

**ST. JOHN LUTHERAN CHURCH**  
FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT



SWINK, FIEHLER  
& COMPANY, P.C.

*Certified Public Accountants & Consultants*

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### **Independent Auditor's Report**

To the Board of Directors of the St. John Lutheran Church:

We have audited the accompanying statements of net assets of St. John Lutheran Church (a Missouri not-for-profit organization) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John Lutheran Church as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Swink, Fiehler & Company, P.C.*

September 11, 2009  
St. Louis, Missouri

**ST. JOHN LUTHERAN CHURCH - ELLISVILLE, MISSOURI**

STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2009 AND 2008

Assets	2009	2008
<b>Current Assets - Unrestricted:</b>		
Cash	\$ 306,822	\$ 714,137
Investments, at fair value	2,049,028	1,304,233
Investments-construction escrow	6,083	216,955
Accounts receivable	28,757	38,324
Inventories	34,108	37,177
Prepaid expenses	91,003	82,757
	2,515,801	2,393,583
<b>Current Assets - Restricted:</b>		
Bond Sinking Fund	159,099	-
<b>Notes Receivable-Related Parties</b>	26,631	32,266
<b>Fixed Assets:</b>		
Construction in progress	-	59,009
Land	1,627,022	1,627,022
Buildings	23,307,219	23,301,165
Furniture/Fixtures/Technology	1,369,214	1,283,515
	26,303,455	26,270,711
Less accumulated depreciation	(9,180,533)	(8,395,905)
	17,122,922	17,874,806
<b>Other Assets</b>	379,525	334,925
<b>Total Assets</b>	\$ 20,203,978	\$ 20,635,580
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable-operations	\$ 120,436	\$ 293,690
Accounts payable-construction	-	20,000
Accrued expenses	283,872	290,835
Deferred revenue	564,067	595,913
Current maturities of long term debt	535,000	143,750
	1,503,375	1,344,188
<b>Long-Term Debt:</b>		
Bonds, less current maturities	11,280,000	11,671,250
Swap contract liability	749,311	350,907
	12,029,311	12,022,157
<b>Net Assets:</b>		
<b>Unrestricted</b>		
General Ministry	5,148,653	6,418,916
School	(111,322)	(238,412)
Unrealized derivative gain (loss)	(749,311)	(350,907)
	4,288,020	5,829,597
<b>Temporarily Restricted</b>	2,367,423	1,425,867
<b>Permanently Restricted</b>	15,849	13,771
<b>Total Net Assets</b>	6,671,292	7,269,235
<b>Total Liabilities and Net Assets</b>	\$ 20,203,978	\$ 20,635,580

See accompanying notes to financial statements.

**ST. JOHN LUTHERAN CHURCH - ELLISVILLE, MISSOURI**

STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009

	<b>Unrestricted General Ministries and Investment in Fixed Assets</b>	<b>Unrestricted School</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Support and Revenue:</b>					
Contributions	\$ 3,599,949	\$ 151,011	\$ 246,859	\$ 2,078	\$ 3,999,897
Special contributions	15,140	-	798,230	-	813,370
Registration and tuition	-	1,495,666	-	-	1,495,666
Program revenue	267,255	56,073	476,230	-	799,558
Bookstore and food service sales	377,190	-	-	-	377,190
Released for capital expenditures	21,978	(12,000)	(9,978)	-	-
Released from restrictions	156,691	565,665	(722,356)	-	-
Church support to other funds	(232,049)	79,478	152,571	-	-
<b>Total Support and Revenue:</b>	<b>4,206,154</b>	<b>2,335,893</b>	<b>941,556</b>	<b>2,078</b>	<b>7,485,681</b>
<b>Expenses:</b>					
Salaries & wages	2,185,294	1,355,491	-	-	3,540,785
Employee benefits	424,835	300,981	-	-	725,816
Payroll taxes	105,644	52,407	-	-	158,051
Facilities expense	461,473	194	-	-	461,667
Depreciation	784,627	-	-	-	784,627
Cost of items for resale	208,201	-	-	-	208,201
Interest expense	627,189	-	-	-	627,189
Unrealized derivative loss	398,404	-	-	-	398,404
Program cost	679,154	499,730	-	-	1,178,884
<b>Total Expenses:</b>	<b>5,874,821</b>	<b>2,208,803</b>	<b>-</b>	<b>-</b>	<b>8,083,624</b>
<b>Change In Net Assets</b>	<b>(1,668,667)</b>	<b>127,090</b>	<b>941,556</b>	<b>2,078</b>	<b>(597,943)</b>
Net assets, beginning of year	6,068,009	(238,412)	1,425,867	13,771	7,269,235
<b>Net assets, end of year</b>	<b>\$ 4,399,342</b>	<b>\$ (111,322)</b>	<b>\$ 2,367,423</b>	<b>\$ 15,849</b>	<b>\$ 6,671,292</b>

See accompanying note to financial statements.

**ST. JOHN LUTHERAN CHURCH**  
 ELLISVILLE, MISSOURI  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Unrestricted General Ministries</u>	<u>Unrestricted School</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>					
Contributions	\$ 3,725,292	\$ 136,898	\$ 319,494	\$ 2,876	\$ 4,184,560
Special contributions	142,550	-	1,160,052	-	1,302,602
Registration and tuition	-	1,313,504	-	-	1,313,504
Program revenue	238,652	54,162	582,685	-	875,499
Bookstore and food service sales	445,353	-	-	-	445,353
Interest income	33,286	-	-	-	33,286
Released for capital expenditures	127,012	(31,826)	(95,186)	-	-
Released from restrictions	-	101,412	(101,412)	-	-
Church support to other funds	(151,192)	131,200	19,992	-	-
<b>Total Support and Revenue</b>	<u>4,560,953</u>	<u>1,705,350</u>	<u>1,885,625</u>	<u>2,876</u>	<u>8,154,804</u>
<b>Expenses:</b>					
Salaries & wages	2,033,236	1,263,971	264,866	-	3,562,073
Employee benefits	403,830	250,083	38,804	-	692,717
Payroll taxes	102,283	44,428	15,085	-	161,796
Facilities expense	418,054	-	31,352	-	449,406
Depreciation & retirement losses	654,535	-	646	-	655,181
Cost of items for resale	230,149	-	-	-	230,149
Interest expense	552,338	-	-	-	552,338
Unrealized derivative loss	419,515	-	-	-	419,515
Program costs	450,569	220,094	448,178	484	1,119,325
<b>Total Expenses:</b>	<u>5,264,509</u>	<u>1,778,576</u>	<u>798,931</u>	<u>484</u>	<u>7,842,500</u>
<b>Change In Net Assets</b>	(703,556)	(73,226)	1,086,694	2,392	312,304
<b>Beginning Net Assets</b>	<u>6,771,565</u>	<u>(165,186)</u>	<u>339,173</u>	<u>11,379</u>	<u>6,956,931</u>
<b>Ending Net Assets</b>	<u>\$ 6,068,009</u>	<u>\$ (238,412)</u>	<u>\$ 1,425,867</u>	<u>\$ 13,771</u>	<u>\$ 7,269,235</u>

See accompanying notes to financial statements.

**ST. JOHN LUTHERAN CHURCH - ELLISVILLE, MISSOURI**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Net (decrease)/increase in net assets	\$ (597,943)	\$ 312,304
Adjustments to reconcile net increase/(decrease) in net assets to net cash provided by operating activities:		
Depreciation	784,627	655,182
Unrealized derivative loss	398,404	419,515
Changes in operating assets and liabilities:		
Decrease/(increase) in other current assets & notes receivable	10,028	6,493
(Decrease)/increase in accounts payable - operations	(173,254)	93,400
(Decrease)/increase in deferred revenue and tuition	(31,847)	41,713
(Decrease)/increase in accrued expenses	(6,965)	13,130
Other	(44,601)	15,999
	<u>936,392</u>	<u>1,245,432</u>
Net cash (used)/provided by operating activities	<u>338,449</u>	<u>1,557,736</u>
Cash Flows from Investing Activities:		
Capital additions Next Generation Center	-	(869,124)
Other capital additions	(32,742)	(434,017)
Decrease in accounts payable - construction	(20,000)	(1,049,834)
Purchases in investments	(744,795)	(1,008,720)
Construction escrow	210,872	2,227,404
Net cash provided/(used) by investing activities	<u>(586,665)</u>	<u>(1,134,291)</u>
Cash Flows from Financing Activities:		
Bank line of credit	-	(300,000)
Bond sinking fund	(159,099)	-
Net cash provided by financing activities	<u>(159,099)</u>	<u>(300,000)</u>
(Decrease)/increase in cash	(407,315)	123,445
Cash, beginning of year	<u>714,137</u>	<u>590,692</u>
Cash, end of year	<u>\$ 306,822</u>	<u>\$ 714,137</u>

See accompanying notes to financial statements.

**ST. JOHN LUTHERAN CHURCH - ELLISVILLE, MISSOURI**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009 AND 2008

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**1. NATURE OF ORGANIZATION**

St. John Lutheran Church (the "Organization") is incorporated as a not-for-profit corporation under the laws of the State of Missouri and began ministry in 1851. The mission statement of the Organization is: "To save the lost and strengthen the saved to live bold and courageous lives of Christian witness before a non-believing world."

In addition to a wide range of ministry programs and worship venues, the church operates a school (preschool through eighth grade), a wide range of youth programs, counseling service, print shop, bookstore, and food services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimated. The fair value of financial instruments approximates their carrying value. The significant accounting policies followed are described below.

**Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost. Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives.

Buildings	40 years
Building Improvements	20 years
Equipment	3-10 years

**Deferred Bond Costs**

Issuance and administrative costs associated with the January 4, 2007 Colorado Educational and Cultural Facilities Authority ("CECFA") Bond Issue have been capitalized and are being amortized over the term of the bonds. The remaining balance recorded in other assets is \$247,437 and \$260,422 as of June 30, 2009 and 2008, respectively.

**Special Financial Campaigns**

The Organization has conducted financial campaigns to support various purposes including mainly capital construction and the retirement of previous debt. These outstanding indications of giving intentions were \$1,211,000 and \$2,002,000 at the end of 2009 and 2008, respectively. It is the opinion of management that these giving intentions do not meet the requirements of GAAP financial statement recognition until the contributions are received.

### Cost Distribution to Ministries

Most costs are distributed directly to each ministry area. The major exception relates to physical facilities (inclusive of depreciation, utilities, and repairs.)

### Notes Receivable-Related Parties

In accordance with personnel policies, a former ministry director had received a loan to help purchase housing while employed with St. John. Per the original loan agreement, the interest rate is 6.0% and the loan term is 10 years. At year end 2008, the director had terminated employment and has been paying monthly interest on the loan for the past year. A contract for sale currently exists on the property. It is anticipated that the note will be collected.

## 3. LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	2009	2008
Bonds Payable	\$ 11,815,000	\$ 11,815,000
Less current maturities	535,000	143,750
	<u>\$ 11,280,000</u>	<u>\$ 11,671,250</u>

On January 1, 2007, the Organization borrowed the principal sum of \$11,815,000, together with interest therein. The funds were borrowed from the Colorado Educational and Cultural Facilities Authority ("CECFA"). The proceeds of its \$11,815,000 adjustable interest rate demand revenue bonds, series 2007 (St. John Evangelical Lutheran School Project) were originally due in 2026, issued pursuant to a bond trust indenture dated as of January 1, 2007 between CECFA and Commerce Bank National Association as Trustee. The bonds were subsequently remarketed on August 14, 2008 with a maturity date of January 1, 2029. The bond trust indenture specifies monthly payments of interest and annual payments of principal over a 22-year amortization period.

As of June, 2009, the daily variable interest rate was 3.9 %. Under the terms of the indenture, the Organization is required to maintain a letter of credit in full force and effect in an amount equal to the principal amount of the outstanding bonds plus the amount required for interest thereon until all of the bonds have been paid in full. To meet this requirement, the Organization and the Lender have entered into a letter of credit and reimbursement agreement with Fifth Third Bank, dated August 1, 2008. Additionally, to minimize the risk of interest rate increases, the Organization has authorized the execution of separate interest rate derivatives of varying rates and termination dates. The market-to-market valuation effective June 30, 2009 on the \$8,815,000 notional amount indicated a \$749,311 potential loss if exercised.

The scheduled payments of principal are as follows:

Year Ended June 30,	Bond Principal Due
2010	\$ 535,000
2011	370,000
2012	390,000
2013	410,000
2014	430,000
After 2014	9,680,000
	<u>\$ 11,815,000</u>

#### 4. INVESTMENTS

Investments consist of the following as of June 30:

	2009	2008
Construction Escrow Accounts	\$ 6,083	\$ 216,955
Investments	2,049,028	1,304,233
	<u>\$ 2,055,111</u>	<u>\$ 1,521,188</u>

The investments have been received as a result of ministry financial campaigns. Interest from these investments has been designated by the Organization to offset bond interest expense. The investment principal could be designated at future dates to offset bond sinking fund requirements.

#### 5. EMPLOYEE BENEFIT PLANS

St. John is a member of Concordia Plan Services, a nationally available benefit plan for all affiliates of the Lutheran Church, Missouri Synod. These plans provide health, disability, life, employee savings, and pension benefits. Annual cost, net of employee contributions for the health plan, was \$685,000 and \$689,000 in 2009 and 2008. Additionally, employees can participate in self-funded flex spending accounts for medical and dependent care.

#### 6. TEMPORARILY RESTRICTED FUNDS

These funds mainly include the gifts for and activities of missions, the Parent Teacher League, and other smaller organizations.

#### 7. PERMANENTLY RESTRICTED FUND

An Endowment fund has been established by the Organization Constitution and Bylaws. The Bylaws require \$100,000 of permanent funding before any interest or gifts beyond the restriction can be designated by the Board of Directors.

#### 8. SUBSEQUENT EVENT

On July 15, 2009, the \$11,815,000 bond issue was tendered by UMB Bank, as Tender Agent, and is currently being held as variable rate bank bonds with Fifth Third Bank. The bank bonds are being held on a temporary basis bearing interest at 2%, approximately while management evaluates other financing options to limit the impact of market fluctuations.