LIFEWAY CHRISTIAN RESOURCES OF THE SOUTHERN BAPTIST CONVENTION AND SUBSIDIARY

Consolidated Financial Statements

September 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

LBMC

LIFEWAY CHRISTIAN RESOURCES OF THE SOUTHERN BAPTIST CONVENTION AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Lifeway Christian Resources of the Southern Baptist Convention and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Lifeway Christian Resources of the Southern Baptist Convention and Subsidiary ("Lifeway"), which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifeway as of September 30, 2024 and 2023, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' responsibilities* for the *Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Lifeway 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Lifeway'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lifeway'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.

LBMC, PC

Brentwood, Tennessee
January 20, 2025

LIFEWAY CHRISTIAN RESOURCES OF THE SOUTHERN BAPTIST CONVENTION AND SUBSIDIARY

Consolidated Statements of Financial Position

September 30, 2024 and 2023

Assets

	2024	2023
Current assets:		
Cash and cash equivalents	$ 30,920,000	$ 44,365,000
Cash - restricted	225,000	194,000
Accounts receivable, less allowance for credit losses of $569,000 and $744,000 in 2024 and 2023, respectively	38,670,000	34,061,000
Inventories, net	50,247,000	42,641,000
Prepaid expenses and other current assets	16,771,000	18,225,000
Assets classified as held for sale	12,000	28,000
Total current assets	136,845,000	139,514,000
Reserve funds, at fair value	123,921,000	98,458,000
Fixed assets, net	13,212,000	13,291,000
Capitalized software, net	5,338,000	3,588,000
Goodwill, net	3,524,000	3,524,000
Other intangible assets	2,610,000	2,610,000
Operating lease right-of-use assets	23,135,000	25,540,000
Other long-term assets	3,373,000	3,455,000
Total assets	$ 311,958,000	$ 289,980,000

Liabilities and Net Assets

	2024	2023
Current liabilities:		
Accounts payable	$ 17,710,000	$ 14,674,000
Accrued liabilities	10,382,000	10,122,000
Deferred income	6,022,000	5,810,000
Current installments of operating lease liabilities	2,463,000	2,295,000
Total current liabilities	36,577,000	32,901,000
Liabilities for postretirement benefits, including pension	105,277,000	107,259,000
Deferred gain on sale-leaseback	4,354,000	5,089,000
Operating lease liabilities, excluding current installments	22,607,000	25,070,000
Other long-term liabilities	1,499,000	322,000
Total liabilities	170,314,000	170,641,000
Net assets:		
Without donor restrictions	141,419,000	119,145,000
With donor restrictions	225,000	194,000
Total net assets	141,644,000	119,339,000
	$ 311,958,000	$ 289,980,000

See accompanying notes to the consolidated financial statements.

LIFEWAY CHRISTIAN RESOURCES OF THE SOUTHERN BAPTIST CONVENTION AND SUBSIDIARY

Consolidated Statements of Activities

Years ended September 30, 2024 and 2023

	2024	2023
Changes in net assets without donor restrictions:		
Revenue	$ 302,067,000	$ 276,106,000
Operating expenses:		
Variable	85,861,000	75,709,000
Fixed direct production	13,230,000	14,471,000
Fixed direct operating	195,715,000	175,324,000
Total operating expenses	294,806,000	265,504,000
Increase in net assets without donor restrictions from continuing operations	7,261,000	10,602,000
Change in pension and postretirement benefits other than pension prior service costs and net (gains) losses	(11,401,000)	13,121,000
Other income, net	26,055,000	13,559,000
Increase in net assets without donor restrictions from continuing operations	21,915,000	37,282,000
Changes in net assets with donor restrictions:		
Net assets released from restriction	16,000	(20,000)
Net income of the mission program	14,000	13,000
Increase (decrease) in net assets with donor restrictions from continuing operations	30,000	(7,000)
Increase in net assets from continuing operations	21,945,000	37,275,000
Gain (loss) from discontinued operations (Note 20)	360,000	(177,000)
Increase in net assets	22,305,000	37,098,000
Net assets at beginning of year	119,339,000	82,241,000
Net assets at end of year	$ 141,644,000	$ 119,339,000

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Increase in net assets	$ 22,305,000	$ 37,098,000
Adjustments to reconcile increase in net assets to cash flows provided by operating activities:		
Depreciation and amortization	3,172,000	2,331,000
Change in liabilities for pension and postretirement benefits other than pension	(2,011,000)	(25,204,000)
Provision for credit losses	240,000	657,000
Loss (gain) on disposal of fixed assets	(26,000)	492,000
Non-cash lease expense	2,405,000	1,964,000
Provision for obsolete inventory and shrinkage	1,908,000	(635,000)
Gain on sale-leaseback	(735,000)	(736,000)
Net realized gain from reserve funds	(1,796,000)	(256,000)
Net unrealized gain on reserve funds	(15,265,000)	(9,659,000)
(Increase) decrease in operating assets:		
Accounts receivable	(4,849,000)	(6,298,000)
Inventories	(7,699,000)	1,738,000
Prepaid expenses and other current assets	1,120,000	(2,116,000)
Other long-term assets	(1,399,000)	8,404,000
Increase (decrease) in operating liabilities:		
Accounts payable	3,036,000	(1,911,000)
Accrued liabilities	289,000	1,653,000
Deferred income	212,000	1,611,000
Other long-term liabilities	1,177,000	(481,000)
Operating lease liabilities	(2,295,000)	(1,373,000)
Total adjustments	(22,516,000)	(29,819,000)
Net cash provided (used) by operating activities	(211,000)	7,279,000
Cash flows from investing activities:		
Expenditures for software development	(2,524,000)	(1,803,000)
Purchases of fixed assets	(2,277,000)	(9,719,000)
Proceeds from sale of investments - reserve funds	71,253,000	43,989,000
Purchases of investments - reserve funds	(82,134,000)	(54,315,000)
Dividend and interest income from reserve funds	2,479,000	1,662,000
Net cash used by investing activities	(13,203,000)	(20,186,000)
Decrease in cash and cash equivalents	(13,414,000)	(12,907,000)
Cash and cash equivalents at beginning of year	44,559,000	57,466,000
Cash and cash equivalents at end of year	$ 31,145,000	$ 44,559,000

Supplemental disclosure of cash flow information

	2024	2023
Note receivable from vendor in exchange for future inventory	$ 1,815,000	$ -

See accompanying notes to the consolidated financial statements.

(1) Nature of operations

Lifeway Christian Resources of the Southern Baptist Convention ("Lifeway") is a publisher, distributor, and online retailer of Christian books, literature, and music and is also a provider of church supplies and other Christian products. Lifeway's corporate office headquarters are in Brentwood, Tennessee. Products are sold throughout the world as well as directly to churches, third-party stores, and distributors. Revenues are used to support achievement of Lifeway's mission statement.

Through Lifeway's wholly-owned subsidiary Lifeway Global, Inc., a for-profit Tennessee corporation, Lifeway publishes and sells Christian content and conducts training events. Lifeway Global, Inc. is the sole owner of Lifeway Publishing India Pvt. Ltd.

A large portion of the business activity of Lifeway is with churches and individuals affiliated with the Southern Baptist Convention.

(2) Summary of significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of Lifeway and Lifeway Global, Inc. (collectively, "Lifeway"). All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements of Lifeway are presented on the accrual basis of accounting.

(b) Cash and cash equivalents

Lifeway considers all highly liquid debt instruments, including instruments such as money market funds held in reserve funds, with an original maturity when purchased of three months or less, to be cash equivalents. Cash received from donors, which has been designated by the donor for a specific purpose, is classified as restricted in the accompanying consolidated statements of financial position.

(c) Fair value measurements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, provides the framework for measuring fair value and expands disclosures about fair value measurements. 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 and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Lifeway only holds assets valued using Level 1 inputs, which is described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Lifeway has the ability to access.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2024 and 2023.

(i) *Money market funds*: These investments are public investment vehicles valued using $1 for the net asset value ("NAV"). The NAV is a quoted price on an active market.

(ii) *Common stock*: These investments are valued at the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the valuation hierarchy. This category also includes exchange traded funds as they are typically used by equity managers as a stock substitute.

(iii) *Mutual funds*: These investments are valued at the net asset value of shares held by Lifeway at year-end based on a quoted price in an active market.

(iv) *U.S. Government securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.

(v) *Commingled funds*: These funds pool together multiple investments that issues separate class of units and is limited to qualified purchasers. Investments included in the funds are valued on current market data provided by independent price services or broker. These investments are valued using the NAV.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management of Lifeway 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.

Refer to Note 8 for fair value measurement disclosures for Lifeway’s reserve funds. Refer to Note 17 for fair value measurement disclosures associated with Lifeway’s supplemental executive retirement plan assets.

(d) Accounts receivable and credit policies

Accounts receivable are primarily uncollateralized customer obligations due under normal trade terms requiring payment within 90 days from invoice date. Lifeway evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances in which management is aware of a specific customer's likely inability to meet its financial obligations to Lifeway, a specific provision is established for the amount considered to be uncollectible. For all other amounts, Lifeway recognizes the provision for credit losses based on management's knowledge of its customers, historical loss experience, existing economic conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. If circumstances change, the estimates of recoverability of amounts due Lifeway could change by a material amount. Accounts receivable and the provision are written-off, when in management's opinion, all collection efforts have been exhausted. Management has estimated a provision for credit losses of approximately $569,000 and $744,000 at September 30, 2024 or 2023, respectively.

(e) Inventories

Inventories consist primarily of books, bibles, bible studies, and church supplies and are valued at the lower of cost or market. Cost is determined using direct costing on an average costing method. Lifeway's reserve for excess and obsolete inventory is based on historical revenues and use of the inventory over a period of time.

Lifeway records credits from vendor rebates when earned. The credits are recorded as a reduction to inventory purchases, at cost, which has the effect of reducing cost of goods sold when such products are sold.

(f) Fixed assets

Fixed assets are recorded at cost and are depreciated and amortized by the straight-line method over the following useful lives:

Land improvements	5 years
Building improvements	5-50 years
Furniture, fixtures, and equipment	3-10 years
Roadways, sidewalks, utility systems, etc.	5-50 years
Automobiles and trucks	3-6 years
Leasehold improvements	5-10 years

The costs of assets and the related accumulated depreciation or amortization are removed from the accounts when such assets have been disposed, and the resulting gain or loss included in other income.

Management evaluates the recoverability of fixed assets subject to amortization whenever events or circumstances indicate the assets may be impaired. If indicators of impairment are present, the carrying value of the assets are compared to the projected undiscounted cash flows associated with the asset or asset group. If the carrying value of the asset or asset group exceeds the undiscounted cash flows, impairment would be recognized and the carrying value adjusted to fair value. Fixed assets not subject to depreciation or amortization are evaluated for impairment on at least an annual basis or whenever impairment indicators arise.

Interest costs incurred in the construction or acquisition of fixed assets are capitalized.

Expenditures for maintenance and repairs are charged to expense when incurred. Expenditures for renewals and betterments are capitalized.

(g) Capitalized software

Lifeway capitalizes its software development costs related to internally developed software once a project is in the application development stage. All external direct costs for material and services, internal payroll and related fringe benefit costs, and interest costs incurred while developing the software are capitalized and subsequently amortized over the estimated life of the project, generally three to eight years, using the straight-line method. Costs incurred prior to establishing the application development stage and in the post-implementation operations stage, such as costs for maintenance and unspecified enhancements, are expensed as incurred unless it is probable the expenditures will result in significant additional functionality.

(h) Intangible assets, including goodwill

Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite lives are subjected to an annual impairment assessment.

Goodwill represents the excess of cost over the fair value of net assets acquired. Goodwill is not amortized, but instead is reviewed for impairment on an annual basis or more frequently if impairment indicators arise. For purposes of impairment testing, management estimates the fair value of the reporting unit. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, then the identifiable assets, including identifiable intangible assets, and liabilities of the reporting unit are estimated at fair value as of the current testing date. The excess of the estimated fair value of the reporting unit over the current estimated fair value of net assets establishes the implied value of goodwill. The excess of the recorded goodwill over the implied goodwill value is charged to operations as an impairment loss. An impairment loss recognized for goodwill is not reversed in a subsequent period. No impairment was deemed necessary by management at September 30, 2024 or 2023.

(i) Income taxes

Lifeway is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Lifeway has a small amount of unrelated business income for which it files a Form 990-T with the Internal Revenue Service on an annual basis.

Lifeway evaluates potential uncertain tax positions in accordance with generally accepted accounting principles for income taxes. Lifeway currently has not identified any uncertain tax positions requiring accrual in its consolidated financial statements.

(j) Classification of net assets

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

Net assets without donor restriction - Expendable amounts utilized primarily for operations, which are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets subject to donor or other external restrictions that can be satisfied either by the passage of time or by donor specified actions. Net assets with donor restrictions at September 30, 2024 and 2023 are comprised of funds contributed for specific Lifeway sponsored programs and activities.

(k) Revenue recognition

Lifeway identifies a contract for revenue recognition where there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectibility of consideration is probable. Lifeway evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. Performance obligations are determined based on the nature of the good and services provided by Lifeway.

Accounts receivable, net of allowance for credit losses and deferred income balances as of October 1, 2023 totaled $28,420,000 and $4,199,000, respectively.

Lifeway's primary source of revenue is from publishing and product sales (collectively, "product sales"). Product sales represent a single performance obligation to sell and distribute its products to its customers. Sales are recorded at the time control of the product is transferred to customers in an amount that reflects the consideration Lifeway expects to receive in exchange for the products. Lifeway's revenue from product sales is recognized net of all governmental taxes. Product sales may not be subject to certain taxes based on the specific product or content sold and a customer's sales tax exemption status.

Revenue from product sales is recorded net of estimated allowances for returns and discounts; these revenue offsets are accrued at the time of sale. Lifeway's estimates of allowances for returns and discounts are based on such factors as specific customer situations, historical experience, and current and expected economic conditions. Lifeway evaluates the reserves and the estimation process and makes adjustments when appropriate.

Lifeway has elected to account for shipping and handling costs that occur after control of the product transfers to the customer as fulfillment activities, not as a separate performance obligation. Lifeway recognizes the costs of these activities when it recognizes revenue for products sold.

Revenues from seminars, conferences, and other event-based activities are recognized at a point in time when the program or event occurs.

Revenues from publication subscriptions are recognized over time ratably over the subscription period.

Revenues from the sale of gift cards are recognized upon redemption by the customer. Breakage is recognized on unredeemed gift cards as revenue proportionate to the pattern of gift card redemptions. Breakage income may differ from amounts recorded. Estimates of the redemption period and breakage rates are updated annually.

Lifeway receives payment from customers based on billing schedules established in its contracts. Lifeway's right to consideration that is unconditional and has been invoiced is considered to be accounts receivable. Lifeway's contract liabilities include unearned publication subscriptions, unredeemed gift cards, and amounts received in advance of seminars, conferences, and other event-based activities. Contract liabilities are included in deferred income in the accompanying consolidated statements of financial position.

(l) <u>Advertising costs</u>

Lifeway expenses all advertising costs as incurred. Advertising expense for the fiscal years ended September 30, 2024 and 2023, was $16,337,000 and $13,855,000, respectively.

(m) Shipping and processing

Lifeway incurred shipping and processing fees and costs in the aggregate amounts of $23,877,000 and $24,037,000 during fiscal years 2024 and 2023, respectively, which are included in variable operating expenses and discontinued operations in the accompanying consolidated statements of activities.

(n) Functional allocation of expenses

The costs of program and supporting services have been summarized on a functional basis in the notes to the consolidated financial statements. The tables in Note 5 present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting service benefited. Costs related to employee compensation and benefits and information technology are allocated on the basis of estimates of time and effort or headcounts. Costs related to the operation and maintenance of fixed assets, including depreciation and amortization of fixed assets and occupancy related expenses are allocated to the program and supporting service using square footage and other similar estimates made by management.

(o) Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Leases

Lifeway has adopted the cumulative accounting standard updates initially issued by the FASB in February 2016 that amend the accounting for leases and are codified as Accounting Standards Codification Topic 842 ("ASC 842"). These changes to the lease accounting model require operating leases be recorded on the consolidated balance sheet through recognition of a liability for the discounted present value of future fixed lease payments and a corresponding right-of-use ("ROU") asset. The ROU asset recorded at commencement of the lease represents the right to use the underlying asset over the lease term in exchange for the lease payments. Leases with an initial term of 12 months or less that do not have an option to purchase the underlying asset that is deemed reasonably certain to be exercised are not recorded on the consolidated balance sheet; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease. Lifeway has elected to use a risk-free rate by underlying class of asset as allowed by ASC 842. Lifeway will utilize the risk-free rate as published by the U.S. Treasury and is determined using a period comparable with the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lifeway elected the amended transition requirements allowed for by the FASB in ASU 2018-11, which provide entities relief by allowing them not to recast prior comparative periods from the adoption of ASC 842. Additionally, Lifeway elected the package of practical expedients available in ASC 842 upon adoption whereby an entity need not reassess expired contracts for lease identification or classification as a finance or operating lease, or for the reassessment of initial direct costs. Lifeway has not elected the practical expedient to use hindsight to determine the lease term for its lease at transition.

(q) Recently adopted accounting pronouncement

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") *Financial Instruments - Credit Losses (Topic 326)*: *Measurement of Credit Losses and Financial Instruments* ("ASC 326"), guidance which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is the shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in ASC 326 were trade accounts receivable.

The Company adopted the standard effective October 1, 2022. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new/enhanced disclosures only.

(r) Reclassifications

Certain reclassifications have been made to the fiscal year 2023 consolidated financial statements in order for them to conform to the fiscal year 2024 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(s) Events occurring after reporting date

Management of Lifeway has evaluated the events and transactions that occurred between September 30, 2024, and January 20, 2025, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

(3) Credit risk and other concentrations

Revenue from one customer amounted to approximately 16% and 11% of total revenues for the year ended September 30, 2024 and 2023, respectively. Accounts receivable from this customer amounted to approximately $16,624,000 and $9,914,000 at September 30, 2024 2023, respectively.

(4) Liquidity and availability

Lifeway regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

Lifeway's ongoing operations are typically budgeted so that revenues cover each year's expenditures. Lifeway can invest cash in excess of daily requirements in an interest-bearing money market account. Lifeway also shifts excess cash out of the cash account to investments managed by an outside firm when it is advantageous.

The following table reflects Lifeway's financial assets as of September 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position date:

	2024	2023
Cash and cash equivalents	$ 30,920,000	$ 44,365,000
Cash - restricted	225,000	194,000
Accounts receivable, net	38,670,000	34,061,000
Total financial assets at end of year	69,815,000	78,620,000
Less: assets unavailable for general expenditure within one year:		
Cash restricted by donor	225,000	194,000
Financial assets available to meet cash needs for general expenditure within one year	$ 69,590,000	$ 78,426,000

(5) Functional reporting

Lifeway was established by the Southern Baptist Convention for providing Church Enrichment Ministries. As such, Lifeway’s sole program is to assist churches through its ministries. Lifeway delineates expenses by reflecting natural expense categories on a functional basis among its Church Enrichment Ministries program and management and general activities ("MGA"). MGA represents costs associated with providing corporate level support including executive oversight, financial reporting, human resources, legal services, and certain other costs from time to time that benefit the overall organization.

The following tables reflect Lifeway's functional view of operating expenses from continuing operations for the years ended September 30, 2024 and 2023:

	2024		
	Church Enrichment Ministries	Management and General Activities	Total
Product costs	$ 99,092,000	$ -	$ 99,092,000
Employee compensation	64,712,000	7,562,000	72,274,000
Employee benefits	10,787,000	1,615,000	12,402,000
Communications	489,000	-	489,000
Information technology	12,325,000	26,000	12,351,000
Office administration	3,435,000	108,000	3,543,000
Facilities	4,308,000	639,000	4,947,000
Vehicle management	30,000	-	30,000
Advertising and promotion	16,299,000	38,000	16,337,000
Travel	6,990,000	329,000	7,319,000
Outside services	18,116,000	775,000	18,891,000
Event sites	25,436,000	-	25,436,000
Postage/freight	17,240,000	5,000	17,245,000
Depreciation and amortization	3,172,000	-	3,172,000
Credit management	248,000	-	248,000
Other	744,000	286,000	1,030,000
Total	$ 283,423,000	$ 11,383,000	$ 294,806,000

	2023		
	Church Enrichment Ministries	Management and General Activities	Total
Product costs	$ 90,179,000	$ -	$ 90,179,000
Employee compensation	56,639,000	7,498,000	64,137,000
Employee benefits	6,440,000	1,265,000	7,705,000
Communications	542,000	-	542,000
Information technology	10,921,000	7,000	10,928,000
Office administration	4,014,000	62,000	4,076,000
Facilities	4,031,000	937,000	4,968,000
Vehicle management	33,000	5,000	38,000
Advertising and promotion	13,803,000	52,000	13,855,000
Travel	6,641,000	294,000	6,935,000
Outside services	16,275,000	1,131,000	17,406,000
Event sites	23,390,000	-	23,390,000
Postage/freight	17,083,000	5,000	17,088,000
Depreciation and amortization	2,331,000	-	2,331,000
Credit management	665,000	-	665,000
Other	914,000	347,000	1,261,000
Total	$ 253,901,000	$ 11,603,000	$ 265,504,000

(6) Inventories

At September 30, 2024 and 2023, inventories consisted of the following:

	2024	2023
Publishing	$ 56,119,000	$ 46,633,000
Lifeway Global Inc.	164,000	136,000
	56,283,000	46,769,000
Less: allowance for obsolescence and shrinkage	(6,036,000)	(4,128,000)
	$ 50,247,000	$ 42,641,000

(7) Assets and liabilities classified as held for sale

On May 11, 2021, the Headquarters Property was sold resulting in a gain of $5,320,000. A portion of the cash proceeds totaling $2,000,000 was held in escrow as required by the purchase agreement to cover potential claims that could arise. As of September 30, 2024 there is no longer an escrow balance. The escrow balance of $316,000 is included in prepaid expenses and other current assets on the consolidated statements of financial position as of September 30, 2023.

Assets and liabilities classified as held for sale included as part of discontinued operations

As of September 30, 2024 and 2023, the assets classified as held for sale consisted of accounts receivable in the amount of $12,000 and $28,000, respectively, related to Ridgecrest. There were no other assets or liabilities held for sale as of September 30, 2024 and 2023, related to WORDsearch, Ridgecrest and the Retail Stores.

The disposals of WORDsearch, Ridgecrest, and the Retail Stores qualified as discontinued operations for financial reporting purposes. The assets and liabilities attributable to the discontinued operations are classified as disposal groups held for sale and presented separately in the consolidated statements of financial position as of September 30, 2024 and 2023. The results of the discontinued operations for the years ended September 30, 2024 and 2023, are disclosed in Note 20 to the consolidated financial statements.

(8) Reserve funds

Lifeway's reserve funds consist of investments internally designated by Lifeway's investment policies. The maximum amount of short-term borrowings for operations, as provided by the Trustees, from Lifeway's reserve funds or outside sources is calculated as ten percent of Lifeway's net assets without donor restrictions, excluding any pension liability, for the preceding fiscal year.

As of September 30, 2024 and 2023, Lifeway had reserve funds in money market instruments with original maturities of three months or less totaling $14,819,000 and $8,349,000, respectively, which are included in cash and cash equivalents in the consolidated statements of financial position.

The following table summarizes Lifeway's reserve funds measured at fair value as of September 30, 2024 and 2023:

	Fair Value Measurements as of September 30, 2024 Using the Following Inputs			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 14,845,000	$ -	$ -	$ 14,845,000
Common stocks	56,710,000	-	-	56,710,000
Debt securities	11,914,000	-	-	11,914,000
US. Government obligations	8,297,000	-	-	8,297,000
Total asset values in the fair hierarchy	$ 91,766,000	$ -	$ -	91,766,000
Investments measured at NAV as a practical expedient (a)				46,974,000
Investments at fair value				$ 138,740,000

	Fair Value Measurements as of September 30, 2023 Using the Following Inputs			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 8,125,000	$ -	$ -	$ 8,125,000
Common stocks	43,778,000	-	-	43,778,000
Debt securities	12,947,000	-	-	12,947,000
US. Government obligations	6,741,000	-	-	6,741,000
Total asset values in the fair hierarchy	$ 71,591,000	$ -	$ -	71,591,000
Investments measured at NAV as a practical expedient (a)				35,217,000
Investments at fair value				$106,808,000

(a) Certain investments are measured at net asset value as a practical expedient to estimate fair value and, therefore, has not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The following table summarizes the collective trust fund for which the fair value is measured using the net asset value ("NAV") per share practical expedient as of September 30, 2024 and 2023.

Description	Fair Value 9/30/24	Fair Value 9/30/23	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds	$46,974,000	$35,217,000	$4,000,000	Daily to Qrtly	30-90 days

(9) Fixed assets

A summary of fixed assets at September 30, 2024 and 2023, is as follows:

	2024	2023
Furniture, fixtures, and equipment	$ 18,408,000	$ 19,362,000
Leasehold improvements	9,087,000	9,000,000
Automobiles and trucks	505,000	369,000
Construction in progress	42,000	183,000
	28,042,000	28,914,000
Less accumulated depreciation and amortization	(14,830,000)	(15,623,000)
	$ 13,212,000	$ 13,291,000

Lifeway's sale and simultaneous leaseback of its distribution center ("DC") in a prior year (a qualified sale leaseback transaction) resulted in a deferred gain, which is recognized over the 12-year term of the DC lease. As of September 30, 2024 and 2023, the deferred gain on the sale of the building was $5,089,000 and $5,825,000, respectively, of which $736,000, is classified as a current liability and included in deferred income as of September 30, 2024 and 2023, respectively. Future minimum payments under the operating lease agreement associated with the sale-leaseback transaction are included in Note 19 to the consolidated financial statements.

Depreciation and amortization expense on fixed assets for fiscal years 2024 and 2023, which is included in fixed direct operating expenses and discontinued operations in the accompanying consolidated statements of activities, was $2,399,000 and $1,414,000, respectively.

(10) Capitalized software

A summary of software development costs as of September 30, 2024 and 2023 is as follows:

	2024	2023
Software development costs (subject to amortization)	$ 32,810,000	$ 41,498,000
Projects in progress (not subject to amortization)	1,852,000	1,434,000
	34,662,000	42,932,000
Accumulated amortization	(29,324,000)	(39,344,000)
	$ 5,338,000	$ 3,588,000

Amortization expense on capitalized software for fiscal years 2024 and 2023, which is included in fixed direct operating expenses in the accompanying consolidated statements of activities, was $773,000 and $917,000, respectively.

A summary of approximate expected future amortization expense for capitalized software as of September 30, 2024 is as follows:

	Amount
2025	$ 882,000
2026	839,000
2027	766,000
2028	713,000
2029	286,000
	$ 3,486,000

(11) Other intangible assets, including goodwill

Lifeway's intangible assets with indefinite lives not subject to amortization consist of trade names and trademarks. The carrying value of trade names and trademarks was $2,610,000 at September 30, 2024 and 2023.

The carrying amount of goodwill for the years ended September 30, 2024 and 2023, is as follows:

	2024	2023
Goodwill - gross	$ 5,337,000	$ 5,337,000
Less: accumulated impairment	(1,813,000)	(1,813,000)
	$ 3,524,000	$ 3,524,000

(12) Other long-term assets

A summary of other long-term assets at September 30, 2024 and 2023, is as follows:

	2024	2023
Bible project	$ 490,000	$ 183,000
Prepaid technology costs	363,000	55,000
SERP trust fund investments (Note 17)	353,000	445,000
Postretirement benefit plan asset (Note 17)	531,000	2,643,000
Non-interest bearing note receivable	1,481,000	-
Other	155,000	129,000
	$ 3,373,000	$ 3,455,000

(13) Accrued liabilities

A summary of accrued liabilities as of September 30, 2024 and 2023, is as follows:

	2024	2023
Accrued payroll, benefits, and related taxes	$ 8,691,000	$ 8,046,000
Sales tax	323,000	273,000
Reserve for sales returns	768,000	906,000
Postretirement benefits	144,000	173,000
Workers' compensation	382,000	213,000
Contract termination costs (Note 20)	-	443,000
Other	74,000	68,000
	$ 10,382,000	$ 10,122,000

(14) Self insurance liability

The Company has a self-insured health plan for its employees, which includes a specific stop-loss insurance policy. The stop-loss policy provides coverage for individual claims exceeding $100,000 up to a maximum of $275,000 per claim. Self-insurance reserves are based upon loss reports on individual cases and an amount, based on experience, for losses incurred but not reported. Such reserves are based on estimates and, while management believes that the reserves are adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimated and for establishing the reserves are continually reviewed.

(15) Letters of credit

On July 21, 2020, Lifeway entered into an agreement with The Northern Trust Company providing letters of credit up to $4,000,000, secured by investments held as collateral. The letters of credit are mandated by a third party to secure the agreement. The amount of collateral is $3,660,000 and $3,082,000 as of September 30, 2024 and 2023, respectively, and is included in reserve funds, at fair value on the consolidated statement of financial position. Lifeway had outstanding letters of credit totaling $2,928,300 as of September 30, 2024 and 2023.

(16) Pension plan

Lifeway has a defined benefit pension plan covering eligible employees. The plan was closed to new participants effective September 1, 2010, and frozen to additional benefit accruals as of January 1, 2020. Normal retirement age is 65 for employees who had attained age 40 as of September 30, 1993. For all others, normal retirement age is social security retirement age. Participants desiring to draw benefits at a reduced rate before their normal retirement age must have ten years of credited service, attained the age of 55, and left the employment of Lifeway. Benefits are based on years of service and average salary, as defined prior to retirement. The projected unit credit actuarial cost method is used to determine net periodic pension cost and to estimate pension benefit obligations.

Plan assets are stated at fair value and consist primarily of corporate equity and debt securities, U.S. government bonds and other collective investments.

GuideStone Financial Resources of the Southern Baptist Convention ("GuideStone"), a related-party, prepares the actuarial reports for Lifeway.

A reconciliation of the unfunded status of the plan at September 30, 2024 and 2023 (measurement date of September 30, 2024 and 2023, respectively), along with other significant plan information, is as follows:

	2024	2023
Projected benefit obligation	$ 395,647,000	$ 373,589,000
Fair value of plan assets	291,272,000	267,345,000
Unfunded status	$ 104,375,000	$ 106,244,000
Accumulated benefit obligation	$ 395,647,000	$ 373,589,000
Pension liability recognized in the consolidated statements of financial position (all non-current)	$ 104,375,000	$ 106,244,000
Employer contribution	$ 10,000,000	$ 5,000,000
Benefits paid	$ 29,109,000	$ 28,800,000

The actuarial assumptions used to determine benefit obligations and net periodic pension (income) expenses for the plan were as follows:

	2024	2023
Discount rate	4.92%	5.78%
Base pay salary scale	N/A	N/A
Expected return on assets	4.92%	5.78%
Weighted average remaining service - active participants	5.9 years	6.3 years

Based on the above discount rate, 4.92% and 5.78%, respectively, the pension plan was 73.6% funded at September 30, 2024, and 71.6% on September 30, 2023. In contrast, using the expected long-term rate of return ("ROR") on the plan's assets of 7.17% and 6.83% respectively, the pension plan would be 90.0% funded at September 30, 2024 and 78.6% funded at September 30, 2023.

At September 30, 2024 and 2023, Lifeway had actuarial net losses of $64,617,000 and $57,973,000, respectively, that had not yet been recognized in the net periodic pension cost and reflected as a reduction to net assets without donor restrictions.

Net periodic pension expense is included as a component of fixed direct operating expenses in the accompanying consolidated statements of activities. During fiscal years 2024 and 2023, net periodic pension expense was as follows:

	2024	2023
Interest cost	$ 20,743,000	$ 20,426,000
Expected return on plan assets	(19,256,000)	(19,486,000)
	$ 1,487,000	$ 940,000

Changes in the plan's obligations and assets caused the following changes in net assets without donor restrictions during the year:

Net actuarial return on assets during the year	$ 43,036,000

The unrecognized loss included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during fiscal 2025 is $2,511,000. The allocation of each major category of plan assets as of September 30, 2024 and 2023, along with the target percentages and approved ranges, is as follows:

Asset Class	2024	2023	Target	Approved Range
Domestic equity	26.0 %	25.6 %	26 %	22-30%
International equity	14.4	13.9	14	11-17
Fixed income	22.3	23.1	23	18-28
Alternatives	35.9	36.1	35	30-40
Cash	1.4	1.3	2	0-5
	100.0 %	100.0 %	100 %	

The plan assets are managed under the direction of a Trustee investment committee. This committee has established an investment policy which is used as a guide in the implementation of investment strategies, risk management, performance expectations, and operational guidelines. The operational guidelines of the investment policy address specifically such items as quality standards, maturity standards, diversification standards, liquidity standards, proxy voting, prohibited categories, special permitted categories, portfolio turnover, manager reporting, and notifications. Any deviation from these guidelines must be approved by the investment committee as an exception.

The overall expected long-term rate-of-return-on-assets assumption is determined through an analysis of actual historical returns, future market expectations, and targeted asset allocation.

In order to determine an appropriate discount rate to use for the pension liability, Lifeway's actuaries projected the expected liability cash flows for each year in the future based on the current plan population and applied the spot rates from the *USI Consulting Group Pension Discount Above Median AA-Curve* to determine the single equivalent discount rate.

The 2025 fiscal year budget includes a $5,000,000 anticipated employer contribution to the plan.

The estimated future benefits payable for the next five years and for the following five years in aggregate are as follows at September 30, 2024:

2025	$ 29,322,000
2026	29,499,000
2027	29,568,000
2028	29,510,000
2029	29,358,000
2030 - 2034	141,361,000
	$ 288,618,000

(17) Postretirement and other benefits

Lifeway provides certain health care and life insurance benefits for retired employees. The Defined Postretirement Medical Plan, Life Insurance Benefits Plan, Medicare Supplemental Benefits Plan and Health Plan specify the plan provisions, benefits and eligibility. Lifeway employees may become eligible for those benefits if they reach normal retirement age while working for Lifeway. Lifeway established a separate legal trust in the form of a Voluntary Employee Beneficiary Association ("VEBA") to administer the assets and liabilities related to these postretirement benefits. Any income earned on the assets of the trust is retained in the trust to reduce Lifeway contributions.

Benefits provided to those older than 65 years old are fixed.

During 2024 and 2023, Lifeway transferred $2,400,000 and $5,000,000, respectively out of trust to pay current employee medical costs as the plan was overfunded.

GuideStone, a related party, prepares the actuarial reports for Lifeway.

A reconciliation of the combined funded status of the plans as of September 30, 2024 and 2023 (measurement date of September 30, 2024 and 2023, respectively), along with other significant plan information, is as follows:

	2024	2023
Benefit obligation	$ (15,573,000)	$ (14,632,000)
Fair value of plan assets	16,104,000	17,274,000
Funded status	$ 531,000	$ 2,642,000
Postretirement benefit asset recognized in the consolidated statements of financial position within other long-term assets	$ 531,000	$ 2,642,000
Employer contributions	$ -	$ -
Benefits paid	$ 1,182,000	$ 1,157,000

The actuarial assumptions used to determine benefit obligations for the plan were as follows:

	2024	2023
Discount rate	4.82%	5.72%
Expected return on assets	4.50%	4.50%
Weighted average remaining service - active participants	5.4 years	5.9 years

Based on the actuarial assumptions, the postretirement plan was 103.4% funded at September 30, 2024, and 118.1% on September 30, 2023.

The following amounts have not yet been recognized in the net periodic cost, and are recognized as a reduction to net assets without donor restrictions:

	2024	2023
Actuarial losses	$ 18,480,000	$ 15,931,000

Net periodic postretirement benefits cost is included as a component of fixed direct operating expenses in the accompanying consolidated statements of activities. During fiscal years 2024 and 2023, net periodic postretirement benefit cost was as follows:

	2024	2023
Service cost	$ 8,000	$ 9,000
Interest cost	792,000	784,000
Expected return on plan assets	(897,000)	(1,215,000)
Amortization of unrecognized prior service cost	(5,695,000)	(5,695,000)
Gain or loss to the extent recognized	2,962,000	2,997,000
	$ (2,830,000)	$ (3,120,000)

Changes in the plan's obligations and assets caused the following changes in net assets without donor restrictions during the year:

Prior service cost recognized by net benefit cost for 2023-2024	$ (5,695,000)
Cumulative prior loss recognized by net benefit cost for 2023-2024	2,962,000
New unrecognized liability loss	(1,324,000)
New unrecognized asset gain	1,507,000

The unrecognized loss included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during fiscal 2025 is $2,076,000. The allocation of each major category of plan assets as of September 30, 2024 and 2023, along with the target percentages and allowable ranges, is as follows:

Asset Class	2024	2023	Target	Approved Range
Domestic equity	0.0 %	0.0 %	0 %	0%
International equity	0.0	0.0	0	0
Fixed income	97.8	97.0	100	80-100
Alternatives	0.0	0.0	0	0
Cash	2.2	3.0	0	0-20
	100 %	100 %	100 %	

The plan assets are managed under the direction of a Trustee investment committee. The investment policies and strategies and the basis for determining the long-term rate of return on assets and the discount rate are the same as those used for the pension plan.

There are no estimated employer contributions to the plans for the 2025 fiscal year.

The estimated future benefits payable for the next five years and for the following five years in aggregate are as follows at September 30, 2024:

2025	$ 1,626,000
2026	1,481,000
2027	1,399,000
2028	1,337,000
2029	1,290,000
2030 - 2034	5,669,000
	$ 12,802,000

In addition to the postretirement benefits discussed above, Lifeway also provides supplemental retirement benefits to certain current and former executives of Lifeway, whose benefits were limited under Lifeway's pension plan. Effective January 1, 2009, Lifeway amended its original Supplemental Executive Retirement Plan ("SERP") to eliminate all current and future active participants from the plan. Simultaneously, Lifeway established a replacement supplemental plan, the 457(f) Make-Whole Retirement Plan ("MWRP"), to provide benefits to a limited group of Lifeway executives whose benefits are capped under Lifeway's pension. Both plans are restoration only plans.

In conjunction with the approved freezing of the Lifeway pension plan (Note 16), Lifeway approved the termination of the MWRP effective as of January 1, 2020.

A reconciliation of the funded status of the SERP as of September 30, 2024 and 2023, (measurement dates of September 30, 2024 and 2023, respectively), along with other significant plan information, is as follows:

	2024	2023
Projected benefit obligation of SERP	$ 1,045,000	$ 1,188,000
Funded status (accumulated benefit obligation)	$ 1,045,000	$ 1,188,000
Plan liability recognized in the consolidated statements of financial position (current)	$ 144,000	$ 173,000
Plan liability recognized in the consolidated statements of financial position (non-current)	$ 901,000	$ 1,015,000
Employer contribution	$ -	$ -
Benefits paid	$ 159,000	$ 181,000

The actuarial assumptions used to determine benefit obligations for the SERP and MWRP were as follows:

	2024	2023
SERP discount rate	4.56%	5.57%
Base salary scale	N/A	N/A

During fiscal years 2024 and 2023, interest costs were $62,000 and $61,000, respectively.

The estimated future benefits payable for the next five years and for the following five years in aggregate are as follows at September 30, 2024:

2025	$ 144,000
2026	135,000
2027	126,000
2028	117,000
2029	107,000
2030 - 2034	399,000
	$ 1,028,000

During fiscal year 2005, Lifeway established a Rabbi Trust and transferred assets to the Rabbi Trust that Lifeway has designated to fund payments to participants in the SERP. The Rabbi Trust held assets totaling $353,000 and $445,000 as of September 30, 2024 and 2023, respectively. These assets are included in other long-term assets in the consolidated statements of financial position.

The Rabbi Trust assets are measured at fair value using Level 1 inputs and consisted of money market funds totaling $5,200 and $2,900 as of September 30, 2024 and 2023, respectively, and mutual funds totaling $348,200 and $442,100 as of September 30, 2024 and 2023, respectively.

Lifeway has a voluntary contribution 401(k) savings plan for all eligible employees, as defined under the plan. Participating employees can contribute up to 100% of their annual earnings subject to certain limitations as defined in the plan and by law, with Lifeway matching a discretionary portion of employee contributions. For 2024 and 2023, Lifeway's expense related to the plan and attributable to both continuing and discontinued operations was, in the aggregate, $2,242,000 and $2,036,000, respectively.

(18) Other income, net

Other income, net from continuing operations for the years ended September 30, 2024 and 2023, was comprised of the following:

	2024	2023
Return on investments	$ 19,540,000	$ 11,577,000
Interest income, interest expense and bank fees, net	2,045,000	1,723,000
Gain (loss) on assets classified as held for sale	39,000	(399,000)
Gain on sale leaseback	736,000	736,000
Employee retention tax credits (Note 22)	3,888,000	-
Other, net	(193,000)	(78,000)
	$ 26,055,000	$ 13,559,000

(19) Rental expense and lease commitments

Lifeway rents certain buildings, including the DC, and computer equipment under operating lease arrangements. Total rent and related charges from continuing and discontinued operations for fiscal years 2024 and 2023 was $3,750,000 and $3,701,000, respectively. Total contingent rent expense for fiscal years 2024 and 2023 was insignificant. Such costs are not included in the determination of the ROU asset or lease liability. Variable lease cost also includes escalating rent payments that are not fixed at commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation. Most leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at the Organization's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term.

The components of lease expense are as follows for the year ended September 30, 2024 and 2023:

	2024	2023
Operating lease costs:		
Operating lease costs	$ 3,488,000	$ 3,043,000
Short-term lease costs	262,000	658,000
Total operating lease costs	$ 3,750,000	$ 3,701,000

Supplemental cash flow information related to leases are as follows for the year ended September 30, 2024 and 2023:

Cash paid for amounts included in the measurement of lease liabilities:

	2024	2023
Operating cash flows for operating leases	$ 3,325,000	$ 2,453,000

Additional supplemental information regarding assumptions for leases as of September 30, 2024 and 2023:

	2024	2023
Operating leases		
Weighted-average remaining lease terms (in years)	7.99	8.81
Weighted-average discount rate	3.91%	3.91%

Minimum Lease Payments

The maturities of operating lease liabilities as of September 30, 2024, are as follows:

Year	Total
2025	$ 3,401,000
2026	3,497,000
2027	3,596,000
2028	3,696,000
2029	3,798,000
2030 and later years	11,398,000
Total undiscounted cash flows	29,386,000
Less: present value discount	4,316,000
Less: operating lease liabilities, current installments	2,463,000
Long-term operating lease liabilities, excluding current installments	$ 22,607,000

(20) Discontinued operations

In 2020, management decided to dispose of Lifeway's WORDsearch and Ridgecrest operations as part of Lifeway's strategic plan to restructure and focus on the continued strength and growth of its core operations. This decision was made following the disposal of Lifeway's retail store operations which had experienced continued financial losses, along with negative sales and growth trends. The assets and liabilities attributable to the discontinued operations classified as held for sale at September 30, 2024 and 2023 are disclosed in Note 6 to the consolidated financial statements.

The results of the discontinued operations for the years ended September 30, 2024 and 2023, are as follows:

	2024			
	WORDsearch	Ridgecrest	Retail Stores	Total
Revenue	$ -	$ 221,000	$ 80,000	$ 301,000
Fixed direct operating expenses	-	(358,000)	(38,000)	(396,000)
Gain on contract termination	-	-	454,000	454,000
Gain (loss) from discontinued operations	$ -	$ (137,000)	$ 496,000	$ 359,000

	2023			
	WORDsearch	Ridgecrest	Retail Stores	Total
Revenue	$ 5,000	$ 219,000	$ -	$ 224,000
Fixed direct operating expenses	-	(301,000)	(100,000)	(401,000)
Gain (loss) from discontinued operations	$ 5,000	$ (82,000)	$ (100,000)	$ (177,000)

Operating and investing cash flows of the discontinued operations are as follows for the years ended September 30:

	2024	2023
Net cash used by operating activities	$ (304,000)	$ (652,000)

(21) Commitments and contingencies

Lifeway is subject to various claims and lawsuits arising in the normal course of business. Lifeway maintains various insurance coverages in order to minimize financial risk associated with certain claims. In the opinion of management after consultation with legal counsel, additional uninsured losses, if any, resulting from the ultimate resolution of these other matters will not be material to Lifeway's financial position, results of activities, or cash flows.

In 2024, Lifeway entered into contracts for software implementation, hardware refreshes, and building improvements. As of September 30, 2024, Lifeway had commitments related to updates of approximately $1,169,000.

(22) Employee retention tax credit

The United States, as well as many other countries around the world, continued to experienced the infections disease (COVID-19), impacting individuals, governments, businesses, and financial markets with unprecedented disruption and risk. The Coronavirus Air, Relief, and Economic Security Act ("CARES Act") provides an employee retention credit against certain employment taxes of up to $7,000 per employee, per quarter, for employers meeting certain requirements. The tax credit is equal 50-70% of qualified wages and benefits per quarter.

Lifeway applied for refundable employee retention tax credits provided for by the CARES Act totaling approximately $5,674,000 through September 30, 2023. In 2024, Lifeway amended their application for an additional $3,888,000 including the employer paid social security and Medicare payments recorded within other income, net (Note 18) in the consolidated statements of activities for the year ended September 30, 2024. Lifeway has received approximately $4,440,000 of these credits as well as interest and refunds to date through September 30, 2024. The remaining expected receivable is in other current assets in the consolidated statements of financial position totaling $5,122,000 and $4,147,000 as of September 30, 2024, and 2023, respectively.

In light of concerns about aggressive ERC marketing from certain tax professionals, on September 24, 2023, the Internal Revenue Service (IRS) announced a moratorium on processing new ERC claims. On January 25, 2024, the IRS issued a press release calling for businesses to review their eligibility for the ERC, as the agency's Criminal Investigation arm begins a series of enforcement actions and educational sessions for tax professionals. Businesses who do not presently believe that they meet the criteria for the credits are encouraged to enter a voluntary disclosure program for claimed credits and withdraw from pending credits. The Company has evaluated these recent developments and continues to consider collection probable due to having met all the requirements to claim the credits. The amended returns filed to claim the credits are subject to audit by the IRS for five years from the date of filing, and realization of the credits is not assured.