LUTHERAN SERVICES IN AMERICA, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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LUTHERAN SERVICES IN AMERICA, INCORPORATED
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lutheran Services in America, Incorporated
Washington, DC

We have audited the accompanying statements of financial position of Lutheran Services in America, Incorporated (the Organization), as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A member of Nexia International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Institute adopted the following new accounting guidance contained in Accounting Standards Update (ASU):

- ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).*
- ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).*

Our opinion is not modified with respect to these matters.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 9, 2020

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 788,558	$ 503,157
Short-Term Certificates of Deposit	750,000	650,000
Pledges Receivable	231	39,238
Accounts Receivable	116,115	293,990
Prepaid Expenses	39,644	51,205
Total Current Assets	1,694,548	1,537,590
ASSETS LIMITED AS TO USE		
Cash Held for Managed Networks	106,284	89,097
Restricted Cash Held for Grant	1,571,346	1,002,786
Total Assets Limited as to Use	1,677,630	1,091,883
INVESTMENTS		
Long-Term Certificates of Deposit	400,000	500,000
Mutual Funds	122,523	110,870
Deferred Compensation Assets	11,532	-
Total Investments	534,055	610,870
RIGHT-OF-USE ASSETS - LEASES	337,511	435,575
FIXED ASSETS		
Information Technology	2,995	2,995
Less: Accumulated Depreciation	2,995	2,995
Total Fixed Assets	-	-
Total Assets	$ 4,243,744	$ 3,675,918
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 241,122	$ 206,435
Grants Payable	440,000	494,000
Operating Lease Liabilities	101,915	93,639
Deferred Revenue:		
Deferred Dues Revenue	362,393	433,145
Deferred Grant Revenue	261,678	199,509
Total Current Liabilities	1,407,108	1,426,728
DEPOSIT LIABILITIES		
Deposits Held for Managed Networks	106,284	89,097
LONG-TERM LIABILITIES		
Notes Payable	12,366	-
Deferred Compensation	11,532	-
Operating Lease Liabilities, Net of Current Portion	236,143	342,212
Total Long-Term Liabilities	260,041	342,212
Total Liabilities	1,773,433	1,858,037
NET ASSETS		
Without Donor Restrictions	1,410,245	1,207,568
With Donor Restrictions	1,060,066	610,313
Total Net Assets	2,470,311	1,817,881
Total Liabilities and Net Assets	$ 4,243,744	$ 3,675,918

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, CONTRIBUTIONS, AND OTHER SUPPORT						
Membership Dues	$ 957,804	$ -	$ 957,804	$ 955,010	$ -	$ 955,010
Events - Conferences and Training	205,338	-	205,338	379,530	-	379,530
Service Fees and Others	123,517	-	123,517	362,338	-	362,338
Investment Income	37,231	15,543	52,774	29,996	10,269	40,265
Contributions - ELCA	388,000	-	388,000	410,000	-	410,000
Contributions - LCMS	35,000	-	35,000	35,000	-	35,000
Contributions - Other	258,248	-	258,248	164,104	-	164,104
Contributions - PPP Debt Forgiveness	234,959	-	234,959	-	-	-
Grants	-	2,004,231	2,004,231	-	1,715,491	1,715,491
Total	2,240,097	2,019,774	4,259,871	2,335,978	1,725,760	4,061,738
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	1,570,021	(1,570,021)	-	1,404,914	(1,404,914)	-
Total Revenues, Contributions, and Other Support	3,810,118	449,753	4,259,871	3,740,892	320,846	4,061,738
EXPENSES						
Program Services:						
Creating Member Solutions	2,264,220	-	2,264,220	2,285,164	-	2,285,164
Leadership Development and Convenings	220,004	-	220,004	654,131	-	654,131
Raising Visibility for Lutheran Social Ministry	200,159	-	200,159	156,326	-	156,326
LSA Advocacy/Public Policy	207,102	-	207,102	183,553	-	183,553
Total Program Services	2,891,485	-	2,891,485	3,279,174	-	3,279,174
Supporting Services:						
Management and General	500,212	-	500,212	544,209	-	544,209
Fundraising	215,744	-	215,744	214,900	-	214,900
Total Supporting Services	715,956	-	715,956	759,109	-	759,109
Total Expenses	3,607,441	-	3,607,441	4,038,283	-	4,038,283
CHANGES IN NET ASSETS	202,677	449,753	652,430	(297,391)	320,846	23,455
Net Assets - Beginning of Year	1,207,568	610,313	1,817,881	1,504,959	289,467	1,794,426
NET ASSETS - END OF YEAR	$ 1,410,245	$ 1,060,066	$ 2,470,311	$ 1,207,568	$ 610,313	$ 1,817,881

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

2020

	Program Services					Supporting Services			
	Creating Member Solutions	Leadership Dev and Convenings	Raising Visibility	LSA Advocacy/ Public Policy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
EXPENSES									
Staff Compensation and Benefits	$ 845,165	$ 98,807	$ 164,559	$ 182,399	$ 1,290,930	$ 274,573	$ 181,359	$ 455,932	$ 1,746,862
Travel	50,079	9,848	12	561	60,500	28,941	1,642	30,583	91,083
Professional Services Purchased	335,895	4,690	6,245	155	346,985	126,023	11,778	137,801	484,786
Financial Expenses	3,207	3,249	-	-	6,456	15,185	344	15,529	21,985
Event - Facilities and Programs	6,700	88,269	-	-	94,969	800	-	800	95,769
Office and Related Expenses	-	494	27	-	521	130,979	-	130,979	131,500
External Communications	13,122	1,260	8,031	5,186	27,599	18,641	-	18,641	46,240
Printing and Mailing	267	2,327	2,546	-	5,140	2,650	410	3,060	8,200
Telecom and Information Technology	17,835	121	1,480	32	19,468	56,304	48	56,352	75,820
Programmatic Subgrants to Members	899,999	-	-	-	899,999	-	-	-	899,999
Other Expenses	3,124	349	-	-	3,473	669	1,055	1,724	5,197
Allocated	88,827	10,590	17,259	18,769	135,445	(154,553)	19,108	(135,445)	-
Total Expenses	$ 2,264,220	$ 220,004	$ 200,159	$ 207,102	$ 2,891,485	$ 500,212	$ 215,744	$ 715,956	$ 3,607,441

2019

	Program Services					Supporting Services			
	Creating Member Solutions	Leadership Dev and Convenings	Raising Visibility	LSA Advocacy/ Public Policy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
EXPENSES									
Staff Compensation and Benefits	$ 687,196	$ 231,159	$ 118,380	$ 156,890	$ 1,193,625	$ 267,449	$ 172,094	$ 439,543	$ 1,633,168
Travel	76,172	19,036	2,791	1,117	99,116	46,718	8,028	54,746	153,862
Professional Services Purchased	346,576	32,721	5,360	-	384,657	149,434	12,999	162,433	547,090
Financial Expenses	1,927	5,955	-	-	7,882	13,010	147	13,157	21,039
Event - Facilities and Programs	8,343	323,679	-	-	332,022	247	-	247	332,269
Office and Related Expenses	467	441	-	-	908	142,983	-	142,983	143,891
External Communications	13,746	2,213	16,169	7,955	40,083	15,013	-	15,013	55,096
Printing and Mailing	-	12,354	-	-	12,354	7,312	192	7,504	19,858
Telecom and Information	-	-	-	-	-	-	-	-	-
Technology	14,811	-	327	-	15,138	51,529	-	51,529	66,667
Programmatic Subgrants to Members	1,057,359	-	-	-	1,057,359	-	-	-	1,057,359
Other Expenses	2,692	2,050	411	-	5,153	995	1,836	2,831	7,984
Allocated	75,875	24,523	12,888	17,591	130,877	(150,481)	19,604	(130,877)	-
Total Expenses	$ 2,285,164	$ 654,131	$ 156,326	$ 183,553	$ 3,279,174	$ 544,209	$ 214,900	$ 759,109	$ 4,038,283

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 652,430	$ 23,455
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	271	276
Unrealized gain on investments	(12,431)	(6,884)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable	39,007	50,839
Accounts Receivable	177,875	(271,611)
Prepaid Expenses	11,561	(3,351)
Accounts Payable and Accrued Expenses	34,687	37,550
Grants Payable	(54,000)	392,945
Deferred Compensation	11,532	-
Deposit Liabilities	17,187	4,145
Deferred Revenue:		
Dues Revenue	(70,752)	158,322
Grant Revenue	62,169	199,509
Net Cash Provided by Operating Activities	869,536	585,195
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(10,754)	-
Net Cash Provided (Used) by Investing Activities	(10,754)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	12,366	-
Net Cash Provided by Financing Activities	12,366	-
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	871,148	585,195
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year *	1,595,040	1,009,845
CASH,CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR *	$ 2,466,188	$ 1,595,040

* Cash, Cash Equivalents, and Restricted Cash include the Organization's Cash and Cash Equivalents, Cash Held for Managed Networks, and Restricted Cash Held for Grant on the Statements of Financial Position.

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Lutheran Services in America, Incorporated (the Organization) is one of the largest health and human services networks in the country, with a membership of over 300 independent Lutheran nonprofit organizations throughout the United States and the Caribbean. The Organization connects and empowers its member organizations to transform the lives of the 1 in 50 Americans it serves each year by establishing strong partnerships, securing financial and technical resources to drive change, and amplifying our voice. Each member organization is separately governed and is responsible for its own operations. The Organization is affiliated with the Evangelical Lutheran Church in America (ELCA) and The Lutheran Church-Missouri Synod (LCMS).

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The financial statement presentation is in accordance with FASB ASC 958, *Not-for-Profit Entities*, as amended by ASU 2016-14. Under ASC 958, as amended, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. They do include board-designated net assets, whose use has been restricted by the Organization’s Board of Directors. The Organization had no board-designated net assets at June 30, 2020 and 2019.

Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions. Donor restrictions may result in time or purpose restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result from endowed net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization’s actions. The Organization had no endowed net assets at June 30, 2020 and 2019.

The term “fiscal year” is used at times in these financial statements. Such reference refers to the year in which June 30 falls.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all short-term investments which are to be used for operations and have a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include $150,000 of maturing certificates of deposits at June 30, 2019 and 2018 that previously were classified as long-term.

Certificates of Deposit

The investment in certificates of deposit are with the Mission Investment Fund of the ELCA with original maturities from one to four years as deemed appropriate by management to provide the necessary cash management flexibility. The certificates of deposit can be redeemed prior to maturity upon incurrence of a penalty. Certificates are stated at cost basis which approximates fair value.

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period acknowledged. Conditional pledges are only recognized when the conditions on which they depend are substantially met. Unconditional pledges receivable are carried at fair value less an estimate made for doubtful pledges based on a review of all outstanding pledges on an annual basis. Management determines the allowance for doubtful pledges by using the historical experience applied to an aging of pledges. Pledges are written off when deemed uncollectible. No allowance was considered necessary at June 30, 2020 and 2019.

Accounts Receivable

Accounts receivable are primarily receivables for royalties and amounts due from member and affiliated organizations. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of members and others to meet their obligations. No allowance was considered necessary at June 30, 2020 and 2019.

Assets Limited as to Use

Managed Networks: The Organization facilitates collaboration among its members for the purpose of advancing the ministries of the members. The collaborative groups are called Networks. The Organization provides fiscal agent services for some of these Networks, which are referred to as Managed Networks in the financial statements. Cash held for managed networks and the related deposit liability was $106,284 and $89,097 at June 30, 2020 and 2019, respectively.

Cash Held for Grant: The Organization has set up a separate bank account to segregate from other revenue sources the money it has received related to a grant from the Margaret A. Cargill Philanthropies.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

All individual acquisitions of equipment in excess of $2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Information technology consists of computer equipment and software applications. These assets are depreciated on the straight-line method over their estimated useful lives, which is three years. Purchased equipment is carried at cost. Donated equipment is carried at fair value at the date of donation, if sufficient fair market value can be evidenced.

Leases

In accordance with FASB ASC 842, *Leases*, as amended by ASU 2016-02, which the Organization elected to adopt for its fiscal year ended June 30, 2019, operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities in the statement of financial position. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. Since our leases do not provide an implicit rate, the Organization has used a 5-year risk free rate of 2.73% for calculation of the interest component of the liability calculation. Lease expense is recognized on a straight-line basis over the lease term.

Grants Payable

Grant commitments are charged to operations at the time the grants are approved. Grants are paid to a grantee at the time of authorized action by the grantee to fulfill the terms of the grant. There are no conditions that must be met for grants to be paid to the grantee.

Revenue Recognition

The financial statements of the Organization have been prepared in accordance with FASB ASC 606, Revenue from Contracts with Customers, as amended by ASU 2014-09.

Membership dues, event revenue, and service fees are recognized as revenue in the fiscal year to which they relate. Membership dues that are received in advance are recorded as deferred revenue.

Contributions and grants that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, small contributions restricted by donors for broad program may be reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or when a purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Programs

Raising Visibility for Lutheran Social Ministry: The Organization is the voice of Lutheran Social Ministry. By telling a clear and compelling story through a unified voice and brand, the

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs (Continued)

Organization supports the 300 members of its national network by raising the profile of their work and valuable contributions to the 1 in 50 Americans served each year.

Creating Member Solutions: The Organization creates the environment for its national network to learn, grow, and thrive. The Organization convenes its network members to sustain and expand their valued services by establishing national partnerships to bring resources and expertise to tackle many of the biggest health and human services challenges people face today and creating Learning Collaboratives to bring together members with shared challenges and opportunities to craft innovative solutions that improve outcome for children, youth, and families; people with disabilities; seniors and others.

Leadership Development and Convenings: The Organization unites one of the largest and most broad-based networks of health and human services providers in the United States. By bringing network members together and working collectively—through events, partnerships, and innovative programs—the Organization multiplies its forces and tackles society’s most complex problems in a way no organization could on its own.

Advocacy and Public Policy: The Organization works to shape legislation tied to its priority issues; inform influencers of its network’s positions and supportive reasoning; and develop tools, resources, and trainings that advance public policies supporting its national network efforts to help America’s most vulnerable people. The Organization is viewed as a trusted resource by legislators and their teams, and as a critical partner with all levels of government, health systems, and regulatory decision makers.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Certain categories of expenses are attributable to more than one program or supporting function and, therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include telecom and information technology, occupancy, and office expenses. All expenses are allocated based on total salary costs, whose distribution to programs is determined based on the Organization’s time reporting system.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as an organization, which is not a private foundation. The Organization is generally exempt from federal and state income taxes. Unrelated business income may be subject to federal and state income taxes. Management believes that it has no material uncertain tax positions that would require recognition under the accounting codification guidance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The organization’s financial statements reflect the application of ASC 606 guidance beginning in Fiscal Year 2020. No cumulative-effect adjustment in net assets was recorded because adoption of ASU 2014-09 did not significantly impact the organization’s reported historical revenue.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).* This is a clarifying ASU as mentioned above, that distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. Additionally, once a transaction is deemed to be a contribution, this ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for limited purpose or timing. No cumulative-effect adjustment in net assets was recorded because adoption of ASU 2018-08 did not significantly impact the organization’s reported historical revenue.

NOTE 2 FAIR VALUE MEASUREMENTS

The Fair Value Topic of the FASB Codification (the Codification) defines fair value as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy 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 at the measurement date.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

- Inputs other than observable quoted prices for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's 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 must maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures of the Codification.

Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2020 and 2019.

Mutual Funds — Valued using identical or similar assets or liabilities in active markets that the Organization has the ability to access at the measurement date.

The following summarizes the Organization's investments using fair value measurements at June 30:

	2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 122,523	$ 11,532	$ -	$ 134,055
Total	$ 122,523	$ 11,532	$ -	$ 134,055

	2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 110,870	$ -	$ -	$ 110,870
Total	$ 110,870	$ -	$ -	$ 110,870

Included in the market value totals above are $11,532 and $0 related to the 457(b) plan as of June 30, 2020 and 2019.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable are due to be collected in the following periods:

	2020	2019
Less Than One Year	$ 231	$ 39,238
One to Five Years	-	-
Total	$ 231	$ 39,238

NOTE 4 MARGARET A. CARGILL PHILANTHROPIES GRANT

In August 2015, the Organization received a grant from Margaret A. Cargill Philanthropies (MACP) to support the Great Plains Senior Services Collaborative. The grant provided a maximum of $2,535,000 in funding over three years, later extended by three months, beginning October 1, 2015, and ended December 31, 2018. Under the terms of the grant, each year's funding was conditional, based upon the acceptance by MACP of the Organization's annual report for the previous grant year.

In October 2018, the Organization received notification of a Phase 2 grant from MACP to continue and expand the scope of the Great Plains Senior Services Collaborative. Beginning January 1, 2019, the grant provides a maximum of $3,400,000 in funding over three years with terms and conditions like those of the first grant. In May 2020, this grant was amended to provide an additional $606,400 in funding, for a total of $4,006,400, to provide additional support for senior citizens needed as a result of the coronavirus pandemic.

Recognizing that its review process may not be completed by the beginning of a grant year, MACP prefunded a portion of the next year's grant. The Organization records such prefunding for future grant years as Deferred Grant Revenue on the statements of financial position. Deferred grant revenue was $151,678 and $199,509 at June 30, 2020 and 2019, respectively. The Organization had subgrants with two other Lutheran organizations under the first grant and three under the second grant to conduct the major programmatic elements of the grant on behalf of the Organization. As of June 30, 2020 and 2019, $440,000 and $494,000, respectively, of budget funding for the current grant year had not yet been disbursed to these subgrantees and is currently recorded as Grants Payable on the statements of financial position. There was no conditional grant revenue recognized during the year ended June 30, 2020 or 2019 based on the grant award amount.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2020	2019
Creating Member Solutions:		
Margaret A. Cargill Philanthropies	$ 868,262	$ 268,552
OASIS	59,785	59,785
ELCA - LSCE	36,205	2,299
CTA Foundation	30,000	-
ELCA - LSEE	28,533	41,439
ELCA Community Development	13,053	3,053
Weinberg: Connect Home Program	12,385	225,000
AETNA Family Preservation Program	5,194	-
Total	1,053,417	600,128
Raising Visibility for Lutheran Social Ministry:		
Social Ministry Organization Capacity Building	-	2,858
Board Development	6,649	7,327
Total	6,649	10,185
Total	$ 1,060,066	$ 610,313

Donors typically do not provide specific timeframes in which to use contributions, but the Organization anticipates that the majority of its net assets with donor restrictions will be released over the next 12 to 36 months.

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

All net assets released from donor restrictions were for programmatic purposes, and the amounts were as follows during the years ended June 30:

	2020	2019
Margaret A. Cargill Philanthropies	$ 1,170,064	$ 1,061,366
Weinberg: Connect Home Program	212,615	149,651
ELCA - LSCE	46,094	77,701
ELCA - LSEE	92,905	38,561
Annie E. Casey Foundation	20,000	20,000
AETNA Family Preservation Program	14,806	-
Twin Lakes Berg Memorial Fund	10,000	10,000
SMO Capacity Building	2,858	1,852
Board Development	679	596
ELCA: Foster Care Crisis	-	45,187
Total	$ 1,570,021	$ 1,404,914

Of these assets, $1,556,485 was used to fund Creating Member Solutions program, $3,536 was used to fund Raising Visibility programs, and $10,000 was used to fund Leadership Development and Convenings programs.

NOTE 7 LEASE COMMITMENTS

The Organization leased its Washington, DC, headquarters office under a 66-month lease that commenced January 1, 2013. It initially was to end on June 30, 2018. The Organization amended the lease to extend the term for 63 months through September 30, 2023. The lease provided for base monthly rentals of $8,664, subject to annual escalation provisions. In February 2019, the lease was amended further to incorporate space adjacent to its office, with a base monthly rental of $9,908.

Effective March 1, 2015, the Organization entered into a one-year sublease for additional space at a monthly rental of $1,206 through February 28, 2018 and $1,406 per month thereafter. The relationship ended June 30, 2019.

Total rent expense, including all leases, for the years ended June 30, 2020 and 2019 was $121,119 and $122,377, respectively.

The Organization made $105,384 in cash payments for the years ended June 30, 2020 and 2019.

The weighted-average term remaining on the operating leases as of June 30, 2020 is 3.25 years, and the weighted-average discount rate is 2.73%.

Future minimum rental payments required under noncancellable operating leases having initial or remaining lease terms in excess of one year at June 30, 2020 are as follows:

For the Year Ended	Amount
2021	109,599
2022	113,983
2023	118,543
2024	30,821
Total	372,946
Less: Present Value Discount	(34,888)
Total Lease Liability	$ 338,058

NOTE 8 RETIREMENT PLAN

The Organization has established a 403(b) Retirement Plan. Employees who work 20 or more hours a week and have attained age 18 are eligible to participate in the Plan. Employees may make contributions to the Plan up to the maximum amount allowed by the IRS. The Organization provides a matching contribution of 100% of participant contributions, up to 3% of annual salary as of June 30, 2020. All contributions to the Plan are 100% vested immediately. The Organization recorded employer match expenses of $44,200 and $36,164 for the years ended June 30, 2020 and 2019, respectively.

In January 2020, the Organization established a 457(b) deferred compensation plan for its President And Chief Executive Officer. Under this plan, assets set aside by the employee are held in trust by the Organization but are subject to claims by the Organization's general creditors. The Organization does not make any contributions to this plan.

NOTE 9 PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In April 2020, the Organization received a $247,325 note payable from the U.S. Small Business Administration under its Paycheck Protection Program. The note payable was obtained from M&T Bank, at an interest rate of one (1) percent. Notes payable issued under this program can potentially be partially or fully forgiven based on both money is spends and the staffing it retains.

The Organization believes that it currently meets all of the requirements for full forgiveness of its note payable, but certain stipulations of the process for seeking loan forgiveness will prevent it from submitting its application before December 31, 2020 at the earliest. Recognizing the high probably of both additional legislation affecting this program and additional regulatory changes before then, the Organization has estimated a five (5) percent risk that by the time it can apply for debt forgiveness, full forgiveness will not be possible. As a result, for the year ending June 30, 2020 is has recognized $234,959 in debt forgiveness revenue and a note payable of $12,366. It has also accrued $22 in interest expense relating to this note payable as of June 30, 2020.

NOTE 10 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in one commercial bank. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The balance on deposit was $525,404 and $450,951 at June 30, 2020 and 2019, respectively.

Cash equivalents and certificate of deposits are maintained with the Lutheran Church Extension Fund of The Lutheran Church — Missouri Synod, and the Mission Investment Fund of the ELCA. These accounts are uninsured. The balances on deposit with these entities as of June 30, 2020 and 2019, amount to $3,116,780 and $2,501,656, respectively.

NOTE 11 CONCENTRATION OF REVENUE

Contributions to the Organization from ELCA and LCMS accounted for 14% of total revenues in 2020 and 15% of revenue in 2019.

NOTE 12 LIQUIDITY

As provided by the Organization’s board standing policies, the Organization seeks to maintain a minimum reserve of cash and equivalents plus short-term investments equal to at least 50% of the prior year’s budget, not counting expenses budgeted to be funded by grants. The Organization’s Investment Policy Statement further defines the Organization’s investment objectives so that all funds held in its Operating Fund and its Short-Term Reserve Fund are available to meet this board-specified objective.

Under its policies, the Organization’s reserve target and the amount of its reserves as of June 30 were:

NOTE 12 LIQUIDITY (CONTINUED)

	2020	2019
Targeted Reserve	$ 1,093,764	$ 1,130,000
Actual Liquidity - June 30	$ 1,938,558	$ 1,603,157

The Organization's financial assets due within one year of the date of these financial statements that are available for general expenditures, including grant-funded activities, are as follows:

	2020	2019
Total Assets - June 30	$ 4,243,744	$ 3,675,918
Less:		
Prepaid Expenses	39,644	51,205
Mutual Funds *	134,055	110,870
Deferred Compensation Assets	11,532	-
Right-of-Use Asset	337,511	435,575
Cash Held for Networks	106,284	89,097
Net Assets with Donor Restrictions	1,060,066	610,313
Financial Assets not Subject to Donor Restrictions	$ 2,554,652	$ 2,378,858

* Mutual funds could be made available to meet financial obligations, if necessary.

The total expense budget for fiscal year 2021 as adopted by the board of directors is $3,750,300, including expenses budgeted to be funded by restricted contributions and grants. This budget includes $720,000 in regranting expenses that are dependent on the grants to which they relate. Excluding regranting expenses, the fiscal year 2021 budget totals $3,030,300.

NOTE 13 IMPACT OF COVID-19

During the year, the Organization's operations were negatively impacted by the spread of the Coronavirus Disease (COVID-19). On March 16, 2020, the building in which the Organization's office is located closed, and the Organization's employees have only been able to work remotely ever since. Functions like travel that were integral parts of many programs had to be curtailed significantly, if not completely. This has forced employees to find other ways of meeting program objectives, including working with subgrantees whose own ability to provide services directly to program recipients was affected.

The Organization believes the COVID-19 pandemic will continue to have significant effects on its operations at least through 2021, to include both its ability to conduct programs and the ability of its members to provide financial support through dues and other means. Management believes the Organization is taking appropriate actions to mitigate the resulting negative impacts. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

NOTE 14 LUTHERAN CONNECTION, INC.

From 2017 through June 30, 2019, the Organization operating a program called LSA Senior Connect. All revenue for the program came from the member organizations who participated in it.

In April 2019, a new nonprofit corporation, Lutheran Connection, Inc. (LCI), was established as a separate entity by eleven participating member organizations and the Organization to take over the program beginning on or after July 1, 2019. The purpose of LCI is to promote better health and healthcare for senior citizens. LCI is governed by a board of directors independent of the Organization that is composed of one member from each of the participating member organizations and one member from the Organization. LCI maintains its own books and records, and it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 15 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 9, 2020, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to October 9, 2020 that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the financial statements for the year ended June 30, 2020. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2020.