,301)	29,666
Investment income, net	150,717	-	(450,852)	(263,853)	(107,000)	(670,988)
Loss on sale of asset held for sale	(37,235)	-	-	-	-	(37,235)
Net assets released from restrictions/transfers	484,709	(484,709)	318,444	(318,444)	-	-
Total Support and Revenue	7,030,735	69,450	(75,907)	(582,297)	(412,301)	6,029,680
EXPENSES						
Program services	5,681,445	-	487,301	-	(402,301)	5,766,445
Management and general	463,767	-	10,201	-	(10,000)	463,968
Fundraising	119,235	-	-	-	-	119,235
Total Expenses	6,264,447	-	497,502	-	(412,301)	6,349,648
CHANGE IN NET ASSETS BEFORE DEPRECIATION	766,288	69,450	(573,409)	(582,297)	-	(319,968)
DEPRECIATION AND AMORTIZATION	169,780	-	-	-	-	169,780
CHANGE IN NET ASSETS	596,508	69,450	(573,409)	(582,297)	-	(489,748)
NET ASSETS, BEGINNING OF YEAR	2,399,278	1,100,491	2,447,446	3,620,584	-	9,567,799
NET ASSETS, END OF YEAR	$ 2,995,786	$ 1,169,941	$ 1,874,037	$ 3,038,287	$ -	$ 9,078,051