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**PATHFINDER CHURCH – ELLISVILLE, MISSOURI**  
FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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## Independent Auditors' Report

To the Board of Directors of  
Pathfinder Church

We have audited the accompanying financial statements of Pathfinder Church (a nonprofit organization), which comprise the statement of financial position of June 30, 2021 and 2020, and the related statement of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathfinder Church as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

*Fick, Eggemeyer + Williamson*

Fick, Eggemeyer, & Williamson, CPAs  
Saint Louis, Missouri  
September 3, 2021

**PATHFINDER CHURCH - ELLISVILLE, MISSOURI**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2021 AND 2020**

<b>Assets</b>	2021	2020
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,891,968	\$ 1,727,223
Accounts receivable, net	5,251	17,614
Prepaid expenses	59,980	72,725
Total Current Assets	1,957,199	1,817,562
<b>Notes Receivable - Related Party</b>	5,345	10,772
<b>Fixed Assets:</b>		
Land and land improvements	2,440,780	2,425,581
Buildings and building improvements	24,352,033	24,676,054
Furniture/fixtures/technology	1,700,886	2,000,055
Total Fixed Assets	28,493,699	29,101,690
Accumulated depreciation	(17,109,665)	(17,148,009)
Total Fixed Assets, Net of Depreciation	11,384,034	11,953,681
<b>Other Assets</b>	253,352	256,465
<b>Total Assets</b>	\$ 13,599,930	\$ 14,038,480
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 98,856	\$ 108,917
Accrued expenses	151,038	164,923
Deferred tuition and revenue	75,917	84,019
Total Current Liabilities	325,811	357,859
<b>Long-Term Liabilities:</b>		
Bond payable	4,690,000	5,110,000
Paycheck Protection Loan	-	805,400
Swap contract liability	42,530	116,754
Total Long-Term Liabilities	4,732,530	6,032,154
<b>Total Liabilities</b>	5,058,341	6,390,013
<b>Net Assets</b>		
<b>Without Donor Restrictions</b>		
Investment in fixed assets, net of related debt	6,651,504	6,726,927
General ministry	4,165,123	3,022,772
School ministry	(2,721,354)	(2,421,437)
Unrealized derivative loss	(42,530)	(116,754)
Board designated endowment	41,897	39,762
Total Without Donor Restrictions	8,094,640	7,251,270
<b>With Donor Restrictions</b>	446,949	397,197
<b>Total Net Assets</b>	8,541,589	7,648,467
<b>Total Liabilities and Net Assets</b>	\$ 13,599,930	\$ 14,038,480

**PATHFINDER CHURCH - ELLISVILLE, MISSOURI**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<b>Without Donor Restrictions General Ministries</b>	<b>Without Donor Restrictions School Ministries</b>	<b>Without Donor Restrictions Total</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue:</b>					
Contributions	\$ 4,069,666	\$ 87,568	\$ 4,157,234	\$ 154,200	\$ 4,311,434
Registration and tuition	-	2,034,820	2,034,820	-	2,034,820
Paycheck Protection Program income	684,575	120,825	805,400	-	805,400
Program revenue	60,130	52,359	112,489	262,701	375,190
Food service sales	4,770	-	4,770	-	4,770
Released for capital expenditures	5,896	-	5,896	(5,896)	-
Released from restrictions	269,080	92,173	361,253	(361,253)	-
Church support to other funds	(193,975)	193,975	-	-	-
Total Support and Revenue	<u>4,900,142</u>	<u>2,581,720</u>	<u>7,481,862</u>	<u>49,752</u>	<u>7,531,614</u>
<b>Expenses:</b>					
<b>Program expenses:</b>					
Church ministries	3,107,051	-	3,107,051	-	3,107,051
School ministries	-	2,881,637	2,881,637	-	2,881,637
Auxiliary ministries	182,590	-	182,590	-	182,590
Total program expenses	<u>3,289,641</u>	<u>2,881,637</u>	<u>6,171,278</u>	<u>-</u>	<u>6,171,278</u>
<b>Support services:</b>					
Management & general	362,950	-	362,950	-	362,950
Fundraising	158,719	-	158,719	-	158,719
Total support services	<u>521,669</u>	<u>-</u>	<u>521,669</u>	<u>-</u>	<u>521,669</u>
Total Expenses	<u>3,811,310</u>	<u>2,881,637</u>	<u>6,692,947</u>	<u>-</u>	<u>6,692,947</u>
<b>Investment Activities:</b>					
Loss on retirement of assets	(23,275)	-	(23,275)	-	(23,275)
Interest income	3,506	-	3,506	-	3,506
Unrealized derivative gain	74,224	-	74,224	-	74,224
Total Investment Activities	<u>54,455</u>	<u>-</u>	<u>54,455</u>	<u>-</u>	<u>54,455</u>
Changes in Net Assets	1,143,287	(299,917)	843,370	49,752	893,122
Beginning Net Assets	<u>9,672,707</u>	<u>(2,421,437)</u>	<u>7,251,270</u>	<u>397,197</u>	<u>7,648,467</u>
Ending Net Assets	<u>\$ 10,815,994</u>	<u>\$ (2,721,354)</u>	<u>\$ 8,094,640</u>	<u>\$ 446,949</u>	<u>\$ 8,541,589</u>

**PATHFINDER CHURCH - ELLISVILLE, MISSOURI**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<b>Without Donor Restrictions General Ministries</b>	<b>Without Donor Restrictions School Ministries</b>	<b>Without Donor Restrictions Total</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue:</b>					
Contributions	\$ 4,358,887	124,578	4,483,465	215,784	4,699,249
Registration and tuition	-	1,516,739	1,516,739	-	1,516,739
Program revenue	119,317	27,735	147,052	394,437	541,489
Food service sales	18,243	-	18,243	-	18,243
Interest income	11,036	-	11,036	-	11,036
Released for capital expenditures	61,375	-	61,375	(61,375)	-
Released from restrictions	445,341	129,500	574,841	(574,841)	-
Church support to other funds	(178,508)	178,508	-	-	-
Total Support and Revenue	<u>4,835,691</u>	<u>1,977,060</u>	<u>6,812,751</u>	<u>(25,995)</u>	<u>6,786,756</u>
<b>Expenses:</b>					
<b>Program expenses:</b>					
Church ministries	\$ 3,038,480	-	3,038,480	-	3,038,480
School ministries	-	2,715,173	2,715,173	-	2,715,173
Auxiliary ministries	544,167	-	544,167	-	544,167
Total program expenses	<u>3,582,647</u>	<u>2,715,173</u>	<u>6,297,820</u>	<u>-</u>	<u>6,297,820</u>
<b>Support services:</b>					
Mgmt & General	411,759	-	411,759	-	411,759
Fundraising	175,301	-	175,301	-	175,301
Total support services	<u>587,060</u>	<u>-</u>	<u>587,060</u>	<u>-</u>	<u>587,060</u>
Total Program Expenses and Support Services	<u>4,169,707</u>	<u>2,715,173</u>	<u>6,884,880</u>	<u>-</u>	<u>6,884,880</u>
Unrealized derivative loss	33,177	-	33,177	-	33,177
Total Expenses	<u>4,202,884</u>	<u>2,715,173</u>	<u>6,918,057</u>	<u>-</u>	<u>6,918,057</u>
Change in Net Assets	632,807	(738,113)	(105,306)	(25,995)	(131,301)
Beginning Net Assets	<u>9,039,900</u>	<u>\$ (1,683,324)</u>	<u>\$ 7,356,576</u>	<u>\$ 423,192</u>	<u>\$ 7,779,768</u>
Ending Net Assets	<u>\$ 9,672,707</u>	<u>\$ (2,421,437)</u>	<u>\$ 7,251,270</u>	<u>\$ 397,197</u>	<u>\$ 7,648,467</u>

**PATHFINDER CHURCH - ELLISVILLE, MISSOURI**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<b>Program Services</b>			<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
	<b>Church Ministries</b>	<b>School Ministries</b>	<b>Auxiliary Ministries</b>			
Salaries and Wages	\$ 1,812,310	\$ 2,054,829	\$ 104,782	\$ 283,280	\$ 103,837	\$ 4,359,038
Facilities and Maintenance Costs	267,162	146,104	4,174	-	-	417,440
Depreciation	437,363	211,356	6,039	-	-	654,758
Food Service Cost of Sales	6,833	-	-	-	-	6,833
Interest Expense	121,966	66,701	1,906	-	-	190,573
Program Costs	<u>461,417</u>	<u>402,647</u>	<u>65,689</u>	<u>79,670</u>	<u>54,882</u>	<u>1,064,305</u>
Total Expenses	<u>\$ 3,107,051</u>	<u>\$ 2,881,637</u>	<u>\$ 182,590</u>	<u>\$ 362,950</u>	<u>\$ 158,719</u>	<u>\$ 6,692,947</u>

**PATHFINDER CHURCH - ELLISVILLE, MISSOURI**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>			<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Church Ministries</u>	<u>School Ministries</u>	<u>Auxiliary Ministries</u>			
Salaries and Wages	\$ 1,904,560	\$ 2,044,210	\$ 191,374	\$ 267,252	\$ 73,943	\$ 4,481,339
Facilities and Maintenance Costs	244,485	146,630	48,878	24,438	24,438	488,869
Depreciation	351,428	210,857	70,286	35,142	35,142	702,855
Food Service Cost of Sales	13,844	762	457	762	305	16,130
Interest Expense	110,020	66,012	22,005	11,002	11,002	220,041
Program Costs	414,143	246,702	211,167	73,163	30,471	975,646
Total Expenses	<u>\$ 3,038,480</u>	<u>\$ 2,715,173</u>	<u>\$ 544,167</u>	<u>\$ 411,759</u>	<u>\$ 175,301</u>	<u>\$ 6,884,880</u>



**PATHFINDER CHURCH - ELLISVILLE, MISSOURI**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 893,122	\$ (131,301)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	654,758	702,855
Loss on disposal of fixed assets	23,275	-
Deferred financing cost amortization	13,367	13,972
Unrealized derivative (gain) loss	(74,224)	33,177
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	12,363	(4,115)
(Increase) decrease in prepaid expenses	12,745	53,368
(Increase) decrease in notes receivable - related party	5,427	5,017
(Increase) decrease in other assets	(10,254)	(10,589)
Increase (decrease) in accounts payable	(10,061)	(48,243)
Increase (decrease) in accrued expenses	(13,885)	(63,501)
Increase (decrease) in deferred tuition and revenue	(8,102)	(76,264)
Total adjustments to reconcile changes in net assets	<u>605,409</u>	<u>605,677</u>
Net cash provided by operating activities	<u>1,498,531</u>	<u>474,376</u>
Cash Flows from Investing Activities:		
Fixed asset additions	<u>(108,386)</u>	<u>(612,560)</u>
Net cash used by investing activities	<u>(108,386)</u>	<u>(612,560)</u>
Cash Flows from Financing Activities:		
Proceeds (forgiveness) from Paycheck Protection Program Loan	(805,400)	805,400
Principal payments on bond payable	<u>(420,000)</u>	<u>(390,000)</u>
Net cash provided by (used by) financing activities	<u>(1,225,400)</u>	<u>415,400</u>
Increase in cash and cash equivalents	164,745	277,216
Cash and cash equivalents, beginning of year	<u>1,727,223</u>	<u>1,450,007</u>
Cash and cash equivalents, end of year	<u>\$ 1,891,968</u>	<u>\$ 1,727,223</u>
Supplemental Cash Flow Information:		
Cash paid for interest expense	<u>\$ 178,221</u>	<u>\$ 205,174</u>

**PATHFINDER CHURCH - ELLISVILLE, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

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**1. NATURE OF ORGANIZATION**

*Pathfinder Church – Ellisville, Missouri* (the “Church”), formerly known as St. John Lutheran Church, is incorporated as a not-for-profit corporation under the laws of the State of Missouri and began ministry in 1851. With an effective date of February 1, 2019, the Church has registered with the State of Missouri for doing business as Pathfinder Church. The mission statement of the Church is: “To save the lost and strengthen the saved to live bold and courageous lives of Christian witness before a non-believing world.”

In addition to a wide range of ministry and youth programs, the Church operates a school (preschool through eighth grade), and cafe services.

These financial statements include the activities of the Church’s general operating funds, the school, and other auxiliary organizations whose net assets are considered restricted for specific purposes that are typically not part of the general operating fund.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

- Net asset classifications are shown as both “without donor restrictions” and “with donor restrictions.” The Church has presented these two classes of net assets on the financial statements.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

- Investment returns, if applicable, are reported net of external and direct internal investment expenses.
- The Church presents its expenses by both their natural classification and their functional classification on the statement of functional expenses. The method used to allocate costs among programs and supporting activities is disclosed in the notes to the financials.
- Disclosures related to liquidity and availability of resources are presented in the notes to the financials, including qualitative information that discloses how the Church manages its liquid resources to meet its cash flow needs and quantitative information regarding the availability of financial assets to meet these needs.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

### **Cash and Cash Equivalents**

The Church considers cash held in checking and money market accounts with original maturities of less than 90 days to be cash and cash equivalents.

### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Church to concentration of credit risk consist principally of cash and cash equivalents and investments held in three financial institutions where the Federal Deposit Insurance Corporation (“FDIC”) insures balances up to \$250,000 and one financial institution with no FDIC coverage. At June 30, 2021 and 2020, cash and cash equivalents of \$1,638,015 and \$1,474,244 , respectively, were held in accounts that exceeded coverage by FDIC insurance. The Church has not experienced any losses related to these concentrations.

The Church is supported by contributions from its members and the public. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term. However, the Church’s operating budget is not dependent on a few major contributors. The majority of the Church’s members reside in the St. Louis, Missouri metro area.

### **Fixed Assets**

Fixed assets include land, land improvements, buildings, building improvements, furniture, fixtures, and technology. Fixed assets purchased by the Church are recorded at cost. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition. Donated assets are recorded at fair value at the date of the donation. Periodically, the Church reviews its long-lived fixed assets for impairment and records an adjustment to reduce the asset to the lower of historical cost, net of depreciation, or its fair value. No impairments were recorded in fiscal years 2021 or 2020. Depreciation expense was \$654,758 and \$702,855 during 2021 and 2020, respectively.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, as follows:

Technology	3-5 years
Furniture and fixtures	3-10 years
Land improvements	3-20 years
Building improvements	5-20 years
Buildings	40 years

All expenditures of \$5,000 and over for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

### **Revenue Recognition**

Contributions and offerings received are presented as restricted support if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the contribution is accomplished, 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Revenues from program and tuition fees are recognized in the period that the services were provided, regardless of when such fees are invoiced. The Church considers all outstanding receivables to be fully collectible and thus no allowance for doubtful accounts is considered necessary.

The Church has conducted financial campaigns to support various purposes including mainly capital construction and the retirement of debt.

#### Contracts with Customers

The Church recognized \$2,119,769 of revenue from contracts from the year ending June 30, 2021. No impairment losses were recognized on receivables or contract assets.

#### Disaggregated Revenue

Revenues from program and tuition fees are recognized in the period that the services were provided, regardless of when such fees are invoiced. Due to the nature of the Church's revenue, economic factors do not materially affect the nature, timing, and uncertainty of contract revenues and cash flows.

#### Contract Balances

The beginning and ending contract-type balances were as follows:

	<u>2021</u>	<u>2020</u>
Accounts Receivable	\$ 525	\$ 509
Unbilled Receivables	-	-
Prepaid Revenues	70,590	55,672

#### Performance Obligations

- Performance obligations for program and tuition fees are satisfied when services are provided and details are shown on the Statement of Activities
- The Church does not charge interest on accounts receivable.
- The Church has no formal obligation for refunds and approaches each situation on an individual basis.

#### Significant Judgements

There were no significant judgements used for the recognition of revenue for the year ending June 30, 2021. Also, during 2021 there were no changes in the judgements utilized for determining the timing of the satisfaction of performance obligations or transaction prices allocated to performance obligations.

The Church bills for services using an agreed upon rate. Adjusting consideration for the effects of the time value of money is not necessary for the Church's contract receivables. The financial statements include no estimates of variable consideration or noncash consideration. The Church does not allocate costs to goods or services.

#### Practical Expedients Used for Financing Components

There is no financing component to the Church's recognition of revenue.

## Transition Disclosures

The Company adopted ASC 606 on July 1, 2020, and it was applied retrospectively using the Modified Retrospective Method. The difference between contract revenue using prior revenue recognition methods and revenue using new guidance is \$0. The practical expedient used to analyze the effect of the adoption of ASC 606 was the Right to Invoice expedient. There was no difference in methods used for recognition of contract revenue with customers versus contracts with non-customers.

## Donated Services

No amounts have been reflected in the statements for donated services as such services have not met the recognition criteria under Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification* (“ASC”) 958-605, *Not-for-Profit Entities, Revenue Recognition*; however, a substantial number of volunteers have donated significant amounts of time to the Church’s ministry program services.

## Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

**Program** - Includes those expenditures that enable the Church to operate its church and related faith-based ministries; a school that serves more than 270 students ranging from Early Childhood Education through eighth grade; and auxiliary faith-based ministries sponsored by the Church or School.

**Management and General** - Includes the functions necessary to maintain and ensure an adequate working environment; provide coordination and articulation of the Church’s program strategy; implement and administer a proper internal control structure; and manage the financial and budgetary responsibilities of the Church.

**Fundraising** - Provides the structure necessary to encourage and secure private financial support in the form of contributions, offerings, and targeted campaigns, as well as through fundraising events.

## Program and Supporting Activities - Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The functional expenses are allocated to programs, management and general, and fundraising using management’s estimate of either employee time incurred, or facility square footage allocated to each program. For the 2021 fiscal period, management reviewed the allocation methodology related to the expenses listed in the below table and revised these estimates on a prospective basis as of July 1, 2020.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method</u>
Salaries and wages	Actual and effort allocation by management
Facilities and maintenance costs	Square footage of building usage
Depreciation	Square footage of building usage
Food service cost of sales	Actual and effort allocation by management
Interest expense	Square footage of building usage
Program costs	Actual and effort allocation by management

### **Tax Exempt Status**

The Church is a charitable non-profit organization exempt from income taxes under the Internal Revenue Code section 501(c)(3), and accordingly, is not subject to federal income taxes on income received from its exempt purposes. Therefore, no liability or expense for income taxes is recorded. As a church, it is not required to file an annual information return (Form 990) with the Internal Revenue Service.

### **Measure of Operations**

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Church's program services and support services. Non-operating activities are limited to resources that generate a return from investment and other activities considered to be of a more unusual or nonrecurring nature.

### **Deferred Tuition and Revenue**

Deferred tuition and revenue represent revenues collected but not earned as of fiscal year end. This is primarily composed of revenue for tuition, registration fees, and church activities collected in advance of the next fiscal year.

### **New Accounting Pronouncement**

As of July 1, 2020 the Church adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that replaces previously existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Adoption of ASU 2014-09 will have no impact on the previously reported financial statements.

### **Subsequent Events**

The Church has evaluated subsequent events through September 3, 2021, the date which the financial statements were available to be issued, and noted no reportable events.

## **3. NOTES RECEIVABLE – RELATED PARTY**

In accordance with personnel policy, a current ministry director has received a loan to help purchase housing while employed with the Church. Per the loan agreement, the interest rate is 4.0% and the loan term is 5 years. The balance on the loan was \$5,345 and \$10,772 for the fiscal years ending June 30, 2021 and 2020, respectively, and will mature on May 31, 2022. The Church considers the note receivable to be fully collectible, thus no credit allowance is considered necessary for both years.

## **4. DEFERRED FINANCING COSTS**

Issuance and administrative costs associated with the January 4, 2007 Colorado Educational and Cultural Facilities Authority ("CECFA") Bond Issue and certain letter of credit fees have been capitalized and are being amortized over the term of the bonds. The remaining balance recorded in other assets on the Statements of Financial Position is \$38,314 and \$51,501 as of June 30, 2021 and 2020, respectively. The Church has concluded that the difference between this presentation and that required by *FASB ASU 2015-3, Simplifying the Presentation of Debt Issuance Costs* is immaterial to the financial statements taken as a whole. The amortization expense associated with the deferred financing costs for the fiscal years ending June 30, 2021 and 2020 was \$13,367 and \$13,972, respectively.

## 5. CASH SURRENDER VALUE OF LIFE INSURANCE

In prior years, the Church was donated ownership of cash value life insurance policies with the New York Life Insurance Company and Thrivent Financial where the Church is named as the sole beneficiary. The policies' cash surrender values of \$210,883 and \$200,629 as of June 30, 2021 and 2020, respectively, arose from past premiums paid and dividends declared. The policies' cash surrender values are included in other assets on the Statements of Financial Position.

## 6. FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the 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 Church has the ability to access.
Level 2	Inputs to the valuation methodology include <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> 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's 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.

Financial assets of the Church are measured at fair value based on level 1 inputs. The carrying amount of cash, cash equivalents, accounts receivable, prepaid expenses, and investments approximates fair value due to the short maturity of these items and is considered to be the equivalent of a quoted market price and a level 1 input. Financial liabilities of the Church such as accounts payable, accrued expenses, and deferred tuition and revenue are stated at their carrying values due to the short maturity of these financial instruments. The swap contract liability is carried at fair value, marked-to-market using level 2 measurements.

Non-financial assets, including fixed assets, are stated at fair value when there is an impairment adjustment recognized. Management has determined that no impairment indicators existed at June 30, 2021 and 2020.

## 7. LONG-TERM LIABILITIES

Bond liability consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Bonds Payable	\$4,690,000	\$5,110,000
Less: Current maturities	-	-
	<u>\$4,690,000</u>	<u>\$5,110,000</u>

On January 1, 2007, the Church borrowed the principal sum of \$11,815,000, from the Colorado Educational and Cultural Facilities Authority (“CECFA”). The proceeds of its \$11,815,000 adjustable interest rate demand revenue bonds, series 2007 (St. John Evangelical Lutheran School Project) were issued pursuant to a bond trust indenture dated as of January 1, 2007 between CECFA and a U.S. chartered bank, as Trustee. The bonds have a maturity date of January 1, 2029 and require monthly payments of interest and annual payments of principal over a 22-year amortization period. As of June 30, 2021, the daily variable interest rate was .05%. Under the terms of the indenture, the Church is required to maintain a letter of credit in full force and effect in an amount equal to the principal amount of the outstanding bonds plus the amount required for one month of default interest thereon until all of the bonds have been paid in full. As part of this requirement, the Church has entered into a letter of credit and reimbursement agreement with Fifth Third Bank. This agreement expired on January 31, 2019 and was renewed by Fifth Third Bank for an additional three years and expires January 31, 2022. The renewal contained substantially similar terms except for an increase in the annual letter of credit fee from 75 basis points to 150 basis points. Fifth Third Bank holds a lien on the Church’s facilities and other assets, backed by a future advance deed of trust, security agreement and assignment of rents. The balance of this securing letter of credit was \$4,743,967 and \$5,168,800 as of June 30, 2021 and 2020, respectively, and was sufficient to cover all outstanding amounts related to the bond liabilities. In addition, the bonds are secured by an unconditional guaranty of payment and performance by the Church.

At the time of the bond issuance, the Church entered into separate interest rate swap agreements to minimize the Church’s exposure to interest rate volatility and effectively fix the interest rate on a substantial portion of the bond obligation. During fiscal year 2016, there was one remaining swap agreement which was set to expire in February 2017. Concurrent with renewing the letter of credit and reimbursement agreement with Fifth Third Bank, the existing swap was terminated and the associated liability of \$162,300 which was present at the time of termination was rolled into a new swap agreement. The new agreement has an initial notional amount of \$2,638,000, began February 1, 2016, and will expire February 1, 2022. Additionally, a second swap agreement was executed with a forward start date of January 1, 2017 and will also expire in February 2022. The initial notional amount of the forward start swap is \$1,500,000. As of June 30, 2021 and 2020, the swap notional amounts total \$3,738,000 and \$4,138,000, respectively and the mark-to-market liability was \$42,530 and \$116,754, respectively. For the years ended June 30, 2021 and 2020, there were unrealized loss on the swap obligation of \$74,224 and unrealized gain of \$33,177, respectively.

As of June 30, 2021 and 2020, the Church maintained a committed secured line of credit with Fifth Third Bank allowing for maximum borrowing of \$1,000,000 at one month LIBOR plus 225 basis points. No amounts were outstanding as of June 30, 2021 and 2020. The line of credit was extended in December, 2018 for an additional three years through January 31, 2022. This line of credit is secured by a commercial security agreement.

On December 12, 2012, the Church paid \$2,650,000 towards the bond obligation, in addition to the \$410,000 amount contractually required. As a result, \$2,650,000 of future bond repayment requirements has been considered prepaid. However, the Church’s Board of Directors has implemented an internal amortization schedule so that the Church will continue repayment of the bond obligation under a modified amortization schedule for the purpose of retiring the bond obligation



at the originally intended date. In December of 2020 and 2019, the Church made the planned annual principal repayments of \$420,000 and \$390,000, respectively.

The remaining scheduled payments of principal on the bonds are as follows:

Year Ended June 30,	As Contractually Required	As Planned by the Church
2022	-	\$ 455,000
2023	-	485,000
2024	\$ 595,000	525,000
2025	755,000	560,000
2026	795,000	600,000
2027	830,000	635,000
2028	850,000	655,000
2029	865,000	775,000
	<u>\$ 4,690,000</u>	<u>\$ 4,690,000</u>

Interest expense and financing fees on all debt during the years ended June 30, 2021 and 2020 was \$190,573 and \$220,041, respectively. These amounts are inclusive of deferred financing costs amortization of \$13,367 and \$13,972 during 2021 and 2020, respectively.

Subsequent to year end, Pathfinder Church entered into negotiations with Fifth Third Bank to convert its bond financing to a bank loan with Fifth Third Bank and take on up to an additional \$1,500,000 of debt as approved by the Congregation on May 23, 2021. Pathfinder anticipates the debt service schedule for the new loan agreement to follow the same planned principal payments listed above and will extend to 2031.

On April 20, 2020, Pathfinder Church received loan proceeds in the amount of \$805,400 under the Paycheck Protection Program (“PPP”). The PPP is administered by the Small Business Administration. The loan and accrued interest were recorded as liabilities in the Statement of Financial Position as of June 30, 2020. The loan and accrued interest are forgivable after 8-24 weeks as long as the organization uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities and restoring any headcount reduction by December 31, 2020. Pathfinder Church received full forgiveness from the SBA on March 31, 2021 for the principal of \$805,400 and interest of \$7,629; however no interest was ever paid on the loan.

## 8. EMPLOYEE BENEFIT PLANS

*Pathfinder Church – Ellisville, Missouri* is a member of Concordia Plan Services, a nationally available benefit plan for all affiliates of the Lutheran Church, Missouri Synod. This plan provides health, disability, life, employee savings, and pension benefits. Annual cost, net of employee contributions for the health plan, was \$881,755 and \$870,292 in 2021 and 2020, respectively. An HSA is offered for employees participating in the High Deductible Health Plan and is partially employer funded with a one-time contribution and employees can choose to self-fund up to the IRS limit. Additionally, employees can participate in self-funded flex spending accounts for medical and dependent care.

## 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent those net assets whose use has been limited by donor-imposed stipulations that either can be fulfilled or removed by actions of the Church pursuant to

those stipulations subject to a specific purpose, passage of time, spending policy and appropriation, or appropriation when a specific event occurs.

The Church has net assets with donor restrictions as follows for the years ended June 30, 2021 and 2020:

Purpose Restrictions	<u>2021</u>	<u>2020</u>
Net Assets with Restrictions		
Church ministries	\$ 165,573	\$ 221,357
School ministries	175,030	43,888
Auxiliary ministries	<u>106,346</u>	<u>131,952</u>
	<u>\$ 446,949</u>	<u>\$ 397,197</u>
 Auxiliary Ministries		
Christ in Action	\$ 23,799	\$ 45,106
MOPS	29,676	27,669
Scout Troops	21,410	26,409
Soccer Association	18,684	13,998
School of the Arts	4,047	10,540
Puppet Ministry	7,806	7,256
Trailblazers	717	617
Pastor's Discretionary	<u>207</u>	<u>357</u>
	<u>\$ 106,346</u>	<u>\$ 131,952</u>

Net assets released from net assets with donor restrictions are as follows:

Satisfaction of Purpose Restriction	<u>2021</u>	<u>2020</u>
Church ministries	\$ 97,454	\$ 289,857
School ministries	92,173	129,500
Auxiliary ministries	<u>177,522</u>	<u>216,859</u>
	<u>\$ 367,149</u>	<u>\$ 636,216</u>

## 10. BOARD DESIGNATED ENDOWMENT

An endowment fund has been established by the Board of Directors as mandated by the Church Constitution and Bylaws. The Bylaws require accumulated donations of \$100,000 of permanent funding to function as corpus of the endowment before any funds in excess of that restriction can be expended or designated by the Board of Directors. The assets of the fund are invested in interest bearing checking accounts and may be invested in other instruments as the Board of Directors deems appropriate. As of the years ending June 30, 2021 and 2020, respectively, contributions to the endowment were \$2,135 and \$2,483 and the balance of the endowment was \$41,897 and \$39,762. There were no funds appropriated or expended for both years.

## 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Church's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for the following:

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,891,968	\$ 1,727,222
Accounts Receivable	5,251	17,614
Total financial assets	<u>\$ 1,897,219</u>	<u>\$ 1,744,836</u>
Less those unavailable for general expenditures within one year:		
Purpose restrictions	(446,949)	(397,197)
Quasi-endowment established by the Board of Directors	(41,897)	(39,762)
Planned bond principal repayment approved by the Board of Directors	(455,000)	(420,000)
Facility improvements designated by the Board of Directors	-	(28,144)
	<u>(943,846)</u>	<u>(885,103)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 953,373</u>	<u>\$ 859,733</u>

The Church's goal is generally to maintain financial assets to meet operating expenses in the near term. As part of its liquidity plan, excess cash, as it becomes available, is invested in interest bearing checking accounts and certificates of deposit. The Church has a \$1,000,000 line of credit available to meet cash flow needs, if needed.

Subsequent to year end, the Church entered into contracts totaling \$1,200,000 for facility improvements. The anticipated additional loan of \$1,500,000 as discussed in Footnote 7 is expected to finance these and other new capital improvements.