

ST. MARK'S LUTHERAN CHURCH FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
St. Mark's Lutheran Church Foundation
Marion, Iowa

We have reviewed the accompanying financial statements of St. Mark's Lutheran Church Foundation which comprise the statement of assets and net assets – modified cash basis as of December 31, 2022, and the related statement of revenue, expenses, and change in net assets – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountants' Responsibility

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

We are required to be independent of St. Mark's Lutheran Church Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Board of Directors
St. Mark's Lutheran Church Foundation

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
June 14, 2023

ST. MARK'S LUTHERAN CHURCH FOUNDATION
STATEMENT OF ASSETS AND NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2022
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

ASSETS

Cash and Cash Equivalents	\$ 61,108
Investments	403,892
Collections	<u>579,957</u>
Total Assets	<u><u>\$ 1,044,957</u></u>

NET ASSETS

NET ASSETS

Without Donor Restrictions:

Undesignated	\$ 599,054
Designated by the Board for Endowment Fund	<u>308,373</u>
Total Without Donor Restrictions	<u>907,427</u>

With Donor Restrictions:

Purpose Restrictions	<u>137,530</u>
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Total Net Assets	<u><u>\$ 1,044,957</u></u>
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See accompanying Notes to Financial Statements.

ST. MARK'S LUTHERAN CHURCH FOUNDATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS –
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 23,066	\$ 43,333	\$ 66,399
Net Investment Return	(78,375)	-	(78,375)
Total Revenue and Support	(55,309)	43,333	(11,976)
 EXPENSES			
Program Services Expense:			
Collections Maintenance	2,575	-	2,575
Information Technology	621	-	621
Office Expenses	24	-	24
Events	3,950	-	3,950
Total Program Expenses	7,170	-	7,170
 CHANGE IN NET ASSETS	(62,479)	43,333	(19,146)
Net Assets - Beginning of Year	969,906	94,197	1,064,103
 NET ASSETS - END OF YEAR	\$ 907,427	\$ 137,530	\$ 1,044,957

See accompanying Notes to Financial Statements.

ST. MARK'S LUTHERAN CHURCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

St. Mark's Lutheran Church Foundation (the Foundation) is a nonprofit organization established to support worthy causes and programs of St. Mark's Lutheran Church of Marion, Iowa (the Church).

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Foundation's financial records are maintained, and the financial statements are presented, on a modified cash basis of accounting under which only revenue collected, expenses paid, assets, and net assets arising as a result of cash transactions to or from the acquisition of long-lived assets, and net appreciation or depreciation related to investments is recognized. This method differs from accounting principles generally accepted in the United States of America primarily because the effect of prepaid and accrued expenses and various receivables are not included in the financial statements.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less when purchased to be cash and cash equivalents.

Investments

Marketable securities are carried at fair value, except for the money market funds, whose values are estimated at cost or the lower of cost or fair value, determined by quoted market prices, with unrealized and realized gains and losses reported as an increase or decrease in net assets. Investment income (loss) is also reported in the statement of revenue, expenses, and change in net assets based on the intended stipulation by the donor.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of assets and net assets.

Collections

The Foundation records collection items at cost. Gains or losses from deaccessions are reported as changes in net assets based upon the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for and preserved. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for the collection. No items were purchased for or removed from the collection for the year ending December 31, 2022.

ST. MARK'S LUTHERAN CHURCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which are satisfied by actions of the Foundation or passage of time.

Revenue Recognition

Contributions are recognized when cash is received.

Functional Allocation of Expenses

The Foundation is run completely by volunteers and no in-kind income and expense is recorded. All expenses incurred are deemed program as they directly benefit the Church.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or education purposes. The Internal Revenue Service has not classified the Foundation as a private foundation and does not require the Foundation to file an annual tax return.

Subsequent Events

We have evaluated subsequent events through June 14, 2023, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial statement date, comprise the following as of December 31:

Cash and Cash Equivalents	<u>\$ 42,011</u>
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ST. MARK'S LUTHERAN CHURCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 3 INVESTMENTS

Investments consist of the following as of December 31:

Mutual Funds	\$ 392,233
Money Market Funds	11,659
Total	<u>\$ 403,892</u>

NOTE 4 COLLECTIONS

Collections consist of the following as of December 31:

Nondepreciable Items:	
Organ	\$ 519,442
Piano	60,515
Total Collections	<u>\$ 579,957</u>

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

ST. MARK'S LUTHERAN CHURCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds

Securities listed on a national market or exchange and valued at the last sale price, or if there is no sale and market is still considered active, at the last transaction price before year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the Foundation believes its valuation methods are 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.

The following table sets for by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equities	\$ 331,665	\$ -	\$ -	\$ 331,665
Fixed Income	60,568	-	-	60,568
Total	<u>\$ 392,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,233</u>

NOTE 6 ENDOWMENT

The Foundation's endowment consists of funds designated by the board of directors to support their general operating needs.

All decisions relative to the expenditures of endowment funds must assess the uses, benefits, purposes and duration for the endowment was established, and, if relevant, consider the following factors:

- The duration and preservation of the institutional fund
- The purposes of the Foundation and the institutional fund including designated funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other Foundation resources
- All applicable investment policies
- Where appropriate, alternatives to spending from the endowment and the possible effects of those alternatives.

ST. MARK'S LUTHERAN CHURCH FOUNDATION
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(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 6 ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The investment goal of the funds is to achieve sufficient growth of principal and income to meet distribution needs. On an annual basis, the fund's total return should be in line with the average total return for money managers with similar investment objectives and a similar mix of investments. The three main investment asset classes include cash and money market funds, equities, and fixed income. The target asset allocation ranges are 0% to 100% for cash and money market funds, 20% to 80% for equities, and 15% to 75% for fixed income.

Spending Policy

The Foundation endeavors to limit distributions from the endowment to 5% of the total market value of endowment at the last business day of the preceding year. The spending percentage is applied to the three year average of the December market value. The dollar amount and timing of any distribution will be left up to the discretion of the Foundation's board of directors.

Strategies Employed for Achieving Objectives

The Foundation has adopted investment and spending policies for endowment assets that attempt to achieve sufficient growth of principal and income to meet the distributions needs of Foundation which is expected to be split 60% equities and 40% fixed income.

Endowment net asset composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board Designated Endowment Funds	<u>\$ 308,373</u>	<u>\$ -</u>	<u>\$ 308,373</u>

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 452,267	\$ -	\$ 452,267
Investment Income	17,289	-	17,289
Net Depreciation	(82,151)	-	(82,151)
Distribution	(79,032)	-	(79,032)
Net Assets - End of Year	<u>\$ 308,373</u>	<u>\$ -</u>	<u>\$ 308,373</u>

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

Subject to Expenditure for Specified Purpose:	
Organ and Piano Maintenance	<u>\$ 137,530</u>

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(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 8 DISCLOSURE ABOUT CERTAIN CONCENTRATIONS

Revenue Concentration

The Foundation has certain concentrations of support and revenue. For the year ended December 31, 2022, three donors accounted for approximately 30% each of total contribution revenue.



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