LUTHERAN SERVICES IN AMERICA, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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.

Board of Directors
Lutheran Services in America, Incorporated

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, 2019 and 2018, 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

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance contained in Accounting Standards Update (ASU) 2016-14, *Leases*. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 3, 2019

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 503,157	$ 696,155
Short-Term Certificates of Deposit	650,000	650,000
Pledges Receivable	39,238	53,716
Accounts Receivable	293,990	22,379
Prepaid Expenses	51,205	47,854
Total Current Assets	1,537,590	1,470,104
ASSETS LIMITED AS TO USE		
Cash Held for Managed Networks	89,097	84,952
Restricted Cash Held for Grant	1,002,786	228,738
Total Assets Limited as to Use	1,091,883	313,690
INVESTMENTS		
Long-Term Certificates of Deposit	500,000	500,000
Mutual Funds	110,870	103,986
Total Investments	610,870	603,986
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	-	36,361
RIGHT-OF-USE ASSETS - LEASES	435,575	-
FIXED ASSETS		
Information Technology	2,995	15,495
Less: Accumulated Depreciation	2,995	15,495
Total Fixed Assets	-	-
Total Assets	$ 3,675,918	$ 2,424,141
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 206,435	$ 168,885
Grants Payable	494,000	101,055
Operating Lease Liabilities	93,639	-
Deferred Revenue:		
Deferred Dues Revenue	433,145	274,823
Deferred Grant Revenue	199,509	-
Total Current Liabilities	1,426,728	544,763
DEPOSIT LIABILITIES		
Deposits Held for Managed Networks	89,097	84,952
LONG-TERM LIABILITIES		
Operating Lease Liabilities, Net of Current Portion	342,212	-
Total Liabilities	1,858,037	629,715
NET ASSETS		
Without Donor Restrictions	1,207,568	1,504,959
With Donor Restrictions	610,313	289,467
Total Net Assets	1,817,881	1,794,426
Total Liabilities and Net Assets	$ 3,675,918	$ 2,424,141

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, CONTRIBUTIONS, AND OTHER SUPPORT						
Membership Dues	$ 955,010	$ -	$ 955,010	$ 925,528	$ -	$ 925,528
Events - Conferences and Training	379,530	-	379,530	343,041	-	343,041
Service Fees and Others	362,338	-	362,338	346,332	-	346,332
Investment Income	29,996	10,269	40,265	26,670	5,914	32,584
Contributions - ELCA	410,000	-	410,000	403,000	-	403,000
Contributions - LCMS	35,000	-	35,000	35,000	-	35,000
Contributions - Other	164,104	-	164,104	177,063	17,635	194,698
Grants	-	1,715,491	1,715,491	-	1,385,790	1,385,790
Total	2,335,978	1,725,760	4,061,738	2,256,634	1,409,339	3,665,973
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	1,404,914	(1,404,914)	-	1,283,437	(1,283,437)	-
Total Revenues, Contributions, and Other Support	3,740,892	320,846	4,061,738	3,540,071	125,902	3,665,973
EXPENSES						
Program Services:						
Creating Member Solutions	2,285,164	-	2,285,164	1,782,868	-	1,782,868
Leadership Development and Convenings	654,131	-	654,131	576,036	-	576,036
Raising Visibility for Lutheran Social Ministry	156,326	-	156,326	132,715	-	132,715
LSA Advocacy/Public Policy	183,553	-	183,553	268,768	-	268,768
Total Program Services	3,279,174	-	3,279,174	2,760,387	-	2,760,387
Supporting Services:						
Management and General	544,209	-	544,209	513,686	-	513,686
Fundraising	214,900	-	214,900	219,012	-	219,012
Total Supporting Services	759,109	-	759,109	732,698	-	732,698
Total Expenses	4,038,283	-	4,038,283	3,493,085	-	3,493,085
CHANGES IN NET ASSETS	(297,391)	320,846	23,455	46,986	125,902	172,888
Net Assets - Beginning of Year	1,504,959	289,467	1,794,426	1,457,973	163,565	1,621,538
NET ASSETS - END OF YEAR	$ 1,207,568	$ 610,313	$ 1,817,881	$ 1,504,959	$ 289,467	$ 1,794,426

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

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

2018

	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	$ 527,171	$ 241,790	$ 100,239	$ 226,773	$ 1,095,973	$ 233,631	$ 168,570	$ 402,201	$ 1,498,174
Travel	38,379	28,096	2,324	9,732	78,531	36,749	1,317	38,066	116,597
Professional Services Purchased	274,458	16,025	21	-	290,504	155,823	19,776	175,599	466,103
Financial Expenses	270	4,696	-	-	4,966	14,442	137	14,579	19,545
Event - Facilities and Programs	6,036	245,106	-	1,168	252,310	278	-	278	252,588
Office and Related Expenses	200	528	170	-	898	126,725	171	126,896	127,794
External Communications	10,108	1,971	15,995	3,021	31,095	15,784	207	15,991	47,086
Printing and Mailing	44	11,365	-	-	11,409	3,949	6,084	10,033	21,442
Telecom and Information					-				
Technology	17,240	-	604	-	17,844	58,906	3,995	62,901	80,745
Programmatic Subgrants to Members	834,340	-	-	2,350	836,690	-	-	-	836,690
Other Expenses	19,891	1,176	3,273	136	24,476	405	1,440	1,845	26,321
Allocated	54,731	25,283	10,089	25,588	115,691	(133,006)	17,315	(115,691)	-
Total Expenses	$ 1,782,868	$ 576,036	$ 132,715	$ 268,768	$ 2,760,387	$ 513,686	$ 219,012	$ 732,698	$ 3,493,085

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 23,455	$ 172,888
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	276	2,499
Unrealized gain on investments	(6,884)	(3,986)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable	50,839	923
Accounts Receivable	(271,611)	2,532
Prepaid Expenses	(3,351)	(28,705)
Accounts Payable and Accrued Expenses	37,550	(52,940)
Grants Payable	392,945	(215,507)
Deferred Revenue:		
Dues Revenue	158,322	68,440
Grant Revenue	199,509	(276,949)
Net Cash Provided (Used) by Operating Activities	581,050	(330,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(100,000)
Net Change in Restricted Cash	(774,048)	466,666
Net Cash Provided (Used) by Investing Activities	(774,048)	366,666
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for Abandonment of Lease	-	(17,688)
Net Cash Provided (Used) by Financing Activities	-	(17,688)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(192,998)	18,173
Cash and Cash Equivalents - Beginning of Year	696,155	677,982
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 503,157	$ 696,155

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, which the Organization elected to adopt for its fiscal year ended June 30, 2018. 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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018.

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 $89,097 and $84,952 at June 30, 2019 and 2018, 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, *Lease*, 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 cancelled at the time of authorized action.

Revenue Recognition

Membership dues, event revenue, service fees, and other contributions 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 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs (Continued)

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.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation.

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

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Organization has implemented ASU 2016-02 and has adjusted the presentation in these financial statements accordingly. All changes have been applied retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Organization did not reassess the lease classification for existing leases, as permitted by practical expedients to the application of the standard.

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.

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2019 and 2018.

Mutual Funds — Valued using identical 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:

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

	2018		
	Level 1	Level 2	Level 3
Mutual Funds	$ 103,986	$ -	$ -

NOTE 3 PLEDGES RECEIVABLE

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

	2019	2018
Less Than One Year	$ 39,238	$ 53,716
One to Five Years	-	36,361
Total	$ 39,238	$ 90,077

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.

NOTE 4 MARGARET A. CARGILL PHILANTHROPIES GRANT (CONTINUED)

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 $199,509 and $-0- at June 30, 2019 and 2018, 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, 2019 and 2018, $494,000 and $101,055, 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.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Creating Member Solutions:		
Weinberg: Connect Home Program	$ 225,000	$ 149,651
OASIS	59,785	59,786
ELCA - LSCE: Vulnerable Children and Youth	2,299	45,186
ELCA - LSEE: Low-Income and Vulnerable Seniors	41,439	-
Margaret A. Cargill Philanthropies	268,552	19,158
ELCA Community Development	3,053	3,053
Total	600,128	276,834
Raising Visibility for Lutheran Social Ministry:		
Social Ministry Organization Capacity Building	2,858	4,709
Board Development	7,327	7,924
Total	10,185	12,633
Total	$ 610,313	$ 289,467

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:

	2019	2018
Margaret A. Cargill Philanthropies	$ 1,061,366	$ 906,794
Weinberg: Connect Home Program	149,651	75,349
ELCA - LSCE: Vulnerable Children and Youth	77,701	-
ELCA - LSEE: Low-Income and Vulnerable Seniors	38,561	-
Annie E. Casey Foundation	20,000	102,453
Twin Lakes Berg Memorial Fund	10,000	10,250
SMO Capacity Building	1,852	16,010
Board Development	596	2,856
ELCA: Innovative Care Models	-	60,000
ELCA: Foster Care Crisis	45,187	34,814
LSCE: Children Youth & Family & RBLI	-	33,061
ELCA: Home & Community Support	-	23,019
Lutheran Services Florida - Hurricane Irma	-	15,285
Disaster Assistance	-	2,350
ELCA: Reformation	-	1,196
Total	$ 1,404,914	$ 1,283,437

Of these assets, $1,392,466 was used to fund Creating Member Solutions program, $2,448 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. The lease provided for base monthly rentals of $7,942 through June 30, 2018, and was subject to annual escalation provisions. 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, 2019 and 2018 was $122,377 and $109,258, respectively.

NOTE 7 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, 2019 are as follows:

For the Year Ended	Amount
2020	$ 105,384
2021	109,599
2022	113,983
2023	118,543
2024	30,821
Total	478,330
Less: Present Value Discount	(42,479)
Total Lease Liability	$ 435,851

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, 2019. All contributions to the Plan are 100% vested immediately. The Organization recorded employer match expenses of $36,164 and $33,686 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 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 $450,951 and $364,618 at June 30, 2019 and 2018, 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, 2019 and 2018 amount to $2,501,656 and $1,954,357, respectively.

NOTE 10 CONCENTRATION OF REVENUE

Contributions to the Organization from ELCA and LCMS accounted for 15% of total revenues in 2019 and 14% of revenue in 2018.

NOTE 11 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 grant-funded activities. 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:

	2019	2018
Targeted Reserve	$ 1,130,000	$ 1,124,250
Actual Liquidity - June 30	$ 1,603,157	$ 1,846,155

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, 2019	$ 3,675,918	$ 2,424,141
Less:		
Fixed Assets (Net)	-	-
Prepaid Expenses	51,205	47,854
Pledges Receivable, Net of Current Portion	-	36,361
Mutual Funds	110,870 *	103,986
Cash Held for Networks	89,097	84,952
Financial Assets - June 30, 2019	$ 3,424,746	$ 2,150,988

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

The total expense budget for fiscal year 2020 as adopted by the board of directors is $4,420,700, including expenses funded by restricted contributions and grants. This budget includes $880,000 in regranting expenses that are dependent upon the receipt of new grants. Excluding regranting expenses, the fiscal year 2020 budget totals $3,540,700.

NOTE 12 LUTHERAN CONNECTION, INC.

LSA Senior Connect is an initiative run by the Organization since 2017. Fiscal year 2019 revenue and expenses for this program were each $217,000. All revenue came from contributions from the member charities who participate 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, and it will maintain its own books and records.

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 3, 2019, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to October 3, 2019 that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, 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, 2019.