

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

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

January 31, 2023 and 2022



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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the 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 Living Water Ministries, A Shared Ministry of the Lower Michigan Synods of the ELCA as of January 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Living Water Ministries, A Shared Ministry of the Lower Michigan Synods of the ELCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Living Water Ministries, A Shared Ministry of the Lower Michigan Synods of the ELCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
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Auditor’s 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 effectiveness of Living Water Ministries, A Shared Ministry of the Lower Michigan Synods of the ELCA’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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Living Water Ministries, A Shared Ministry of the Lower Michigan Synods of the ELCA’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.



Muskegon, Michigan
July 12, 2023

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENTS OF FINANCIAL POSITION
January 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	\$ 476,325	\$ 479,735
Accounts receivable	-	62,035
Inventory	11,140	10,420
Prepaid expenses	8,541	11,118
	496,006	563,308
INVESTMENTS	1,204,926	1,316,789
PROPERTY AND EQUIPMENT - AT COST		
Land improvements	41,280	41,280
Buildings	1,108,902	621,624
Fixtures and equipment	57,064	51,815
Furniture and equipment	48,222	24,659
Vehicles	114,635	114,635
	1,370,103	854,013
Less accumulated depreciation	(690,391)	(653,700)
	679,712	200,313
Land	15,000	15,000
Construction in progress	-	345,485
	694,712	560,798
	\$ 2,395,644	\$ 2,440,895

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 14,019	\$ 7,132
Accrued liabilities	9,631	5,680
Deferred revenue	29,655	9,025
	53,305	21,837
NET ASSETS		
Without donor restrictions	2,183,230	2,306,262
With donor restrictions	159,109	112,796
	2,342,339	2,419,058
	\$ 2,395,644	\$ 2,440,895

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, 2023 and 2022

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUES AND SUPPORT			
Public support			
Synod grants	\$ 57,397	\$ -	\$ 57,397
Episcopal support	10,000	-	10,000
Donations	444,054	131,000	575,054
Other grants	-	-	-
Revenues			
Program fees, net of scholarships awarded totaling \$199,050 in 2023 and \$0 in 2022	36,797	-	36,797
Other income			
Investment income (loss), net	(70,706)	-	(70,706)
Other	1,551	-	1,551
Gain (loss) on sale of equipment	-	-	-
Net assets released from restrictions	84,687	(84,687)	-
Total revenues	563,780	46,313	610,093
EXPENSES			
Program services	421,520	-	421,520
Supporting services			
Management and general	117,042	-	117,042
Fundraising	148,250	-	148,250
Total expenses	686,812	-	686,812
Change in net assets	(123,032)	46,313	(76,719)
Net assets at beginning of year	2,306,262	112,796	2,419,058
Net assets at end of year	\$ 2,183,230	\$ 159,109	\$ 2,342,339

The accompanying notes are an integral part of these statements.

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 52,250	\$ -	\$ 52,250
15,000	-	15,000
334,279	58,971	393,250
148,194	-	148,194
6,823	-	6,823
110,361	-	110,361
4,200	-	4,200
1,150	-	1,150
199,650	(199,650)	-
871,907	(140,679)	731,228
227,660	-	227,660
77,084	-	77,084
105,840	-	105,840
410,584	-	410,584
461,323	(140,679)	320,644
1,844,939	253,475	2,098,414
\$ 2,306,262	\$ 112,796	\$ 2,419,058

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended January 31, 2023

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation and related expenses				
Salaries	\$ 139,702	\$ 44,964	\$ 85,455	\$ 270,121
Fringe benefits	28,792	9,299	17,673	55,764
Payroll taxes	10,575	3,317	6,303	20,195
	<u>179,069</u>	<u>57,580</u>	<u>109,431</u>	<u>346,080</u>
Contracted services	-	17,898	-	17,898
Depreciation	33,022	3,669	-	36,691
Food and kitchen supplies	33,478	1,664	141	35,283
Insurance	26,184	2,949	992	30,125
Marketing and publicity	9,993	6,150	32,583	48,726
Office	8,245	6,720	1,423	16,388
Program expense	70,286	3,797	-	74,083
Repairs and maintenance	31,201	4,293	-	35,494
Training and travel	566	3,633	2,095	6,294
Utilities and telephone	23,692	2,632	-	26,324
Vehicle expense	5,784	6,057	1,585	13,426
	<u>\$ 421,520</u>	<u>\$ 117,042</u>	<u>\$ 148,250</u>	<u>\$ 686,812</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, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Compensation and related expenses				
Salaries	\$ 92,419	\$ 43,202	\$ 57,186	\$ 192,807
Fringe benefits	23,136	10,775	14,262	48,173
Payroll taxes	4,350	3,286	7,030	14,666
	<u>119,905</u>	<u>57,263</u>	<u>78,478</u>	<u>255,646</u>
Contracted services	5,140	5,654	-	10,794
Depreciation	23,809	2,645	-	26,454
Food and kitchen supplies	1,560	492	21	2,073
Insurance	17,363	2,027	169	19,559
Marketing and publicity	9,637	-	25,161	34,798
Office	12,291	4,374	1,096	17,761
Program expense	5,537	-	3	5,540
Repairs and maintenance	12,881	1,431	-	14,312
Training and travel	2,010	275	577	2,862
Utilities and telephone	15,172	1,686	-	16,858
Vehicle expense	2,355	1,237	335	3,927
	<u>\$ 227,660</u>	<u>\$ 77,084</u>	<u>\$ 105,840</u>	<u>\$ 410,584</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, 2023 and 2022

	2023	2022
Operating activities		
Change in net assets	\$ (76,719)	\$ 320,644
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	36,691	26,454
(Gain) loss on sale of equipment	-	(1,150)
Forgiveness of Paycheck Protection Program loan	-	(88,700)
Realized and unrealized (gain) loss on investments	72,263	(110,110)
	32,235	147,138
(Increase) decrease in operating assets		
Accounts receivable	62,035	(30,603)
Inventory	(720)	(36)
Prepaid expenses	2,577	(9,194)
Increase (decrease) in operating liabilities		
Accounts payable	6,887	3,423
Accrued liabilities	3,951	(1,737)
Deferred revenue	20,630	9,025
	127,595	118,016
Investing activities		
Equipment and property purchases	(170,605)	(375,644)
Investment purchases	-	(10,000)
Proceeds from sale of investments	39,600	204,500
Proceeds from sale of equipment	-	1,150
	(131,005)	(179,994)
Financing activities		
Proceeds from long-term financing (Paycheck Protection Program loan)	-	47,400
	(3,410)	(14,578)
INCREASE (DECREASE) IN CASH	(3,410)	(14,578)
Cash at beginning of year	479,735	494,313
Cash at end of year	\$ 476,325	\$ 479,735

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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Advertising Costs

The Organization expenses the cost of advertising and promotions as incurred. Advertising expense was \$48,726 and \$34,798 for the years ended January 31, 2023 and 2022, 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 July 12, 2023, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash	\$ 476,325	\$ 479,735
Investments	1,204,926	1,316,789
Accounts receivable	-	62,035
Total financial assets	<u>1,681,251</u>	<u>1,858,559</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	159,109	112,796
Less net assets with purpose restrictions to be met in less than one year	(137,548)	(91,235)
Board-designated general endowment	1,182,574	1,294,437
Board-designated for donor relations position	36,932	45,797
Board-designated for cabins	-	127,941
Board-designated for capital improvement	10,686	22,150
Board-designated reserve	28,186	130,000
	<u>1,279,939</u>	<u>1,641,886</u>
Financial assets available to meet general expenses over the next year	<u><u>\$ 401,312</u></u>	<u><u>\$ 216,673</u></u>

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2023 and 2022

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 I, 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 \$29,655, \$9,025, and \$0 for the years ended January 31, 2023, 2022, and 2021, 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, 2023, the Organization's uninsured cash balances were approximately \$225,000.

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, 2023 and 2022

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, 2023 and 2022.

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, 2023 and 2022

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, 2023 and 2022, respectively:

<u>January 31, 2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Investment fund				
ELCAFPT	\$ 1,204,926	N/A	Daily	N/A
<u>January 31, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Investment fund				
ELCAFPT	\$ 1,316,789	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. In April 2021, the Organization received notification from the Small Business Administration (SBA) of full forgiveness of its PPP loan. The amount of loan forgiveness is presented as a component of other grants on the statement of activities. 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.

In February 2021, the Organization received loan proceeds of \$47,400 under the Paycheck Protection Program (PPP2). The PPP2, established as part of the Economic Aid to Hard-Hit Small Business, Nonprofits and Venues Act (“the 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. In January 2022, the Organization filed for forgiveness in accordance with the Act, and was notified that its entire PPP2 loan was forgiven. The amount of loan forgiveness is presented as a component of other grants on the statement of activities. The Organization is required to retain loan and forgiveness documentation on the loan for six years, which is the open period for audit by the Small Business Administration.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2023 and 2022

NOTE H—NET ASSETS

Net assets without donor restrictions as of January 31, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 230,140	\$ 125,139
Board-designated		
For general endowment	1,182,574	1,294,437
For new staff development position	36,932	45,797
For cabins	-	127,941
For capital improvement	10,686	22,150
For reserve	28,186	130,000
Invested in property and equipment, net of related debt	<u>694,712</u>	<u>560,798</u>
Total board designated net assets without donor restrictions	<u>1,953,090</u>	<u>2,181,123</u>
Total net assets without donor restrictions	<u>\$ 2,183,230</u>	<u>\$ 2,306,262</u>

Net assets with donor restrictions as of January 31, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Specific purpose		
Bridge Builders Grant	\$ 372	\$ 13,157
Master site planning	6,176	6,176
Scholarships (spendable)	125,000	71,902
Scholarships (nonspendable)	21,561	21,561
Capital improvements	<u>6,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 159,109</u>	<u>\$ 112,796</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Passage of time	\$ -	\$ 550
Purpose restriction accomplished		
Bridge Builders Grant	12,785	-
Scholarships	71,902	-
Capital improvements	-	29,000
Cabins	<u>-</u>	<u>170,100</u>
Net assets released from donor restrictions	<u>\$ 84,687</u>	<u>\$ 199,650</u>

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2023 and 2022

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, 2023 and 2022 was \$1,182,574 and \$1,294,437, 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, 2023 and 2022:

	2023	2022
	Without Donor Restrictions	Without Donor Restrictions
Revenues		
Organization contributions	\$ -	\$ 10,000
Investment income (loss), net	(72,263)	110,110
	(72,263)	120,110
Expenses		
Distributions per spending policy	39,600	204,500
Change in endowment net assets	(111,863)	(84,390)
Endowment net assets, beginning of year	1,294,437	1,378,827
Endowment net assets, end of year	\$ 1,182,574	\$ 1,294,437

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.

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, 2023 and 2022 was \$15,420 and \$13,524, respectively.