Lutheran Services in America, Incorporated
Finance Committee
Minutes of January 27, 2016 Meeting

Attending:	Brian Hofland (chair), Melody Eastman, Donald Fondow
Not Present:	Kurt Kusserow, Christie Hinrichs
Invited Guests:	David Swartling, Phyllis Anderson, David Fenoglietto, Bruce Kintz, Charlotte Haberaecker, Stanley Berman, Mary Koster

CALL TO ORDER
Mr. Hofland called the meeting to order at 11:06 a.m.

APPROVAL OF MINUTES
Mr. Hofland asked if there was a motion to approve the Minutes of the August 19, 2015 Finance Committee meeting. Pastor Eastman made the motion to approve the Minutes seconded by Rev. Dr. Fondow. The motion passed.

DISCUSSION OF LSA FINANCIAL STATEMENTS/RELATIONSHIP OF FINANCE TO MISSION
Ms. Haberaecker led a discussion of LSA finances, including an overview of its major revenue sources and financial statements and how they relate to LSA achieving its mission. Ms. Haberaecker noted that the church bodies were the major source of LSA funding in the past and the largest source of funding through FY 2012. However, church funding significantly dropped starting in FY 2013 and shortly after she joined LSA, she shared with the Board that LSA did not have a sustainable long term business model. At the January 2013 LSA Board meeting, the Board made the decision to invest in LSA to build its capacity so it could continue to be the connector of Lutheran social ministry. The Board also approved a multi-year plan that involved use of some reserves to build the capacity of LSA to turn the organization around.

Ms. Haberaecker reviewed a comparison of FY 2012 actual revenue sources to FY 2016 projected revenue sources. She noted that church funding fell from 30% to 16% of total revenues while grant funding, which is restricted, rose from 10% to 31%. Revenue from members has held steady at 30%, but because projected FY 2016 revenue is greater than FY 2012 revenue, the amount generated will increase by $255,000. Likewise, Event revenue held steady at 13% of total revenue but will actually grow by $110,000 during the period. In total, unrestricted revenue fell from almost two-thirds of LSA's revenue in FY 2012 to about 50% in FY 2016. This is significant in reducing the flexibility that LSA has in achieving its mission. For example, LSA cannot use restricted funding from the Margaret A. Cargill Foundation (MACF) to produce its CEO Academy, where it brings new member CEOs into Lutheran social ministry and strengthens member organizations, plan the Annual Conference, or work with members in its communities of practice.

In response to a question from Ms. Vasquez, Ms. Haberaecker noted that without including the MACF grant in FY 2016, support from the church bodies would fall to 20% of total FY 2016 projected revenue while member dues would rise to 38% of total FY 2016 revenue. Ms. Haberaecker pointed out that most grants in the past were church related, so the MACF grant represented an important step towards achieving the goal of being able to attract major funding to sustain the LSA network.

Ms. Haberaecker reviewed the November 30, 2015 financial statements. She highlighted that the total revenue from individuals' three-year pledges to the LSA 20-500 Fund were recorded as revenue in the year the pledge was made. However, because members considered support of the Fund to be similar to their annual voluntary dues payments, LSA 20-500 Fund support from members was recorded as revenue when the payment is received.

Ms. Haberaecker stated that of the $400,000 in projected Events revenue, about $230,000 is expected to be sponsorship revenue, including sponsors and exhibitors at events. Royalty and other revenue included $30,000 from LSA's former law firm and a voluntary reimbursement of a portion of the expenses incurred to update LSA's tax exempt status. The Berg Foundation grant, received for many years from Twin Lakes Communities, has been an important source of funds used to defray the expenses of new CEOs attending the CEO Academy. However, Twin Lakes notified LSA several years ago that they planned to gradually reduce their grant from $50,000 in past years to $30,000 this year and $10,000 in future years.

In response to a question from Mr. Hofland, Ms. Haberaecker stated that in her benchmark research, there was no one organization that LSA could directly model going forward, but there were examples of activities being performed and business models used by various other organizations that LSA could learn from. In reviewing other membership organizations, those that relied primarily on member dues and event revenue tended to be in decline. She noted that this is a major reason for the formation of the advisory group, to provide a venue for LSA members and others to brainstorm and identify new opportunities for both unrestricted and restricted LSA funding.

In explaining the three-year MACF grant, Ms. Haberaecker noted that LSA's annual share of funding will be about $90,000, of which $30,000 will be used to hire an evaluator, and the remainder will be used to fund a project manager on a part time basis. In addition to his MACF grant responsibilities, the new staff person will work with the senior services group and help identify funding sources for the community of practice. Mr. Hofland remarked about the strategic importance of the MACF grant and the legitimacy that it provides LSA with other foundations.

In her review of expenses, Ms. Haberaecker noted that about two thirds of the Professional Services budget is for outsourced financial support and contractor support for grants (e.g., evaluation contractor under the MACF grant). The Travel budget includes board-related travel, and Printing and Mailing has fallen by over half in recent years as more work has been moved online.

Ms. Haberaecker and Mr. Berman provided a brief review of reserves and the Statement of Financial Position. Most LSA investments are in certificates of deposits at the ELCA Mission Investment Fund, which in its evaluation last year the Finance Committee found was very safe while providing higher interest rates than those offered by banks or similar financial institutions.

OTHER BUSINESS

Mr. Hofland said there appears to be no reason for a Finance Committee meeting before the April Board meeting, and members of the Finance Committee agreed to meet in April only if necessary.

ADJOURNMENT

There being no further business, Mr. Hofland adjourned the meeting at 12:05 p.m.