

The 2013 Annual Meeting of the Membership

LUTHERAN SERVICES IN AMERICA

Minutes of the 2012 Annual Meeting

of the Membership of Lutheran Services in America, Incorporated

Thursday, April 19, 2012, 8:00 AM to 9:45 AM

Sheraton Station Square Hotel, Pittsburgh, Pennsylvania

A plated breakfast was served from 7:30 to 8:15 am in Grand Station I and II.

I. Call to Order

Ted W. Goins, Jr., Chairperson of the LSA Board of Directors, announced the presence of a quorum for the Meeting and called the Meeting to order at 8:00 AM.

II. Devotions

Rev. Stephen Bouman, Executive Director, Congregational and Synodical Mission, Evangelical Lutheran Church in America (ELCA) led devotions with prayer and a reflection on service and hope. Those served in social ministry are also gifted spiritual people who return the service and together with those serving reflect the body of Christ in the world. The woman who dared to touch the hem of Christ's garment in Matthew 9 was encouraged by Christ; the budgets of social ministry should also reflect that hope and the heartbeat of the work done together in Christ, centered in the fonts and pulpits of the church.

III. Approval of Agenda

Motion

ADOPTED

That the Agenda for the 2012 LSA Annual Meeting be approved as presented.

IV. Minutes of May 5, 2011 LSA Annual Meeting

Motion

ADOPTED

That the Minutes of the 2011 LSA Annual Meeting be approved as presented.

V. Report of the Chairperson

Ted W. Goins, Jr. shared his remarks as the outgoing Chairperson of the LSA Board of Directors, reflecting on his history with LSA as one of educational and networking opportunities, lasting connections and an astonishing experience of a network where the answer is always "Yes!" no matter the question, project or need. LSA engenders a strong sense of community, of partnership, of kinship and of walking an Emmaus road together.

He noted that generosity is one of the many remarkable things about the Lutheran system of health and human services organizations as he recognized on screen the names of the more than one third of organizations that paid dues in FY2012 who took a step beyond "sustaining" dues to become "Innovators," "Futurists" or "Catalysts." He also acknowledged by name on screen the 2011 calendar year LSA donors and the special reception to be held in their honor later in the day.

Ted Goins recognized the extensive work accomplished by the Executive Search Committee since its formation following the August 2011 Board meeting, thanking the Chair, Linda Timmons, for her leadership of this diverse team with wisdom, wit, steadiness and perseverance and thanking the Committee for being creative, faithful and resourceful in helping the search firm source excellent candidates, preparing descriptions and documentation and interviewing candidates.

VI. Report of the Executive Search Committee

Linda Timmons, Chair, LSA Board Executive Search Committee, and current Vice Chairperson LSA Board of Directors, thanked the members of the Committee [listed following] for their creative commitment and fully engaged contributions to the search process. Since the Committee was formed in the fall of 2011, input has been gathered from a variety of stakeholders including the LSA membership, Board and staff. A position specification was crafted and search firms were vetted and a selection made – Korn|Ferry International, located in Washington, DC – who assisted in finalizing the position specification and formulating a plan, process and timeline that included a stretch goal of introducing a new President and CEO at this Annual Meeting. A position specification was published in December, over 200 people were contacted regarding the position, including Bishop Hanson at the ELCA and President Harrison at the LCMS in addition other stakeholders, and close to 60 applicants were

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considered. Initial interviews with four candidates took place on March 1, with second interviews following with two candidates and an additional new candidate on March 14-15. The Committee continues to source candidates and to refine vital characteristics based on the position specification. It is on track to identify the next President and CEO in the coming months. Until an offer is made and accepted, Korn|Ferry will continue to seek qualified candidates. The Committee had identified the following core characteristics for the next leader of LSA:

- Someone who is energized by connecting organizations and bringing about collaboration.
- Someone who can motivate and inspire partners to join us in meeting our Ends.
- Someone who is, if not experienced in, at least able to develop resources for LSA.
- Someone with business acumen.
- Someone who can represent us exceedingly well at the national level.
- In short, someone who can inspire us and lead us in thinking big.

Expressing gratitude for the many LSA stakeholders who have already recommended people who may either connect the Committee with candidates or be interested in the position, Linda Timmons invited the attendees of the Annual Meeting to take 15 minutes to have table conversations and provide written input regarding two questions: *Who do you know who fits this bill? Who do you know who we should talk to in order to find such a person?* The members were also provided with a copy of the position specifications.

The Executive Search Committee: Ms. Linda Timmons, Chair, LSA Board Search Committee, Current Vice Chairperson LSA Board of Directors, President and CEO, Mosaic, Omaha, Nebraska; Dr. Luanne B. Fisher, Former Vice Chairperson LSA Board of Directors, President and CEO, Liberty Lutheran Services, Philadelphia, Pennsylvania; Mr. Frederick G. Kraegel, Current Treasurer LSA Board of Directors, Managing Director, Parham Partners, LLC, Richmond, Virginia; Dr. Sheila Radford-Hill, Former Member LSA Board of Directors, Executive Director, Diversity Center, Luther College, Decorah, Iowa; Dr. Kurt Senske, Former Member LSA Board of Directors, President and CEO, Lutheran Social Services of the South, Inc., Austin, Texas; Mr. Samuel Sipes, Current Member LSA Board of Directors, President and CEO, Lutheran Services Florida, Tampa, Florida; Dr. Robert Tuttle, Current Member LSA Board of Directors, Professor of Law, David R. and Sherry Kirschner Berz Research Professor of Law and Religion, The George Washington University Law School, Washington, DC; Mr. Ted W. Goins, Jr., Current Chairperson LSA Board of Directors, President, Lutheran Services for the Aging, Inc., Salisbury, North Carolina.

VII. Report of the Acting President and CEO

Lisa Schiller, Acting President and CEO, Lutheran Services in America, shared that as she approached this Meeting that her overwhelming feeling was one of gratitude: Gratitude that she has been able to introduce Annual Conference attendees to the beauty, culture and opportunities of her hometown of Pittsburgh; Gratitude for the LSA Board of Directors and their faithfulness and concern for LSA (slides were presented with the name and picture of each Board member); Gratitude for all the attendees at the Annual Conference and the passion and skills and expertise that they bring to generously share with one another; Gratitude for her colleagues at LSA's national office who work hard looking for ways to add value to the work of Lutheran social ministry – inspired every day by the work done by all of the LSA members.

VIII. Financial Report for LSA Fiscal Year 2012

Toni McNeal, Chief Financial Officer at KenCrest Centers, Plymouth Meeting, Pennsylvania, and former member of the LSA Audit Committee, reported on the LSA financial report for fiscal year 2012, noting the audited financial statements provided in the Annual Meeting section of the Conference Program booklet. The independent auditing firm Clifton Gunderson performed an audit of LSA as of June 30, 2011 and 2010. The Audit Committee met with the auditors at the beginning of the audit and at the end of the examination to discuss the results. The audit was completed in August and represented a clean unqualified opinion. There were no material weaknesses or significant deficiencies. For the third consecutive year, no internal control letters were issued. At the January 2012 Board Meeting, the Board of Directors reappointed Clifton Gunderson, now CliftonLarsonAllen, LLP, to conduct the Fiscal Year 2012 audit. The Audit Committee membership consists of Board Members Bob Tuttle (Chair), Brian Hofland and Alan Erdman and outside member, Jennings (Chan) Chandler, CFO at Twin Lakes, Lutheran Retirement Ministries of Alamance County, Burlington, North Carolina.

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IX. LSA Fiscal Year 2013 (FY13) Budget

Frederick Kraegel, Treasurer, LSA Board of Directors, presented the LSA Fiscal Year 2013 Budget to the membership. He referenced the proposed budget provided to the membership in the Annual Meeting materials and noted that the proposed budget had been reviewed and approved by the appropriate individuals from the ELCA and the LCMS as required. The Board considered the proposed FY13 budget at its meeting on April 16 and has recommended it, as presented, to the LSA membership for approval.

LSA projects it will end FY12 in the black and is submitting a balanced budget for FY13. Staff has developed a Fiscal Year 2012 projection and Fiscal Year 2013 proposed budget. LSA is in a sound financial position. Cash and investment positions will remain sound throughout FY2012 and FY2013. LSA presently maintains sufficient cash balances and laddered CDs, which meet the Board's reserve requirements. LSA continues to operate within a challenging economic environment. The general economic climate continues to be constrained and member organizations are facing fiscal challenges, including those related to state and federal budgets. Nonetheless, 37% of organizations paying dues elected to pay above the sustaining category.

Significant this year is that LSA will hire a new CEO. Organizational priorities will create sustainability for LSA and, at the same time, allow LSA to advance its Ends Policies.

Given the potential for new directions and new opportunities, the Board endorses this growth budget. LSA will continue to identify grant opportunities, pursue new business development opportunities and increase contributions from organizations and individuals by building momentum in various fundraising activities.

The proposed LSA Fiscal Year 2013 Budget was recommended by the LSA Board of Directors for presentation at the Annual Meeting with total revenues of \$2,320,400 and total expenses of \$2,320,200.

The Chairperson of the Board of Directors requested a motion and second.

Motion

ADOPTED

That the LSA Fiscal Year 2013 Budget be adopted as presented.

X. Report of the Board Member Nomination Committee

John Bauer, Board Member Nomination Committee member, referenced the Annual Meeting materials pertinent to the work of the Board Member Nomination Committee, noting the configuration of the LSA Board and the responsibilities of the Committee to provide nominations of Class A members to be voted upon at the LSA Annual Meeting of the Membership, to provide Class C candidates to be voted upon by the LSA Board of Directors, and to provide advice for the appointments of Class B candidates by the LCMS and the ELCA.

The following slate of nominees is recommended for the open positions on the Board of Directors of Lutheran Services in America as Class A Directors for three year terms from July 1, 2012 to June 30, 2015: William Hanawalt (*Second Term*), Executive Director, Peace Community Center, Tacoma, Washington; Junia John-Straker (*Second Term*), CEO, Lutheran Social Services of the Virgin Islands, Frederiksted, St. Croix, Virgin Islands, Samuel Sipes (*Second Term*), President and CEO, Lutheran Services Florida, Tampa, Florida.

The Chairperson of the LSA Board of Directors requested and received a second to the motion.

Motion

ADOPTED

That Junia John-Straker, William Hanawalt and Sam Sipes be elected as Class A Board Members for three year terms (July 1, 2012 – June 30, 2015).

XI. Recognition of Board Service

Newly-Elected Board Members

The Chairperson congratulated the re-elected members of the Board and thanked them for their willingness to serve.

Newly-Elected Board Officers

The Chairperson of the LSA Board of Directors announced the newly elected officers of the LSA Board of Directors, whose new terms begin on July 1, 2012: Linda Timmons, Chairperson (*First Term*); John Bauer, Vice Chairperson (*First Term*); Bob Tuttle, Treasurer (*First Term*); Brian Hofland, Secretary (*First Term*).

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Departing Board Members

The Chairperson expressed gratitude to the departing Board members, District President David Benke (Second Term ending June 2012) and Bishop David deFreese (First Term ending June 2012) for their service on the Board, its committees and for the leadership they have provided during their Board terms. He also thanked Bishop deFresse for his two years of service as Board Secretary; Bishop deFreese's upcoming retirement from his office of Bishop of the Nebraska Synod (ELCA) ends his appointment to the LSA Board of Directors. Because they were not available to attend the Annual Meeting, both Benke and deFreese were presented with LSA's signature gift at their final Board Meeting on April 16, 2012.

Outgoing Board Officers

Linda Timmons recognized the outgoing members of the Board who have completed two full terms of service as officers: Ted W. Goins, Jr. as Chairperson, David deFreese as Secretary and Frederick Kraegel, as Treasurer. Ted W. Goins, Jr. thanked Linda Timmons for her service as Vice Chairperson and stated that he is confidently looking forward to her leadership as Chairperson starting July 1, 2012.

XII. Invitation to the 2013 Annual Conference

Melissa K. Graves, Executive Director, Lutheran Social Services of the National Capital Area, via video, invited everyone to attend the 2013 Annual Conference: *Service Speaks* on Monday – Thursday, April 8-11, 2013 at the L'Enfant Plaza Hotel, 480 L'Enfant Plaza, SW in Washington, DC. Julie Swanson, President and CEO of Lutheran Family Services of Virginia, Roanoke, Virginia, reminded the membership of the importance of being together to give voice to LSA's expertise and to share stories of service with policy decision makers at the national level.

XIII. Closing Devotions

Rev. Bart Day, Executive Director, Office of National Mission, The Lutheran Church—Missouri Synod (LCMS) led a Morning Liturgy including a reading from the twentieth chapter of St. John's gospel.

XIV. Adjournment of Meeting

Ted Goins thanked the membership and adjourned the meeting at 9:15 AM.

Respectfully submitted,



David L. deFreese
Secretary

**LUTHERAN SERVICES IN AMERICA,
INCORPORATED
Baltimore, Maryland**

**FINANCIAL STATEMENTS
June 30, 2012 and 2011**

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

Board of Directors
Lutheran Services In America, Incorporated
Baltimore, Maryland

We have audited the accompanying statements of financial position of Lutheran Services In America, Incorporated (the Organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Baltimore, Maryland
September 13, 2012

FINANCIAL STATEMENTS

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 837,662	\$ 566,467
Accounts receivable	20,310	51,788
Prepaid expenses	17,912	12,205
Total current assets	875,884	630,460
ASSETS LIMITED AS TO USE		
Cash held for managed networks	87,554	147,453
CERTIFICATES OF DEPOSIT		
	1,350,000	1,350,000
FIXED ASSETS		
Information technology	256,575	256,575
Less accumulated depreciation	256,575	250,352
Total fixed assets	-	6,223
TOTAL ASSETS	\$ 2,313,438	\$ 2,134,136
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 207,106	\$ 138,775
Deferred membership dues	151,270	123,165
Total current liabilities	358,376	261,940
DEPOSIT LIABILITIES		
Deposits held for managed networks	87,554	147,453
Total liabilities	445,930	409,393
NET ASSETS		
Unrestricted	1,438,157	1,393,588
Temporarily restricted	429,351	331,155
Total net assets	1,867,508	1,724,743
TOTAL LIABILITIES AND NET ASSETS	\$ 2,313,438	\$ 2,134,136

The accompanying notes are an integral part of the financial statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, CONTRIBUTIONS AND OTHER SUPPORT						
Membership dues	\$ 693,291	\$ -	\$ 693,291	\$ 634,767	\$ -	\$ 634,767
Events - conferences and training	293,441	-	293,441	231,968	-	231,968
Service fees and others	241,642	-	241,642	296,902	-	296,902
Investment income	36,646	-	36,646	41,542	-	41,542
Contributions - ELCA	510,853	-	510,853	461,266	-	461,266
Contributions - LCMS	198,044	-	198,044	210,350	-	210,350
Contributions - other	111,828	-	111,828	253,323	-	253,323
Grants	50,500	190,250	240,750	65,120	-	65,120
	2,136,245	190,250	2,326,495	2,195,238	-	2,195,238
Net assets released from restrictions	92,054	(92,054)	-	102,058	(102,058)	-
Total revenues, contributions and other support	2,228,299	98,196	2,326,495	2,297,296	(102,058)	2,195,238
EXPENSES						
Program services	1,738,622	-	1,738,622	1,652,806	-	1,652,806
Management and general	445,108	-	445,108	327,719	-	327,719
Total expenses	2,183,730	-	2,183,730	1,980,525	-	1,980,525
CHANGES IN NET ASSETS	44,569	98,196	142,765	316,771	(102,058)	214,713
NET ASSETS, BEGINNING OF YEAR	1,393,588	331,155	1,724,743	1,076,817	433,213	1,510,030
NET ASSETS, END OF YEAR	\$ 1,438,157	\$ 429,351	\$ 1,867,508	\$ 1,393,588	\$ 331,155	\$ 1,724,743

The accompanying notes are an integral part of the financial statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2012 and 2011

	2012			2011		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
EXPENSES						
Staff compensation and benefits	\$ 1,012,522	\$ 145,171	\$ 1,157,693	\$ 1,101,741	\$ 144,196	\$ 1,245,937
Travel	57,781	39,702	97,483	56,774	10,349	67,123
Professional services purchased	128,020	185,818 *	313,838	71,072	102,845	173,917
Insurance, banking, and taxes	3,084	8,491	11,575	4,110	10,595	14,705
Depreciation	6,223	-	6,223	12,447	-	12,447
Event - facilities and programs	228,753	17,455	246,208	165,469	7,753	173,222
Office and related expenses	144,447	19,215	163,662	105,849	27,299	133,148
Communications and external relationships	142,299	25,258	167,557	125,693	22,703	148,396
Other expenses	15,493	3,998	19,491	9,651	1,979	11,630
TOTAL EXPENSES	<u>\$ 1,738,622</u>	<u>\$ 445,108</u>	<u>\$ 2,183,730</u>	<u>\$ 1,652,806</u>	<u>\$ 327,719</u>	<u>\$ 1,980,525</u>

* Professional services purchased in fiscal year 2012 include a one-time executive recruiting expense of approximately \$100,000 incurred in connection with the hiring of LSA's new President & CEO.

The accompanying notes are an integral part of the financial statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 142,765	\$ 214,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,223	12,447
Effects of changes in operating assets and liabilities:		
Accounts receivable	31,478	(39,448)
Prepaid expenses	(5,707)	11,080
Accounts payable and accrued expenses	68,331	12,349
Other payables	-	(14,800)
Deferred membership dues	28,105	(22,934)
	<u>271,195</u>	<u>173,407</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(950,000)	(650,000)
Proceeds from certificates of deposit redeemed	950,000	650,000
	<u>-</u>	<u>-</u>
Net cash provided by (used in) investing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	271,195	173,407
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>566,467</u>	<u>393,060</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 837,662</u>	<u>\$ 566,467</u>

The accompanying notes are an integral part of the financial statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Lutheran Services in America, Incorporated (the Organization) was founded in 1997 as an alliance of the Evangelical Lutheran Church in America, The Lutheran Church - Missouri Synod, and their over 300 related health and human service organizations. The Organization creates opportunities with people in thousands of communities in all 50 states and the Caribbean. Working neighbor-to-neighbor through support of health care, aging, disability, community development, housing, and child and family strengthening initiatives, these organizations touch the lives of more than six million people every year – or one in fifty Americans.

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.

Basis of 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*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or used for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The Organization has no permanently restricted net assets at June 30, 2012 and 2011.

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.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are related to unpaid invoices for consulting services and require payment within thirty days from the invoice date. Interest is not charged for late payment of invoices. 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 customers to meet their obligations. No allowance was considered necessary at June 30, 2012 and 2011.

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. For a penalty, the certificates of deposit can be redeemed prior to maturity. These are stated at cost basis which approximates fair value.

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 3 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.

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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets in the reporting period in which the revenue is recognized, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

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 \$87,554 and \$147,453 at June 30, 2012 and 2011, respectively.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is required to report unrelated business income to the IRS and Maryland, as well as pay certain other taxes to local jurisdictions. The Organization did not have any unrelated business income for the years ended June 30, 2012 and 2011.

The Organization files income tax returns in the U.S. federal jurisdiction. The federal income tax returns of the Organization for 2011, 2010 and 2009 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

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 Internal Revenue Service. The Organization provides a matching contribution of 100% of participant contributions, up to 1% of annual salary as of June 30, 2012. All contributions to the Plan are 100% vested immediately. The Organization recorded employer match expenses of \$26,025 and \$30,155 for the years ended June 30, 2012 and 2011, respectively. These amounts included an additional 2% approved discretionary contribution.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense totaled \$2,521 and \$2,008 for the years ended June 30, 2012 and 2011, respectively.

NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Board Development/Everson	\$ 10,780	\$ 10,780
OASIS	61,022	73,479
Community Development Collaboration/ELCA	3,053	3,053
Berg Memorial Fund for Leadership	300	40
Social Ministry Organization Capacity Building	20,719	20,719
Replication Initiative	49,624	36,151
Technology for Independence	16,778	-
LSEE Partnership	50,390	41,587
LSCE Resources & Opportunities	216,685	139,346
Linking Lives	-	6,000
Total	<u>\$ 429,351</u>	<u>\$ 331,155</u>

Donors typically do not provide specific timeframes in which to use contributions, but the Organization anticipates that the majority of its temporarily restricted assets will be released over the next twelve to thirty-six months.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from temporary donor restrictions were as follows during the years ended June 30:

	<u>2012</u>	<u>2011</u>
OASIS	\$ 12,457	\$ -
Berg Memorial Fund for Leadership	-	2,139
Technology for Independence	8,222	-
Replication Initiative	1,527	4,512
LSEE Volunteer Survey	-	11,896
LSEE Partnership	57,304	79,307
LSEE Partnership II	1,883	-
Linking Lives	6,000	4,000
LSCE Resources & Opportunities	<u>4,661</u>	<u>204</u>
Total	\$ <u>92,054</u>	\$ <u>102,058</u>

NOTE 4 – PROGRAM SERVICES

The Organization conducted the following programs during the years ended June 30:

	<u>2012</u>	<u>2011</u>
Lutheran Identity and Awareness	\$ 313,633	\$ 255,327
Leadership Development and Knowledge Exchange	548,369	522,472
Member Shared Initiatives	436,805	494,420
Convening and Connecting the System	387,018	330,995
Other	<u>52,797</u>	<u>49,592</u>
Total	\$ <u>1,738,622</u>	\$ <u>1,652,806</u>

NOTE 5 – PROFESSIONAL SERVICES PURCHASED

Professional services purchased in the fiscal year ended June 30, 2012 includes non-recurring executive recruiting expenses and fees, and other costs associated with the hiring of the Organization's new President and CEO of approximately \$100,000. Additional amounts of approximately \$8,000 for the search committee, candidate travel and interview meetings are recorded in other expense categories.

NOTE 6 – LEASE COMMITMENT

The Organization leases its Baltimore operating facility on a month-to-month basis for \$3,792, with annual escalation amounts of 3.5%.

The Organization leases its Washington, D.C. operating facility under an operating sublease. The lease provides for base monthly rentals of \$2,876 through May 1, 2018, and is subject to annual escalation provisions. The lease also provides for the payment of the Organization's proportionate share of operating expenses.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 6 – LEASE COMMITMENT (CONTINUED)

Total rent expense, including all leases, for the years ended June 30, 2012 and 2011 was \$78,884 and \$80,960, respectively.

Future minimum rental payments required under non-cancellable operating leases having initial or remaining lease terms in excess of one year at June 30, 2012 are as follows:

2013	\$	35,812
2014		36,886
2015		37,992
2016		39,132
2017		40,306
Thereafter		<u>34,339</u>
Total	\$	<u>224,467</u>

NOTE 7 – 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 \$451,170 and \$299,940 at June 30, 2012 and 2011, 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 with these entities as of June 30, 2012 and 2011, amount to \$1,872,566 and \$1,858,139, respectively.

NOTE 8 – RELATED PARTY RELIANCE

The Organization receives a major portion of its contributions from ELCA and LCMS. The amounts received during the current year are disclosed within the financial statements. A significant reduction in the level of this support, if this were to occur, may have a material effect on the Organization's programs and activities.

NOTE 9 – SUBSEQUENT EVENTS

Management evaluated subsequent events through September 13, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to September 13, 2012 that provided additional evidence about conditions that existed at June 30, 2012, have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, 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, 2012.

This information is an integral part of the accompanying financial statements.

The 2013 Annual Meeting of the Membership

LUTHERAN SERVICES IN AMERICA

Report of the Governance Committee

to the Membership of Lutheran Services in America
at the Annual Meeting: Tuesday, April 9, 2013

LSA has three types of Board members, all equal in role and authority, but distinguished by the way in which they come to the Board:

- Class A Board members are CEOs of Lutheran health and human service organizations and the slate is elected by peer CEOs at the LSA Annual Meeting. There are nine Class A seats.
- Class B Board members are appointed by the ELCA (six seats) and the LCMS (three seats). The Executive Directors of the units at the ELCA and the LCMS to which LSA connects sit on the Board by virtue of office. A District President and a Synod Bishop are also prescribed as designations on the Board.
- Class C Board members are a newer category voted on at the 2009 Annual Meeting and addressed in Bylaw changes. These are two at-large positions to be elected by the LSA Board of Directors.

All Board members except those who serve by virtue of office can serve for a maximum of two full three-year terms.

The Committee's charge is to develop and recommend a slate of Class A Directors to be voted on by the social ministry organization CEOs at the LSA Annual Meeting. The Committee identifies Class C Director candidates for election by the LSA Board of Directors.

Class A Nominations for Recommendation to the LSA Membership

The first terms for John Bauer and Wendy Goldstein on the LSA Board of Directors end June 30, 2013 and both are eligible for a second term. The Committee agreed unanimously to request their service for a second term and each has indicated a willingness to serve for a second term. The following slate of nominees is recommended for the open positions on the Board of Directors of Lutheran Services in America as Class A Directors:

Three-Year Terms July 1, 2013 – June 30, 2016

John Bauer (*Second Term*)

President and CEO, Bethesda Lutheran Communities, Watertown, WI

Wendy Z. Goldstein (*Second Term*)

President and CEO, Lutheran Medical Center, Brooklyn, NY

Betty Oldenkamp (*First Term*)

President and CEO, Lutheran Social Services of South Dakota, Sioux Falls, SD

Respectfully Submitted,

Frederick Kraegel, *Committee Chair*

John Bauer
Ted W. Goins, Jr.
William Hanawalt
Brian Hofland
Linda Timmons

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LUTHERAN SERVICES IN AMERICA

Biographical Information for the Class A Board Member Nominees

ELIGIBLE FOR THREE YEAR TERMS, JULY 1, 2013 – JUNE 30, 2016



John Bauer *(Second Term)*

John Bauer is the President and Chief Executive Officer of Bethesda Lutheran Communities, where he has overseen the merger of Bethesda Lutheran Homes and Services and Good Shepherd Communities. He has been at Bethesda since 2006, first as Integration Manager and then as Interim Chief Operations Officer. Prior to his work at Bethesda, Dr. Bauer held several positions at Wisconsin Lutheran College: Executive Director of the CHARIS Institute, Chief Academic Officer, Vice President for Academic Affairs and Associate Professor of Education. He began his career as a high school Biology teacher and principal at Lutheran schools. Dr. Bauer earned his Ph.D. at Marquette University, MA at Concordia Teachers College and BS at Dr. Martin Luther College. He was also awarded an Honorary Doctor of Laws degree by Wisconsin Lutheran College. In 2007, he was one of 20 individuals selected for the Leadership Institute of the Center for Disabilities Studies at the University of Delaware, where he focused his research on the leadership challenges inherent in shepherding an organization through change as a result of a merger. Dr. Bauer is the author of many papers, presentations and publications. He has been active in a wide variety of church and community organizations and activities, including the LSA Disability Network, American Society on Quality and Rotary International.



Wendy Z. Goldstein *(Second Term)*

Wendy Z. Goldstein was appointed President and Chief Executive Officer of Brooklyn's Lutheran HealthCare system in April 2001. At Lutheran Medical Center, Ms. Goldstein does much more than manage a nationally recognized 400-bed voluntary community teaching hospital; she is also responsible for the entire Lutheran HealthCare system. Her goal is to make Lutheran HealthCare Brooklyn's "provider of choice" by maintaining the strongest commitment to quality health care and continuing Lutheran's historic relationship with its local community. According to Lutheran's mission statement, "the institution has no reason for being of its own; it exists ONLY to serve the needs of its neighbors." In this pivotal position, Ms. Goldstein continues this tradition. She has more than 32 years of leadership expertise in some of the country's finest academic medical centers, including New York University Medical Center, The Memorial Sloan Kettering Cancer Center, The Mount Sinai Medical Center and St. Luke's-Roosevelt Hospital. She is the recipient of numerous awards. In 2002, Ms. Goldstein was appointed a member of the Board of the Greater New York Hospital Association. In 2005 she was appointed to the Boards of the Sunset Park Health Council and the American Cancer Society, in 2006 she was elected a fellow of the New York Academy of Medicine and in 2008 she was named Woman of the Year by the Federation of Italian-American Organizations.



Betty Oldenkamp *(First Term)*

Betty Oldenkamp has served as the President and CEO for Lutheran Social Services of South Dakota since March 2006. LSS/SD is a diverse, multi-service agency touching over 57,000 lives each year with a presence in 30 communities. Prior to her service with LSS/SD, Betty served as the Cabinet Secretary for the South Dakota Department of Human Services for five years. Betty previously held the positions of Director of the Division of Developmental Disabilities and Director of the Division of Mental Health. She began her professional career as a direct service professional in sheltered work settings, job placements and job coaching, residential services and case management. Betty continues to pursue her interest in public policy through her participation in a variety of committees and organizations including appointments to the Governor's Behavioral Health Workgroup and statewide Council of Juvenile Services and the LSA Public Policy Advisory Committee. Betty was twice awarded a Governor's Award for Employee Excellence and received distinguished service awards from the Rocky Mountain Council of Community Mental Health Centers and Dakota Wesleyan University. She also serves on the Board of Trustees for Dakota Wesleyan University. Betty is a native South Dakotan. She lives in Sioux Falls, SD and is a member of Our Savior's Lutheran Church.

The 2013 Annual Meeting of the Membership

LUTHERAN SERVICES IN AMERICA

LSA Board of Directors ROSTER April 2013

Officer	Director Name Class and Term	Organization Title and Postal Address	Other Contact Info Voice, Cell, Fax, Email
CHAIRPERSON First Term 2012-2013	MS. LINDA TIMMONS Class A Member Term I July 2008 – June 2010 (completed 2 years of unexpired term) Term II July 2010 – June 2013	President and CEO Mosaic 4980 South 118 th Street, Suite A Omaha, NE 68137-2220	402-896-3884 x31148 402-880-4357 (cell) linda.timmons@mosaicinfo.org
VICE CHAIRPERSON First Term 2012-2013	DR. JOHN E. BAUER Class A Member Term I July 2010 – June 2013	President and CEO Bethesda Lutheran Communities 600 Hoffmann Drive Watertown, WI 53094	920-206-4401 920-248-9213 (cell) john.bauer@mailblc.org
SECRETARY First Term 2012-2013	DR. BRIAN F. HOFLAND Class B ELCA Member Term I July 2010 – June 2013	President Research to Prevent Blindness 645 Madison Avenue New York, NY 10022	212-752-4333 914-325-4797 (cell) bhofland@rpbusa.org Brian.F.Hofland@gmail.com Mailing Address: 20 Macri Avenue West Harrison, NY 10604
TREASURER First Term 2012-2013	DR. ROBERT TUTTLE Class B ELCA Member Term I July 2008 – June 2011 Term II July 2011 – June 2014	Professor of Law David R. and Sherry Kirschner Berz Research Professor of Law and Religion The George Washington University Law School 2000 H Street, NW Washington, DC 20052	202-994-8163 202-236-0518 (cell) rtuttle@law.gwu.edu Mailing Address: 4911 Sherier Place NW Washington, DC 20016
	REV. DR. STEPHEN P. BOUMAN Class B ELCA Member Term began November 2010 Term by Tenure of ELCA Office	Executive Director, ELCA Congregational and Synodical Mission 8765 West Higgins Road Chicago, IL 60631-4190	773-380-2700 800-638-3522 x2670 773-380-2691 773-380-2707 (fax) Stephen.Bouman@elca.org
	REV. PATRICIA A. DAVENPORT Class B ELCA Member Term July 2009 – June 2012 (Beginning April 2012 to complete remainder of unexpired term) Term July 2012 – June 2015	Director for Evangelical Mission Southeastern Pennsylvania Synod, ELCA 7241 Germantown Avenue Philadelphia, PA 19119	267-323-3746 215-919-6525 (cell) 267-323-3777 (fax) pdavenport@sepa.org
	REV. MELODY EASTMAN Class B ELCA Member Term July 2011 – June 2014	Senior Pastor St. Paul Lutheran Church 515 South Wheaton Avenue Wheaton, IL 60187	630-668-5953 630-668-0020 (fax) Meastman.stpaul@sbcglobal.net
	REV. ALAN ERDMAN Class A Member Term I July 2008 – June 2011 Term II July 2011 – June 2014	President and CEO Lutheran Family and Children's Services of Missouri 8631 Delmar Boulevard St. Louis, MO 63124-1990	314-787-5100 314-808-4900 (cell) alane@lfc.org
	REV. JOHN FALE Class B LCMS Member Term began November 2010 Term by Tenure of LCMS Office	Associate Executive Director LCMS Mercy Operations 1333 S. Kirkwood Road St. Louis, MO 63122	314-996-1384 314-346-1383 (cell) John.Fale@lcms.org

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	MR. TED W. GOINS, JR. Class A Member Term I July 2008 – June 2011 Term II July 2011 – June 2014	President and CEO Lutheran Services Carolinas PO Box 947 Salisbury, NC 28145-0947	704-637-2870 704-798-1069 (cell) TGoins@lscarolinas.net
	MS. WENDY Z. GOLDSTEIN Class A Member Term I July 2010 – June 2013	President and CEO Lutheran Medical Center 150 55 th Street Brooklyn, NY 11220	718-630-7300 914-462-0002 (cell) wgoldstein@lmcmc.com
	MR. WILLIAM HANAWALT Class A Member Term I July 2009 – June 2012 Term II July 2012 – June 2015	Executive Director Peace Community Center 2106 South Cushman Avenue Tacoma, WA 98405	253-383-0702 x102 253-219-8275 (cell) billh@peacetacoma.org
	MS. JUNIA JOHN-STRAKER Class A Member Term I July 2009 – June 2012 (Completed 1 year of unexpired term) Term II July 2012 – June 2015	Chief Executive Officer Lutheran Social Services of the Virgin Islands 516 Hospital Street Frederiksted, St. Croix, VI 00840	340-772-4099 x22 juniajohnlssvi@yahoo.com
	MR. FREDERICK G. KRAEGEL Class B LCMS Member Term I July 2009 – June 2012 Term II July 2012 – June 2015	Managing Director Parham Partners, LLC PO Box 71840 Richmond, VA 23255-1840	804-741-1029 804-363-5010 (cell) 312-577-0879 (eFax) fkraegel@parhamllc.com <i>Mailing Address:</i> 1225 Hyde Lane Henrico, VA 23229
	REV. KURT F. KUSSEROW Class B ELCA Member Term July 2012 – June 2015	Bishop Southwestern PA Synod, ELCA 9625 Perry Highway Pittsburgh, PA 15237	412-367-8222 kurt.kusserow@swpasynod.org
	DR. JOHN R. SEFFRIN Class C Member Term I July 2010 – June 2013	Chief Executive Officer American Cancer Society, Inc. 250 Williams Street Atlanta, GA 30303	404-329-7602 404-417-8017 (fax) 678-612-5892 (cell) john.seffrin@cancer.org
	MR. SAMUEL SIPES Class A Member Term I July 2009 – June 2012 Term II July 2012 – June 2015	President and CEO Lutheran Services Florida 3627 A West Waters Avenue Tampa, FL 33614	813-676-9500 813-446-4254 (cell) ssipes@lsfnet.org
	MS. ANN VAZQUEZ Class A Member Term I July 2011 – June 2014	President and CEO Lutheran Foundation of St. Louis 8860 Ladue Road, Suite 200 St. Louis, MO 63124	314-231-2244 x4 314-497-7652 (cell) ann@lutheranfoundation.org
	REV. GREGORY S. WALTON Class B LCMS Member Term July 2012 – June 2015	District President Florida-Georgia District, LCMS 5850 T.G. Lee Boulevard, Suite 500 Orlando, FL 32822	407-857-5556 877-457-5556 770-337-0497 (cell) gwalton@flga-lcms.org
Board Adjunct			
THEOLOGIAN IN RESIDENCE	REV. DR. R. REED LESSING Board Appointed /LCMS Rotation Year I / Calendar Year 2012 Year II / Calendar Year 2013	Professor of Exegetical Theology and Director of the Graduate School Concordia Seminary 801 Seminary Place St. Louis, MO 63105	314-505-7148 314-520-0255 (cell) lessingr@csl.edu