

CHRIST LINCOLN CHURCH AND SCHOOLS

Independent Accountant's Review Report

Financial Statements

June 30, 2024

CHRIST LINCOLN CHURCH AND SCHOOLS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Official Board of
Christ Lincoln Church and Schools
Lincoln, Nebraska

We have reviewed the accompanying financial statements of Christ Lincoln Church and Schools (a non-profit church) which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Christ Lincoln Church and Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Harger CPA Group PC

Lincoln, Nebraska
November 13, 2024

CHRIST LINCOLN CHURCH AND SCHOOLS

EXHIBIT A

Statement of Financial Position

As of June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Assets:			
Cash and Cash Equivalents	\$ 717,620	\$ 1,535,052	\$ 2,252,672
Investments	481	1,650,883	1,651,364
Prepaid Expenses	7,428	-	7,428
Property and Equipment, Net	15,839,364	-	15,839,364
Total Assets	\$ 16,564,893	\$ 3,185,935	\$ 19,750,828
Liabilities:			
Accounts Payable	\$ 90,850	\$ -	\$ 90,850
Payroll & Cafeteria Withholdings	5,630	-	5,630
Deferred Income	102,343	-	102,343
Accrued Interest	12,532	-	12,532
Foundation Payable	38,035	-	38,035
Mortgage Payable, Sumner	524,273	-	524,273
Mortgage Payable, Yankee Hill	5,020,751	-	5,020,751
Total Liabilities	5,794,414	-	5,794,414
Net Assets:			
Without Donor Restrictions:			
General Fund	225,086	-	225,086
School Fund	(176,382)	-	(176,382)
Building Fund	10,721,775	-	10,721,775
With Donor Restrictions:			
Donor Restricted, Church and School	-	3,185,935	3,185,935
Total Net Assets	10,770,479	3,185,935	13,956,414
Total Liabilities and Net Assets	\$ 16,564,893	\$ 3,185,935	\$ 19,750,828

See accompanying notes and independent accountant's review report.

CHRIST LINCOLN CHURCH AND SCHOOLS

EXHIBIT B

Statement of Activities

For the Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Support:			
Contributions Without Donor Restrictions	\$ 3,829,604	\$ 1,933,476	\$ 5,763,080
Total Support	<u>3,829,604</u>	<u>1,933,476</u>	<u>5,763,080</u>
Revenues:			
Interest Income	155,972	-	155,972
School Tuition & Registrations	853,074	-	853,074
Child Care Fees	1,951,090	-	1,951,090
Other School Related Income	343,112	-	343,112
Total Revenues	<u>3,303,248</u>	<u>-</u>	<u>3,303,248</u>
Net Assets Released from Restrictions	<u>1,138,927</u>	<u>(1,138,927)</u>	<u>-</u>
Total Support and Revenues	<u>8,271,779</u>	<u>794,549</u>	<u>9,066,328</u>
Expenses:			
Worship	808,128	-	808,128
Ministry	1,510,464	-	1,510,464
Other Church Expenses	1,180,668	-	1,180,668
School and Child Care Expenses	3,591,661	-	3,591,661
Donor Restricted Expenditures	679,787	-	679,787
Depreciation Expense	526,241	-	526,241
Total Expenses	<u>8,296,949</u>	<u>-</u>	<u>8,296,949</u>
Change in Net Assets	(25,170)	794,549	769,379
Net Assets, Beginning of Year	<u>10,795,649</u>	<u>2,391,386</u>	<u>\$ 13,187,035</u>
Net Assets, End of Year	<u>\$ 10,770,479</u>	<u>\$ 3,185,935</u>	<u>\$ 13,956,414</u>

See accompanying notes and independent accountant's review report.

CHRIST LINCOLN CHURCH AND SCHOOLS

EXHIBIT C

Statement of Cash Flows

For the Year Ended June 30, 2024

	<u>2024</u>
Cash Flows from Operating Activities:	
Changes in Net Assets	\$ 769,379
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	526,241
Decrease in Receivables, Other	5,373
Decrease in Prepaid Expenses	10,760
(Decrease) in Accounts Payable	(14,384)
(Decrease) in Payroll Withholdings Payable	(21,123)
(Decrease) in Accrued Interest	(1,177)
Increase in Deferred Income	270
Net Cash Provided by Operating Activities	<u>1,275,339</u>
Cash Flows from Investing Activities:	
Purchases of Property and Equipment	(71,995)
Net Cash Flows (Used In) Investing Activities	<u>(71,995)</u>
Cash Flows from Financing Activities:	
Principal Repayments	(502,069)
Net Cash Flows (Used In) Financing Activities	<u>(502,069)</u>
Net Increase in Cash and Cash Equivalents	701,275
Cash and Cash Equivalents, Beginning of Year	<u>1,551,397</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,252,672</u>
Supplemental Disclosure of Cash Flow Information:	
Cash Paid During the Year for Interest	<u>\$ 184,265</u>

See accompanying notes and independent accountant's review report.

CHRIST LINCOLN CHURCH AND SCHOOLS

Notes to Financial Statements

June 30, 2024

1. **Description and Purpose:**

Christ Lincoln Church and Schools is a non-profit Church incorporated in the state of Nebraska. It is a Bible-based, Christ-centered Lutheran Church Missouri Synod church founded in 1949 in Lincoln, NE. It operates as one church on two campuses within three unique worshipping communities. The Church comes together with over 1,500 worshippers each week across eight worship services. During the week, the Church serves over 185 students at the Elementary School located at the Sumner Campus, nearly 100 students at the Yankee Hill Child Care and over 100 students in the Sumner Child Care programs. The Church also ministers to the 700 ministry wide students involved in our Family Ministry programming from children to college-aged students.

The mission of the Christ Lincoln Church is connecting people to Christ, and together growing in His word. Our vision is so all may know Jesus. The mission of Christ Lincoln Schools is to Love Jesus, Love Others and Love Learning.

2. **Summary of Significant Accounting Policies:**

(a) **Basis of Accounting:**

The financial statements of the Church have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(b) **Cash and Cash Equivalents:**

For purposes of the statement of cash flows, the Church considers all highly liquid investment accounts with an expected holding period of less than three months to be cash equivalents.

(c) **Classes of Net Assets:**

The Church is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions amounts are those currently available at the discretion of the Board for use in the church's ministries and those resources invested in land, buildings and equipment.

With Donor Restrictions amounts are those which are restricted by donors for specific operating purposes or for the acquisition of land, buildings and equipment.

CHRIST LINCOLN CHURCH AND SCHOOLS

Notes to Financial Statements - Continued

June 30, 2024

2. Summary of Significant Accounting Policies – Continued:

(d) Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Income Taxes:

The Church has been classified as an other than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and contributions to it are tax deductible within the limitations prescribed by the Code.

Activities unrelated to the Church's exempt purpose are subject to income taxes. Currently no activity conducted by the Church is considered unrelated to its exempt purpose.

The Church is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Church believes it is no longer subject to income tax examinations for years prior to 2019. The Church's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

(f) Support, Revenue and Expenses:

Contributions received are recorded as support and increases in without donor restrictions or with donor restrictions net assets depending on the existence and/or nature of any donor restrictions.

Contributions of cash and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. The Church also receives a substantial amount of services donated by its members in carrying out the Church's ministry. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition.

CHRIST LINCOLN CHURCH AND SCHOOLS

Notes to Financial Statements - Continued

June 30, 2024

2. Summary of Significant Accounting Policies – Continued:

(g) Subsequent Events:

Subsequent events have been evaluated through the date of the independent accountant's review report which is the date the financial statements were issued.

(h) Property and Equipment:

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method. Under this method, costs of the assets are expensed over their estimated useful lives.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

(i) Compensated Absences:

Employees of the Church are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. Because the amount of compensation for these future absences is not considered material and it is impracticable to estimate the amount, no liability has been recorded in the accompanying financial statements for this obligation. Therefore, the Church recognizes the costs of compensated absences when paid to employees.

(j) Fair Value of Financial Instruments:

The financial instruments of the Church include cash and cash equivalents, investments, current liabilities and notes payable. Management estimates that the carrying amounts of these financial instruments approximate fair value.

CHRIST LINCOLN CHURCH AND SCHOOLS

Notes to Financial Statements - Continued

June 30, 2024

2. Summary of Significant Accounting Policies – Continued:

(k) Investments:

Investments are reported at amortized cost, if purchased, or at fair value if donated. Thereafter, investments are reported at their fair value in the statements of financial position, and changes in fair value are reported as investment return in statement of activities. It is not the Church's policy to hold donated investment assets but to liquidate them soon after the asset is donated.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Church groups assets at fair value in three levels, based on the markets in which the asset and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

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

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

CHRIST LINCOLN CHURCH AND SCHOOLS

Notes to Financial Statements - Continued

June 30, 2024

3. **Property and Equipment:**

Property and equipment as of June 30, 2024, consists of the following:

Land	\$	4,867,168
Buildings		15,936,385
Furniture and Equipment		2,133,922
Less Accumulated Depreciation		<u>(7,098,111)</u>
Property and Equipment, Net	\$	<u>15,839,364</u>

Depreciation expense for the year ended June 30, 2024 was \$526,241.

4. **Retirement Plans:**

The Church has adopted a 403(b) employee retirement plan for all eligible employees. Employees are eligible to participate in the plan upon beginning employment with the Church. Full-time and part-time employees receive no match but are eligible to make elective contributions. All amounts contributed to the plan are immediately vested.

The Church also contributes on behalf of their employees into the Concordia Retirement Plan. The retirement plan accounts held for their employees are subject to a three year vesting schedule. Upon retirement, the employee may choose from several distribution options based on the employee's age and longevity. During the year ended June 30, 2024, the Church contributed \$232,500 into the Plan.

5. **Business and Credit Concentration:**

The Church receives the majority of its contributions from members and attenders who are concentrated geographically in and around Lincoln, Nebraska.

The Church maintains a majority of its cash assets in commercial banks located in Nebraska. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC). Funds held are guaranteed up to a limit of \$250,000. At various times during the year, the Church exceeded the \$250,000 guaranteed limit. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

CHRIST LINCOLN CHURCH AND SCHOOLS

Notes to Financial Statements - Continued

June 30, 2024

6. Christ Lutheran Foundation:

The Christ Lutheran Foundation exists for the sole benefit of Christ Lincoln by serving as the long-term investment arm of the Church. The Foundation provides grants, scholarships and other financial support dependent upon the endowments and donations of donors to support the ministry of the Church.

The Church entered into a loan agreement with the Foundation in 2014 related to the purchase of real estate. The loan requires annual payments of \$7,000 at the rate of 3% over fourteen years. The balance due to the Foundation as of June 30, 2024 was \$38,035.

7. Notes Payable:

On September 21, 2022, the Church refinanced its existing mortgage loan issued by Pinnacle Bank. The terms of the mortgage require the Church to make 59 monthly payments, including principal and interest at 3.5%, of \$28,074. A final balloon payment of the unpaid balance, plus accrued interest, is due on March 10, 2029. The real property of the Church's Yankee Hill campus serves as collateral on the mortgage. The balance due as of June 30, 2024 was \$5,020,751.

Also on September 21, 2022, the Church refinanced a second mortgage loan issued by Pinnacle Bank. The terms of the mortgage required the Church to make 59 monthly payments, including principal and interest at 3.5% of \$7,087. A final balloon payment of the unpaid balance, plus accrued interest, is due on March 10, 2029. The real property of the Church's Sumner Street campus serves as collateral on the mortgage. The balance due as of June 30, 2024 was \$524,273.

In September 2024, subsequent to the balance sheet date, the Church paid off the remaining balance of its mortgage on the Sumner Street campus.

Annual maturities on its long-term debt as of June 30, 2024 are as follows:

2025	\$	237,428
2026		245,844
2027		254,553
2028		263,573
2029		4,574,861
Thereafter		6,800
	\$	<u>5,583,059</u>