

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

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

January 31, 2024 and 2023



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, 2024 and 2023, 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, 2024 and 2023, 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 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 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 judgment, 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
June 26, 2024

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENTS OF FINANCIAL POSITION
January 31, 2024 and 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash	\$ 368,220	\$ 476,325
Inventory	12,492	11,140
Prepaid expenses	3,528	8,541
Total current assets	384,240	496,006
INVESTMENTS	1,323,276	1,204,926
PROPERTY AND EQUIPMENT - AT COST		
Land improvements	41,280	41,280
Buildings	1,108,902	1,108,902
Fixtures and equipment	66,834	57,064
Furniture and equipment	44,123	48,222
Vehicles	83,884	114,635
	1,345,023	1,370,103
Less accumulated depreciation	(675,007)	(690,391)
	670,016	679,712
Land	15,000	15,000
	685,016	694,712
	\$ 2,392,532	\$ 2,395,644
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,510	\$ 14,019
Accrued liabilities	10,663	9,631
Deferred revenue	23,405	29,655
Total current liabilities	42,578	53,305
NET ASSETS		
Without donor restrictions	2,165,458	2,183,230
With donor restrictions	184,496	159,109
	2,349,954	2,342,339
	\$ 2,392,532	\$ 2,395,644

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, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Public support			
Synod grants	\$ 54,917	\$ -	\$ 54,917
Episcopal support	-	-	-
Donations	246,769	131,627	378,396
Revenues			
Camping and other event fees, net of scholarships awarded totaling \$100,240 in 2024 and \$199,050 in 2023	159,255	-	159,255
Canteen sales	14,751	-	14,751
Other income			
Investment income (loss), net	103,501	-	103,501
Other	13,217	-	13,217
Gain (loss) on sale of equipment	(820)	-	(820)
Net assets released from restrictions	106,240	(106,240)	-
Total revenues	697,830	25,387	723,217
EXPENSES			
Program services	440,841	-	440,841
Supporting services			
Management and general	124,943	-	124,943
Fundraising	149,818	-	149,818
Total expenses	715,602	-	715,602
Change in net assets	(17,772)	25,387	7,615
Net assets at beginning of year	2,183,230	159,109	2,342,339
Net assets at end of year	\$ 2,165,458	\$ 184,496	\$ 2,349,954

The accompanying notes are an integral part of these statements.

2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 57,397	\$ -	\$ 57,397
10,000	-	10,000
444,054	131,000	575,054
24,670	-	24,670
12,127	-	12,127
(70,706)	-	(70,706)
1,551	-	1,551
-	-	-
84,687	(84,687)	-
563,780	46,313	610,093
421,520	-	421,520
117,042	-	117,042
148,250	-	148,250
686,812	-	686,812
(123,032)	46,313	(76,719)
2,306,262	112,796	2,419,058
\$ 2,183,230	\$ 159,109	\$ 2,342,339

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended January 31, 2024

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation and related expenses				
Salaries	\$ 155,692	\$ 46,217	\$ 100,601	\$ 302,510
Fringe benefits	29,510	8,760	19,068	57,338
Payroll taxes	10,978	3,259	7,093	21,330
	<u>196,180</u>	<u>58,236</u>	<u>126,762</u>	<u>381,178</u>
Contracted services	-	19,622	-	19,622
Depreciation	36,737	4,082	-	40,819
Food and kitchen supplies	40,979	1,612	211	42,802
Insurance	32,045	3,561	-	35,606
Marketing and publicity	6,648	14,512	21,817	42,977
Office	8,100	7,841	432	16,373
Program expense	69,295	55	-	69,350
Repairs and maintenance	16,851	1,872	-	18,723
Training and travel	3,419	6,584	-	10,003
Utilities and telephone	23,523	2,614	-	26,137
Vehicle expense	7,064	4,352	596	12,012
	<u>\$ 440,841</u>	<u>\$ 124,943</u>	<u>\$ 149,818</u>	<u>\$ 715,602</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, 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
STATEMENTS OF CASH FLOWS
Years ended January 31, 2024 and 2023

	2024	2023
Operating activities		
Change in net assets	\$ 7,615	\$ (76,719)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	40,819	36,691
(Gain) loss on sale of equipment	820	-
Realized and unrealized (gain) loss on investments	(103,350)	72,263
	(54,096)	32,235
(Increase) decrease in operating assets		
Accounts receivable	-	62,035
Inventory	(1,352)	(720)
Prepaid expenses	5,013	2,577
Increase (decrease) in operating liabilities		
Accounts payable	(5,509)	6,887
Accrued liabilities	1,032	3,951
Deferred revenue	(6,250)	20,630
	(61,162)	127,595
Net cash provided by (used for) operating activities		
Investing activities		
Equipment and property purchases	(35,443)	(170,605)
Investment purchases	(15,000)	-
Proceeds from sale of investments	-	39,600
Proceeds from sale of equipment	3,500	-
	(46,943)	(131,005)
Net cash provided by (used for) investing activities		
INCREASE (DECREASE) IN CASH	(108,105)	(3,410)
Cash at beginning of year	476,325	479,735
Cash at end of year	\$ 368,220	\$ 476,325

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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the statements of financial position. The Organization adopted this ASU and related amendments as of February 1, 2022 under the modified retrospective approach and elected certain practical expedients permitted under the transition guidance, including to retain the historical lease classification, relief from reviewing expired or existing contracts to determine if they contain leases, and relief from determining whether previously capitalized initial direct costs would qualify for capitalization under the new ASU.

The adoption of this ASU and related amendments resulted in no change to the Organization's financial statements. Accounting policies as a result of the adoption of this ASU are described below.

For any new or modified lease, the Organization, at inception of the contract, determines whether a contract is or contains a lease. The Organization records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. As the rate implicit in the Organization's leases is not easily determinable, the Organization's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. The Organization has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of twelve months or less.

For all classes of underlying assets, the Organization has elected to separate lease from non-lease components. Costs such as property taxes assessed by the lessor to the lessee, common area maintenance, utilities, and repairs and maintenance have been excluded from variable lease expense.

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.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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
Program expense	Direct cost
Repairs and maintenance	Square footage
Training and travel	Direct cost
Utilities and telephone	Square footage
Vehicle expense	Direct cost

Advertising Costs

The Organization expenses the cost of advertising and promotions as incurred. Advertising expense was \$42,977 and \$48,726 for the years ended January 31, 2024 and 2023, 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 26, 2024, which is the date the financial statements were available to be issued.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE B—AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets as of January 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash	\$ 368,220	\$ 476,325
Investments	1,323,276	1,204,926
Total financial assets	1,691,496	1,681,251
Less amounts not available to be used within one year:		
Net assets with donor restrictions	184,496	159,109
Less net assets with purpose restrictions to be met in less than one year	(162,935)	(137,548)
Board-designated general endowment	1,300,924	1,182,574
Board-designated for donor relations position	-	36,932
Board-designated for cabins	77,450	-
Board-designated for capital improvement	10,686	10,686
Board-designated reserve	55,283	28,186
	<u>1,465,904</u>	<u>1,279,939</u>
Financial assets available to meet general expenses over the next year	<u>\$ 225,592</u>	<u>\$ 401,312</u>

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 H, 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 \$23,405, \$29,655, and \$9,025 for the years ended January 31, 2024, 2023, and 2022, 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, 2024, the Organization’s uninsured cash balances were approximately \$112,000.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2024 and 2023

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.

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, 2024 and 2023.

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.

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE F—FAIR VALUE MEASUREMENTS—Continued

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.

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, 2024 and 2023, respectively:

<u>January 31, 2024</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Investment fund				
ELCAFPT	\$ 1,323,276	N/A	Daily	N/A
<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

NOTE G—NET ASSETS

Net assets without donor restrictions as of January 31, 2024 and 2023 are comprised of the following:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 36,099	\$ 230,140
Board-designated		
For general endowment	1,300,924	1,182,574
For new staff development position	-	36,932
For cabins	77,450	-
For capital improvement	10,686	10,686
For reserve	55,283	28,186
Investment in property and equipment, net of related debt	685,016	694,712
Total board designated net assets without donor restrictions	<u>2,129,359</u>	<u>1,953,090</u>
Total net assets without donor restrictions	<u><u>\$ 2,165,458</u></u>	<u><u>\$ 2,183,230</u></u>

Living Water Ministries, A Shared Ministry
of the Lower Michigan Synods of the ELCA
NOTES TO FINANCIAL STATEMENTS
January 31, 2024 and 2023

NOTE G—NET ASSETS—Continued

Net assets with donor restrictions as of January 31, 2024 and 2023 are comprised of the following:

	<u>2024</u>	<u>2023</u>
Specific purpose		
Bridge Builders Grant	\$ 4,802	\$ 372
Master site planning	6,176	6,176
Scholarships (spendable)	142,207	125,000
Scholarships (nonspendable)	21,561	21,561
Capital improvements	9,750	6,000
	<u>\$ 184,496</u>	<u>\$ 159,109</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Purpose restriction accomplished		
Bridge Builders Grant	\$ -	\$ 12,785
Scholarships	100,240	71,902
Capital improvements	6,000	-
	<u>\$ 106,240</u>	<u>\$ 84,687</u>

NOTE H—ENDOWMENT ASSETS

Background

During November 2015, the Board of Directors approved its intention to maintain the proceeds from the sale of 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 of endowment net assets as of January 31, 2024 and 2023 was \$1,300,924 and \$1,182,574, 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.

Living Water Ministries, A Shared Ministry
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NOTES TO FINANCIAL STATEMENTS
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NOTE H—ENDOWMENT ASSETS—Continued

The following schedule summarizes the changes in endowment net assets for the years ended January 31, 2024 and 2023:

	2024	2023
	Without Donor Restrictions	Without Donor Restrictions
Revenues		
Organization contributions	\$ 15,000	\$ -
Investment income (loss), net	103,350	(72,263)
	118,350	(72,263)
Expenses		
Distributions per spending policy	-	39,600
Change in endowment net assets	118,350	(111,863)
Endowment net assets, beginning of year	1,182,574	1,294,437
Endowment net assets, end of year	\$ 1,300,924	\$ 1,182,574

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 I—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, 2024 and 2023 was \$16,859 and \$15,420, respectively.