

LUTHERAN HERITAGE FOUNDATION
(a Michigan not-for-profit organization)

FINANCIAL STATEMENTS
December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lutheran Heritage Foundation
51474 Romeo Plank Rd.
Macomb, MI 48042

Honorable Members:

Opinion

We have audited the accompanying financial statements of

LUTHERAN HERITAGE FOUNDATION
(a Michigan not-for-profit organization)

which comprise the Statement of Financial Position as of December 31, 2023, and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the year 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 Lutheran Heritage Foundation as of December 31, 2023, and the Changes in Net Assets and its Cash Flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lutheran Heritage Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Heritage Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 judgement 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 Lutheran Heritage Foundation'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 Lutheran Heritage Foundation'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.

Report on Summarized Comparative Information

We have previously audited the Lutheran Heritage Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.


CARABELL, LESLIE AND COMPANY
Professional Corporation
Certified Public Accountants

May 16, 2024

LUTHERAN HERITAGE FOUNDATION
(a Michigan not-for-profit organization)
STATEMENT OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS	December 31,	
	2023	2022
Current assets (Notes A and I):		
Cash and cash equivalents (Note K):		
Without donor restrictions	\$ 422,349	\$1,113,447
With donor restrictions	673,900	618,748
Contributions receivable:		
Without donor restrictions		41,500
With donor restrictions	19,000	93,500
Bequests receivable, without donor restrictions		31,250
Prepaid expenses and other current assets	31,787	41,635
Total current assets	1,147,036	1,940,080
Property and equipment, net (Notes A and C)	1,479,720	1,535,067
Other assets (Notes A and B):		
Investments, without donor restrictions	6,112,404	5,393,024
Investments, with donor restrictions	312,559	275,791
Bequest receivable, without donor restrictions	453,065	380,447
Total assets	\$9,504,784	\$9,524,409
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable (Note A)	\$ 184,583	\$ 10,189
Total current liabilities	184,583	10,189
Net assets (Note A):		
Without donor restrictions	8,314,742	8,526,181
With donor restrictions (Note D)	1,005,459	988,039
Total net assets	9,320,201	9,514,220
Total liabilities and net assets	\$9,504,784	\$9,524,409

See accompanying notes.

LUTHERAN HERITAGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2023

(with comparative totals for the year ended December 31, 2022)

	For the years ended December 31,			
	2023			2022
	Without donor restrictions	With donor restrictions	Total	Total
Revenue and support:				
Contributions	\$2,116,541	\$ 335,028	\$2,451,569	\$2,776,573
Net realized and unrealized gain (loss) on investments	857,516	22,357	879,873	(454,695)
Interest and dividend income	98,547	14,963	113,510	87,766
Miscellaneous income	<u>12,309</u>	<u> </u>	<u>12,309</u>	<u>11,931</u>
Total revenue and support	3,084,913	372,348	3,457,261	2,421,575
Net assets released from restrictions	<u>354,928</u>	<u>(354,928)</u>	<u> </u>	<u> </u>
Total revenue, support and net assets released from restrictions	<u>3,439,841</u>	<u>17,420</u>	<u>3,457,261</u>	<u>2,421,575</u>
Expenses:				
Program services	2,752,144		2,752,144	1,826,229
Supporting services:				
Management and general	554,070		554,070	507,620
Fund-raising	<u>345,066</u>	<u> </u>	<u>345,066</u>	<u>349,166</u>
Total expenses	<u>3,651,280</u>	<u> </u>	<u>3,651,280</u>	<u>2,683,015</u>
Increase (decrease) in net assets	(211,439)	17,420	(194,019)	(261,440)
Net assets, January 1,	<u>8,526,181</u>	<u>988,039</u>	<u>9,514,220</u>	<u>9,775,660</u>
Net assets, December 31,	<u>\$8,314,742</u>	<u>\$1,005,459</u>	<u>\$9,320,201</u>	<u>\$9,514,220</u>

See accompanying notes.

LUTHERAN HERITAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

(with comparative totals for the year ended December 31, 2022)

	For the year ended December 31, 2023			
	Program services	Supporting services		
	Translation & publishing services	Management and general	Fund-raising	Total supporting services
Salaries	\$ 357,643	\$ 249,115	\$ 125,475	\$ 374,590
Employee benefits	107,675	63,989	26,004	89,993
Payroll taxes	<u>7,396</u>	<u>15,265</u>	<u>2,935</u>	<u>18,200</u>
Total salaries and related expenses	472,714	328,369	154,414	482,783
Independent representatives			17,200	17,200
Purchased services	16,785	57,644	72,329	129,973
Supplies		25,057	9,927	34,984
Maintenance and repairs	8,286	17,897	2,475	20,372
Communication and utilities	5,023	9,132	1,500	10,632
Rental and lease		5,147		5,147
Depreciation	19,254	35,006	5,751	40,757
Insurance	3,971	7,221	1,186	8,407
Travel	51,305	13,483	73,190	86,673
Property taxes		4,037		4,037
Translation and other overseas expense (Note E)	2,174,806			
Other	<u> </u>	<u>51,077</u>	<u>7,094</u>	<u>58,171</u>
Total functional expenses	<u>\$2,752,144</u>	<u>\$ 554,070</u>	<u>\$ 345,066</u>	<u>\$ 899,136</u>

See accompanying notes.

For the years ended	
December 31,	
<u>2023</u>	<u>2022</u>
<u>Total expenses</u>	
\$ 732,233	\$ 673,653
197,668	164,856
<u>25,596</u>	<u>20,856</u>
955,497	859,365
17,200	22,354
146,758	130,463
34,984	39,131
28,658	19,901
15,655	15,547
5,147	5,174
60,011	65,413
12,378	11,551
137,978	109,624
4,037	3,857
2,174,806	1,345,535
<u>58,171</u>	<u>55,100</u>
<u>\$3,651,280</u>	<u>\$2,683,015</u>

LUTHERAN HERITAGE FOUNDATION

STATEMENT OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	For the years ended December 31,	
	<u>2023</u>	<u>2022</u>
Decrease in net assets	(\$ 194,019)	(\$ 261,440)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,011	65,413
Donated equities and real estate included in contributions		(34,585)
Unrealized and realized (gain) loss on investments	(879,873)	454,695
Changes in operating assets and liabilities which provided (used) cash:		
Contributions receivable	116,000	(29,865)
Bequests receivable	(41,368)	2,338,198
Life insurance receivable		2,319,411
Employee Retention Credit receivable		36,408
Prepaid expenses and other	9,848	(26,475)
Accounts payable	<u>174,393</u>	<u>1,578</u>
Net cash provided by (used in) operating activities	(<u>755,008</u>)	<u>4,863,338</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,665)	(64,074)
Net change in annuity	64,164	56,987
Purchase of investments	(220,420)	(4,968,579)
Proceeds from sale of investments	<u>279,983</u>	<u>725,465</u>
Net cash provided by (used in) investing activities	<u>119,062</u>	<u>(4,250,201)</u>

LUTHERAN HERITAGE FOUNDATION

STATEMENT OF CASH FLOWS

(continued)

For the years ended December 31, 2023 and 2022

	For the years ended December 31,	
	<u>2023</u>	<u>2022</u>
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(\$ 635,946)	\$ 613,137
Cash, cash equivalents, restricted cash and restricted cash equivalents, January 1,	<u>1,732,195</u>	<u>1,119,058</u>
Cash, cash equivalents, restricted cash and restricted cash equivalents, December 31,	<u>\$1,096,249</u>	<u>\$1,732,195</u>
Supplemental disclosure of cash flow information - cash paid for:		
Interest, net of amount capitalized	<u>\$ -0-</u>	<u>\$ -0-</u>
Income taxes	<u>\$ -0-</u>	<u>\$ -0-</u>

There were no non-cash investing and financing activities for the years ended December 31, 2023 and 2022.

See accompanying notes.

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A - Summary of Significant Accounting Policies

Nature of organization - Lutheran Heritage Foundation (LHF) is a not-for-profit Corporation organized to translate, publish, distribute and introduce historic Lutheran books and materials primarily used in the training of pastors, teachers and lay leaders.

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash equivalents - For purposes of the Statement of Cash Flows, LHF considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At times, such investments may be in excess of the FDIC insurance limits.

Contributions and bequests receivable - Bequests receivable are recorded upon determining the validity of a will or trust after the promise to give becomes unconditional. Bequests receivable are recorded at fair value. Contributions receivable are stated at the amount promised to give. LHF recognizes an allowance for losses on contributions receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable accounts considered at risk or uncollectible. LHF assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance for expected credit losses is recognized in administrative expenses. LHF did not experience significant write-offs during 2023, and the allowance was not significant as of December 31, 2023. LHF has omitted all credit loss related disclosures. The beginning contributions receivable balance as of January 1, 2023 was \$135,000. The beginning bequests receivable balance as of January 1, 2023 was \$411,697.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of marketable securities and debt securities with original maturities of twelve months or less. Long-term investments consist of marketable securities and debt securities with original maturities greater than twelve months.

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2023 and 2022

NOTE A - Summary of Significant Accounting Policies (continued)

Property and equipment - Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, LHF reports expirations of donor restrictions when the donated or acquired assets are placed in service. LHF reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three years for furniture and fixtures to forty years for buildings.

Contributions - Contributions received are recorded as revenue without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Classification of net assets - Net assets of LHF are classified as without donor restrictions and with donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting LHF's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Board Designated Endowment Funds - The LHF Board of Directors has the authority to designate funds without donor imposed restrictions for endowment purposes. Under LHF endowment spending policy, LHF may use up to seventy-five percent of the realized gains generated from the previous calendar year's gifts without donor imposed restrictions and bequests in the endowment fund for such uses, missions, projects and programs recommended by the executive director and approved by a majority vote of the Board of Directors that are consistent with the general purposes set forth in the LHF bylaws. Funds designated by the Board of Directors for endowment purposes as of December 31, 2023 and 2022:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Designated amounts	<u>\$1,710,190</u>	<u>\$1,589,397</u>

Functional allocation of expenses - The costs of providing the program and supporting services have been reported on a functional basis in the Statement of Activities and Changes in Net Assets. Indirect costs have been allocated between the various programs and supporting services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2023 and 2022

NOTE A - Summary of Significant Accounting Policies (continued)

Income Taxes - LHF is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

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. Actual results may differ from those estimates.

Interest and penalties - If incurred, interest and penalties assessed by taxing authorities are included in management and general expenses.

Contributed Services - No amounts have been reflected in the financial statements for donated services. LHF generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist LHF but these services do not meet the criteria for recognition of contributed services. LHF had approximately 100 volunteers during the year working varying hours.

NOTE B - Investments

Other assets, investments consisted of the following at December 31, 2023 and 2022:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation (depreciation)</u>	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation (depreciation)</u>
Annuities	\$ 306,006	\$ 306,006	\$ -0-	\$ 355,005	\$ 355,005	\$ -0-
Equities	<u>5,395,677</u>	<u>6,134,122</u>	<u>738,445</u>	<u>5,440,525</u>	<u>5,313,810</u>	<u>(126,715)</u>
Total	<u>\$5,701,683</u>	<u>\$6,440,128</u>	<u>\$738,445</u>	<u>\$5,795,530</u>	<u>\$5,668,815</u>	<u>(\$126,715)</u>

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2023 and 2022

NOTE C - Property and Equipment

The details of property and equipment consisted of the following at December 31, 2023 and 2022:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 486,304	\$ 486,304
Building	2,052,167	2,052,167
Furniture and fixtures	<u>268,471</u>	<u>263,806</u>
Total	2,806,942	2,802,277
Accumulated depreciation	<u>(1,327,222)</u>	<u>(1,267,210)</u>
Net property and equipment	<u>\$1,479,720</u>	<u>\$1,535,067</u>

Depreciation expense for the years ended December 31, 2023 and 2022, was \$60,011 and \$65,414, respectively.

NOTE D - Net Assets with Donor Restrictions

Net Assets with Donor Restrictions at December 31, 2023 and 2022, restricted for specific projects or distributions to various locations are as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Africa	\$370,583	\$267,169
Europe	88,996	145,193
Asia	110,193	174,541
North/Central America	5,117	19,502
South America	117,169	105,004
Papua New Guinea	<u>680</u>	<u>80</u>
Total net assets with temporary donor restrictions	<u>\$692,738</u>	<u>\$711,489</u>

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2023 and 2022

NOTE D - Net Assets with Donor Restrictions (continued)

Net Assets with Donor Restrictions at December 31, 2023 and 2022, to be held in perpetuity are as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Total net assets held in perpetuity	<u>\$312,721</u>	<u>\$276,550</u>

LHF may use up to seventy-five percent of the realized gains generated from the previous calendar year's gifts and bequests in the funds held in perpetuity for such uses, missions, projects and programs recommended by the executive director and approved by a majority vote of the Board of Directors that are consistent with the general purposes set forth in the LHF bylaws.

NOTE E - Translation and Other Overseas Expense

Translation and other overseas expense for the years ended December 31, 2023 and 2022, are summarized as follows:

	<u>For the years ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Africa	\$ 916,692	\$ 687,063
Europe	271,476	171,192
Asia	458,583	339,259
South America	513,265	104,783
North/Central America	14,790	34,238
Papua New Guinea	<u>0</u>	<u>9,000</u>
Total translation and other overseas expense	<u>\$2,174,806</u>	<u>\$1,345,535</u>

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2023 and 2022

NOTE F - Employee Benefit Plan

LHF participates in the Lutheran Church - Missouri Synod, Concordia Retirement Plan, a defined benefit plan. The Plan is administered by Concordia Plan Services. Contributions are computed by the administrator based on information received from LHF and totaled \$50,864 for the year ended December 31, 2023, and \$46,706 for the year ended December 31, 2022. In the event of a withdrawal from the Plan and under certain other conditions, a contributor to a multiemployer Plan may be liable to the Plan in accordance with formulas established by law.

NOTE G - Subsequent Events

Management has evaluated subsequent events through May 16, 2024, the date which the financial statements were available for issue.

NOTE H - Accounting For Uncertain Tax Positions

For financial statement purposes, tax benefits are recognized for tax positions taken or expected to be taken on a return, only when it is determined that the tax position will more likely than not be sustained upon examination by taxing authorities. LHF files tax returns in the U.S. Federal and State of Michigan jurisdictions. With few exceptions, tax years prior to 2019 no longer remain subject to examination by the taxing authorities.

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2023 and 2022

NOTE I - Fair Value Measurement

Fair value of assets measured on a recurring basis at December 31, 2023 and 2022, are as follows:

	Fair value measurement at reporting date using:	
	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>
Investments at December 31, 2023	<u>\$6,424,963</u>	<u>\$6,424,963</u>
Total	<u>\$6,424,963</u>	<u>\$6,424,963</u>
Investments at December 31, 2022	<u>\$5,668,815</u>	<u>\$5,668,815</u>
Total	<u>\$5,668,815</u>	<u>\$5,668,815</u>

NOTE J - Accounting Pronouncements

ASU 2023-01 *Lease Arrangement* is effective for years beginning after December 15, 2023. LHF does not believe this standard will have a material impact on net assets or revenue.

ASU 2023-08 *Accounting for and Disclosure for Crypto Assets* is effective for years beginning after December 15, 2024. LHF does not believe this standard will have a material impact on net assets or revenue.

ASU 2023-09 *Improving Income Tax Disclosures* is effective for fiscal years beginning after December 15, 2025. LHF does not believe this standard will have a material impact on net assets or revenue.

LUTHERAN HERITAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2023 and 2022

NOTE K - Cash and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents reported within the Statement of Financial Position that sum to the total of the same such amounts shown on the Statement of Cash Flows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 422,349	\$1,113,447
Restricted cash and restricted cash equivalents	<u>673,900</u>	<u>618,748</u>
Total cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$1,096,249</u>	<u>\$1,732,195</u>

NOTE L - Risks and Uncertainties

LHF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 amounts reported in the Statement of Financial Position.