PATHFINDER CHURCH

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Contents

Saint Louis, Missouri
6240 S. Lindbergh Blvd Ste 101
Saint Louis, MO 63123

(314) 845-7999
(314) 845-7770
www.afewcpas.com

FEW
FICK, EGGEMEYER & WILLIAMSON CPAs PC

Columbia, Illinois
205 S. Main
Columbia, IL 62236

(618) 281-4999
(618) 281-9533
www.afewcpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pathfinder Church

Opinion

We have audited the accompanying financial statements of Pathfinder Church (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the fiscal years then ended, and the related notes to the financial statements.

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, 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 Financial Statements section of our report. We are required to be independent of Pathfinder Church 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Pathfinder Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 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 effectivences of Pathfinder Church'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 Pathfinder Church'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.

Fick, Eggemeyer + Williamson

Fick, Eggemeyer & Williamson CPAs
Saint Louis, Missouri
September 3, 2022

PATHFINDER CHURCH

STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 1,681,853	$ 1,891,968
Accounts receivable, net	2,792	5,251
Prepaid expenses	96,736	59,980
Total Current Assets	1,781,381	1,957,199
Notes Receivable - Related Party	33,682	5,345
Fixed Assets:		
Land and land improvements	2,422,932	2,440,780
Buildings and building improvements	25,318,670	24,352,033
Furniture/fixtures/technology	1,874,401	1,700,886
Construction in progress	241,710	-
Total Fixed Assets	29,857,713	28,493,699
Accumulated depreciation	(17,514,750)	(17,109,665)
Total Fixed Assets, Net of Depreciation	12,342,963	11,384,034
Other Assets	256,044	253,352
Total Assets	$ 14,414,070	$ 13,599,930
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 277,542	$ 98,856
Construction payables	215,000	-
Accrued expenses	145,055	151,038
Deferred tuition and revenue	114,014	75,917
Total Current Liabilities	751,611	325,811
Long-Term Liabilities:		
Loan payable	4,985,000	-
Bond payable	-	4,690,000
Swap contract liability	-	42,530
Total Long-Term Liabilities	4,985,000	4,732,530
Total Liabilities	5,736,611	5,058,341
Net Assets		
Without Donor Restrictions		
Investment in fixed assets, net of related debt	7,357,963	6,651,504
General ministry	4,147,178	4,165,123
School ministry	(3,268,696)	(2,721,354)
Unrealized derivative loss	-	(42,530)
Board designated endowment	44,107	41,897
Total Without Donor Restrictions	8,280,552	8,094,640
With Donor Restrictions	396,907	446,949
Total Net Assets	8,677,459	8,541,589
Total Liabilities and Net Assets	$ 14,414,070	$ 13,599,930

PATHFINDER CHURCH

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions General Ministries	Without Donor Restrictions School Ministries	Without Donor Restrictions Total	With Donor Restrictions	Total
Support and Revenue:					
Contributions	$ 4,609,135	$ 63,526	$ 4,672,661	$ 103,978	$ 4,776,639
Registration and tuition	-	2,047,063	2,047,063	-	2,047,063
Program revenue	123,292	99,773	223,065	333,655	556,720
Food service sales	17,872	-	17,872	-	17,872
Released for capital expenditures	81,771	(81,771)	-	-	-
Released from restrictions	355,239	181,238	536,477	(536,477)	-
Church support to other funds	(204,000)	155,198	(48,802)	48,802	-
Total Support and Revenue	4,983,309	2,465,027	7,448,336	(50,042)	7,398,294
				-	
Expenses:					
Program expenses:					
Church ministries	3,473,530	-	3,473,530	-	3,473,530
School ministries	-	3,012,369	3,012,369	-	3,012,369
Auxiliary ministries	196,738	-	196,738	-	196,738
Total program expenses	3,670,268	3,012,369	6,682,637	-	6,682,637
Support services:				-	-
Management & general	424,258	-	424,258	-	424,258
Fundraising	168,703	-	168,703	-	168,703
Total support services	592,961	-	592,961	-	592,961
Total Expenses	4,263,229	3,012,369	7,275,598	-	7,275,598
Investment and Financing Activities:					
Loss on retirement of assets	(16,460)	-	(16,460)	-	(16,460)
Interest income	2,404	-	2,404	-	2,404
Settlement of interest rate swaps	(15,300)	-	(15,300)	-	(15,300)
Realized derivative gain	42,530	-	42,530	-	42,530
Total Investment and Financing Activities	13,174	-	13,174	-	13,174
Changes in Net Assets	733,254	(547,342)	185,912	(50,042)	135,870
Beginning Net Assets	10,815,994	(2,721,354)	8,094,640	446,949	8,541,589
Ending Net Assets	$ 11,549,248	$ (3,268,696)	$ 8,280,552	$ 396,907	$ 8,677,459

PATHFINDER CHURCH

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

	Without Donor Restrictions General Ministries	Without Donor Restrictions School Ministries	Without Donor Restrictions Total	With Donor Restrictions	Total
Support and Revenue:					
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	4,900,142	2,581,720	7,481,862	49,752	7,531,614
Expenses:					
Program expenses:					
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	3,289,641	2,881,637	6,171,278	-	6,171,278
Support services:				-	-
Management & general	362,950	-	362,950	-	362,950
Fundraising	158,719	-	158,719	-	158,719
Total support services	521,669	-	521,669	-	521,669
Total Expenses	3,811,310	2,881,637	6,692,947	-	6,692,947
Investment Activities:					
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	54,455	-	54,455	-	54,455
Changes in Net Assets	1,143,287	(299,917)	843,370	49,752	893,122
Beginning Net Assets	9,672,707	(2,421,437)	7,251,270	397,197	7,648,467
Ending Net Assets	$ 10,815,994	$ (2,721,354)	$ 8,094,640	$ 446,949	$ 8,541,589

PATHFINDER CHURCH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Program Services					
	Church Ministries	School Ministries	Auxiliary Ministries	Management & General	Fundraising	Total
Salaries and Wages	$ 1,780,140	$ 2,177,814	$ 114,898	$ 325,068	$ 107,423	$ 4,505,343
Facilities and Maintenance Costs	318,287	159,143	4,823	-	-	482,253
Depreciation	502,273	217,762	6,599	-	-	726,634
Food Service Cost of Sales	17,804	-	-	-	-	17,804
Interest Expense	108,696	54,348	1,647	-	-	164,691
Loss on Extinguishment of Bonds	24,268	12,134	368	-		36,770
Program Costs	722,062	391,168	68,403	99,190	61,280	1,342,103
Total Expenses	$ 3,473,530	$ 3,012,369	$ 196,738	$ 424,258	$ 168,703	$ 7,275,598

PATHFINDER CHURCH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Program Services					
	Church Ministries	School Ministries	Auxiliary Ministries	Management & General	Fundraising	Total
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	461,417	402,647	65,689	79,670	54,882	1,064,305
Total Expenses	$ 3,107,051	$ 2,881,637	$ 182,590	$ 362,950	$ 158,719	$ 6,692,947

PATHFINDER CHURCH

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	$ 135,870	$ 893,122
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	726,634	654,758
Loss on disposal of fixed assets	16,459	23,275
Loss on debt extinguishment	36,770	-
Deferred financing cost amortization	11,742	13,367
Realized derivative (gain) loss	(42,530)	-
Unrealized derivative (gain) loss	-	(74,224)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	2,459	12,363
(Increase) decrease in prepaid expenses	(36,756)	12,745
(Increase) decrease in notes receivable - related party	(28,337)	5,427
(Increase) decrease in other assets	(8,000)	(10,254)
Increase (decrease) in accounts payable	178,686	(10,061)
Increase (decrease) in construction payables	215,000	-
Increase (decrease) in accrued expenses	(5,983)	(13,885)
Increase (decrease) in deferred tuition and revenue	38,097	(8,102)
Total adjustments to reconcile changes in net assets	1,104,241	605,409
Net cash provided by operating activities	1,240,111	1,498,531
Cash Flows from Investing Activities:		
Fixed asset additions	(1,702,022)	(108,386)
Net cash used by investing activities	(1,702,022)	(108,386)
Cash Flows from Financing Activities:		
Proceeds from bank loan	5,440,000	-
Principal payment on loan payable	(455,000)	-
Prinicpal payments of bonds payable	(4,690,000)	(420,000)
Payment of deferred financing costs	(43,204)	-
Forgiveness from Paycheck Protection Program Loan	-	(805,400)
Net cash provided by (used by) financing activities	251,796	(1,225,400)
Increase (decrease) in cash and cash equivalents	(210,115)	164,745
Cash and cash equivalents, beginning of year	1,891,968	1,727,223
Cash and cash equivalents, end of year	$ 1,681,853	$ 1,891,968
Supplemental Cash Flow Information:		
Cash paid for interest expense	$ 121,013	$ 178,221
Cash paid for deferred financing costs	$ 43,204	
Non-cash construction in progress payable	$ 215,000	

1. NATURE OF ORGANIZATION

Pathfinder Church (the "Church"), operating under the legal name of St. John Evangelical Lutheran Church (U.A.C.) Ellisville, Missouri, 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 of the Church is: "Bringing together imperfect people, in pursuit of a whole life".

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. One institution where the Federal Deposit Insurance Corporation ("FDIC") insures balances up to $250,000, one institution where the National Credit Union Administration ("NCUA") insures balances up to $250,000 and one financial institution with no coverage. At June 30, 2022 and 2021, cash and cash equivalents of $1,428,781 and $1,638,015, 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 2022 or 2021. Depreciation expense was $726,634 and $654,758 during 2022 and 2021, 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 $2,146,105 and $2,119,769 of revenue from contracts from the year ending June 30, 2022 and 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:

	2022	2021
Accounts Receivable	$ 2,792	$ 525
Unbilled Receivables	-	-
Prepaid Revenues	111,645	70,590

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 years ending June 30, 2022 and 2021. Also, during 2022 and 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 330 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:

Expense	Method
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, 2022, the date which the financial statements were available to be issued, and noted no reportable events.

3. NOTES RECEIVABLES – RELATED PARTY

In accordance with personnel policy, two current ministry directors have received loans to help purchase housing while employed with the Church. One loan was paid in full during the fiscal year ending June 30, 2022. Per the loan agreement, the fixed interest rate was 4.0% and the loan term was 5 years. The balance on the loan was $5,345 for the fiscal year ending June 30, 2021. This loan was fully repaid during the fiscal year ending June 30, 2022. During the fiscal year ended June 30, 2022, a new loan was made to a different ministry director with a fixed interest rate of 3.25% and a loan term of 7 years. The balance on the loan was $33,682 for the fiscal year ending June 30, 2022. The Church considers the note receivable to be fully collectible, thus no credit allowance is considered necessary.

4. DEFERRED FINANCING COSTS

Issuance and administrative costs associated with the December 6, 2021 bank loan have been capitalized and are being amortized over the term of the loan. The unamortized balance recorded in other assets on the Statement of Financial Position is $35,034 as of June 30, 202

Prior to the bank loan, the deferred financing costs associated with the January 4, 2007 Colorado Educational and Cultural Facilities Authority ("CECFA") Bond Issue and certain letter of credit fees were capitalized and amortized over the term of the bonds. The balance recorded in other assets on the Statements of Financial Position is $38,314 as of June 30, 2021. The unamortized balance of $32,836 was written off in conjunction with the bond redemption in December 2021 along with $3,934 of other assets.

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, 2022 and 2021 was $11,605 and $13,367, 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 $221,010 and $210,883 as of June 30, 2022 and 2021, respectively, arose from primarily past premiums paid and dividends accruing. 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 • 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'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 previous swap contract associated with the bonds liability as of June 30, 2021 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, 2022 and 2021.

7. LONG-TERM LIABILITIES

The liabilities consist of the following as of June 30:

	2022	2021
Bank Loan	$ 4,985,000	-
Bonds Payable	-	$ 4,690,000
Less: Current maturities	-	-
	$ 4,985,000	$ 4,690,000

On December 6, 2021, the Church fully redeemed its bond financing using a new $6,190,000 delayed draw term loan from Fifth Third Bank that matures January 31, 2025. The Church made an initial draw of $5,440,000 comprised of $4,690,000 for bond redemption and $750,000 for infrastructure and facility investments. The loan agreement provides for additional draws up to $750,000 through December 5, 2022. The Church anticipates drawing between $450,000 and $750,000 for the completion of improvement projects as previously approved by the Congregation. Interest on the term loan accrues at a floating rate of prime less 1.65% and is paid monthly. The Church may prepay portions or all of the loan at any time without penalty and there are no unused commitment fees. The loan is secured by substantially all of the assets of the Church.

At June 30, 2022, the required periodic principal payment on the term loan is comprised solely of $595,000 due on January 31, 2024 with any subsequently remaining outstanding balance due at loan maturity. The loan agreement further provides that any other principal payments made by the Church prior to January 31, 2024 will serve to reduce the $595,000 requirement dollar-for-dollar. Additionally, to the extent the Church makes additional term loan draws through December 5, 2022, such amounts will be added to the term loan balance due at maturity.

In 2012, the Church's Board of Directors implemented an internal debt amortization schedule so that the Church would continue repayment of debt obligations for the purpose of retiring the bond obligation at the originally intended date in 2029. On May 23, 2021 in conjunction with approving incurrence of up to $1,500,000 of additional debt to fund certain improvements, the Congregation ratified the existing internal debt amortization schedule and added two additional years to the schedule in equal amounts of $750,000 to incorporate the additional debt. Based on the term loan debt outstanding at June 30, 2022, and without consideration of any subsequent term loan draw, the planned prepayment schedule is as follows

Year Ended June 30,	As Contractually Required	As Planned by the Church
2023	-	$ 485,000
2024	$ 595,000	525,000
2025	4,390,000	560,000
2026	-	600,000
2027	-	635,000
2028	-	655,000
2029	-	775,000
2030	-	750,000
	$ 4,985,000	$ 4,985,000

At the time of new term loan, the Church terminated the existing LIBOR based interest rate swaps at a cost of $15,300. An interest rate swap based on prime rate was acquired to manage the Church's exposure to volatility in prime rate and effectively fix the interest rate to 4.55% on a portion of the loan. The swap agreement has an initial notional amount of $4,400,000, an expiration of January 31, 2028, and scheduled reductions in the notional amount as follows:

From and Including	To but Excluding	Notional Swap Amount
12/6/2021	1/3/2023	$ 4,400,000
1/3/2023	1/2/2024	4,000,000
1/2/2024	1/2/2025	3,600,000
1/2/2025	1/2/2026	3,200,000
1/2/2026	1/4/2027	2,700,000
1/4/2027	1/3/2028	2,125,000
1/3/2028	1/31/2028	1,475,000

As the underlying variable rate on the term loan is identical to the receive leg portion of the interest rate swap, the Church has determined this hedging strategy is a perfect hedge for the swap notional amounts. The Church has adopted the "short cut" method of accounting for the new swaps for simplicity of the financial statement presentation and as implementation of fair value accounting for the swap would not be material. As of June 30, 2022, the swap has a mark-to-market unrealized gain of $230,222.

Prior to the new term loan, the Church borrowed the principal sum of $11,815,000, from the Colorado Educational and Cultural Facilities Authority ("CECFA") on January 1, 2007. 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 originally had a maturity date of January 1, 2029 and required 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 was 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 had entered into a letter of credit and reimbursement agreement with Fifth Third Bank. This agreement was set to expire on January

31, 2022 and had an annual fee of 150 basis points on the amount of coverage provided. Under this former agreement, Fifth Third Bank held 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 as of June 30, 2021, and was sufficient to cover all outstanding amounts related to the bond liabilities.

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. Additionally, a second swap agreement was executed with a forward start date of January 1, 2017. The initial notional amount of the forward start swap was $1,500,000. As of June 30, 2021, the swap notional amounts total $3,738,000, and the mark-to-market liability was $42,530. In conjunction with the swaps, the Church recorded a realized gain of $42,530 and an unrealized loss of $74,224 for the years ended June 30, 2022 and 2021, respectively. With the redemption of the bonds, these interest rate swap agreements were terminated at a settlement cost of $15,300.

As of June 30, 2022 and 2021, the Church maintained a committed secured line of credit with Fifth Third Bank allowing for maximum borrowing of $1,000,000. As of December 6, 2020 the line of credit was extended through January 31, 2024. At June 30, 2022, the rate was at prime less .90% and at June 30, 2021 the rate was at one month LIBOR plus 2.25%. No amounts were outstanding as of June 30, 2022 or 2021. The church pays a commitment fee on the unused portion of the revolving credit amount at the rate of .25% per annum.

Interest expense and financing fees on all debt during the years ended June 30, 2022 and 2021 was $164,691 and $190,573, respectively. These amounts are inclusive of deferred financing costs amortization of $11,742 and $13,367 during 2022 and 2021, respectively. Additionally, during the year ended June 30, 2022, $36,770 of debt extinguishment costs were incurred related to the bond redemption, $32,836 of which was the write-off of remaining bond deferred financing costs and $3,394 of other assets related to the bonds.

On April 20, 2020, the 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 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

The Church 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 $789,140 and $881,755 in 2022 and 2021, 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, 2022 and 2021:

Purpose Restrictions	2022	2021
Net Assets with Restrictions		
Church ministries	$ 33,231	$ 165,573
School ministries	233,386	175,030
Auxiliary ministries	130,290	106,346
	$ 396,907	$ 446,949

Auxiliary Ministries		
Chris Toomey Mission Fund	$ 38,134	
Christ in Action	-	$ 23,799
MOPS	32,182	29,676
Scout Troops	17,282	21,410
Soccer Association	27,275	18,684
School of the Arts	6,087	4,047
Puppet Ministry	8,406	7,806
Trailblazers	717	717
Pastor's Discretionary	207	207
	$ 130,290	$ 106,346

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

Satisfaction of Purpose Restriction	2021	2020
Church ministries	$ 38,916	$ 97,454
School ministries	181,238	92,173
Auxiliary ministries	316,323	177,522
	$ 536,477	$ 367,149

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, 2022 and 2021, respectively, contributions to the endowment were $2,210 and $2,135 and the balance of the endowment was $44,107 and $41,897. 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:	2022	2021
Cash and cash equivalents	$ 1,681,853	$ 1,891,968
Accounts Receivable	2,792	5,251
Total financial assets	$ 1,684,645	$ 1,897,219
Less those unavailable for general expenditures within one year:		
Purpose restrictions	(396,907)	(446,949)
Quasi-endowment established by the Board of Directors	(44,107)	(41,897)
Planned bond principal repayment approved by the Board of Directors	(485,000)	(455,000)
	(926,014)	(943,846)
Financial assets available to meet cash needs for general expenditures within one year	$ 758,631	$ 953,373

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.

As of June 30, 2022 the Church has remaining contractual obligations of $244,092 for facility improvements. The anticipated additional loan of $450,000 to $750,000 as discussed in Footnote 7 is expected to finance these and other new capital improvements and maintain adequate cash reserves.