LUTHERAN SERVICES IN AMERICA, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 6, 2021

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,706,324	$ 788,558
Short-Term Certificates of Deposit	550,000	750,000
Pledges Receivable	40,500	231
Accounts Receivable	61,522	116,115
Prepaid Expenses	35,663	39,644
Total Current Assets	2,394,009	1,694,548
ASSETS LIMITED AS TO USE		
Cash Held for Managed Networks	104,995	106,284
Restricted Cash Held for Grant	2,177,501	1,571,346
Total Assets Limited as to Use	2,282,496	1,677,630
INVESTMENTS		
Long-Term Certificates of Deposit	600,000	400,000
Mutual Funds and Common Stocks	2,259,265	122,523
Deferred Compensation Assets	42,704	11,532
Total Investments	2,901,969	534,055
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	40,000	-
RIGHT-OF-USE ASSETS - LEASES	236,431	337,511
FIXED ASSETS		
Information Technology	2,995	2,995
Less: Accumulated Depreciation	2,995	2,995
Total Fixed Assets	-	-
Total Assets	$ 7,854,905	$ 4,243,744

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 290,286	$ 241,122
Grants Payable	-	440,000
Operating Lease Liabilities	102,324	101,915
Deferred Revenue:		
Deferred Dues Revenue	225,747	362,393
Deferred Grant Revenue	57,000	261,678
Total Current Liabilities	675,357	1,407,108
DEPOSIT LIABILITIES		
Deposits Held for Managed Networks	104,995	106,284
LONG-TERM LIABILITIES		
Notes Payable	-	12,366
Deferred Compensation	42,704	11,532
Operating Lease Liabilities, Net of Current Portion	131,299	236,143
Total Long-Term Liabilities	174,003	260,041
Total Liabilities	954,355	1,773,433
NET ASSETS		
Without Donor Restrictions		
Unrestricted	1,731,687	1,410,245
With Board Designations	3,223,160	-
Total Net Assets Without Donor Restrictions	4,954,847	1,410,245
With Donor Restrictions	1,945,703	1,060,066
Total Net Assets	6,900,550	2,470,311
Total Liabilities and Net Assets	$ 7,854,905	$ 4,243,744

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021					2020		
	Without Donor Restrictions	With Board Designations	Total Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, CONTRIBUTIONS, AND OTHER SUPPORT								
Membership Dues	$ 875,552	$ -	$ 875,552	$ -	$ 875,552	$ 957,804	$ -	$ 957,804
Events - Conferences and Training	155,904	-	155,904	-	155,904	205,338	-	205,338
Service Fees and Others	161,552	-	161,552	-	161,552	123,517	-	123,517
Investment Income	67,614	26,330	93,944	15,602	109,546	37,231	15,543	52,774
Contributions - ELCA	370,500	-	370,500	-	370,500	388,000	-	388,000
Contributions - LCMS	35,000	-	35,000	-	35,000	35,000	-	35,000
Contributions - Individuals and Organizations	424,225	30,000	454,225	250,000	704,225	258,248	-	258,248
Contributions - Other	-	3,166,830	3,166,830	-	3,166,830	-	-	-
Contributions - PPP Debt Forgiveness	14,589	-	14,589	-	14,589	234,959	-	234,959
Grants	-	-	-	3,156,678	3,156,678	-	2,004,231	2,004,231
Total	2,104,936	3,223,160	5,328,096	3,422,280	8,750,376	2,240,097	2,019,774	4,259,871
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	2,536,643	-	2,536,643	(2,536,643)	-	1,570,021	(1,570,021)	-
Total Revenues, Contributions, and Other Support	4,641,579	3,223,160	7,864,739	885,637	8,750,376	3,810,118	449,753	4,259,871
EXPENSES								
Program Services:								
Creating Member Solutions	3,019,330	-	3,019,330	-	3,019,330	2,264,220	-	2,264,220
Leadership Development and Convenings	108,808	-	108,808	-	108,808	220,004	-	220,004
Raising Visibility for Lutheran Social Ministry	242,822	-	242,822	-	242,822	200,159	-	200,159
LSA Advocacy/Public Policy	257,239	-	257,239	-	257,239	207,102	-	207,102
Total Program Services	3,628,199	-	3,628,199	-	3,628,199	2,891,485	-	2,891,485
Supporting Services:								
Management and General	496,645	-	496,645	-	496,645	500,212	-	500,212
Fundraising	195,293	-	195,293	-	195,293	215,744	-	215,744
Total Supporting Services	691,938	-	691,938	-	691,938	715,956	-	715,956
Total Expenses	4,320,137	-	4,320,137	-	4,320,137	3,607,441	-	3,607,441
CHANGES IN NET ASSETS	321,442	3,223,160	3,544,602	885,637	4,430,239	202,677	449,753	652,430
Net Assets - Beginning of Year	1,410,245	-	1,410,245	1,060,066	2,470,311	1,207,568	610,313	1,817,881
NET ASSETS - END OF YEAR	$ 1,731,687	$ 3,223,160	$ 4,954,847	$ 1,945,703	$ 6,900,550	$ 1,410,245	$ 1,060,066	$ 2,470,311

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

2021

	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	$ 826,203	$ 86,119	$ 104,048	$ 224,372	$ 1,240,742	$ 249,382	$ 162,372	$ 411,754	$ 1,652,496
Travel	1,588	-	-	-	1,588	589	-	589	2,177
Professional Services Purchased	454,494	3,340	114,992	-	572,826	174,236	12,214	186,450	759,276
Financial Expenses	414	1,066	-	-	1,480	19,174	350	19,524	21,004
Event - Facilities and Programs	7,416	5,062	-	-	12,478	2,000	-	2,000	14,478
Office and Related Expenses	-	-	-	-	-	122,916	-	122,916	122,916
External Communications	5,641	790	7,000	8,208	21,639	12,344	672	13,016	34,655
Printing and Mailing	223	1,390	5,014	-	6,627	6,627	623	7,250	13,877
Telecom and Information Technology	17,609	884	1,318	64	19,875	59,081	175	59,256	79,131
Programmatic Subgrants to Members	1,615,426	-	-	-	1,615,426	-	-	-	1,615,426
Other Expenses	198	1,090	65	-	1,353	1,853	1,495	3,348	4,701
Allocated	90,118	9,067	10,385	24,595	134,165	(151,557)	17,392	(134,165)	-
Total Expenses	$ 3,019,330	$ 108,808	$ 242,822	$ 257,239	$ 3,628,199	$ 496,645	$ 195,293	$ 691,938	$ 4,320,137

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

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 4,430,239	$ 652,430
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	(3,355)	271
Unrealized gain on investments	(63,308)	(12,431)
Donated Securities	(2,071,830)	-
Deferred Compensation	(31,172)	-
PPP Debt Forgiveness	(12,366)	(234,959)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable	(80,269)	39,007
Accounts Receivable	54,593	177,875
Prepaid Expenses	3,981	11,561
Accounts Payable and Accrued Expenses	49,164	34,687
Grants Payable	(440,000)	(54,000)
Deferred Compensation	31,172	11,532
Deposit Liabilities	(1,289)	17,187
Deferred Revenue:		
Dues Revenue	(136,646)	(70,752)
Grant Revenue	(204,678)	62,169
Net Cash Provided by Operating Activities	1,524,236	634,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,604)	(10,754)
Net Cash Used by Investing Activities	(1,604)	(10,754)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	247,325
Net Cash Provided by Financing Activities	-	247,325
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,522,632	871,148
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year *	2,466,188	1,595,040
CASH,CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR *	$ 3,988,820	$ 2,466,188

* 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 $3,223,160 and $-0- board-designated net assets at June 30, 2021 and 2020, respectively.

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 with donor restrictions at June 30, 2021 and 2020.

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, 2021 and 2020 that previously were classified as short-term or long-term.

Certificates of Deposit

The investment in certificates of deposit are with the Mission Investment Fund of the ELCA with original maturities from 1 to 4 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, 2021 and 2020.

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, 2021 and 2020.

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 $104,995 and $106,284 at June 30, 2021 and 2020, 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 the Organization's leases do not provide an implicit rate, the Organization has used a five-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.

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 are recognized in accordance with ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).* 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. Conditional promises to give are not recognized until the conditions and barriers on which they depend have been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 that 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)

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation. These reclassifications had no effect on previously reported net assets or changes therein.

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;
- 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.

NOTE 2 FAIR VALUE OF INVESTMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2021 and 2020.

Mutual Funds and Common Stocks — 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:

	2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 163,546	$ 42,704	$ -	$ 206,250
Common Stocks	2,095,719	-	-	2,095,719
Total	$ 2,259,265	$ 42,704	$ -	$ 2,301,969

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

Included in the market value totals above are $42,704 and $11,532 related to the 457(b) plan as of June 30, 2021 and 2020, respectively.

NOTE 3 PLEDGES RECEIVABLE

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

	2021	2020
Less Than One Year	$ 40,500	$ 231
One to Five Years	40,000	-
Total	$ 80,500	$ 231

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.

NOTE 4 MARGARET A. CARGILL PHILANTHROPIES GRANT (CONTINUED)

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.

In October 2020, the Organization received notification of a new grant from MACP to expand direct services to reach families in crisis through Children, Youth, and Families initiative. Beginning January 1, 2021, the grant provides a maximum of $4,250,000 in funding over three years with terms and conditions like those of the first two grants. The Organization received the first $1,650,000 in funding in December 2020 and recognized this amount as grant revenue in January 2021 upon the beginning of the first grant year

Recognizing that its review process may not be completed by the beginning of a grant year, in the past, MACP has 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 $-0- and $151,678 at June 30, 2021 and 2020, respectively. The Organization had subgrants with three other Lutheran organizations under the second grant and four under the third grant to conduct the major programmatic elements of the grant on behalf of the Organization. As of June 30, 2021 and 2020, $-0- and $440,000, respectively, of budget funding for the current grant year had not yet been disbursed to these subgrantees and is recorded as Grants Payable on the statements of financial position.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Creating Member Solutions:		
Margaret A. Cargill Philanthropies	$ 1,397,833	$ 868,262
Thrivent	180,905	-
The Annie E. Casey Foundation	108,228	-
OASIS	59,785	59,785
ELCA - LSCE	80,000	36,205
CTA Foundation	25,000	30,000
ELCA - LSEE	80,000	28,533
ELCA Community Development	7,303	13,053
Weinberg: Connect Home Program	-	12,385
AETNA Family Preservation Program	-	5,194
Total	1,939,054	1,053,417
Raising Visibility for Lutheran Social Ministry:		
Board Development	6,649	6,649
Total	6,649	6,649
Total	$ 1,945,703	$ 1,060,066

Donors typically do not provide specific time frames 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:

	2021	2020
Margaret A. Cargill Philanthropies	$ 2,087,709	$ 1,170,064
Retirement Research Foundation	110,000	-
Thrivent	69,095	-
UnitedHealthCare	50,000	-
Consumer Technology Association Foundation	30,000	-
Weinberg: Connect Home Program	12,385	212,615
ELCA - LSCE	36,205	46,094
ELCA - LSEE	28,533	92,905
Annie E. Casey Foundation	91,772	20,000
AETNA Family Preservation Program	5,194	14,806
Twin Lakes Berg Memorial Fund	10,000	10,000
SMO Capacity Building	-	2,858
Board Development	-	679
ELCA: Community Development	5,750	-
Total	$ 2,536,643	$ 1,570,021

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS (CONTINUED)

Of these assets, $2,526,643 was used to fund Creating Member Solutions program, and $10,000 was used to fund Leadership Development and Convenings programs.

NOTE 7 BOARD-DESIGNATED FUNDS

At its April 2021 meeting, the board of directors created two board-designated funds, which are included within Net Assets Without Donor Restriction on the statement of financial position and statement of activities:

Strategic Investment Fund — To provide a reserve available to make investments in infrastructure to support the organization, pursue new business or partnership opportunities, or otherwise use the funding to advance the mission and sustainability of the organization.

Quasi-Endowment Fund — To provide ongoing support for the annual budget.

At June 30, net assets with board designations were:

	2021	2020
Strategic Investment Fund	$ 2,095,735	$ -
Quasi-Endowment Fund	1,127,425	-
Total Board-Designated Funds	$ 3,223,160	$ -

NOTE 8 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.

Total rent expense, including all leases, for the years ended June 30, 2021 and 2020 was $117,927 and $121,119, respectively.

The Organization made $105,384 in cash payments for the years ended June 30, 2021 and 2020.

The weighted-average term remaining on the operating leases as of June 30, 2021 is 2.25 years, and the weighted-average discount rate is 2.73%.

NOTE 8 LEASE COMMITMENTS (CONTINUED)

Future minimum rental payments required under noncancellable operating leases having initial or remaining lease terms in excess of one year at June 30, 2021 are as follows:

Year Ended June 30,	Amount
2022	$ 113,983
2023	118,543
2024	30,821
Total	263,347
Less: Present Value Discount	(29,724)
Total Lease Liability	$ 233,623

NOTE 9 RETIREMENT PLAN

The Organization has established a 403(b) retirement plan (the 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, 2021. All contributions to the Plan are 100% vested immediately. The Organization recorded employer match expenses of $42,673 and $44,200 for the years ended June 30, 2021 and 2020, 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 10 PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In April 2020, the Organization received a $247,325 note payable from the U.S. Small Business Administration (SBA) 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.

In March 2021, the SBA notified the Organization that it was forgiving in full the note payable and accrued interest of $2,222 for a total of $249,547. Recognizing the high probably of full forgiveness of its note payable, at June 30, 2020, the Organization recognized $234,959 as revenue from forgiveness. For the year ended June 30, 2021, the Organization recognized the remaining $14,589 as forgiveness revenue It also recognized $2,200 in interest expense for the interest that was ultimately forgiven.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 11 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 $303,459 and $525,404 at June 30, 2021 and 2020, 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, 2021 and 2020, amounted to $4,854,858 and $3,116,780, respectively.

NOTE 12 CONCENTRATION OF REVENUE

Contributions to the Organization from ELCA and LCMS accounted for 6% of total revenues in 2021 and 14% of revenue in 2020.

NOTE 13 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 13 LIQUIDITY (CONTINUED)

	2021	2020
Targeted Reserve	$ 1,118,050	$ 1,093,764
Actual Liquidity - June 30	$ 2,856,324	$ 1,938,558

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:

Total Assets - June 30	$ 7,854,905	$ 4,243,744
Less:		
Prepaid Expenses	35,663	39,644
Mutual Funds and Common Stocks *	2,259,265	134,055
Deferred Compensation Assets	42,704	11,532
Right-of-Use Asset	236,431	337,511
Cash Held for Networks	104,995	106,284
Net Assets with Donor Restrictions	1,945,703	1,060,066
Financial Assets not Subject to Donor Restrictions	$ 3,190,144	$ 2,554,652

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

The total expense budget for fiscal year 2022 as adopted by the board of directors is $4,810,800, including expenses budgeted to be funded by restricted contributions and grants. This budget includes $1,264,800 in regranting expenses that are dependent on the grants to which they relate. Excluding regranting expenses, the fiscal year 2022 budget totals $3,546,000.

NOTE 14 IMPACT OF COVID-19

The Organization's operations were 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 effects on its operations at least through 2022, to include the manner in which it conducts programs. It also recognizes the continued strains of the pandemic on its members could affect some in their ability to provide financial support to the Organization through dues and other means. Management believes the Organization is taking appropriate actions to mitigate the resulting negative impacts.

NOTE 15 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 health care 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 16 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 6, 2021, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to October 6, 2021 that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, 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, 2021.