

LUTHERAN SOCIAL SERVICES, INC.

Independent Auditor's Report and Financial Statements
December 31, 2021 and 2020

Lutheran Social Services, Inc.

December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Lutheran Social Services, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flow for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lutheran Social Services, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lutheran Social Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Social Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

BKD, LLP

Fort Wayne, Indiana
May 24, 2022

Lutheran Social Services, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 500,575	\$ 442,087
Grants receivable from foundations	1,497,674	1,410,000
Contract fees receivable from Government agencies	225,053	196,696
Fees for service receivable	41,859	47,155
Prepaid expenses and other assets	85,357	83,054
Investments	3,440,816	3,760,000
Property and equipment, net	999,115	470,129
Beneficial interest in perpetual trusts	702,960	689,720
	<u>\$ 7,493,409</u>	<u>\$ 7,098,841</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 123,662	\$ 141,555
Accrued wages and benefits	187,467	166,955
Deferred revenue	-	462,700
Total liabilities	<u>311,129</u>	<u>771,210</u>
Net Assets		
Without donor restrictions	4,902,524	4,085,037
With donor restrictions	<u>2,279,756</u>	<u>2,242,594</u>
Total net assets	<u>7,182,280</u>	<u>6,327,631</u>
	<u>\$ 7,493,409</u>	<u>\$ 7,098,841</u>

Lutheran Social Services, Inc.
Statement of Activities
Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 396,368	\$ -	\$ 396,368
Grants from foundations	737,188	1,268,667	2,005,855
Contract fees from Government agencies	1,539,142	-	1,539,142
Fees for service	1,336,367	-	1,336,367
Miscellaneous	4,701	-	4,701
Net assets released from restrictions	1,244,745	(1,244,745)	-
Total revenues	5,258,511	23,922	5,282,433
Expenses			
ECHO	133,646	-	133,646
Children's Village	1,324,383	-	1,324,383
Cup of Kindness	407,578	-	407,578
Gear Up	117,760	-	117,760
Community Partners (formerly NSF)	808,702	-	808,702
Family and child services	166,699	-	166,699
LSSI Works	478,886	-	478,886
Recovery Team Care	215,728	-	215,728
Balance Works	396,922	-	396,922
Persistence Pays Off	67,540	-	67,540
Program expenses	4,117,844	-	4,117,844
Management and general	494,071	-	494,071
Fundraising	274,284	-	274,284
Total expenses	4,886,199	-	4,886,199
Change in Net Assets Before Other Activities	372,312	23,922	396,234
Investment gain	445,175	-	445,175
Change in value of perpetual trust	-	13,240	13,240
Change in Net Assets	817,487	37,162	854,649
Net Assets, Beginning of Year	4,085,037	2,242,594	6,327,631
Net Assets, End of Year	\$ 4,902,524	\$ 2,279,756	\$ 7,182,280

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	4,834,256	193,514	5,027,770
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	3,807,102	-	3,807,102
Management and general	529,287	-	529,287
Fundraising	241,591	-	241,591
Total expenses	4,577,980	-	4,577,980
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	3,440,976	2,049,080	5,490,056
Net Assets, End of Year	\$ 4,085,037	\$ 2,242,594	\$ 6,327,631

Lutheran Social Services, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Expenses	Management and General	Fundraising	Total
Employment Expenses				
Salaries and wages	\$ 2,256,929	\$ 278,236	\$ 139,748	\$ 2,674,913
Payroll taxes and benefits	502,788	90,413	19,322	612,523
Total employment expenses	<u>2,759,717</u>	<u>368,649</u>	<u>159,070</u>	<u>3,287,436</u>
Occupancy				
Utilities	47,075	3,270	1,430	51,775
Rent	122,334	6,760	-	129,094
Building maintenance	74,238	5,728	7,286	87,252
Insurance	53,617	5,595	1,705	60,917
Total occupancy	<u>297,264</u>	<u>21,353</u>	<u>10,421</u>	<u>329,038</u>
Administration				
Small equipment and maintenance	8,304	825	341	9,470
Postage and supplies	69,727	5,132	7,135	81,994
Printing	20,168	2,484	17,038	39,690
Travel and conferences	21,432	1,762	1,053	24,247
Professional fees	258,574	61,782	32,041	352,397
Staff development	73,968	8,500	1,545	84,013
Telephone and communications	35,036	6,303	856	42,195
Total administration	<u>487,209</u>	<u>86,788</u>	<u>60,009</u>	<u>634,006</u>
Activities and Services				
Individual assistance	360,692	234	74	361,000
Individual program costs	122,864	1,189	653	124,706
Total activities and services	<u>483,556</u>	<u>1,423</u>	<u>727</u>	<u>485,706</u>
Other				
Miscellaneous	17,303	1,884	540	19,727
Special events	-	-	40,243	40,243
Total other	<u>17,303</u>	<u>1,884</u>	<u>40,783</u>	<u>59,970</u>
Depreciation				
	<u>72,795</u>	<u>13,974</u>	<u>3,274</u>	<u>90,043</u>
Total expenses	<u>\$ 4,117,844</u>	<u>\$ 494,071</u>	<u>\$ 274,284</u>	<u>\$ 4,886,199</u>

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

	Program Expenses	Management and General	Fundraising	Total Expenses
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.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 854,649	\$ 837,575
Items not requiring (providing) operating activities cash flows		
Depreciation	90,043	55,981
Realized/unrealized gain on investments	(380,941)	(305,250)
Contributions received restricted for acquisition of long-lived assets	(17,243)	(34,486)
Changes in		
Grants receivable from foundations	(87,674)	(465,000)
Contract fees receivable from Government agencies	(28,357)	(63,986)
Fees for service receivable	5,296	20,040
Prepaid expenses and other assets	(2,303)	(2,386)
Accounts payable	(7,393)	60,333
Deferred revenue	(462,700)	462,700
Beneficial interest in perpetual trust	(13,240)	-
Accrued wages and benefits	20,512	9,646
Net cash (used in) provided by operating activities	<u>(29,351)</u>	<u>575,167</u>
Investing Activities		
Purchase of property and equipment	(629,529)	(107,347)
Purchase of investments	(795,260)	(1,470,990)
Proceeds from sale of investments	1,495,385	1,552,674
Net cash provided by (used in) investing activities	<u>70,596</u>	<u>(25,663)</u>
Financing Activities		
Payments on line of credit	-	(200,000)
Proceeds from contributions restricted for acquisition of long-lived assets	17,243	34,486
Net cash provided by (used in) financing activities	<u>17,243</u>	<u>(165,514)</u>
Increase in Cash	58,488	383,990
Cash, Beginning of Year	<u>442,087</u>	<u>58,097</u>
Cash, End of Year	<u>\$ 500,575</u>	<u>\$ 442,087</u>
Supplemental Cash Flows		
Property and equipment included in accounts payable	\$ -	\$ 10,500

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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 lesson 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, 2021 and 2020

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.

Persistence Pays Off serves individual college students currently enrolled and attending Ivy Tech Fort Wayne Community College and Purdue Fort Wayne University that need supportive services to address and identify barriers to their education goal.

Lutheran Social Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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.

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.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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.

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, 2021 and 2020.

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.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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.

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 2021 and 2020 were \$71,451 and \$64,901, 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 is 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). There was no such designation at December 31, 2021 and 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.

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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:

	2021	2020
Contract Assets		
Accounts receivable, beginning of the year	\$ 243,851	\$ 199,905
Accounts receivable, end of the year	266,912	243,851

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 3: Grants Receivable From Foundations

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

	2021	2020
Lutheran Foundation	\$ 695,000	\$ 695,000
Foellinger Foundation	460,000	675,000
Other	342,674	40,000
Total grants receivable	\$ 1,497,674	\$ 1,410,000

Grants receivable are due as follows:

	2021	2020
Due within one year	\$ 1,262,674	\$ 950,000
Due in one to five years	235,000	460,000
Total grants receivable	\$ 1,497,674	\$ 1,410,000

Note 4: Investments and Investment Return

Investments at December 31 consisted of the following:

	2021	2020
Money market funds	\$ 62,357	\$ 388,502
Mutual funds	1,899,948	1,253,337
Common stocks	1,478,511	2,118,161
	\$ 3,440,816	\$ 3,760,000

Total investment return is comprised of the following:

	2021	2020
Interest and dividend income	\$ 64,234	\$ 82,535
Net realized and unrealized gains on investments	380,941	305,250
	\$ 445,175	\$ 387,785

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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 \$60,504 and \$44,729 at December 31, 2021 and 2020, 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 \$702,960 and \$689,720 at December 31, 2021 and 2020, respectively. Distributions received were \$17,243 and \$34,486 in 2021 and 2020, 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>2021</u>	<u>2020</u>
Land	\$ 97,244	\$ 97,244
Buildings	406,699	406,699
Building improvements	979,946	534,836
Vehicles	24,122	24,122
Office equipment, furniture and computers	816,016	598,406
Construction in progress	-	43,691
	<u>2,324,027</u>	<u>1,704,998</u>
Less accumulated depreciation	<u>(1,324,912)</u>	<u>(1,234,869)</u>
Total	<u>\$ 999,115</u>	<u>\$ 470,129</u>

Lutheran Social Services, Inc.

Notes to Financial Statements December 31, 2021 and 2020

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 (0.09 percent and 0.15 percent at December 31, 2021 and 2020, respectively) plus 2.32 percent. There was no outstanding balance drawn on the line of credit at December 31, 2021 and 2020. The line of credit expires September 27, 2022.

Note 9: Net Assets

Net Assets With Donor Restrictions

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

	2021	2020
Subject to passage of time	<u>\$ 1,157,896</u>	<u>\$ 1,401,825</u>
Subject to expenditure for specified purpose		
Child care	286,704	77,353
ECHO Program	20,000	20,000
Other	58,500	-
	<u>365,204</u>	<u>97,353</u>
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	<u>702,960</u>	<u>689,720</u>
	<u>\$ 2,279,756</u>	<u>\$ 2,242,594</u>

Net Assets Released From Restrictions

Net assets were released from restrictions due to the following:

	2021	2020
Passage of time restriction	\$ 984,500	\$ 964,463
Child care	188,002	92,187
Capital expenditures and reduction of debt	17,243	347,368
ECHO Program	20,000	20,000
LSSI Works	35,000	60,000
Other	-	13,600
	<u>\$ 1,244,745</u>	<u>\$ 1,497,618</u>

Lutheran Social Services, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020:

		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, 2021	Fair Value			
Investments				
Money market funds	\$ 62,357	\$ 62,357	\$ -	\$ -
Mutual funds	1,899,948	1,899,948	-	-
Common stocks	1,478,511	1,478,511	-	-
Beneficial Interest in Perpetual Trust	702,960	-	-	702,960

Lutheran Social Services, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

	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

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, 2021.

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, 2021 and 2020

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2021 and 2020:

Unobservable (Level 3) Inputs

	Fair Value at December 31, 2021	Valuation Technique	Unobservable Inputs	Rate
Beneficial interest in perpetual trust	\$ 702,960	Discounted cash flows	Discount rate	5%

	Fair Value at December 31, 2020	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:

	2021	2020
Cash	\$ 500,575	\$ 442,087
Grants receivable from foundation	1,262,674	950,000
Contract fees receivable from government agencies	225,053	196,696
Fees for service receivable	41,859	47,155
Investments	<u>3,361,694</u>	<u>3,617,126</u>
	<u>\$ 5,391,855</u>	<u>\$ 5,253,064</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, 2021 and 2020

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 \$56,530 and \$51,357 in 2021 and 2020, 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 32 percent and 31 percent of all contributions were received from two donors in 2021 and 2020, respectively.

Grants From Foundations

Approximately 88 percent and 72 percent of all grants from foundations were received from four foundations and two foundations in 2021 and 2020, 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, 2021 and 2020

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 (PPP). 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. As of December 31, 2020, all required conditions to recognizing revenue had not been met, and the liability was therefore recorded in deferred revenue on the statement of financial position. During 2021, it was determined that the Organization met all of the conditions, and subsequently recognized the revenue related to the PPP loan within grants from foundations on the 2021 statement of activities.

Note 15: Subsequent Events

Subsequent events have been evaluated through May 24, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

Independent Auditor's Report on Supplementary 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 listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audits 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 24, 2022

Lutheran Social Services, Inc.
Schedule of Program Expenses
Year Ended December 31, 2021

	ECHO	Children's Village	Cup of Kindness	Gear Up	Community Partners (Formerly NSF)	Family and Child Services	LSSI Works	Recovery Team Care	Balance Works	Persistence Pays Off	Total
Employment Expenses											
Salaries and wages	\$ 73,728	\$ 751,665	\$ 122,601	\$ 57,874	\$ 465,835	\$ 120,493	\$ 239,792	\$ 130,493	\$ 272,564	\$ 21,884	\$ 2,256,929
Payroll taxes and benefits	23,617	136,101	27,583	8,602	149,157	14,639	78,950	30,247	32,414	1,478	502,788
Total employment expenses	97,345	887,766	150,184	66,476	614,992	135,132	318,742	160,740	304,978	23,362	2,759,717
Occupancy											
Utilities	912	27,576	1,768	345	4,959	1,361	6,339	822	2,993	-	47,075
Rent	1,389	60,000	-	3,757	12,524	1,796	41,314	1,389	165	-	122,334
Building maintenance	1,117	47,080	3,173	419	4,882	2,088	9,430	998	5,051	-	74,238
Insurance	1,951	22,451	2,015	1,053	9,424	1,485	5,376	3,179	6,683	-	53,617
Total occupancy	5,369	157,107	6,956	5,574	31,789	6,730	62,459	6,388	14,892	-	297,264
Administration											
Small equipment and maintenance	300	3,551	487	209	1,794	259	668	307	729	-	8,304
Postage and supplies	2,769	20,934	5,185	1,521	9,070	2,743	20,464	2,783	4,258	-	69,727
Printing	881	3,828	1,297	1,607	3,396	656	4,237	1,217	2,647	402	20,168
Travel and conferences	717	6,026	922	843	5,882	454	2,540	993	3,048	7	21,432
Professional fees	9,090	95,178	9,008	5,087	41,235	7,165	33,534	14,602	43,675	-	258,574
Staff development	2,676	12,962	2,453	5,890	34,186	3,638	2,259	3,833	5,884	187	73,968
Telephone and communications	1,959	7,730	2,250	914	8,628	1,752	6,014	2,274	3,515	-	35,036
Total administration	18,392	150,209	21,602	16,071	104,191	16,667	69,716	26,009	63,756	596	487,209
Activities and Services											
Individual assistance	7,802	1,124	223,935	27,271	37,574	1,727	1,054	16,630	277	43,298	360,692
Individual program costs	450	104,634	688	253	2,317	1,585	7,292	805	4,840	-	122,864
Total activities and services	8,252	105,758	224,623	27,524	39,891	3,312	8,346	17,435	5,117	43,298	483,556
Other	627	6,014	642	338	3,030	1,377	1,927	1,011	2,337	-	17,303
Depreciation	3,661	17,529	3,571	1,777	14,809	3,481	17,696	4,145	5,842	284	72,795
Total expenses	<u>\$ 133,646</u>	<u>\$ 1,324,383</u>	<u>\$ 407,578</u>	<u>\$ 117,760</u>	<u>\$ 808,702</u>	<u>\$ 166,699</u>	<u>\$ 478,886</u>	<u>\$ 215,728</u>	<u>\$ 396,922</u>	<u>\$ 67,540</u>	<u>\$ 4,117,844</u>

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	111,144	879,125	90,686	63,329	593,079	116,467	262,475	171,630	229,233	2,517,168
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	6,689	145,977	7,260	7,129	31,857	6,748	59,079	2,023	6,717	273,479
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	26,523	91,698	22,963	28,833	116,739	28,878	59,469	18,489	36,247	429,839
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	1,950	99,040	306,236	29,780	80,747	1,650	8,005	7,162	5,699	540,269
Other										
	216	829	217	124	696	457	630	115	428	3,712
Depreciation										
	3,265	11,921	2,703	1,635	10,773	3,902	4,285	1,263	2,888	42,635
Total expenses	\$ 149,787	\$ 1,228,590	\$ 430,065	\$ 130,830	\$ 833,891	\$ 158,102	\$ 393,943	\$ 200,682	\$ 281,212	\$ 3,807,102