

# **Metropolitan Lutheran Ministry and Affiliate**

Consolidated Financial Report  
December 31, 2023

## Contents

---

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities and changes in net assets	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-20

---

## Independent Auditor's Report

Board of Directors  
Metropolitan Lutheran Ministry

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of Metropolitan Lutheran Ministry and Affiliate (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in their net assets and their 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS and *Government 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 GAAS and *Government 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 the Organization'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 the Organization'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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, on our consideration of Metropolitan Lutheran Ministry and Affiliate's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metropolitan Lutheran Ministry and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Lutheran Ministry and Affiliate's internal control over financial reporting and compliance.

***RSM US LLP***

Kansas City, Missouri  
September 30, 2024

**Metropolitan Lutheran Ministry and Affiliate**

**Consolidated Statements of Financial Position  
December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 3,995,149	\$ 3,374,434
Investments	3,020,270	1,607,866
Contracts and other receivables	21,405	836,336
Promises to give, net	-	237,338
Inventory	254,177	143,817
Prepaid expenses and other	28,235	20,452
<b>Total current assets</b>	<b>7,319,236</b>	<b>6,220,243</b>
Beneficial interest in assets held in perpetual annuity trust	244,899	219,763
Property and equipment, net	683,583	750,181
<b>Total assets</b>	<b>\$ 8,247,718</b>	<b>\$ 7,190,187</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 538	\$ 25,369
Accrued expenses	74,799	93,891
<b>Total current liabilities</b>	<b>75,337</b>	<b>119,260</b>
Net assets:		
Without donor restrictions	5,699,362	4,613,864
With donor restrictions	2,473,019	2,457,063
<b>Total net assets</b>	<b>8,172,381</b>	<b>7,070,927</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,247,718</b>	<b>\$ 7,190,187</b>

See notes to consolidated financial statements.

## Metropolitan Lutheran Ministry and Affiliate

### Consolidated Statement of Activities and Changes in Net Assets Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions and grants:			
Foundations	\$ 427,672	\$ 381,967	\$ 809,639
Corporations	702,483	71,200	773,683
Individuals	113,575	356,953	470,528
Member congregations	73,312	30,000	103,312
Other congregations	-	3,732	3,732
United Way	13,675	285,196	298,871
Other organizations	49,276	52,800	102,076
Special events	185,540	-	185,540
In-kind contributions	1,448,065	-	1,448,065
Government grants and contracts	4,258,985	230,420	4,489,405
Program fees	30,223	-	30,223
Investment income	363,710	-	363,710
Change in market value of beneficial interest in assets held in perpetual annuity trust	-	25,136	25,136
Other income	1,114	-	1,114
Net assets released from restrictions	1,421,448	(1,421,448)	-
<b>Total revenues, gains and other support</b>	<b>9,089,078</b>	<b>15,956</b>	<b>9,105,034</b>
Expenses:			
Program services:			
Client services	1,991,801	-	1,991,801
Case management	4,681,899	-	4,681,899
Community outreach	581,406	-	581,406
<b>Total program services</b>	<b>7,255,106</b>	<b>-</b>	<b>7,255,106</b>
Supporting services:			
Development	320,944	-	320,944
Administration	427,530	-	427,530
<b>Total supporting services</b>	<b>748,474</b>	<b>-</b>	<b>748,474</b>
<b>Total expenses</b>	<b>8,003,580</b>	<b>-</b>	<b>8,003,580</b>
<b>Change in net assets</b>	<b>1,085,498</b>	<b>15,956</b>	<b>1,101,454</b>
Net assets—beginning of year	4,613,864	2,457,063	7,070,927
Net assets—end of year	<b>\$ 5,699,362</b>	<b>\$ 2,473,019</b>	<b>\$ 8,172,381</b>

See notes to consolidated financial statements.

## Metropolitan Lutheran Ministry and Affiliate

### Consolidated Statement of Activities and Changes in Net Assets Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions and grants:			
Foundations	\$ 708,667	\$ 359,623	\$ 1,068,290
Corporations	824,801	58,700	883,501
Individuals	289,704	352,636	642,340
Member congregations	372,322	-	372,322
Other congregations	5,785	-	5,785
United Way	23,462	227,050	250,512
Other organizations	16,491	-	16,491
Special events	192,234	-	192,234
In-kind contributions	1,484,347	-	1,484,347
Government grants and contracts	6,553,756	106,302	6,660,058
Program fees	55,976	-	55,976
Investment income	(199,554)	-	(199,554)
Change in market value of beneficial interest in assets held in perpetual annuity trust	-	(65,404)	(65,404)
Other income	12,433	-	12,433
Net assets released from restrictions	1,006,394	(1,006,394)	-
<b>Total revenues, gains and other support</b>	<b>11,346,818</b>	<b>32,513</b>	<b>11,379,331</b>
Expenses:			
Program services:			
Client services	2,322,978	-	2,322,978
Case management	6,636,641	-	6,636,641
Community outreach	611,046	-	611,046
Housing	482,278	-	482,278
<b>Total program services</b>	<b>10,052,943</b>	<b>-</b>	<b>10,052,943</b>
Supporting services:			
Development	283,811	-	283,811
Administration	471,379	-	471,379
<b>Total supporting services</b>	<b>755,190</b>	<b>-</b>	<b>755,190</b>
Direct benefit to donors	52,352	-	52,352
<b>Total expenses</b>	<b>10,860,485</b>	<b>-</b>	<b>10,860,485</b>
<b>Change in net assets</b>	<b>486,333</b>	<b>32,513</b>	<b>518,846</b>
Net assets—beginning of year	4,127,531	2,424,550	6,552,081
Net assets—end of year	\$ 4,613,864	\$ 2,457,063	\$ 7,070,927

See notes to consolidated financial statements.

**Metropolitan Lutheran Ministry and Affiliate**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2023**

	Program Services				Supporting Services		
	Community Support Services			Program Total	Development	Administration	Total
	Client Services	Case Management	Community Outreach				
Functional expenses:							
Personnel	\$ 325,763	\$ 513,325	\$ 209,510	\$ 1,048,598	\$ 222,823	\$ 333,987	\$ 1,605,408
Contractors	-	23,290	5,975	29,265	3,330	25,715	58,310
Occupancy	-	77,654	441	78,095	-	-	78,095
Office expense	737	82,249	1,460	84,446	25,687	13,497	123,630
Travel	245	7,359	499	8,103	1,276	571	9,950
Program expense	470,251	3,921,016	125,214	4,516,481	2,477	-	4,518,958
In-kind expenses	1,108,530	-	226,695	1,335,225	-	-	1,335,225
Automobile expense	397	8,843	432	9,672	50	-	9,722
Special event expenses	-	237	1,296	1,533	50,352	-	51,885
Professional fees, insurance and other	85,878	47,926	9,884	143,688	14,949	53,760	212,397
 Total functional expenses	 \$ 1,991,801	 \$ 4,681,899	 \$ 581,406	 \$ 7,255,106	 \$ 320,944	 \$ 427,530	 \$ 8,003,580

See notes to consolidated financial statements.

**Metropolitan Lutheran Ministry and Affiliate**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2022**

	Program Services				Supporting Services			
	Community Support Services				Program Total	Development	Administration	Total
	Client Services	Case Management	Community Outreach	Housing				
Functional expenses:								
Personnel	\$ 274,288	\$ 577,104	\$ 257,102	\$ 155,334	\$ 1,263,828	\$ 167,648	\$ 341,741	\$ 1,773,217
Contractors	1,903	19,800	15,566	-	37,269	-	15,110	52,379
Occupancy	1,032	63,560	113	2,485	67,190	-	-	67,190
Office expense	5,174	45,290	362	2,599	53,425	25,147	57	78,629
Travel	500	1,926	125	996	3,547	526	2,185	6,258
Program expense	604,016	5,916,218	191,636	313,352	7,025,222	85	-	7,025,307
In-kind expenses	1,350,682	-	140,923	-	1,491,605	-	-	1,491,605
Automobile expense	113	3,350	711	4,539	8,713	-	-	8,713
Special event expenses	-	234	97	-	331	87,118	-	87,449
Professional fees, insurance and other	85,270	9,159	4,411	2,973	101,813	3,287	112,286	217,386
<b>Total functional expenses</b>	<b>\$ 2,322,978</b>	<b>\$ 6,636,641</b>	<b>\$ 611,046</b>	<b>\$ 482,278</b>	<b>\$ 10,052,943</b>	<b>\$ 283,811</b>	<b>\$ 471,379</b>	<b>10,808,133</b>
Direct benefit to donors								52,352
<b>Total expenses</b>								<b>\$ 10,860,485</b>

See notes to consolidated financial statements.

**Metropolitan Lutheran Ministry and Affiliate**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,101,454	\$ 518,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	66,598	68,637
Net realized and unrealized (gains) losses on investments	(179,347)	237,663
Change in market value of beneficial interest in assets held in perpetual annuity trust	(25,136)	65,404
Change in certain assets and liabilities:		
(Increase) decrease in:		
Contracts and other receivables	814,931	(155,836)
Promises to give, net	237,338	(11,429)
Inventory	(110,360)	13,150
Prepaid expenses and other	(7,783)	(20,452)
Increase (decrease) in:		
Accounts payable	(24,831)	1,842
Accrued expenses	(19,092)	(55,083)
<b>Net cash provided by operating activities</b>	<b>1,853,772</b>	<b>662,742</b>
Cash flows from investing activities:		
Purchase of property and equipment	-	(32,250)
Purchase of investments	(1,250,611)	(434,467)
Proceeds from sale of investments	17,554	76,443
<b>Net cash used in investing activities</b>	<b>(1,233,057)</b>	<b>(390,274)</b>
<b>Net increase in cash and cash equivalents</b>	<b>620,715</b>	<b>272,468</b>
Cash and cash equivalents—beginning of year	<b>3,374,434</b>	3,101,966
Cash and cash equivalents—end of year	<b>\$ 3,995,149</b>	<b>\$ 3,374,434</b>

See notes to consolidated financial statements.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Organization

**Principles of consolidation:** The accompanying consolidated financial statements (collectively, the financial statements) include the accounts of Metropolitan Lutheran Ministry (MLM) and the MLM Foundation (the Foundation) (collectively, the Organization). All significant intercompany transactions and balances have been eliminated.

**Organization:** Metropolitan Lutheran Ministry affirms the right of all people to food, clothing and shelter, while promoting self-sufficiency and hope through direct services and advocacy. MLM serves residents in the greater Kansas City metropolitan area.

The Metropolitan Lutheran Ministry Foundation's exclusive purpose is to aid and assist MLM in carrying out its purpose and functions. The Foundation's assistance is provided through soliciting, accepting and receiving gifts, grants and legacies on behalf of MLM.

MLM programs holistically address the immediate need for food, clothing, shelter, utilities and transportation. Strengths and outcomes-based counseling and case management services guide clients in stabilizing their life circumstances and developing self-sufficiency. Services are provided through three Community Support Service Centers and two supportive housing offices. MLM is supported primarily through donor contributions, grants and the United Way.

The following community support services are included in the accompanying financial statements:

**Client services:** Provide shelf-stable food, fresh produce, hygiene items, diapers, sack lunches, senior commodities, school supplies, financial assistance for birth certificates, identification, rent and utilities to families and individuals in urgent need of assistance from three agency locations. Programming is targeted to low-income, impoverished, at-risk and homeless households.

**Case management:** Provides a continuum of care for clients that meets their needs for food, diapers, hygiene items, birth certificates, identification and rent/utility assistance to stabilize the family. In addition to this short-term assistance, MLM provides intensive, year-long case management which includes housing assistance, financial literacy, household skills and employment support. To ensure that permanent and lasting solutions are in place for MLM clients, MLM continues to follow up with families for five years. Programming is targeted to at-risk and homeless households.

**Community outreach:** Over time, MLM has developed a portfolio of community outreach programs designed for the general benefit of the communities they operate in. The Minor Home Repair program provides assistance to low income, elderly and disabled homeowners who are in need of repairs to improve the safety and security of their homes, allowing them to remain in their homes.

MLM also hosts a Christmas Store in Kansas City alongside a volunteer corps of 500 people to provide approximately 900 families with food vouchers and a self-shop store with gifts for every member of the family.

Additionally, MLM hosts two unlimited hot breakfasts each Saturday in Kansas City, Kansas and Kansas City, Missouri.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Organization (Continued)

Finally, the MLM Orchard and Community Gardens exist to improve community health by providing better food for people in the adjacent neighborhoods of Boston Heights and Mount Hope. MLM manages an 80-tree orchard that produces a wide variety of fruit, including apples, peaches, apricots, cherries, pears and plums. MLM also offers and maintains community garden beds for residents of the neighborhoods where fresh produce of their choice is grown. The orchard and community gardens continue to be a place of hope and encouragement for the neighborhoods and seek to change the habits of individuals in the community toward healthier food choices.

The following other programs are included in the accompanying financial statements:

**Housing:** MLM operates a permanent supportive housing project in the Kansas City metropolitan area, housing 23 chronically homeless persons who have disabilities. Residents live in a safe and nurturing setting with full-time staff members on-site to coordinate needed supportive services and activities.

**Development and administration:** Provide oversight of programs, business management, record keeping and budgeting, financing and other administrative and fundraising activities for the entire Organization.

**Direct benefit to donors:** Provides donations and goods to other outside organizations whose mission helps support that of MLM.

#### Note 2. Summary of Significant Accounting Policies

**Basis of accounting:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Basis of presentation:** Financial statement presentation follows the requirements of U.S. GAAP. Under these principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets of the Organization and change therein are classified and reported as follows:

**Net assets without donor restrictions:** This category includes net assets that are not subject to donor-imposed stipulations, as well as net assets designated by the board for specific purposes.

**Net assets with donor restrictions:** This category includes net assets subject to donor-imposed stipulations that will be met by actions of MLM and/or the passage of time. Certain net assets in this category are subject to donor-imposed stipulations that they be invested in perpetuity to provide a source of income to be used for general or a specific purpose.

**Estimates and assumptions:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains cash balances at banks in excess of federally insured limits at various times during the year. The Organization has not experienced any losses in such accounts.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 2. Summary of Significant Accounting Policies (Continued)

**Investments:** Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Investment income that is restricted by donor stipulation and for which the restrictions will be satisfied in the same year is recorded as investment income with donor restrictions and then released from restriction. Other investment income is reflected in the consolidated statements of activities and changes in net assets as investment income without donor restrictions or investment income with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization is the beneficiary of various funds held by the Greater Kansas City Community Foundation (the GKCCF). The GKCCF maintains pooled investments for the Organization's beneficial interest. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the beneficial interests based on the relationship of the fair value of the interest to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

The Organization 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 the amounts reported in the consolidated statements of financial position.

**Contracts and other receivables:** Contracts and other receivables are carried at original invoice amounts less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a regular basis. The Organization's management determines the allowance for credit losses by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. At December 31, 2023 and 2022, no allowance on contracts and other receivables was considered necessary.

**Promises to give:** The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Conditional promises to give, which depend upon specified future and uncertain events, are not included in contributions receivable until the conditions are met.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 2. Summary of Significant Accounting Policies (Continued)

**Inventory:** The inventory is stated at the lower of cost or estimated fair value and consists of contributed and purchased goods to be used to help clients with basic needs and supplies. The inventory consists of the following at December 31, 2023 and 2022:

	2023	2022
Food	\$ 99,110	\$ 69,149
Other	155,067	74,668
	<u>\$ 254,177</u>	<u>\$ 143,817</u>

The goods contributed during the years ended December 31, 2023 and 2022, were valued at approximately \$1,450,000 and \$1,480,000, respectively, and are recorded as in-kind contributions and expenses of direct client assistance. The fair value of contributed food, supplies and other items is based on the weighted average price per pound as determined by Feeding America National Food Bank Network. The Organization did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

**Beneficial interest in assets held in perpetual annuity trust:** MLM is a named beneficiary of a perpetual annuity trust. The beneficial interest in the trust is reported on the consolidated statements of financial position at fair value. Distributions from the trust are included in investment income in the year received.

**Property and equipment:** Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Major additions and improvements are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are charged against net assets in the current period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to 40 years.

**Donated assets:** Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets 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 support with donor restriction. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restrictions at that time.

**Revenue recognition:** The Organization earns revenues predominantly through contributions and government grants. The Financial Accounting Standards Board issued Accounting Standards Update 2014-19, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to the customers. The standard replaced most existing revenue recognition guidance under U.S. GAAP. This standard also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Due to the nonreciprocal nature of contributions and the Organization's current government grants, these revenue streams are not considered contracts with customers and, therefore, do not fall under the guidance of Accounting Standards Codification (ASC) 606.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 2. Summary of Significant Accounting Policies (Continued)

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contributions of assets other than cash are recorded at their estimated fair value as of the date of the contribution. Contributions to be received after one year are discounted with an appropriate discount rate commensurate with the risks involved. The Organization's revenue is also derived from federal and state contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures in compliance with specific contract or grant provisions. The Organization recognizes contribution and special event revenue in the year in which it is promised by donors or the year in which a special event occurs.

Contributions that are restricted by the donor are reported as increases to net assets without donor restriction if the restriction expires in the reporting period in which the gift is recognized. All other donor-restricted support is reported as increases in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

**Contributions:** Contributions receivable, which represent unconditional written promises to give, are revenues in the period when the written promise is received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable items, stipulations that limit discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

**Grant revenues:** The Organization recognizes grant funds received or receivable as revenue to the extent that related program expenses have been incurred. Grant funds received in excess of expenses incurred are recognized as refundable advances in the consolidated statements of financial position. At December 31, 2023 and 2022, there were no refundable advances reported in other current liabilities on the consolidated statements of financial position.

**Contributed services:** Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills which are performed by individuals possessing those skills and (c) would otherwise be purchased by the Organization if not donated. During the years ended December 31, 2023 and 2022, there were no contributed services.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and various committee assignments. The Organization benefitted from approximately 9,929 and 5,385 volunteer hours during the years ended December 31, 2023 and 2022, respectively.

**Income taxes:** MLM and the Foundation are exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) as not-for-profit organizations. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2023 and 2022.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 2. Summary of Significant Accounting Policies (Continued)

**Functional expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Salaries and wages are charged to program expense and support expense on the basis of periodic time studies. Institutional expenses are charged to the programs based on headcount. Other expenses that are common to several programs are allocated on a pro rata basis, as determined by management, to the programs they benefit.

**Subsequent events:** Subsequent events were evaluated through September 30, 2024, which is the date the financial statements were available to be issued.

#### Note 3. Investments

Investments consist of the following at December 31, 2023 and 2022:

	2023	2022
Equity securities	\$ 150,838	\$ 118,522
Mutual funds	696,512	549,632
Certificates of deposit	700,556	-
U.S. Treasury securities	391,879	-
Interest in assets held at the Greater Kansas City Community Foundation:		
Money market pool	51,442	47,926
Fixed income pools	372,395	338,348
Equity pool	656,648	553,438
	<u>\$ 3,020,270</u>	<u>\$ 1,607,866</u>

Realized and unrealized gains and losses are reflected in the consolidated statements of activities and changes in net assets as changes in net assets without donor restrictions. Investment income (loss) is summarized as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividend income, net of fees	\$ 184,363	\$ 38,109
Realized and unrealized gains (losses)	179,347	(237,663)
	<u>\$ 363,710</u>	<u>\$ (199,554)</u>

#### Note 4. Interest in Assets Held at the Greater Kansas City Community Foundation

The Organization has transferred assets to the GKCCF and retained a beneficial interest in those assets. The Organization has granted variance power to the GKCCF to distribute the funds as directed by the MLM Foundation's officers. The Organization is to receive principal and net earnings as requested for its use without donor restrictions. The cumulative amount of the retained beneficial interest included in investments on the consolidated statements of financial position was \$1,080,485 and \$939,712 at December 31, 2023 and 2022, respectively.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 5. Fair Value Measurements

The Organization follows an established framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under these rules 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:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets 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

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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.

**Money market funds:** Shares of money market funds are valued at quoted market prices that represent the net asset value (NAV) of shares held by the Organization at year-end.

**Domestic equity securities:** The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited activity of the instrument.

**Registered investment companies (mutual funds):** Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end investment funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

**Interest in assets held at the Greater Kansas City Community Foundation:** This is valued at the NAV of units of the pooled investment funds held at the GKCCF. The NAV, as provided by the GKCCF, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

#### Note 5. Fair Value Measurements (Continued)

Investment funds held by the GKCCF consist of a portfolio of money market, short-term fixed income, intermediate fixed income and equity investment pools. The investment objective of these pools is to seek a competitive return while preserving and growing the portfolio and providing cash flows to meet the needs of the Organization now and in the future. The Organization's interest may be redeemed within three to five business days. There are no outstanding commitments associated with this interest.

**Beneficial interest in assets held in perpetual annuity trust:** This is valued at the percentage of interest in the annuity trust, multiplied by the fair value of the underlying assets held by the trust as reported by the trustee. The underlying assets held by the annuity trust consist primarily of publicly traded mutual funds, exchange-traded funds, common collective trusts and money market accounts.

During the years ended December 31, 2023 and 2022, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's assets.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31, 2023 and 2022:

	2023			Total
	Level 1	Level 2	Level 3	
Domestic equity securities:				
Financials	\$ 150,838	\$ -	\$ -	\$ 150,838
Mutual funds:				
Fixed income	246,264	-	-	246,264
Equities	450,248	-	-	450,248
Certificates of deposit	700,556	-	-	700,556
U.S. Treasury securities	391,879	-	-	391,879
Beneficial interest in assets held in perpetual annuity trust	-	-	244,899	244,899
Total assets in the fair value hierarchy	<u>\$ 1,939,785</u>	<u>\$ -</u>	<u>\$ 244,899</u>	2,184,684
Investments measured at net asset value				1,080,485
Total assets at fair value				<u>\$ 3,265,169</u>
	2022			Total
	Level 1	Level 2	Level 3	Total
Domestic equity securities:				
Financials	\$ 118,522	\$ -	\$ -	\$ 118,522
Mutual funds:				
Fixed income	197,268	-	-	197,268
Equities	352,364	-	-	352,364
Beneficial interest in assets held in perpetual annuity trust	-	-	219,763	219,763
Total assets in the fair value hierarchy	<u>\$ 668,154</u>	<u>\$ -</u>	<u>\$ 219,763</u>	887,917
Investments measured at net asset value				939,712
Total assets at fair value				<u>\$ 1,827,629</u>

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

#### Note 5. Fair Value Measurements (Continued)

**Level 3 measurements:** The tables below present information about recurring fair value measurements of Level 3 investments:

	Beneficial Interest in Assets Held in Perpetual Annuity Trust
Balance—January 1, 2022	\$ 285,167
Distributions	(7,691)
Total losses for the period	<u>(57,713)</u>
Balance—December 31, 2022	219,763
Distributions	(8,570)
Total gains for the period	<u>33,706</u>
Balance—December 31, 2023	<u><u>\$ 244,899</u></u>

Distributions relate to annual distributions at the discretion of the trustee in accordance with the related donor agreements. Over time, the distributions are to approximate 5% of the asset value of the beneficial interest.

Gains and (losses) included in the change in net assets for the years ended December 31, 2023 and 2022, are presented in the consolidated statements of activities and changes in net assets as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Change in market value of beneficial interest in assets held in perpetual annuity trust	\$ -	\$ 25,136	\$ 25,136

  

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Change in market value of beneficial interest in assets held in perpetual annuity trust	\$ -	\$ (65,404)	\$ (65,404)

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 6. Property and Equipment

Property and equipment consist of the following as of December, 31, 2023 and 2022:

	2023	2022
Land	\$ 30,000	\$ 30,000
Buildings and improvements	1,143,317	1,145,109
Equipment	297,039	298,322
Vehicles	14,873	14,873
	<u>1,485,229</u>	<u>1,488,304</u>
Less accumulated depreciation and amortization	801,646	738,123
	<u>\$ 683,583</u>	<u>\$ 750,181</u>

During the years ended December 31, 2023 and 2022, depreciation expense of \$66,598 and \$68,637, respectively, is included in the consolidated statements of activities and changes in net assets.

Effective February 1, 2015, the Organization leases property located in the Northland of Kansas City under terms of a 35-year agreement through December 2050, plus three additional options to renew for five years each. In accordance with the agreement and, in lieu of rent, the Organization is responsible for all costs associated with renovation of the property. Accordingly, there is no outstanding lease obligation related to this agreement.

#### Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022, are available for the following purposes or periods:

	2023	2022
Case management	\$ 1,454,376	\$ 1,346,996
Client services	392,146	528,958
Community outreach	387,447	300,924
Office maintenance and upgrades	419	422
Restricted as to time	-	60,000
Perpetual annuity trust	244,899	219,763
	<u>\$ 2,479,287</u>	<u>\$ 2,457,063</u>

During the years ended December 31, 2023 and 2022, net assets were released from donor restrictions as follows:

	2023	2022
Case management	\$ 644,637	\$ 449,644
Client services	549,268	336,045
Community outreach	167,543	115,506
General and administrative	60,000	105,199
	<u>\$ 1,421,448</u>	<u>\$ 1,006,394</u>

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 8. Retirement Plan

The Organization sponsors a 403(b) retirement plan under which eligible employees may choose to defer a percentage of their salary on a pretax basis, subject to certain IRC limits. The plan covers all employees who meet the eligibility requirements as stated in the plan document. The Organization matches an amount equal to 100% of each participant's contribution up to 3% of the participant's respective wages. The Organization contributed \$18,968 and \$16,789 for the years ended December 31, 2023 and 2022, respectively.

#### Note 9. Line of Credit and Note Payable

In November 2019, the Organization took out a line of credit agreement with Arvest Bank. At December 31, 2023 and 2022, the limit was \$250,000. Advances bear interest at a variable rate, based on The Wall Street Journal prime rate plus 1%. The interest rate on December 31, 2023 and 2022 was 8.50%. The line is secured by the Organization's building, and the maturity date is December 15, 2024. The outstanding balance on this line was \$0 as of December 31, 2023 and 2022.

On March 27, 2020, the Coronavirus, Relief and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Organization received a Small Business Administration (SBA) Paycheck Protection Plan (PPP) loan for \$221,200 on April 14, 2020, which was subsequently forgiven in April 2021. The loan was unsecured, bore an interest rate of 1.00% and matured on April 14, 2022, and recorded in other income in the consolidated statements of activities and changes in net assets. The PPP loan is subject to an audit by the SBA for six years following the date of forgiveness, at which time a refund of all or a portion of the loan may be required.

#### Note 10. Related-Party

In November 2019, the Organization contributed land and cash in the aggregate of \$1,260,000 to a newly formed entity, Eileen's Place, LLC, which will build a new residential and program facility. Although the Organization has only a nominal ownership interest in Eileen's Place, LLC, the Organization may have the potential to obtain a controlling interest in Eileen's Place if certain criteria are met in the future.

In November 2019, the Organization entered into a 180-month supportive service agreement with Eileen's Place, LLC to provide certain supportive and administrative services in exchange for monthly consideration of \$5,000, which began on April 30, 2021, the date that the Eileen's Place, LLC residential and program facility was completed.

#### Note 11. Major Concentrations

**Revenues:** The Organization received \$1,167,783 and \$1,055,047 of direct and pass-through funds from the Department of Housing and Urban Development for the years ended December 31, 2023 and 2022 and \$2,555,137 and \$4,456,473 of direct and pass-through funds from the Department of Treasury for the years ended December 31, 2023 and 2022, respectively. In addition, the Organization received \$1,361,260 and \$1,165,656 of in-kind contributions from Harvester's Food Network for the years ended December 31, 2023 and 2022, respectively, of which, \$381,237 and \$387,561 was passed through from the U.S. Department of Agriculture as in-kind support for the years ended December 31, 2023 and 2022, respectively. Harvester's Food Network represented approximately 10% of the Organization's revenues for each year and the governmental revenues represented approximately 44% and 53% of the Organization's revenues for the years ended December 31, 2023 and 2022, respectively. These revenues are reported within the consolidated statements of activities and changes in net assets as in-kind contributions and government grants and contracts.

## Metropolitan Lutheran Ministry and Affiliate

### Notes to Consolidated Financial Statements

---

#### Note 11. Major Concentrations (Continued)

**Federal awards:** The Organization has received financial assistance from the U.S. Department of Housing and Urban Development, U.S. Department of Homeland Security, the U.S. Department of Treasury and U.S. Department of Agriculture, through direct grants and various pass-through grantors, in the form of contracts, grants and awards to fund its activities. These activities are subject to audit by agents of the granting authority and by independent public accountants, under the Single Audit Act, the purpose of which is to ensure compliance with the terms and conditions specified in these agreements. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

#### Note 12. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions or board designations, within one year of the consolidated statements of financial position.

	2023	2022
Total financial assets, end of year	\$ 7,036,824	\$ 6,055,974
Less financial assets unavailable for general expenditures due to:		
Contractual or donor-imposed restriction	(1,325,384)	(1,159,475)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,711,440</u>	<u>\$ 4,896,499</u>

All amounts included in cash and cash equivalents are available to meet general and programmatic obligations of the Organization over a 12-month period. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing business activities to be general expenditures except those relating to the provision of client services.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization intends to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.