

LUTHERAN SERVICES IN AMERICA, INCORPORATED
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

LUTHERAN SERVICES IN AMERICA, INCORPORATED
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YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Lutheran Services in America, Incorporated (the Organization) as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Lutheran Services in America, Incorporated

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 24, 2018

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 696,155	\$ 677,982
Short-Term Certificates of Deposit	650,000	550,000
Pledges Receivable	53,716	27,334
Accounts Receivable	22,379	24,911
Prepaid Expenses	47,854	19,149
Total Current Assets	1,470,104	1,299,376
ASSETS LIMITED AS TO USE		
Cash Held for Managed Networks	84,952	112,825
Restricted Cash Held for Grant	228,738	695,404
Total Assets Limited as to Use	313,690	808,229
INVESTMENTS		
Long Term Certificates of Deposit	500,000	600,000
Mutual Funds	103,986	-
Total Investments	603,986	600,000
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	36,361	63,666
FIXED ASSETS		
Information Technology	15,495	272,070
Less: Accumulated Depreciation	15,495	269,571
Total Fixed Assets	-	2,499
Total Assets	\$ 2,424,141	\$ 2,773,770
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 168,885	\$ 221,825
Grants Payable	101,055	316,562
Lease Abandonment Obligation	-	17,688
Deferred Revenue:		
Deferred Dues Revenue	274,823	206,383
Deferred Grant Revenue	-	276,949
Total Current Liabilities	544,763	1,039,407
DEPOSIT LIABILITIES		
Deposits Held for Managed Networks	84,952	112,825
Total Liabilities	629,715	1,152,232
NET ASSETS		
Without Donor Restrictions	1,504,959	1,457,973
With Donor Restrictions	289,467	163,565
Total Net Assets	1,794,426	1,621,538
Total Liabilities and Net Assets	\$ 2,424,141	\$ 2,773,770

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, CONTRIBUTIONS, AND OTHER SUPPORT						
Membership Dues	\$ 925,528	\$ -	\$ 925,528	\$ 988,577	\$ -	\$ 988,577
Events - Conferences and Training	343,041	-	343,041	367,344	-	367,344
Service Fees and Others	346,332	-	346,332	361,832	-	361,832
Investment Income	26,670	5,914	32,584	14,781	7,875	22,656
Contributions - ELCA	403,000	-	403,000	400,000	-	400,000
Contributions - LCMS	35,000	-	35,000	39,000	-	39,000
Contributions - Other	177,063	17,635	194,698	246,891	-	246,891
Grants	-	1,385,790	1,385,790	-	1,072,246	1,072,246
Total	2,256,634	1,409,339	3,665,973	2,418,425	1,080,121	3,498,546
Net Assets Released from Restrictions						
Satisfaction of Program Restrictions	1,283,437	(1,283,437)	-	1,118,228	(1,118,228)	-
Total Revenues, Contributions, and Other Support	3,540,071	125,902	3,665,973	3,536,653	(38,107)	3,498,546
EXPENSES						
Program Services						
Creating Member Solutions	1,782,868	-	1,782,868	1,612,057	-	1,612,057
Leadership Development and Convenings	576,036	-	576,036	553,381	-	553,381
Raising Visibility for Lutheran Social Ministry	132,715	-	132,715	172,667	-	172,667
LSA Advocacy/Public Policy	268,768	-	268,768	272,282	-	272,282
Total Program Services	2,760,387	-	2,760,387	2,610,387	-	2,610,387
Supporting Services:						
Management and General	513,686	-	513,686	537,473	-	537,473
Fundraising	219,012	-	219,012	184,430	-	184,430
Total Supporting Services	732,698	-	732,698	721,903	-	721,903
Total Expenses	3,493,085	-	3,493,085	3,332,290	-	3,332,290
CHANGES IN NET ASSETS	46,986	125,902	172,888	204,363	(38,107)	166,256
Net Assets - Beginning of Year	1,457,973	163,565	1,621,538	1,253,610	201,672	1,455,282
NET ASSETS - END OF YEAR	<u>\$ 1,504,959</u>	<u>\$ 289,467</u>	<u>\$ 1,794,426</u>	<u>\$ 1,457,973</u>	<u>\$ 163,565</u>	<u>\$ 1,621,538</u>

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018									
	Program Services					Supporting Services				
	Creating Member Solutions	Leadership Dev and Convenings	Raising Visibility	LSA Advocacy/ Public Policy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
EXPENSES										
Staff Compensation and Benefits	\$ 527,171	\$ 241,790	\$ 100,239	\$ 226,773	\$ 1,095,973	\$ 233,631	\$ 168,570	\$ 402,201	\$ 1,498,174	
Travel	38,379	28,096	2,324	9,732	78,531	36,749	1,317	38,066	116,597	
Professional Services Purchased	274,458	16,025	21	-	290,504	155,823	19,776	175,599	466,103	
Financial Expenses	270	4,696	-	-	4,966	14,442	137	14,579	19,545	
Event - Facilities and Programs	6,036	245,106	-	1,168	252,310	278	-	278	252,588	
Office and Related Expenses	200	528	170	-	898	126,725	171	126,896	127,794	
External Communications	10,108	1,971	15,995	3,021	31,095	15,784	207	15,991	47,086	
Printing and Mailing	44	11,365	-	-	11,409	3,949	6,084	10,033	21,442	
Telecom and Information Technology	17,240	-	604	-	17,844	58,906	3,995	62,901	80,745	
Programmatic Subgrants to Members	834,340	-	-	2,350	836,690	-	-	-	836,690	
Other Expenses	19,891	1,176	3,273	136	24,476	405	1,440	1,845	26,321	
Allocated	54,731	25,283	10,089	25,588	115,691	(133,006)	17,315	(115,691)	-	
Total Expenses	\$ 1,782,868	\$ 576,036	\$ 132,715	\$ 268,768	\$ 2,760,387	\$ 513,686	\$ 219,012	\$ 732,698	\$ 3,493,085	

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2017									
	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	\$ 525,417	\$ 232,048	\$ 123,246	\$ 235,193	\$ 1,115,904	\$ 221,849	\$ 139,116	\$ 360,965	\$ 1,476,869	
Travel	22,885	28,179	515	1,317	52,896	25,851	3,924	29,775	82,671	
Professional Services Purchased	174,124	18,684	15,024	11,674	219,506	147,974	21,851	169,825	389,331	
Financial Expenses	604	7,366	103	108	8,181	15,404	729	16,133	24,314	
Event - Facilities and Programs	6,964	226,591	-	-	233,555	11,287	-	11,287	244,842	
Office and Related Expenses	11,754	3,498	3,477	3,115	21,844	96,634	2,200	98,834	120,678	
External Communications	3,727	4,159	16,111	825	24,822	46,900	1,609	48,509	73,331	
Printing and Mailing	233	10,989	4,214	51	15,487	15,099	2,573	17,672	33,159	
Telecom and Information Technology	20,526	1,983	1,489	1,650	25,648	39,342	1,035	40,377	66,025	
Programmatic Subgrants to Members	796,270	-	-	-	796,270	-	-	-	796,270	
Other Expenses	18,112	1,332	1,747	-	21,191	2,758	851	3,609	24,800	
Allocated	31,441	18,552	6,741	18,349	75,083	(85,625)	10,542	(75,083)	-	
Total Expenses	\$ 1,612,057	\$ 553,381	\$ 172,667	\$ 272,282	\$ 2,610,387	\$ 537,473	\$ 184,430	\$ 721,903	\$ 3,332,290	

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 172,888	\$ 166,256
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,499	2,500
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable	923	(73,049)
Accounts Receivable	2,532	41,214
Prepaid Expenses	(28,705)	10,635
Accounts Payable and Accrued Expenses	(52,940)	39,694
Grants Payable	(215,507)	316,562
Deferred Revenue:		
Dues Revenue	68,440	(163,594)
Grant Revenue	(276,949)	(40,596)
Net Cash Provided (Used) by Operating Activities	(326,819)	299,622
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(103,986)	-
Net Change in Restricted Cash	466,666	(299,587)
Net Cash Provided (Used) by Investing Activities	362,680	(299,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for Abandonment of Lease	(17,688)	(10,098)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,173	(10,063)
Cash and Cash Equivalents - Beginning of Year	677,982	688,045
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 696,155	\$ 677,982

See accompanying Notes to Financial Statements.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, representing more than 300 Lutheran nonprofit organizations throughout the United States and the Caribbean. The Organization works to connect and empower its member organizations, which collectively provide a broad range of critical services, such as health care to children, family services, senior services, disaster relief, refugee services, disability support, housing, and employment support, to 1 in every 50 Americans annually. The Organization is affiliated with the Evangelical Lutheran Church in America (ELCA) and The Lutheran Church-Missouri Synod (LCMS).

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The financial statement presentation is in accordance with FASB ASC 958, *Not-for-Profit Entities*, as amended by ASU 2016-14. The Organization elected to adopt ASU 2016-14 for its fiscal year ended June 30, 2018 and has applied the amendments retrospectively to the financial statements and related footnotes. Under ASC 958, as amended, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. They do include board-designated net assets, whose use has been restricted by the Organization's Board of Directors. The Organization had no board-restricted net assets at June 30, 2018 and 2017.

Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions. Donor restrictions may result in temporarily 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 in permanently restricted 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 permanently restricted net assets at June 30, 2018 and 2017.

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.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 certificates of deposits that were previously longer term as of June 30, 2018 and 2017.

Certificates of Deposit

The investment in certificates of deposit are with the Mission Investment Fund of the ELCA with original maturities from one to four years as deemed appropriate by management to provide the necessary cash management flexibility. The certificates of deposit can be redeemed prior to maturity upon incurrence of a penalty. Certificates are stated at cost basis which approximates fair value.

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period acknowledged. Conditional pledges are only recognized when the conditions on which they depend are substantially met. Unconditional pledges receivable are carried at fair value less an estimate made for doubtful pledges based on a review of all outstanding pledges on an annual basis. Management determines the allowance for doubtful pledges by using the historical experience applied to an aging of pledges. Pledges are written off when deemed uncollectible. No allowance was considered necessary at June 30, 2018 and 2017.

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, 2018 and 2017.

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 \$84,952 and \$112,825 at June 30, 2018 and 2017, 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.

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

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Grants Payable

Grant commitments are charged to operations at the time the grants are approved. Grants are cancelled at the time of authorized action.

Revenue Recognition

Membership dues, event revenue, service fees, and other contributions are recognized as revenue in the fiscal year to which they relate. Membership dues that are received in advance are recorded as deferred revenue.

Contributions and grants that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, small contributions restricted by donors for broad program may be reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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 and benefit costs, whose distribution to programs is determined based on the Organization's time reporting system.

Reclassifications

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

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as an organization, which is not a private foundation. The Organization is generally exempt from federal and state income taxes. Unrelated business income may be subject to federal and state income taxes. Management believes that it has no material uncertain tax positions that would require recognition under the accounting codification guidance.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 FAIR VALUE MEASUREMENTS

The Fair Value Topic of the FASB Codification (the Codification) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than observable quoted prices for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures of the Codification.

Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2018 and 2017.

Mutual Funds — Valued using identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The following summarizes the Organization's investments using fair value measurements at June 30:

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

	2017		
	Level 1	Level 2	Level 3
Mutual Funds	\$ -	\$ -	\$ -

NOTE 3 PLEDGES RECEIVABLE

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

	2018	2017
Less Than One Year	\$ 53,716	\$ 27,334
One to Five Years	36,361	63,666
Total	\$ 90,077	\$ 91,000

NOTE 4 MARGARET A. CARGILL PHILANTHROPIES GRANT

In August 2015, LSA received a grant from Margaret A. Cargill Philanthropies (MACP) to support the Great Plains Senior Services Cooperative. The grant provided a maximum of \$2,535,000 in funding over three years, beginning October 1, 2015, in which each year's funding is dependent upon the acceptance by MACP of LSA's annual report for the previous grant year. Recognizing that its review process may not be completed by the beginning of a grant year, MACP prefunds a portion of the next year's grant, which is currently recorded as Deferred Grant Revenue on the statement of financial position.

Additionally, LSA has subgrants with two other organizations to conduct major programmatic elements of the grant on behalf of LSA. As of June 30, 2018 and 2017, \$101,055 and \$316,562, respectively, of budget funding for the subsequent year of the grant had not yet been disbursed to these subgrantees and is currently recorded as Grants Payable on the statement of financial position.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Creating Member Solutions		
Weinberg: Connect Home Program	\$ 149,651	\$ -
OASIS	59,786	59,786
LSCE: Children Youth & Family & RBLI - 6256	-	33,061
LSCE: Foster Care Crisis- 6256	45,186	
ELCA: Home & Community Support - 6257	-	23,019
Margaret A. Cargill Philanthropies	19,158	9,248
ELCA Community Development	3,053	3,053
Annie E. Casey Foundation	-	2,453
Total	276,834	130,620
Leadership Development and Convenings		
Twin Lakes Berg Memorial Fund	-	250
Raising Visibility for Lutheran Social Ministry		
Social Ministry Organization Capacity Building	4,709	20,719
Board Development	7,924	10,780
ECLA: Reformation	-	1,196
Total	12,633	32,695
Total	\$ 289,467	\$ 163,565

Donors typically do not provide specific timeframes in which to use contributions, but the Organization anticipates that the majority of its net assets with donor restrictions will be released over the next 12 to 36 months.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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:

	<u>2018</u>	<u>2017</u>
Margaret A. Cargill Philanthropies	\$ 906,794	\$ 912,943
ELCA: Home & Community Support - 6257	23,019	56,982
ELCA: Innovative Care Models - 6302	60,000	-
ELCA LSCE - CYF	-	36,775
ELCA LSEE	-	36,738
ELCA: Children Youth & Family & RBLI - 6256	33,061	26,939
ELCA: Foster Care Crisis - 6301	34,814	-
ELCA: Reformation	1,196	19,304
LCMS: Advocacy Support	-	16,000
Twin Lakes Berg Memorial Fund	10,250	10,150
Weinberg: Connect Home	75,349	-
Annie E. Casey Foundation	102,453	2,397
SMO Capacity Building	16,010	-
Lutheran Services Florida - Irma	15,285	-
Board Development	2,856	-
Disaster Assistance	2,350	-
Total	<u>\$ 1,283,437</u>	<u>\$ 1,118,228</u>

\$1,253,125 of these assets were used to fund Creating Member Solutions program, \$20,062 were used to fund Raising Visibility programs, and \$10,250 were used to fund Leadership Development and Convenings programs.

NOTE 7 LEASE COMMITMENTS

The Organization previously leased an office in Washington, DC, under an operating sublease. The lease provided for base monthly rentals of \$2,876 through May 1, 2018, and was subject to annual escalation provisions. In March 2013, the Organization terminated this lease and negotiated the maximum termination liability of \$101,321 for the remainder of the lease term with the lessor. At June 30, 2018 and 2017, the lease abandonment obligation was \$- and \$17,688, respectively.

The Organization leases its Washington, DC operating facility under a 66-month lease that commenced January 1, 2013. The lease provides for base monthly rentals of \$7,942 through June 30, 2018, and is subject to annual escalation provisions. The Organization amended the lease to extend the term for 63 months through September 30, 2023. The lease provides for base monthly rentals of \$8,664, subject to annual escalation provisions.

Effective March 1, 2015, the Organization entered into a one-year sublease for additional space at a monthly rental of \$1,206 through February 28, 2018 and \$1,406 per month thereafter.

Total rent expense, including all leases, for the years ended June 30, 2018 and 2017 was \$109,258 and \$107,810, respectively.

LUTHERAN SERVICES IN AMERICA, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 LEASE COMMITMENTS (CONTINUED)

Future minimum rental payments required under non-cancellable operating leases having initial or remaining lease terms in excess of one year at June 30, 2018 are as follows:

2019	\$	105,384
2020		105,384
2021		109,599
2022		113,983
2023		118,543
2024 and thereafter		30,821
Total	<u>\$</u>	<u>583,714</u>

NOTE 8 RETIREMENT PLAN

The Organization has established a 403(b) Retirement Plan. Employees who work 20 or more hours a week and have attained age 18 are eligible to participate in the Plan. Employees may make contributions to the Plan up to the maximum amount allowed by the IRS. The Organization provides a matching contribution of 100% of participant contributions, up to 3% of annual salary as of June 30, 2018. All contributions to the Plan are 100% vested immediately. The Organization recorded employer match expenses of \$33,686 and \$33,877 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in one commercial bank. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The balance on deposit was \$364,618 and \$289,164 at June 30, 2018 and 2017, 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, 2018 and 2017, amount to \$1,954,357 and \$2,401,247, respectively.

NOTE 10 CONCENTRATION OF REVENUE

Contributions to the Organization from ELCA and LCMS accounted for 14% of total revenues in 2018 and 17% of revenue in 2017.

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NOTE 11 LIQUIDITY

As provided by the Organization's board standing policies, the Organization seeks to maintain a minimum reserve of cash and equivalents plus short term investments equal to at least fifty percent of the prior year's budget, not counting grant-funded activities. The Organization's Investment Policy Statement further defines the Organization's investment objectives so that all funds held in its Operating Fund and its Short-Term Reserve Fund are available to meet this board-specified objective.

Under its policies, the Organization's reserve target and the amount of its reserves as of June 30 were:

	2018	2017
Targeted Reserve	\$ 1,124,250	\$ 1,099,250
Actual Liquidity at June 30	\$ 1,846,155	\$ 1,827,982

The Organization's financial assets due within one year of the date of these financial statements that are available for general expenditures, including grant-funded activities, are as follows:

Total assets at June 30, 2018	\$ 2,424,141
Less:	
Fixed assets (net)	-
Prepaid expenses	47,854
Pledges receivable, net of current portion	36,361
Mutual funds	103,986 *
Cash held for networks	84,952
Financial Assets at June 30, 2018	\$ 2,150,988

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

The total expense budget for fiscal 2019 as adopted by the Board of Directors is \$3,762,500, including expenses funded by restricted contributions and grants. This budget includes \$903,000 in regranting expenses that are dependent upon the receipt of new grants; excluding regranting expenses, the fiscal 2019 budget totals \$2,859,500.

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 24, 2018, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to September 24, 2018 that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, 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, 2018.