LUTHERAN SERVICES IN AMERICA, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

LUTHERAN SERVICES IN AMERICA, INCORPORATED
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of financial position of Lutheran Services in America, Incorporated (the Organization), as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors
Lutheran Services in America, Incorporated

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 10, 2023

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,028,753	$ 2,109,252
Short-Term Certificates of Deposit	650,000	650,000
Pledges Receivable	8,500	25,450
Accounts Receivable	151,457	58,417
Prepaid Expenses	29,626	46,482
Total Current Assets	2,868,336	2,889,601
ASSETS LIMITED AS TO USE		
Cash Held for Managed Networks	119,326	130,459
Restricted Cash Held for Grant	2,663,626	3,444,417
Total Assets Limited as to Use	2,782,952	3,574,876
INVESTMENTS		
Long-Term Certificates of Deposit	500,000	500,000
Mutual Funds	2,505,705	2,306,171
Deferred Compensation Assets	47,323	69,324
Total Investments	3,053,028	2,875,495
RIGHT-OF-USE ASSETS - LEASES	27,231	133,397
FIXED ASSETS		
Information Technology	2,995	2,995
Less: Accumulated Depreciation	2,995	2,995
Total Fixed Assets	-	-
Total Assets	$ 8,731,547	$ 9,473,369

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023 AND 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 408,008	$ 206,082
Operating Lease Liabilities	16,397	108,011
Deferred Dues Revenue	350,621	602,535
Total Current Liabilities	775,026	916,628
DEPOSIT LIABILITIES		
Deposits Held for Managed Networks	119,326	130,459
LONG-TERM LIABILITIES		
Deferred Compensation	47,323	69,065
Operating Lease Liabilities, Net of Current Portion	-	22,896
Total Long-Term Liabilities	47,323	91,961
Total Liabilities	941,675	1,139,048
NET ASSETS		
Without Donor Restrictions:		
Unrestricted	1,991,509	1,842,803
With Board Designations	2,845,189	2,738,930
Total Net Assets Without Donor Restrictions	4,836,698	4,581,733
With Donor Restrictions	2,953,174	3,752,588
Total Net Assets	7,789,872	8,334,321
Total Liabilities and Net Assets	$ 8,731,547	$ 9,473,369

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023					2022				
	Without Donor Restrictions	With Board Designations	Total Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Board Designations	Total Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, CONTRIBUTIONS, AND OTHER SUPPORT										
Membership Dues	$ 905,157	$ -	$ 905,157	$ -	$ 905,157	$ 876,750	$ -	$ 876,750	$ -	$ 876,750
Events - Conferences and Training	267,532	-	267,532	-	267,532	184,275	-	184,275	-	184,275
Service Fees and Others	190,911	-	190,911	-	190,911	113,954	-	113,954	-	113,954
Interest and Dividend Income	37,163	166,111	203,274	41,351	244,625	21,107	43,606	64,713	16,625	81,338
Realized and Unrealized Gain (Loss)	8,751	124,290	133,041	-	133,041	(20,638)	(433,442)	(454,080)	-	(454,080)
Contributions - ELCA	346,000	-	346,000	-	346,000	346,000	-	346,000	-	346,000
Contributions - LCMS	35,000	-	35,000	-	35,000	35,000	-	35,000	-	35,000
Contributions - Individuals and Organizations	318,185	-	318,185	-	318,185	268,201	-	268,201	-	268,201
Contributions - Other	-	-	-	-	-	-	44,730	44,730	-	44,730
Grants	-	-	-	3,364,000	3,364,000	-	-	-	4,449,025	4,449,025
Total	2,108,699	290,401	2,399,100	3,405,351	5,804,451	1,824,649	(345,106)	1,479,543	4,465,650	5,945,193
Net Assets Released from Restrictions:										
Satisfaction of Board Designations	184,142	(184,142)	-	-	-	139,124	(139,124)	-	-	-
Satisfaction of Fundraising Restrictions	42,536	-	42,536	(42,536)	-	138,369	-	138,369	(138,369)	-
Satisfaction of Program Restrictions	4,162,229	-	4,162,229	(4,162,229)	-	2,520,396	-	2,520,396	(2,520,396)	-
Total Revenues, Contributions, and Other Support	6,497,606	106,259	6,603,865	(799,414)	5,804,451	4,622,538	(484,230)	4,138,308	1,806,885	5,945,193
EXPENSES										
Program Services:										
Creating Member Solutions	4,608,453	-	4,608,453	-	4,608,453	2,944,076	-	2,944,076	-	2,944,076
Leadership Development and Convenings	308,758	-	308,758	-	308,758	183,879	-	183,879	-	183,879
Raising Visibility for Lutheran Social Ministry	288,827	-	288,827	-	288,827	444,458	-	444,458	-	444,458
LSA Advocacy/Public Policy	223,527	-	223,527	-	223,527	184,255	-	184,255	-	184,255
Total Program Services	5,429,565	-	5,429,565	-	5,429,565	3,756,668	-	3,756,668	-	3,756,668
Supporting Services:										
Management and General	659,738	-	659,738	-	659,738	531,446	-	531,446	-	531,446
Fundraising	259,597	-	259,597	-	259,597	223,308	-	223,308	-	223,308
Total Supporting Services	919,335	-	919,335	-	919,335	754,754	-	754,754	-	754,754
Total Expenses	6,348,900	-	6,348,900	-	6,348,900	4,511,422	-	4,511,422	-	4,511,422
CHANGES IN NET ASSETS	148,706	106,259	254,965	(799,414)	(544,449)	111,116	(484,230)	(373,114)	1,806,885	1,433,771
Net Assets - Beginning of Year	1,842,803	2,738,930	4,581,733	3,752,588	8,334,321	1,731,687	3,223,160	4,954,847	1,945,703	6,900,550
NET ASSETS - END OF YEAR	$ 1,991,509	$ 2,845,189	$ 4,836,698	$ 2,953,174	$ 7,789,872	$ 1,842,803	$ 2,738,930	$ 4,581,733	$ 3,752,588	$ 8,334,321

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	2023								
	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	$ 968,472	$ 116,718	$ 230,707	$ 197,579	$ 1,513,476	$ 279,794	$ 190,831	$ 470,625	$ 1,984,101
Travel	83,025	4,306	532	311	88,174	40,982	4,145	45,127	133,301
Professional Services Purchased	745,395	3,100	20,700	-	769,195	280,483	39,612	320,095	1,089,290
Financial Expenses	-	4,725	-	-	4,725	19,889	1,631	21,520	26,245
Event - Facilities and Programs	4,550	156,953	-	-	161,503	-	-	-	161,503
Office and Related Expenses	11	668	-	-	679	122,551	-	122,551	123,230
External Communications	27,467	551	10,915	5,283	44,216	15,676	497	16,173	60,389
Printing and Mailing	247	9,960	647	-	10,854	2,954	402	3,356	14,210
Telecom and Information Technology	19,872	102	2,279	-	22,253	67,537	-	67,537	89,790
Programmatic Subgrants to Members	2,661,611	-	-	-	2,661,611	-	-	-	2,661,611
Other Expenses	915	-	374	-	1,289	930	3,011	3,941	5,230
Allocated	96,888	11,675	22,673	20,354	151,590	(171,058)	19,468	(151,590)	-
Total Expenses	$ 4,608,453	$ 308,758	$ 288,827	$ 223,527	$ 5,429,565	$ 659,738	$ 259,597	$ 919,335	$ 6,348,900

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	2022								
	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	$ 854,252	$ 68,158	$ 183,595	$ 156,980	$ 1,262,985	$ 255,888	$ 184,586	$ 440,474	$ 1,703,459
Travel	18,609	3,110	171	-	21,890	9,852	525	10,377	32,267
Professional Services Purchased	559,309	3,155	224,815	-	787,279	182,851	11,476	194,327	981,606
Financial Expenses	-	4,523	-	-	4,523	17,305	143	17,448	21,971
Event - Facilities and Programs	6,500	94,670	-	-	101,170	-	-	-	101,170
Office and Related Expenses	-	-	-	-	-	122,547	9	122,556	122,556
External Communications	2,832	690	10,968	9,428	23,918	16,951	4,307	21,258	45,176
Printing and Mailing	34	818	671	-	1,523	7,560	396	7,956	9,479
Telecom and Information Technology	18,161	948	1,132	-	20,241	82,116	-	82,116	102,357
Programmatic Subgrants to Members	1,385,556	-	-	-	1,385,556	-	-	-	1,385,556
Other Expenses	2,195	-	-	-	2,195	2,524	1,106	3,630	5,825
Allocated	96,628	7,807	23,106	17,847	145,388	(166,148)	20,760	(145,388)	-
Total Expenses	$ 2,944,076	$ 183,879	$ 444,458	$ 184,255	$ 3,756,668	$ 531,446	$ 223,308	$ 754,754	$ 4,511,422

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (544,449)	$ 1,433,771
Adjustments to Reconcile Change in Net Assets to Net Cash (Used)/Provided by Operating Activities:		
Realized and Unrealized (Gain) Loss on Investments	(133,041)	454,052
Deferred Compensation	22,001	(26,620)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable	16,950	55,050
Accounts Receivable	(93,040)	3,105
Prepaid Expenses	16,856	(10,819)
Accounts Payable and Accrued Expenses	193,582	(83,886)
Deferred Compensation	(21,742)	26,361
Deposit Liabilities	(11,133)	25,464
Deferred Revenue:		
Dues Revenue	(251,914)	376,788
Grant Revenue	-	(57,000)
Net Cash Provided (Used) by Operating Activities	(805,930)	2,196,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(66,493)	(500,958)
Net Cash Used by Investing Activities	(66,493)	(500,958)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(872,423)	1,695,308
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year *	5,684,128	3,988,820
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR *	$ 4,811,705	$ 5,684,128

* 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, with combined revenue of $23 billion. 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, as amended by Accounting Standards Update (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 $2,845,189 and $2,738,930 in board-designated net assets at June 30, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022 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, 2023 and 2022.

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, 2023 and 2022.

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 $119,326 and $130,459 at June 30, 2023 and 2022, 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 $3,000 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. There were no grants payable as of June 30, 2023 and 2022.

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 champions Lutheran social ministry by building valuable connections, amplifying their voice and empowering its members in their mission to answer God's call to love and care for our neighbor. By telling a clear and compelling story through a unified voice, the Organization leads a network of 300 connected, strong and thriving Lutheran social ministries and raises critical issues, programs and the positive impact on the one in 50 people in America they reach each year.

Creating Member Solutions: The Organization creates the environment for its national network to learn, grow and thrive and to transform the lives of people and communities across the country. The Organization leverages the power and knowledge of its network in ways that strengthen community leaders, build capacity and foster learning and accountability. The Organization convenes its network members to sustain and expand their valued services by establishing national partnerships with philanthropy, academia, healthcare, and others to address the most critical challenges people face today. And, the Organization leads learning collaboratives to bring together members with shared challenges and opportunities to craft innovative solutions that advance a healthier, more equitable future for children, youth and families, people with disabilities, older adults and others experiencing need.

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. The Organization mobilizes its network through collaborations with outside experts from the worlds of academia, philanthropy, healthcare, and the private sector. Working with its members and strategic partners, the Organization stimulates thinking and action on complex, challenging issues affecting people across the country. Through its collaborations, the Organization leads programs to support communities and empower people to lead their best lives.

Advocacy and Public Policy: The Organization amplifies the faith-based voice of its $23 billion network through advocacy on policy matters affecting children, families, older adults, people with disabilities, veterans, refugees and others experiencing need in the United States. The Organization's advocacy campaigns mobilize its network members to urge their Congressional representatives to support policies and funding to improve equitable outcomes, enhance the health and well-being of people in America and strengthen the nonprofit sector. The Organization is a trusted resource for legislators and their teams and 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 OF INVESTMENTS (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, 2023 and 2022.

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:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 2,505,705	$ 47,323	$ -	$ 2,553,028
Total	$ 2,505,705	$ 47,323	$ -	$ 2,553,028

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 2,306,171	$ 69,324	$ -	$ 2,375,495
Total	$ 2,306,171	$ 69,324	$ -	$ 2,375,495

Included in the market value totals above are $47,323 and $69,324 related to the 457(b) plan as of June 30, 2023 and 2022, respectively.

NOTE 3 PLEDGES RECEIVABLE

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

	2023	2022
Less Than One Year	$ 8,500	$ 25,450
Total	$ 8,500	$ 25,450

NOTE 4 MARGARET A. CARGILL PHILANTHROPIES GRANTS

In October 2020, the Organization received notification of a 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. 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. 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. The Organization received the second year's funding of $1,650,000 in November 2021 and recognized this amount during the year ended June 30, 2022 upon meeting the grant conditions. The Organization received the third year's funding of $950,000 in November 2022 and recognized this amount during the year ended June 30, 2023 upon meeting the grant conditions.

In November 2021, the Organization received notification of a phase 3 grant from MACP to expand direct services to address gaps in care for underserved and isolated older adults in rural communities. Beginning January 1, 2022, the grant provides a maximum of $4,800,000 in funding over three years with terms and conditions like those of the first three grants. The Organization received the first $2,490,000 in funding in December 2021 and recognized this amount as grant revenue in January 2022 upon the beginning of the first grant year. The Organization received the second year's funding of $1,310,000 in October 2022 and recognized this amount as grant revenue during the year ended June 30, 2023 upon meeting the grant conditions.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Creating Member Solutions:		
Margaret A. Cargill Philanthropies	$ 2,153,414	$ 3,424,885
ELCA - RIL Transformation	425,137	-
Weinberg: Connect Home Program	129,838	201,132
ELCA - LSCE	80,000	-
ELCA - LSEE	80,000	-
OASIS	59,785	59,785
Thrivent	-	42,536
CTA Foundation	24,000	20,000
ELCA Community Development	1,000	4,250
Total	$ 2,953,174	$ 3,752,588

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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:

	2023	2022
Margaret A. Cargill Philanthropies	$ 3,572,821	$ 2,129,573
Weinberg: Connect Home Program	321,295	98,868
ELCA - LSCE	80,000	80,000
ELCA - LSEE	80,000	80,000
ELCA - RIL Transformation	74,863	-
Thrivent	42,536	138,369
We Raise Foundation	-	45,000
Annie E. Casey Foundation	-	42,253
Consumer Technology Association Foundation	20,000	25,000
Twin Lakes Berg Memorial Fund	10,000	10,000
Board Development	-	6,649
ELCA: Community Development	3,250	3,053
Total	$ 4,204,765	$ 2,658,765

Of these assets, $4,194,765 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.

NOTE 7 BOARD-DESIGNATED FUNDS (CONTINUED)

At June 30, net assets with board designations were:

	2023	2022
Strategic Investment Fund	$ 2,344,236	$ 2,161,774
Quasi-Endowment Fund	500,953	577,156
Total Board-Designated Funds	$ 2,845,189	$ 2,738,930

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 again 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, 2023 and 2022 was $116,968 and $116,779, respectively.

The Organization made $108,664 and $105,384 in cash payments for the years ended June 30, 2023 and 2022, respectively.

The weighted-average term remaining on the operating leases as of June 30, 2023 is 0.25 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, 2023 are as follows:

Year Ended June 30,	Amount
2024	$ 20,547
Total	20,547
Less: Present Value Discount	(4,150)
Total Lease Liability	$ 16,397

The Organization amended the lease a third time in September 2023 to extend the term for an additional 65 months through February 2029. The amended lease provides for base monthly rent of $11,591, subject to annual escalation provisions.

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, 2023. All contributions to the Plan are 100% vested immediately. The Organization recorded employer match expenses of $41,304 and $38,399 for the years ended June 30, 2023 and 2022, 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 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 $25,771 and $807,039 at June 30, 2023 and 2022, 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, 2023 and 2022, amounted to $4,863,614 and $6,072,391, respectively.

NOTE 11 CONCENTRATION OF REVENUE

The Organization recognized grant revenue of $2,260,000 and $4,140,000 during the years ended June 30, 2023 and 2022, respectively, from MACP, as described in Note 4. This represented 39% of total revenue in 2023 and 70% of revenue in 2022. As provided by the grants, the Organization would make subgrants to members totaling $1,594,566 of 2023 MACP revenue and $3,040,822 of 2022 MACP revenue. The remainder of the MACP grants are primarily spent on consulting, training, and personnel costs.

Additionally, contributions to the Organization from ELCA accounted for 20% and 6% of total revenues in 2023 and 2022, respectively.

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 current 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:

	2023	2022
Targeted Reserve	$ 1,210,400	$ 1,025,833
Actual Liquidity - June 30	$ 3,178,753	$ 3,259,252

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:

	2023	2022
Total Assets - June 30	$ 8,731,547	$ 9,473,369
Less:		
Prepaid Expenses	29,626	46,482
Mutual Funds *	2,505,705	2,306,171
Deferred Compensation Assets	47,323	69,324
Right-of-Use Asset	27,231	133,397
Cash Held for Managed Networks	119,326	130,459
Net Assets With Donor Restrictions	2,953,174	3,752,588
Financial AssetsWithout Donor Restrictions	$ 3,049,162	$ 3,034,948

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

NOTE 13 LUTHERAN CONNECTION, INC.

From 2017 through June 30, 2019, the Organization operated 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 14 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 10, 2023, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2023, but prior to October 10, 2023 that provided additional evidence about conditions that existed at June 30, 2023, have been recognized in the financial statements for the year ended June 30, 2023. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023, 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, 2023.