

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

January 31, 2021 and 2020



Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA

C O N T E N T S

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
New Era, Michigan

We have audited the accompanying financial statements of Living Water Ministries, A Shared Ministry of the Lower Michigan Synods of the ELCA (a Michigan nonprofit corporation), which comprise the statements of financial position as of January 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditor's 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.

BRICKLEY DELONG

Board of Directors
Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Living Water Ministries, A Shared Ministry of the Lower Michigan Synods of the ELCA as of January 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style.

Muskegon, Michigan
June 18, 2021

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENTS OF FINANCIAL POSITION
January 31, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	\$ 494,313	\$ 355,143
Accounts receivable	31,432	5,000
Inventory	10,384	10,649
Prepaid expenses	1,924	5,507
Total current assets	538,053	376,299
INVESTMENTS	1,401,179	1,334,372
PROPERTY AND EQUIPMENT - AT COST		
Land improvements	24,752	24,752
Buildings	614,105	654,663
Fixtures and equipment	51,815	53,784
Furniture and equipment	12,047	12,047
Vehicles	114,063	114,063
	816,782	859,309
Less accumulated depreciation	(631,174)	(646,628)
	185,608	212,681
Land	15,000	15,000
Construction in progress	11,000	-
	211,608	227,681
	\$ 2,150,840	\$ 1,938,352
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 24,500	\$ -
Accounts payable	3,709	9,453
Accrued liabilities	7,417	7,757
Deferred revenue	-	38,475
Total current liabilities	35,626	55,685
LONG-TERM DEBT , less current maturities	16,800	-
Total current liabilities	52,426	55,685
NET ASSETS		
Without donor restrictions	1,844,939	1,811,399
With donor restrictions	253,475	71,268
Total net assets	2,098,414	1,882,667
	\$ 2,150,840	\$ 1,938,352

The accompanying notes are an integral part of these statements.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENTS OF ACTIVITIES
Years ended January 31, 2021 and 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUES AND SUPPORT			
Public support			
Synod grants	\$ 64,000	\$ -	\$ 64,000
Episcopal support	15,000	-	15,000
Donations	141,927	194,747	336,674
Other grants	29,704	-	29,704
Revenues			
Program fees, net of scholarships awarded totaling \$1,060 in 2021 and \$39,465 in 2020	25,081	-	25,081
Other income			
Investment income (loss), net	152,138	-	152,138
Other	351	-	351
Gain (loss) on sale of equipment	-	-	-
Net assets released from restrictions	12,540	(12,540)	-
Total revenues	440,741	182,207	622,948
EXPENSES			
Program services	229,205	-	229,205
Supporting services			
Management and general	76,714	-	76,714
Fundraising	101,282	-	101,282
Total expenses	407,201	-	407,201
Change in net assets	33,540	182,207	215,747
Net assets at beginning of year	1,811,399	71,268	1,882,667
Net assets at end of year	\$ 1,844,939	\$ 253,475	\$ 2,098,414

The accompanying notes are an integral part of these statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 72,000	\$ -	\$ 72,000
15,000	-	15,000
132,353	43,050	175,403
-	-	-
271,318	-	271,318
147,971	-	147,971
35,150	-	35,150
600	-	600
44,971	(44,971)	-
719,363	(1,921)	717,442
412,950	-	412,950
87,940	-	87,940
68,338	-	68,338
569,228	-	569,228
150,135	(1,921)	148,214
1,661,264	73,189	1,734,453
\$ 1,811,399	\$ 71,268	\$ 1,882,667

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended January 31, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Compensation and related expenses				
Salaries	\$ 86,126	\$ 40,927	\$ 59,154	\$ 186,207
Fringe benefits	21,212	10,080	14,570	45,862
Payroll taxes	6,532	3,104	4,486	14,122
	<u>113,870</u>	<u>54,111</u>	<u>78,210</u>	<u>246,191</u>
Contracted services	-	8,067	-	8,067
Depreciation	24,366	2,707	-	27,073
Food and kitchen supplies	24	176	190	390
Insurance	16,786	2,418	1,042	20,246
Marketing and publicity	11,166	-	19,670	30,836
Office	3,179	5,361	1,058	9,598
Program expense	29,068	-	430	29,498
Repairs and maintenance	8,259	918	-	9,177
Training and travel	641	541	556	1,738
Utilities and telephone	17,237	1,915	-	19,152
Vehicle expense	4,609	500	126	5,235
	<u>\$ 229,205</u>	<u>\$ 76,714</u>	<u>\$ 101,282</u>	<u>\$ 407,201</u>

The accompanying notes are an integral part of these statements.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended January 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Compensation and related expenses				
Salaries	\$ 165,631	\$ 44,287	\$ 41,167	\$ 251,085
Fringe benefits	27,134	7,255	6,744	41,133
Payroll taxes	12,478	3,337	3,102	18,917
	<u>205,243</u>	<u>54,879</u>	<u>51,013</u>	<u>311,135</u>
Contracted services	-	11,017	-	11,017
Depreciation	23,606	2,623	-	26,229
Food and kitchen supplies	37,263	1,515	298	39,076
Insurance	19,470	2,589	677	22,736
Marketing and publicity	11,504	-	12,760	24,264
Office	8,451	9,577	-	18,028
Program expense	57,679	-	-	57,679
Repairs and maintenance	19,507	2,167	-	21,674
Training and travel	2,052	443	3,550	6,045
Utilities and telephone	17,865	1,985	-	19,850
Vehicle expense	10,310	1,145	40	11,495
	<u>\$ 412,950</u>	<u>\$ 87,940</u>	<u>\$ 68,338</u>	<u>\$ 569,228</u>

The accompanying notes are an integral part of these statements.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENTS OF CASH FLOWS
Years ended January 31, 2021 and 2020

	2021	2020
Operating activities		
Change in net assets	\$ 215,747	\$ 148,214
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	27,073	26,229
(Gain) loss on sale of equipment	-	(600)
Realized and unrealized (gain) loss on investments	(151,807)	(147,573)
	91,013	26,270
 (Increase) decrease in operating assets		
Accounts receivable	(26,432)	(3,470)
Inventory	265	(865)
Prepaid expenses	3,583	(3,364)
Increase (decrease) in operating liabilities		
Accounts payable	(5,744)	5,531
Accrued liabilities	(340)	1,709
Deferred revenue	(38,475)	17,105
	23,870	42,916
 Net cash provided by (used for) operating activities	 23,870	 42,916
 Investing activities		
Equipment and property purchases	(11,000)	(36,972)
Investment purchases	-	(4,500)
Proceeds from sale of investments	85,000	92,000
Proceeds from sale of equipment	-	600
	74,000	51,128
 Net cash provided by (used for) investing activities	 74,000	 51,128
 Financing activities		
Proceeds from long-term financing (Paycheck Protection Program loan)	41,300	-
	41,300	-
 INCREASE (DECREASE) IN CASH	 139,170	 94,044
 Cash at beginning of year	 355,143	 261,099
 Cash at end of year	 \$ 494,313	 \$ 355,143

The accompanying notes are an integral part of these statements.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Living Water Ministries, a Shared Ministry of the Lower Michigan Synods of the ELCA, (Organization) is a nonprofit corporation organized in 1987 as a ministry of Gospel proclamation committed to the fellowship and spiritual growth of individuals, the care of the environment, the support of our neighbors in crisis, and the support of congregations as extensions of their ministry. The Organization owns, operates, and maintains camping properties in Michigan. The corporation is organized and operated exclusively for religious, educational, charitable and public welfare purposes. A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements are presented on an accrual basis of accounting which recognizes income when earned and expenses when incurred.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classes: without donor restrictions and with donor restrictions.

Net assets without donor restrictions. Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions. Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those may or will be met by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Revenue Recognition

Contribution Revenue

Contributions, which include cash, unconditional promises to give, certain contributed services, and gifts of long-lived and other assets, are recognized as revenues in the period received or promised. Substantially all of the Organization's grants are considered to be contributions for the purpose of applying revenue recognition policies. Contributions receivable beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate and are also recorded net of estimated uncollectible amounts.

Contributions are considered to be unconditional unless there are one or more barriers that must be overcome before the Organization is entitled to the assets received or promised. Conditional contributions are recognized when the conditions have been substantially met.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition—Continued

Contribution Revenue—Continued

Unconditional contributions are considered to be without donor restriction unless specifically restricted by the donor for time or purpose. When a donor restriction is fulfilled or expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as increases in net assets without donor restrictions.

Revenue from Contracts with Customers

Canteen sales are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing goods to the customer. Prices for individual items are established by the Organization. Control is transferred immediately to the customer at the point of sale. Refunds for canteen sales are rare. The Organization has not reported a liability for estimated returns, as the amounts are not considered material to the financial statements.

Camping and other event fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing these services to the customer. Payment from customers is due prior to the event occurring and is recorded as deferred revenue until recognized. Revenue from camping and other events are recognized over time based on the transfer of control of the services to customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Revenue recognized over time consists entirely of performance obligations that are satisfied within one week or less. Refunds for camping and other events are generally only allowed up to a month before the event occurs. The Organization has not reported a liability for estimated refunds, as any refund would occur before revenue has been recognized.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Deferred revenue represents a contract liability for monies received in advance of a performance obligation being satisfied.

Investments

Investments consist entirely of a share of the pooled investments held in the Evangelical Lutheran Church in America Fund Pooled Trust and are reported at their fair values which are generally based on quoted market prices.

Gains and losses on disposition are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included as part of investment income, net, as reported in the statements of activities.

Inventories and Prepaid Expenses

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment

Assets purchased at a cost of more than \$1,000 are recorded at cost and are depreciated over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are expensed as incurred.

Donations of property and equipment with a fair value in excess of \$1,000 are recorded at their estimated fair value on the date donated and depreciated over their estimated useful lives using the straight-line method. 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.

Volunteers

A number of volunteers, including the members of the Board of Directors, have made significant contributions of time to the Organization’s policy-making, program, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Non-monetary Transactions

Non-monetary transactions are recorded on the basis of the market value of services provided or assets transferred.

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management’s analysis and estimates.

The expenses that have been allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Compensation and related expenses	
Salaries and wages	Time and effort
Fringe benefits	Time and effort
Payroll taxes	Time and effort
Facility overhead and other	
Contracted services	Direct cost
Depreciation	Square footage
Food and kitchen supplies	Direct cost
Insurance	Square footage
Marketing and publicity	Direct cost
Office	Direct cost
Repairs and maintenance	Square footage
Training and travel	Direct cost
Utilities and telephone	Square footage
Vehicle expense	Direct cost

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Advertising Costs

The Organization expenses the cost of advertising and promotions as incurred. Advertising expense was \$30,836 and \$24,264 for the years ended January 31, 2021 and 2020, respectively.

Tax Status

The Organization is organized as a nonprofit religious entity and, as such, is exempt from federal income taxes.

Use of Estimates

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

Reclassifications

Certain prior year accounts have been reclassified for comparative purposes to conform to the current year presentation.

Date of Management's Review

Subsequent events have been evaluated through June 18, 2021, which is the date the financial statements were available to be issued.

NOTE B—AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of January 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 494,313	\$ 355,143
Investments	1,401,179	1,334,372
Accounts receivable	31,432	5,000
Total financial assets	1,926,924	1,694,515
Less amounts not available to be used within one year:		
Net assets with donor restrictions	253,475	71,268
Less net assets with purpose restrictions to be met in less than one year	(231,914)	(49,708)
Board-designated general endowment	1,378,827	1,312,020
Board-designated for new staff development position	42,023	84,378
Board-designated for cabins	124,500	118,864
Board-designated for capital improvement	33,553	26,879
Board-designated reserve	30,000	12,000
	<u>1,630,464</u>	<u>1,575,701</u>
Financial assets available to meet general expenses over the next year	<u>\$ 296,460</u>	<u>\$ 118,814</u>

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE B—AVAILABILITY AND LIQUIDITY—Continued

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenses and meeting its liabilities and other obligations as they become due. The Organization's endowments consists of a board designated endowment. As described in Note F, the board-designated endowment does not have a formal spending rate. However, the earnings are available to the Organization and additional amounts are available with the approval of the Board of Directors.

NOTE C—CONTRACTS WITH CUSTOMERS

The Organization had contract liabilities from contracts with customers of \$0, \$38,475 and \$21,370 for the years ended January 31, 2021, 2020, and 2019, respectively. In addition, the Organization had no receivables or other contract assets as of January 31 for the same years.

NOTE D—CASH

The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to certain limitations. As of January 31, 2021, the Organization's uninsured cash balances were approximately \$247,000.

NOTE E—INVESTMENTS

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect investment account balances and the amounts reported in the financial statements.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE F—FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include the following:

- 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's 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at January 31, 2021 and 2020.

Investment funds: The fair value of the Organization's investment in the assets held at the Evangelical Lutheran Church in America Fund Pooled Trust (ELCAFPT) is based on a percentage interest of those assets' fair value as represented by ELCAFPT's management. The net asset value (NAV) is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchase and sales) may occur daily. These assets have not been classified in the fair value hierarchy.

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

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE F—FAIR VALUE MEASUREMENTS—Continued

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments measured at fair value based on NAV per share as of January 31, 2021 and 2020, respectively:

<u>January 31, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Investment fund				
ELCAFPT	\$ 1,401,179	N/A	Daily	N/A
<u>January 31, 2020</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Investment fund				
ELCAFPT	\$ 1,334,372	N/A	Daily	N/A

NOTE G—LONG-TERM DEBT

During April 2020, the Organization received loan proceeds of \$41,300 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (CARES Act), provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest were forgivable after eight or twenty four weeks, whichever was selected, as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. The amount of loan forgiveness was to be reduced if the borrower terminated employees or reduced salaries during the period selected. The unforgiven portion of the PPP loan was to be payable over two years at an interest rate of one percent, with a deferral of payments for the first ten months. Subsequent to year end, the Organization received notification from the Small Business Administration (SBA) of full forgiveness of its PPP loan. The Organization is required to retain loan and forgiveness documentation on the loan for six years, which is the open period for review or audit by the Small Business Administration.

Aggregate maturities of long-term debt for 2022 and 2023 are as follows:

<u>Year ending January 31,</u>	<u>Amount</u>
2022	\$ 24,500
2023	16,800
	<u><u>\$ 41,300</u></u>

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE H—NET ASSETS

Net assets without donor restrictions as of January 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 24,428	\$ 29,577
Board-designated		
For general endowment	1,378,827	1,312,020
For new staff development position	42,023	84,378
For cabins	124,500	118,864
For capital improvement	33,553	26,879
For reserve	30,000	12,000
Invested in property and equipment, net of related debt	211,608	227,681
Total board designated net assets without donor restrictions	<u>1,820,511</u>	<u>1,781,822</u>
Total net assets without donor restrictions	<u>\$ 1,844,939</u>	<u>\$ 1,811,399</u>

Net assets with donor restrictions as of January 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Passage of time	\$ 550	\$ -
Specific purpose		
Bridge Builders Grant	13,157	6,005
Master site planning	6,176	6,656
Scholarships (spendable)	50,880	37,046
Scholarships (nonspendable)	21,561	21,561
Capital improvements	23,000	-
Cabins	138,151	-
Total net assets with donor restrictions	<u>\$ 253,475</u>	<u>\$ 71,268</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended January 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restriction accomplished		
Bridge Builders Grant	\$ -	\$ 4,787
Master site planning	480	-
Scholarships	1,060	40,184
Cabins	11,000	-
Net assets released from donor restrictions	<u>\$ 12,540</u>	<u>\$ 44,971</u>

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE I—ENDOWMENT ASSETS

Background

During November 2015, the Board of Directors approved its intention to maintain the proceeds from the Michi-Lu-Ca campground until the development of a strategic plan, master site plan, and bylaws governing the disbursement of the principal. The investments in the form of a board designated endowment are held at the Evangelical Lutheran Church in America Fund Pooled Trust. The Organization’s balance in the Trust is almost entirely comprised of these proceeds.

Composition of Endowments

The value endowment net assets as of January 31, 2021 and 2020 was \$1,378,827 and \$1,312,020, respectively and was comprised entirely of board designated funds. Accordingly, the net assets related to these endowments are classified as net assets without donor restrictions.

The following schedule summarizes the changes in endowment net assets for the years ended January 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<u>Without Donor</u>	<u>Without Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Revenues		
Organization contributions	\$ -	\$ 4,500
Investment income (loss), net	151,807	147,573
	<u>151,807</u>	<u>152,073</u>
Expenses		
Distributions per spending policy	<u>85,000</u>	<u>92,000</u>
Change in endowment net assets	66,807	60,073
Endowment net assets, beginning of year	<u>1,312,020</u>	<u>1,251,947</u>
Endowment net assets, end of year	<u>\$ 1,378,827</u>	<u>\$ 1,312,020</u>

Investment Return Objectives, Risk Parameters and Strategies

The Organization has not adopted a formal investment policy. It follows the investment goals and objectives of the Evangelical Lutheran Church in America Pooled Trust which holds all of the Organization’s board designated endowment.

Spending Policies

The Organization has not adopted a formal spending policy. However, it is the Organization’s intent to only use earnings on these investments and not any principal until a formal spending policy is adopted.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2021 and 2020

NOTE J—RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan, covering substantially all full-time employees. The Organization contributes a discretionary amount determined by the Board of Directors, which currently is 10 percent of eligible wages. Employees are permitted to contribute to the plan. Expense for the year ended January 31, 2021 and 2020 was \$13,877 and \$13,473, respectively.

NOTE K—CONCENTRATION OF RISK

As of January 31, 2021, approximately \$125,800 or 21 percent of revenues came from one donor.

NOTE L—RISKS AND UNCERTAINTIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the Organization's operations. As of January 31, 2021, the Organization is in the continued process of implementing risk mitigation tactics including all aspects of the Organization's business transactions with customers, vendors and human interaction within and outside of the Organization. The Organization has canceled all summer 2021 events.

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS

ASU 2016-02—*Leases (Topic 842)* was issued by the FASB in February 2016. The standard will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statements of Financial Position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. For nonpublic entities, this standard is effective for fiscal years beginning after December 15, 2021.

NOTE N—SUBSEQUENT EVENTS

In February 2021, the Organization received a second Paycheck Protection Program (PPP) loan under the Economic Aid to Hard Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) for \$47,400. This loan is intended to help fund payroll and other costs such as mortgage interest, rent, and utilities and it potentially forgivable if certain requirements are met. After a six month deferment, any portion that is not forgiven must be repaid over the following fifty-four months with an interest rate of 1 percent.

In February 2021, the Organization entered into a contract for the construction of a new cabin for approximately \$447,000.