

LUTHERAN SOCIAL SERVICES, INC.

Independent Auditor's Report and Financial Statements
December 31, 2020 and 2019

Lutheran Social Services, Inc.

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Lutheran Social Services, Inc.
Fort Wayne, Indiana

We have audited the accompanying financial statements of Lutheran Social Services, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditor's 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 audit 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Social Services, Inc. as of December 31, 2020 and 2019, 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.

BKD, LLP

Fort Wayne, Indiana
May 10, 2021

Lutheran Social Services, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 442,087	\$ 58,097
Grants receivable from foundations	1,410,000	945,000
Contract fees receivable from Government agencies	196,696	132,710
Fees for service receivable	47,155	67,195
Prepaid expenses and other assets	83,054	80,668
Investments	3,760,000	3,536,434
Property and equipment, net	470,129	408,263
Beneficial interest in perpetual trusts	689,720	689,720
	<hr/>	<hr/>
Total assets	<u>\$ 7,098,841</u>	<u>\$ 5,918,087</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 141,555	\$ 70,722
Accrued wages and benefits	166,955	157,309
Deferred revenue	462,700	-
Line of credit	-	200,000
	<hr/>	<hr/>
Total liabilities	<u>771,210</u>	<u>428,031</u>
 Net Assets		
Without donor restrictions	4,085,037	3,440,976
With donor restrictions	2,242,594	2,049,080
	<hr/>	<hr/>
Total net assets	<u>6,327,631</u>	<u>5,490,056</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 7,098,841</u>	<u>\$ 5,918,087</u>

Lutheran Social Services, Inc.
Statement of Activities
Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 359,542	\$ -	\$ 359,542
Grants from foundations	524,707	1,691,132	2,215,839
Contract fees from Government agencies	1,224,790	-	1,224,790
Fees for service	1,226,875	-	1,226,875
Miscellaneous	724	-	724
Net assets released from restrictions	1,497,618	(1,497,618)	-
Total revenues	<u>4,834,256</u>	<u>193,514</u>	<u>5,027,770</u>
Expenses			
ECHO	149,787	-	149,787
Children's Village	1,228,590	-	1,228,590
Cup of Kindness	430,065	-	430,065
Gear Up	130,830	-	130,830
Community Partners (formerly NSF)	833,891	-	833,891
Family and child services	158,102	-	158,102
LSSI Works	393,943	-	393,943
Recovery Team Care	200,682	-	200,682
Balance Works	281,212	-	281,212
Program expenses	<u>3,807,102</u>	<u>-</u>	<u>3,807,102</u>
Management and general	529,287	-	529,287
Fundraising	241,591	-	241,591
Total expenses	<u>4,577,980</u>	<u>-</u>	<u>4,577,980</u>
Change in Net Assets Before Other Activities	256,276	193,514	449,790
Investment gain	387,785	-	387,785
Change in Net Assets	644,061	193,514	837,575
Net Assets, Beginning of Year	<u>3,440,976</u>	<u>2,049,080</u>	<u>5,490,056</u>
Net Assets, End of Year	<u>\$ 4,085,037</u>	<u>\$ 2,242,594</u>	<u>\$ 6,327,631</u>

Lutheran Social Services, Inc.
Statement of Activities
Year Ended December 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 237,431	\$ -	\$ 237,431
Grants from foundations	343,915	788,896	1,132,811
Contract fees from Government agencies	1,142,984	-	1,142,984
Fees for service	1,151,695	-	1,151,695
Miscellaneous	34,992	-	34,992
Net assets released from restrictions	826,651	(826,651)	-
Total revenues	<u>3,737,668</u>	<u>(37,755)</u>	<u>3,699,913</u>
Expenses			
ECHO	160,733	-	160,733
Children's Village	1,216,656	-	1,216,656
Cup of Kindness	194,182	-	194,182
Gear Up	196,665	-	196,665
Network for safe families	733,670	-	733,670
Family and child services	194,483	-	194,483
LSSI Works	317,434	-	317,434
Recovery Team Care	37,694	-	37,694
Balance Works	226,659	-	226,659
Program expenses	<u>3,278,176</u>	<u>-</u>	<u>3,278,176</u>
Management and general	594,627	-	594,627
Fundraising	216,678	-	216,678
Total expenses	<u>4,089,481</u>	<u>-</u>	<u>4,089,481</u>
Change in Net Assets Before Other Activities	(351,813)	(37,755)	(389,568)
Investment gain	618,818	-	618,818
Change in value of perpetual trusts	-	(12,020)	(12,020)
Change in Net Assets	267,005	(49,775)	217,230
Net Assets, Beginning of Year	<u>3,173,971</u>	<u>2,098,855</u>	<u>5,272,826</u>
Net Assets, End of Year	<u>\$ 3,440,976</u>	<u>\$ 2,049,080</u>	<u>\$ 5,490,056</u>

Lutheran Social Services, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Expenses	Management and General	Fundraising	Total
Employment Expenses				
Salaries and wages	\$ 2,051,729	\$ 322,484	\$ 122,651	\$ 2,496,864
Payroll taxes and benefits	465,439	95,773	14,211	575,423
Total employment expenses	<u>2,517,168</u>	<u>418,257</u>	<u>136,862</u>	<u>3,072,287</u>
Occupancy				
Utilities	38,567	1,708	1,105	41,380
Rent	118,903	-	-	118,903
Building maintenance	73,436	3,457	6,579	83,472
Insurance	42,573	8,273	3,181	54,027
Total occupancy	<u>273,479</u>	<u>13,438</u>	<u>10,865</u>	<u>297,782</u>
Administration				
Small equipment and maintenance	6,426	411	413	7,250
Postage and supplies	42,266	4,765	3,552	50,583
Printing	20,439	1,892	18,812	41,143
Travel and conferences	16,355	1,483	551	18,389
Professional fees	239,509	62,174	23,427	325,110
Staff development	58,695	8,532	1,401	68,628
Telephone and communications	46,149	5,784	1,639	53,572
Total administration	<u>429,839</u>	<u>85,041</u>	<u>49,795</u>	<u>564,675</u>
Activities and Services				
Individual assistance	419,229	103	64	419,396
Individual program costs	121,040	1,277	920	123,237
Total activities and services	<u>540,269</u>	<u>1,380</u>	<u>984</u>	<u>542,633</u>
Other				
Miscellaneous	3,712	569	205	4,486
Special events	-	-	40,136	40,136
Total other	<u>3,712</u>	<u>569</u>	<u>40,341</u>	<u>44,622</u>
Depreciation				
	<u>42,635</u>	<u>10,602</u>	<u>2,744</u>	<u>55,981</u>
Total expenses	<u>\$ 3,807,102</u>	<u>\$ 529,287</u>	<u>\$ 241,591</u>	<u>\$ 4,577,980</u>

Lutheran Social Services, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Expenses	Management and General	Fundraising	Total Expenses
Employment Expenses				
Salaries and wages	\$ 1,818,240	\$ 377,946	\$ 93,686	\$ 2,289,872
Payroll taxes and benefits	416,956	80,617	14,653	512,226
Total employment expenses	<u>2,235,196</u>	<u>458,563</u>	<u>108,339</u>	<u>2,802,098</u>
Occupancy				
Utilities	38,112	1,055	1,206	40,373
Rent	117,624	-	-	117,624
Building maintenance	75,315	2,864	6,258	84,437
Insurance	40,140	5,820	4,942	50,902
Total occupancy	<u>271,191</u>	<u>9,739</u>	<u>12,406</u>	<u>293,336</u>
Administration				
Small equipment and maintenance	6,899	378	460	7,737
Postage and supplies	42,962	4,903	6,572	54,437
Printing	34,088	2,849	10,092	47,029
Travel and conferences	33,048	9,209	2,116	44,373
Professional fees	188,347	69,682	21,300	279,329
Staff development	87,345	21,641	2,660	111,646
Telephone and communications	43,142	3,952	1,517	48,611
Total administration	<u>435,831</u>	<u>112,614</u>	<u>44,717</u>	<u>593,162</u>
Activities and Services				
Individual assistance	140,909	-	-	140,909
Individual program costs	136,051	595	1,058	137,704
Total activities and services	<u>276,960</u>	<u>595</u>	<u>1,058</u>	<u>278,613</u>
Other				
Miscellaneous	7,119	4,855	834	12,808
Special events	-	-	46,159	46,159
Total other	<u>7,119</u>	<u>4,855</u>	<u>46,993</u>	<u>58,967</u>
Depreciation				
	<u>51,879</u>	<u>8,261</u>	<u>3,165</u>	<u>63,305</u>
Total expenses	<u>\$ 3,278,176</u>	<u>\$ 594,627</u>	<u>\$ 216,678</u>	<u>\$ 4,089,481</u>

Lutheran Social Services, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 837,575	\$ 217,230
Items not requiring (providing) operating activities cash flows		
Depreciation	55,981	63,305
Realized/unrealized gain on investments	(305,250)	(527,047)
Contributions received restricted for acquisition of long-lived assets	(34,486)	(35,086)
Changes in		
Grants receivable from foundations	(465,000)	65,243
Contract fees receivable from Government agencies	(63,986)	(10,835)
Fees for service receivable	20,040	(45,636)
Prepaid expenses and other assets	(2,386)	(18,406)
Accounts payable	60,333	(9,530)
Deferred revenue	462,700	-
Beneficial interest in perpetual trust	-	12,020
Accrued wages and benefits	9,646	(1,707)
Net cash provided by (used in) operating activities	<u>575,167</u>	<u>(290,449)</u>
Investing Activities		
Purchase of property and equipment	(107,347)	(39,938)
Purchase of investments	(1,470,990)	(1,635,441)
Proceeds from sale of investments	1,552,674	1,706,331
Net cash (used in) provided by investing activities	<u>(25,663)</u>	<u>30,952</u>
Financing Activity		
Proceeds from borrowing on line of credit	-	300,000
Payments on line of credit	(200,000)	(130,000)
Proceeds from contributions restricted for acquisition of long-lived assets	34,486	35,086
Net cash (used in) provided by financing activities	<u>(165,514)</u>	<u>205,086</u>
Increase (Decrease) in Cash	383,990	(54,411)
Cash, Beginning of Year	<u>58,097</u>	<u>112,508</u>
Cash, End of Year	<u>\$ 442,087</u>	<u>\$ 58,097</u>
Supplemental Cash Flows		
Property and equipment included in accounts payable	\$ 10,500	\$ -

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lutheran Social Services, Inc. (Organization), was founded in 1901 in Fort Wayne, Indiana. The Organization is a not-for-profit voluntary health and welfare organization whose mission is to express the love of Jesus Christ for all people through services that empower individuals and families to move toward social, emotional and spiritual wholeness. The Organization maintains affiliation with the Evangelical Lutheran Church in America and is a recognized service organization by the Lutheran Church-Missouri Synod. The Organization provides service in Northern Indiana to families in poverty using a holistic approach.

The Organization operates primarily on contributions, grants from foundations, investment return and fee income from certain programs.

The Organization's Teen Parenting services (known as Education Creates Hope and Opportunity, or ECHO) use a case management model to assist teen parents to complete high school and to develop post-high school goals. Additionally, ECHO helps prepare students for entrance into a post-secondary education program so they can work toward a livable wage with a certificate or an associates or bachelor's degree. This program has consistently achieved a graduation rate above 95 percent, while nationally only 40 percent of teen parents graduated.

The Child Care program, known as Children's Village Early Learning Center, serves children ages six weeks to six years old from low income families whose parents attend school or are employed and are working toward greater self-sufficiency. The center is located on the campus of Lutheran Life Villages in Fort Wayne, Indiana, and provides daily intergenerational activities that benefit both the seniors and children.

The Cup of Kindness Program provides families supportive services such as case management, financial education and empowerment, and direct financial assistance with the goal of helping them move toward financial stability. We utilize a holistic approach with individuals and families to identify barriers to long-term self-sufficiency. We combine crisis-based financial assistance with ongoing services to provide accountability and skill development for families. The financial literacy curriculum offers clients an opportunity to understand and better manage their finances as they take steps to create a more stable financial future for themselves and their families. The topics include budgeting, expense tracking, managing credit cards and becoming an informed consumer. Each less can stand alone or be taken in a series. The financial literacy curriculum is built into every program that the Organization offers.

Through a subprovider agreement with SCAN, Inc., (SCAN) the Organization's Network for Safe Families and Community Partners programs offer in-home case management services that assist families to set and attain goals in areas from housing stabilization and employment to family-management and parenting skills.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

In 2014, the Organization partnered with SCAN to create a new program providing families with necessary safety items for their homes. These safety items may include outlet covers, baby locks, helmets, life jackets or pack-n-plays; whatever is needed to ensure that their home is a safe place for their children. In addition, staff will help with the installation of the safety materials and provide education/training on the safety topics identified by the family.

The Family and Child Services program is the result of a contract with the Department of Child Services to provide family preservation services in Allen and surrounding counties. The Organization works in conjunction with other local service providers to offer home-based, family-centered services. The goal is to help families meet necessary goals through a strength-focused model and achieve family reunification. Additional services are provided to assist and support parents by teaching and demonstrating proper parenting and homemaking functions.

LSSI (Lasting Stability and Success for Individuals) Works is a workforce initiative providing participants personal and professional skill development to help them obtain full time, career path employment. This is done through a simulated workplace environment with intentional community building and focus on reducing the participants' personal barriers to sustainable employment. Following the initial skill development, participants continue to learn professional skills and identify their passions. Once employed in a sustainable position, LSSI Works' Staff provide support for an entire calendar year in order to help ensure long-term success.

The Balance Works Program is Northeast Indiana's Faith-based mental-health provider offering proven integrated mind-body-spirit therapy for children and adults. The program empowers individuals to overcome barriers, conquer traumatic experiences and live life freely. The program offers targeted help with a broad network of support. Balance Works provides several different office-based therapy services for individuals, couples and families. Many of the therapists are trained in Eye Movement Desensitization and Reprocessing (EMDR) to help live in the present and frees clients from the past. Balance Works uses tools such as the Adult/Adolescent and Parenting Inventory and the Nurturing Parenting Curriculum. Both of these are utilized to help families raise children and adolescents in a warm, trusting and caring household. This will help children develop resiliency and be better prepared for adulthood.

Recovery Care Services are designed to meet the needs of an individual with substance use disorder who has been through initial treatment. Recover Care participants are at the stage in their recovery where they are integrating it into everyday life. The Recovery Care Team offers advocacy and resource referral, behavioral health services, employment services, financial stability services and after care and follow up for those in recovery.

Use of Estimates

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Lutheran Social Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Cash

From time to time, the Organization's deposits are in excess of the FDIC insured amount.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value.

Grants Receivable From Foundations

The Organization recognizes contributions as public support in the year the promise is made. The present value of these estimated future cash flows is recorded as a receivable. Management considers all grants receivable from foundations to be fully collectible and, therefore, has not established an allowance for uncollectible contributions.

Contract Fees Receivable From Government Agencies

Contract fees receivable represent amounts owed from various government agencies as reimbursement of program services and are stated at the amount of consideration from customers of which the Organization has an unconditional right to payment. The Organization considers these accounts to be fully collectible and, therefore, has not established an allowance for uncollectible accounts.

Fees for Service Receivable

Fees for service receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to payment. The Organization considers the need for an allowance for doubtful accounts. The receivables are considered past due based on their individual contract terms. The amount of the allowance is based on management's evaluation of the collectability of the accounts, including the credit concentrations, trends in historical loss experience, specific impaired accounts and economic conditions. Management of the Organization has not provided an allowance for uncollectible accounts because the estimate of any loss is deemed to be immaterial to the financial statements.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, except donated assets which are recorded at fair value as of the date of the gift. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and resulting gain or loss is included in the statements of activities. All purchases in excess of \$2,500 are capitalized, while lesser amounts are charged to expense.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Gifts-in-kind are recorded at the fair value of the goods or service received and similarly increase expense by a like amount. Total gifts-in-kind for 2020 and 2019 were \$64,901 and \$68,111, respectively.

Net Assets – Basis of Presentation

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. The definitions used to clarify and report net assets are as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and are available for use in general operations or are part of what's invested in property, plant and equipment (net of related debt). However, the governing board may designate any of these funds for specific purposes (*i.e.*, specific purpose reserves or endowments). The Board has designated \$50,000 for specific purposes at December 31, 2019. There was no such designation at December 31, 2020.

Net Assets With Donor Restrictions – Net assets subject to donor imposed stipulations (1) that will be met either by actions of the Organization or the passage of time or (2) that are to be permanently maintained by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; however, the Organization is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Revision

An immaterial revision has been made to the 2019 financial statements to break out certain program expenses into its own line item. This revision did not impact total program expenses, total expenses or total change in net assets.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 2: Revenue From Contracts With Customers

Contract Fees From Government Agencies

Contract fees from government agencies generally include revenue from contracts for providing social services to those in need, as well as certain expense reimbursement programs. These amounts are generally due from various government agencies and are calculated based on contractual rates.

The Organization records revenue at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for those services. Revenue is recognized for performance obligations satisfied over time as the service has been provided based on the contract. Generally, the Organization bills for these services subsequent to the service being performed.

Fees for Service

Fees for service generally include revenue from contracts for providing social services to those in need, as well as certain expense reimbursement programs. These amounts are generally due from individuals and families receiving the services, as well as other private foundations.

The Organization records revenue at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for those services. Revenue is recognized for performance obligations satisfied at a point in time when the service has been provided based on the contract. Generally, the Organization bills for these services subsequent to the service being performed.

The Organization has determined that the nature, amount and timing and uncertainty of revenue and cash flows are affected by the different services provided and the payers that have different reimbursement and payment strategies.

Contract Balances

The following table provides information about the Organization's accounts receivable:

	2020	2019
Contract Assets		
Accounts receivable, beginning of the year	\$ 199,905	\$ 143,434
Accounts receivable, end of the year	243,851	199,905

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 3: Grants Receivable From Foundations

Grants receivable from foundations include unconditional promises to give as follows:

	<u>2020</u>	<u>2019</u>
Lutheran Foundation	\$ 695,000	\$ 695,000
Foellinger Foundation	675,000	215,000
Other	<u>40,000</u>	<u>35,000</u>
Total grants receivable	<u>\$ 1,410,000</u>	<u>\$ 945,000</u>

Grants receivable are due as follows:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 950,000	\$ 945,000
Due in one to five years	<u>460,000</u>	<u>-</u>
Total grants receivable	<u>\$ 1,410,000</u>	<u>\$ 945,000</u>

Note 4: Investments and Investment Return

Investments at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 388,502	\$ 175,960
Mutual funds	1,253,337	659,736
Exchange-traded funds	-	100,420
Common stocks	2,118,161	2,182,515
Bonds and notes	<u>-</u>	<u>417,803</u>
	<u>\$ 3,760,000</u>	<u>\$ 3,536,434</u>

Total investment return is comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 82,535	\$ 91,771
Net realized and unrealized gains on investments	<u>305,250</u>	<u>527,047</u>
	<u>\$ 387,785</u>	<u>\$ 618,818</u>

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 5: Beneficial Interest in Assets Held by the Community Foundations

The Organization has a beneficiary interest in certain assets held by the Community Foundation of Greater Fort Wayne (Community Foundation). The purpose of this fund is to support the Organization and it is funded by donations received from unrelated third parties. Variance power of these funds is retained by the Community Foundation and distributions of these funds are received by the Organization at the discretion of the Community Foundation. The fair value of these funds was \$44,729 and \$32,701 at December 31, 2020 and 2019, respectively. As the Organization does not have variance power over these funds, an asset is not reflected in the statements of financial position, and revenue is recorded as distributions are received.

Note 6: Beneficial Interest in Perpetual Trust

The Organization is a beneficiary of a perpetual trust held by a third-party trustee. Under the terms of the agreement, the Organization receives 7.15 percent of the trust's required annual distributions. Although the Organization has no control over the administration or investment of the funds held in the trust, the estimated fair value of the Organization's share of the trust is recorded as a net asset with donor restrictions at the present value of future estimated payments, calculated using a discount rate of 5 percent. The estimated fair value of the beneficial interest in the perpetual trust amounted to \$689,720 at December 31, 2020 and 2019. Distributions received were \$34,486 and \$35,087 in 2020 and 2019, respectively, and were recorded as revenue with donor restrictions based on the donor's stipulations. Increases or decreases in the fair value of the trust assets are recorded in the statements of activities as changes in net assets with donor restrictions.

Note 7: Property and Equipment

	<u>2020</u>	<u>2019</u>
Land	\$ 97,244	\$ 97,244
Buildings	406,699	406,699
Building improvements	534,836	505,061
Vehicles	24,122	24,122
Office equipment, furniture and computers	598,406	553,923
Construction in progress	43,691	-
	<u>1,704,998</u>	<u>1,587,049</u>
Less accumulated depreciation	<u>(1,234,869)</u>	<u>(1,178,786)</u>
Total	<u>\$ 470,129</u>	<u>\$ 408,263</u>

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 8: Line of Credit

On January 12, 2017, the Organization entered into an agreement with a bank for a \$200,000 line of credit. In September 2019, the authorized amount of the line of credit was increased to \$500,000. The line bears interest at an annual rate of LIBOR (0.15 percent and 2.43 percent at December 31, 2020 and 2019, respectively) plus 2.32 percent. There was an outstanding balance of \$0 and \$200,000 drawn on the line of credit at December 31, 2020 and 2019, respectively. The line of credit expires September 27, 2021.

Note 9: Net Assets

Net Assets With Donor Restrictions

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

	2020	2019
Subject to passage of time	\$ 1,401,825	\$ 932,896
Subject to expenditure for specified purpose		
Capital expenditures and reduction of debt	-	312,882
Child care	77,353	9,376
ECHO Program	20,000	20,000
Other	-	30,510
	97,353	372,768
Investments in perpetuity, the income from which is expendable for restricted or unrestricted purposes based upon the stipulations of the donor	53,696	53,696
Beneficial interest in perpetual trust	689,720	689,720
	\$ 2,242,594	\$ 2,049,080

Net Assets Released From Restrictions

Net assets were released from restrictions due to the following:

	2020	2019
Passage of time restriction	\$ 964,463	\$ 800,000
Child care	92,187	2,993
Capital expenditures and reduction of debt	347,368	-
ECHO Program	20,000	1,500
LSSI Works	60,000	-
Other	13,600	22,158
	\$ 1,497,618	\$ 826,651

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 10: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments				
Money market funds	\$ 388,502	\$ 388,502	\$ -	\$ -
Mutual funds	1,253,337	1,253,337	-	-
Common stocks	2,118,161	2,118,161	-	-
Beneficial Interest in Perpetual Trust	689,720	-	-	689,720

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Investments				
Money market funds	\$ 175,960	\$ 175,960	\$ -	\$ -
Mutual funds	659,736	659,736	-	-
Exchange-traded funds	100,420	100,420	-	-
Common stocks	2,182,515	2,182,515	-	-
Bonds and notes	417,803	-	417,803	-
Beneficial Interest in Perpetual Trust	689,720	-	-	689,720

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Lutheran Social Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2020 and 2019:

Unobservable (Level 3) Inputs

	Fair Value at December 31, 2020	Valuation Technique	Unobservable Inputs	Rate
Beneficial interest in perpetual trust	\$ 689,720	Discounted cash flows	Discount rate	5%

	Fair Value at December 31, 2019	Valuation Technique	Unobservable Inputs	Rate
Beneficial interest in perpetual trust	\$ 689,720	Discounted cash flows	Discount rate	5%

Note 11: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash	\$ 442,087	\$ 58,097
Grants receivable from foundation	950,000	945,000
Contract fees receivable from government agencies	196,696	132,710
Fees for service receivable	47,155	67,195
Investments	3,617,126	3,072,074
	<u>\$ 5,253,064</u>	<u>\$ 4,275,076</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities, as well as the conduct of service undertaken to support those activities, to be general expenditures.

The Organization has various sources of liquidity at its disposal, including cash, marketable debt and equity securities and a line of credit (Note 8).

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 12: Retirement Plan

The Organization sponsors a defined contribution plan for the benefit of all full-time employees who are at least 21 years of age and have one year of service. Contributions to the plan are at the discretion of the Board of Directors. The Organization contributed \$51,357 and \$51,481 in 2020 and 2019, respectively.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 31 percent and 25 percent of all contributions were received from two donors and one donor in 2020 and 2019, respectively.

Grants From Foundations

Approximately 72 percent and 77 percent of all grants from foundations were received from two foundations in 2020 and 2019, respectively.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 14: **Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events**

As a result of the spread of the SARS-CoV-2 virus and the incident of COVID-19, the state of Indiana issued shelter-in-place orders and other measures around public gatherings and business operations to slow the spread of the virus. Furthermore, organizations across the country took unprecedented action to protect the health and safety of clients. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES). On April 28, 2020, the Organization received a loan in the amount of \$462,700 pursuant to the Paycheck Protection Program. The Organization has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The Organization anticipates using the entire \$462,700 to make eligible payments and, therefore, expects substantially all of the loan will be forgiven. The funding is presented as deferred revenue in the statement of financial position at December 31, 2020.

Note 15: Subsequent Events

Subsequent events have been evaluated through May 10, 2021, which is the date the financial statements were available to be issued.

Other Information

Independent Auditor's Report on Other Information

Board of Directors
Lutheran Social Services, Inc.
Fort Wayne, Indiana

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of program expenses for the years ended December 31, 2020 and 2019, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Fort Wayne, Indiana
May 10, 2021

Lutheran Social Services, Inc.
Schedule of Program Expenses
Year Ended December 31, 2020

	ECHO	Children's Village	Cup of Kindness	Gear Up	Community Partners (Formerly NSF)	Family and Child Services	LSSI Works	Recovery Team Care	Balance Works	Total
Employment Expenses										
Salaries and wages	\$ 87,745	\$ 752,765	\$ 71,153	\$ 55,565	\$ 451,055	\$ 93,941	\$ 212,581	\$ 138,500	\$ 188,424	\$ 2,051,729
Payroll taxes and benefits	23,399	126,360	19,533	7,764	142,024	22,526	49,894	33,130	40,809	465,439
Total employment expenses	<u>111,144</u>	<u>879,125</u>	<u>90,686</u>	<u>63,329</u>	<u>593,079</u>	<u>116,467</u>	<u>262,475</u>	<u>171,630</u>	<u>229,233</u>	<u>2,517,168</u>
Occupancy										
Utilities	1,213	25,548	1,379	1,091	4,963	1,453	1,046	276	1,598	38,567
Rent	-	60,000	-	2,850	9,750	-	46,303	-	-	118,903
Building maintenance	2,300	47,041	2,556	1,338	7,523	2,243	7,320	490	2,625	73,436
Insurance	3,176	13,388	3,325	1,850	9,621	3,052	4,410	1,257	2,494	42,573
Total occupancy	<u>6,689</u>	<u>145,977</u>	<u>7,260</u>	<u>7,129</u>	<u>31,857</u>	<u>6,748</u>	<u>59,079</u>	<u>2,023</u>	<u>6,717</u>	<u>273,479</u>
Administration										
Small equipment and maintenance	260	2,890	363	196	1,129	181	1,122	64	221	6,426
Postage and supplies	1,529	18,514	2,621	1,567	6,213	1,163	7,485	1,228	1,946	42,266
Printing	1,136	3,976	591	1,847	6,409	900	3,087	1,572	921	20,439
Travel and conferences	1,591	2,817	1,329	680	5,462	536	2,047	1,067	826	16,355
Professional fees	15,024	51,880	14,666	18,512	50,568	20,059	35,171	8,867	24,762	239,509
Staff development	3,212	5,613	628	4,056	33,177	2,397	2,065	3,123	4,424	58,695
Telephone and communications	3,771	6,008	2,765	1,975	13,781	3,642	8,492	2,568	3,147	46,149
Total administration	<u>26,523</u>	<u>91,698</u>	<u>22,963</u>	<u>28,833</u>	<u>116,739</u>	<u>28,878</u>	<u>59,469</u>	<u>18,489</u>	<u>36,247</u>	<u>429,839</u>
Activities and Services										
Individual assistance	242	1,421	305,424	29,383	75,303	743	370	6,261	82	419,229
Individual program costs	1,708	97,619	812	397	5,444	907	7,635	901	5,617	121,040
Total activities and services	<u>1,950</u>	<u>99,040</u>	<u>306,236</u>	<u>29,780</u>	<u>80,747</u>	<u>1,650</u>	<u>8,005</u>	<u>7,162</u>	<u>5,699</u>	<u>540,269</u>
Other										
	<u>216</u>	<u>829</u>	<u>217</u>	<u>124</u>	<u>696</u>	<u>457</u>	<u>630</u>	<u>115</u>	<u>428</u>	<u>3,712</u>
Depreciation										
	<u>3,265</u>	<u>11,921</u>	<u>2,703</u>	<u>1,635</u>	<u>10,773</u>	<u>3,902</u>	<u>4,285</u>	<u>1,263</u>	<u>2,888</u>	<u>42,635</u>
Total Expenses	<u>\$ 149,787</u>	<u>\$ 1,228,590</u>	<u>\$ 430,065</u>	<u>\$ 130,830</u>	<u>\$ 833,891</u>	<u>\$ 158,102</u>	<u>\$ 393,943</u>	<u>\$ 200,682</u>	<u>\$ 281,212</u>	<u>\$ 3,807,102</u>

Lutheran Social Services, Inc.
Schedule of Program Expenses
Year Ended December 31, 2019

	ECHO	Children's Village	Cup of Kindness	Gear Up	Network for Safe Families	Family and Child Services	LSSI Works	Recovery Team Care	Balance Works	Total
Employment Expenses										
Salaries and wages	\$ 87,401	\$ 695,897	\$ 73,051	\$ 63,827	\$ 440,035	\$ 97,615	\$ 153,630	\$ 31,449	\$ 175,335	\$ 1,818,240
Payroll taxes and benefits	22,073	180,162	15,504	15,696	83,143	41,812	37,272	1,909	19,385	416,956
Total employment expenses	109,474	876,059	88,555	79,523	523,178	139,427	190,902	33,358	194,720	2,235,196
Occupancy										
Utilities	1,490	24,938	1,281	1,794	5,002	1,532	1,309	-	766	38,112
Rent	-	60,000	-	2,825	9,700	-	45,099	-	-	117,624
Building maintenance	2,782	48,417	2,713	1,895	8,152	2,030	8,312	-	1,014	75,315
Insurance	4,622	7,466	4,942	2,773	11,093	4,619	4,622	-	3	40,140
Total occupancy	8,894	140,821	8,936	9,287	33,947	8,181	59,342	-	1,783	271,191
Administration										
Small equipment and maintenance	350	2,794	412	243	1,320	214	1,464	-	102	6,899
Postage and supplies	2,247	16,750	5,205	1,719	7,766	4,118	5,064	56	37	42,962
Printing	2,755	6,717	2,318	5,126	8,894	2,365	2,844	531	2,538	34,088
Travel and conferences	2,981	3,764	3,871	2,372	10,862	1,634	5,536	45	1,983	33,048
Professional fees	17,612	25,499	16,056	22,526	48,552	23,357	17,980	862	15,903	188,347
Staff development	5,450	5,057	1,756	12,087	49,932	5,247	2,617	1,653	3,546	87,345
Telephone and communications	4,301	7,268	2,691	2,887	13,636	4,975	5,590	554	1,240	43,142
Total administration	35,696	67,849	32,309	46,960	140,962	41,910	41,095	3,701	25,349	435,831
Activities and Services										
Individual assistance	631	7,573	50,895	58,464	22,755	50	516	25	-	140,909
Individual program costs	1,955	112,328	9,653	10	1,775	449	5,614	421	3,846	136,051
Total activities and services	2,586	119,901	60,548	58,474	24,530	499	6,130	446	3,846	276,960
Other										
	834	980	834	500	2,002	557	1,134	-	278	7,119
Depreciation										
	3,249	11,046	3,000	1,921	9,051	3,909	18,831	189	683	51,879
Total expenses	\$ 160,733	\$ 1,216,656	\$ 194,182	\$ 196,665	\$ 733,670	\$ 194,483	\$ 317,434	\$ 37,694	\$ 226,659	\$ 3,278,176