

**LUTHERAN SOCIAL SERVICE OF MINNESOTA
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORT**

YEARS ENDED SEPTEMBER 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lutheran Social Service of Minnesota and Affiliates
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lutheran Social Service of Minnesota (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Social Service of Minnesota, as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lutheran Social Service of Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 consolidated 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 Service of Minnesota'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Social Service of Minnesota'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of Lutheran Social Service of Minnesota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lutheran Social Service of Minnesota’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lutheran Social Service of Minnesota’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 31, 2023

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022				
	Lutheran Social Service	Children's Home Society of Minnesota	LSS PAA LP and Rolling Hills	Elimination	Lutheran Social Service Consolidated
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 38,672,045	\$ 100,272	\$ 433,709	\$ 17,159	\$ 39,223,185
Pledges Receivable, Net	768,427	316,644	-	-	1,085,071
Accounts Receivable, Net	18,065,877	737,242	44,588	(206,705)	18,641,002
Other Current Assets	926,901	308,979	22,173	-	1,258,053
Accounts Receivable from LSS Under Management Agreement	-	597,770	-	(597,770)	-
Total Current Assets	<u>58,433,250</u>	<u>2,060,907</u>	<u>500,470</u>	<u>(787,316)</u>	<u>60,207,311</u>
Net Land, Building, and Equipment	45,296,863	5,705,844	15,300,931	(152,000)	66,151,638
Investments	7,191,197	7,906,648	-	-	15,097,845
Goodwill	1,454,207	-	-	-	1,454,207
Long-Term Pledges Receivable	718,487	-	-	-	718,487
Other Assets Limited to Use	50,955	-	116,361	-	167,316
Other Assets	1,107,108	-	1,158,288	(86,000)	2,179,396
Loan Receivable	629,000	-	-	(629,000)	-
Beneficial Interest in Perpetual Trust	3,108,217	1,710,048	-	-	4,818,265
Total Assets	<u>\$ 117,989,284</u>	<u>\$ 17,383,447</u>	<u>\$ 17,076,050</u>	<u>\$ (1,654,316)</u>	<u>\$ 150,794,465</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable, Accrued Liabilities, and Deferred Income	\$ 5,268,634	\$ 689,976	\$ 2,828,358	\$ (864,211)	\$ 7,922,757
Borrowing Under Line of Credit	1,006,792	-	-	-	1,006,792
Accrued Payroll, Benefits, Taxes, and Withholding	13,863,402	358,511	-	-	14,221,913
Current Portion of Long-Term Debt	2,608,279	347,855	68,383	(347,855)	2,676,662
Total Current Liabilities	<u>22,747,107</u>	<u>1,396,342</u>	<u>2,896,741</u>	<u>(1,212,066)</u>	<u>25,828,124</u>
Accrued Pension Liabilities	11,459,093	456,620	-	(456,620)	11,459,093
Obligation Under Trust Agreement	903,902	-	-	-	903,902
Conditional Grants, Long-Term Asset Retirement Obligation	6,820,580	-	-	-	6,820,580
Long-Term Debt, Less Current Portion	7,917,538	-	5,274,693	(629,000)	12,563,231
Total Liabilities	<u>49,848,220</u>	<u>1,852,962</u>	<u>8,171,434</u>	<u>(2,297,686)</u>	<u>57,574,930</u>
NET ASSETS					
Net Assets Without Donor Restrictions	45,919,481	5,661,055	8,904,616	643,370	61,128,522
Net Assets With Restrictions	22,221,583	9,869,430	-	-	32,091,013
Total Net Assets	<u>68,141,064</u>	<u>15,530,485</u>	<u>8,904,616</u>	<u>643,370</u>	<u>93,219,535</u>
Total Liabilities and Net Assets	<u>\$ 117,989,284</u>	<u>\$ 17,383,447</u>	<u>\$ 17,076,050</u>	<u>\$ (1,654,316)</u>	<u>\$ 150,794,465</u>

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2022 AND 2021

	2021				
	Lutheran Social Service	Children's Home Society of Minnesota	LSS PAA LP and Rolling Hills	Elimination	Lutheran Social Service Consolidated
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 34,978,394	\$ 106,967	\$ 335,028	\$ -	\$ 35,420,389
Pledges Receivable, Net	912,724	228,501	-	-	1,141,225
Accounts Receivable, Net	18,038,748	913,489	81,740	(437,919)	18,596,058
Other Current Assets	922,041	168,159	13,384	-	1,103,584
Accounts Receivable from LSS Under Management Agreement	-	706,245	-	(706,245)	-
Total Current Assets	<u>54,851,907</u>	<u>2,123,361</u>	<u>430,152</u>	<u>(1,144,164)</u>	<u>56,261,256</u>
Net Land, Building, and Equipment	42,420,332	5,784,108	15,794,135	(152,000)	63,846,575
Investments	8,805,852	9,001,201	-	-	17,807,053
Goodwill	1,454,207	-	-	-	1,454,207
Long-Term Pledges Receivable	718,101	-	-	-	718,101
Other Assets Limited to Use	376,794	-	84,615	-	461,409
Other Assets	1,474,901	198,692	1,129,554	(86,000)	2,717,147
Loan Receivable	629,000	-	-	(629,000)	-
Beneficial Interest in Perpetual Trust	3,851,438	2,109,978	-	-	5,961,416
Total Assets	<u>\$ 114,582,532</u>	<u>\$ 19,217,340</u>	<u>\$ 17,438,456</u>	<u>\$ (2,011,164)</u>	<u>\$ 149,227,164</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable, Accrued Liabilities, and Deferred Income	\$ 5,493,124	\$ 863,985	\$ 2,260,783	\$ (894,073)	\$ 7,723,819
Borrowing Under Line of Credit	1,006,792	-	-	-	1,006,792
Accrued Payroll, Benefits, Taxes, and Withholding	13,663,009	385,000	-	-	14,048,009
Current Portion of Long-Term Debt	754,719	332,806	65,339	(332,806)	820,058
Total Current Liabilities	<u>20,917,644</u>	<u>1,581,791</u>	<u>2,326,122</u>	<u>(1,226,879)</u>	<u>23,598,678</u>
Accrued Pension Liabilities	11,517,083	804,475	-	(804,475)	11,517,083
Obligation Under Trust Agreement	1,216,523	-	-	-	1,216,523
Conditional Grants, Long-Term	6,820,580	-	-	-	6,820,580
Asset Retirement Obligation	-	8,605	-	-	8,605
Long-Term Debt, Less Current Portion	8,445,696	-	5,229,188	(629,000)	13,045,884
Total Liabilities	<u>48,917,526</u>	<u>2,394,871</u>	<u>7,555,310</u>	<u>(2,660,354)</u>	<u>56,207,353</u>
NET ASSETS					
Net Assets Without Donor Restrictions	41,301,148	5,248,430	9,883,146	649,190	57,081,914
Net Assets With Restrictions	24,363,858	11,574,039	-	-	35,937,897
Total Net Assets	<u>65,665,006</u>	<u>16,822,469</u>	<u>9,883,146</u>	<u>649,190</u>	<u>93,019,811</u>
Total Liabilities and Net Assets	<u>\$ 114,582,532</u>	<u>\$ 19,217,340</u>	<u>\$ 17,438,456</u>	<u>\$ (2,011,164)</u>	<u>\$ 149,227,164</u>

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND PUBLIC SUPPORT			
Revenue:			
Government Fees and Grants	\$ 183,251,456	\$ -	\$ 183,251,456
Client Fees and Reimbursed Services	12,601,573	-	12,601,573
Investment Income (Loss)	41,712	(33,991)	7,721
Other Gains	820,618	685	821,303
Total Revenue (Loss)	<u>196,715,359</u>	<u>(33,306)</u>	<u>196,682,053</u>
Public Support:			
Contributions	4,193,004	3,456,448	7,649,452
Nongovernmental Grants	203,191	2,784,409	2,987,600
Church	400,873	600,029	1,000,902
United Way	14,292	424,612	438,904
Total Public Support	<u>4,811,360</u>	<u>7,265,498</u>	<u>12,076,858</u>
Net Assets Released from Restriction	<u>7,520,965</u>	<u>(7,520,965)</u>	<u>-</u>
Total Revenue and Public Support	209,047,684	(288,773)	208,758,911
EXPENSES			
Program Service:			
Services for Children/Youth/Families/CFCL	38,961,878	-	38,961,878
Services for Older Adults	16,998,115	-	16,998,115
Services for People with Disabilities	124,611,567	-	124,611,567
Total Program Service Expenses	<u>180,571,560</u>	<u>-</u>	<u>180,571,560</u>
Support Service:			
Management and General	18,519,335	-	18,519,335
Fundraising	3,666,933	-	3,666,933
Total Support Service Expenses	<u>22,186,268</u>	<u>-</u>	<u>22,186,268</u>
Total Expenses	<u>202,757,828</u>	<u>-</u>	<u>202,757,828</u>
CHANGE IN NET ASSETS - OPERATIONS	6,289,856	(288,773)	6,001,083
NONOPERATING			
Pass-Through Revenues	14,718,765	-	14,718,765
Pass-Through Expenditures	(14,718,765)	-	(14,718,765)
Total	-	-	-
Additional Pension Increase (Decrease)	(1,142,010)	-	(1,142,010)
Change in Value of Split-Interest Agreements	(10,010)	(288,703)	(298,713)
Impact of Lifetrack Acquisition	-	-	-
Change in Value of Trusts	-	(448,601)	(448,601)
Change in Value of Investments	(106,879)	(2,411,775)	(2,518,654)
Change in Value of Beneficial Interest Holdings	-	(409,032)	(409,032)
Noncontrolling Interest of LSS Park Avenue Apartments LP and Rolling Hills-St. Paul Apartments LP	(984,349)	-	(984,349)
Change in Net Assets Nonoperating	<u>(2,243,248)</u>	<u>(3,558,111)</u>	<u>(5,801,359)</u>
CHANGE IN NET ASSETS	4,046,608	(3,846,884)	199,724
Net Assets - Beginning of Year	<u>57,081,914</u>	<u>35,937,897</u>	<u>93,019,811</u>
NET ASSETS - END OF YEAR	<u>\$ 61,128,522</u>	<u>\$ 32,091,013</u>	<u>\$ 93,219,535</u>

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND PUBLIC SUPPORT			
Revenue:			
Government Fees and Grants	\$ 168,630,095	\$ -	\$ 168,630,095
Client Fees and Reimbursed Services	12,249,444	-	12,249,444
Investment Income (Loss)	20,561	369,494	390,055
Other Gains	868,189	-	868,189
Total Revenue (Loss)	<u>181,768,289</u>	<u>369,494</u>	<u>182,137,783</u>
Public Support:			
Contributions	4,494,116	4,576,026	9,070,142
Nongovernmental Grants	185,186	2,729,525	2,914,711
Church	648,131	393,588	1,041,719
United Way	26,959	365,321	392,280
Total Public Support	<u>5,354,392</u>	<u>8,064,460</u>	<u>13,418,852</u>
Net Assets Released from Restriction	<u>6,823,649</u>	<u>(6,823,649)</u>	<u>-</u>
Total Revenue and Public Support	193,946,330	1,610,305	195,556,635
EXPENSES			
Program Service:			
Services for Children/Youth/Families/CFCL	35,128,208	-	35,128,208
Services for Older Adults	15,500,707	-	15,500,707
Services for People with Disabilities	113,483,933	-	113,483,933
Total Program Service Expenses	<u>164,112,848</u>	<u>-</u>	<u>164,112,848</u>
Support Service:			
Management and General	17,488,578	-	17,488,578
Fundraising	3,341,837	-	3,341,837
Total Support Service Expenses	<u>20,830,415</u>	<u>-</u>	<u>20,830,415</u>
Total Expenses	<u>184,943,263</u>	<u>-</u>	<u>184,943,263</u>
CHANGE IN NET ASSETS - OPERATIONS	9,003,067	1,610,305	10,613,372
NONOPERATING			
Pass-Through Revenues	16,942,872	-	16,942,872
Pass-Through Expenditures	<u>(16,942,872)</u>	<u>-</u>	<u>(16,942,872)</u>
Total	-	-	-
Additional Pension Increase (Decrease)	3,960,357	-	3,960,357
Change in Value of Split-Interest Agreements	1,620	143,269	144,889
Impact of Lifetrack Acquisition	3,198,305	1,082,887	4,281,192
Change in Value of Trusts	-	256,346	256,346
Change in Value of Investments	20,619	3,250,858	3,271,477
Change in Value of Beneficial Interest Holdings	-	452,611	452,611
Noncontrolling Interest of LSS Park Avenue Apartments LP and Rolling Hills-St. Paul Apartments LP	<u>(951,267)</u>	<u>-</u>	<u>(951,267)</u>
Change in Net Assets Nonoperating	<u>6,229,634</u>	<u>5,185,971</u>	<u>11,415,605</u>
CHANGE IN NET ASSETS	15,232,701	6,796,276	22,028,977
Net Assets - Beginning of Year	<u>41,849,213</u>	<u>29,141,621</u>	<u>70,990,834</u>
NET ASSETS - END OF YEAR	<u>\$ 57,081,914</u>	<u>\$ 35,937,897</u>	<u>\$ 93,019,811</u>

See accompanying Notes to Consolidated Financial Statements.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022						
	Program Services				Support Services		
	Children/Youth Families/CFCL	Older Adults	People with Disabilities	Total Program Service	Management General	Fundraising	Total
Salaries	\$ 20,971,603	\$ 7,318,647	\$ 44,792,714	\$ 73,082,964	\$ 11,562,396	\$ 2,051,406	\$ 86,696,766
Employee Benefits and Payroll Taxes	5,635,088	1,904,578	12,443,654	19,983,320	2,629,073	470,022	23,082,415
Total Personnel Costs	<u>26,606,691</u>	<u>9,223,225</u>	<u>57,236,368</u>	<u>93,066,284</u>	<u>14,191,469</u>	<u>2,521,428</u>	<u>109,779,181</u>
Professional Fees and							
Contract Services	1,418,414	545,271	265,278	2,228,963	1,701,196	92,623	4,022,782
Supplies	51,509	555,559	630,878	1,237,946	71,911	9,386	1,319,243
Communication	802,366	432,308	733,330	1,968,004	285,064	715,606	2,968,674
Occupancy	2,538,099	674,490	4,216,860	7,429,449	671,132	131,588	8,232,169
Equipment	340,427	163,291	289,778	793,496	75,138	24,852	893,486
Transportation	374,616	564,922	1,863,716	2,803,254	95,455	36,719	2,935,428
Staff Development	365,025	126,928	526,086	1,018,039	664,380	49,885	1,732,304
Client and Volunteer Expense	4,084,744	4,603,308	57,941,039	66,629,091	36,762	48,576	66,714,429
Other	255,123	95,409	41,601	392,133	522,687	36,270	951,090
Total Expense Before Depreciation	<u>36,837,014</u>	<u>16,984,711</u>	<u>123,744,934</u>	<u>177,566,659</u>	<u>18,315,194</u>	<u>3,666,933</u>	<u>199,548,786</u>
Depreciation	<u>2,124,864</u>	<u>13,404</u>	<u>866,633</u>	<u>3,004,901</u>	<u>204,141</u>	<u>-</u>	<u>3,209,042</u>
Total Expense	<u>\$ 38,961,878</u>	<u>\$ 16,998,115</u>	<u>\$ 124,611,567</u>	<u>\$ 180,571,560</u>	<u>\$ 18,519,335</u>	<u>\$ 3,666,933</u>	<u>\$ 202,757,828</u>
	2021						
	Program Services				Support Services		
	Children/Youth Families/CFCL	Older Adults	People with Disabilities	Total Program Service	Management General	Fundraising	Total
Salaries	\$ 19,071,837	\$ 6,765,980	\$ 40,240,219	\$ 66,078,036	\$ 10,694,386	\$ 1,877,554	\$ 78,649,976
Employee Benefits and Payroll Taxes	5,172,247	1,704,083	11,572,864	18,449,194	2,481,606	413,391	21,344,191
Total Personnel Costs	<u>24,244,084</u>	<u>8,470,063</u>	<u>51,813,083</u>	<u>84,527,230</u>	<u>13,175,992</u>	<u>2,290,945</u>	<u>99,994,167</u>
Professional Fees and							
Contract Services	888,725	217,750	192,926	1,299,401	1,620,880	267,793	3,188,074
Supplies	60,193	393,875	658,292	1,112,360	345,836	2,775	1,460,971
Communication	726,010	411,756	622,934	1,760,700	310,790	562,702	2,634,192
Occupancy	2,214,516	587,790	3,699,554	6,501,860	580,050	118,519	7,200,429
Equipment	545,040	373,013	493,256	1,411,309	82,556	2,666	1,496,531
Transportation	16,927	300,724	1,592,899	1,910,550	60,552	11,576	1,982,678
Staff Development	298,342	69,630	448,027	815,999	578,682	48,086	1,442,767
Client and Volunteer Expense	3,952,817	4,625,145	52,826,223	61,404,185	15,434	11,319	61,430,938
Other	145,487	45,297	304,920	495,704	488,959	25,456	1,010,119
Total Expense Before Depreciation	<u>33,092,141</u>	<u>15,495,043</u>	<u>112,652,114</u>	<u>161,239,298</u>	<u>17,259,731</u>	<u>3,341,837</u>	<u>181,840,866</u>
Depreciation	<u>2,036,067</u>	<u>5,664</u>	<u>831,819</u>	<u>2,873,550</u>	<u>228,847</u>	<u>-</u>	<u>3,102,397</u>
Total Expense	<u>\$ 35,128,208</u>	<u>\$ 15,500,707</u>	<u>\$ 113,483,933</u>	<u>\$ 164,112,848</u>	<u>\$ 17,488,578</u>	<u>\$ 3,341,837</u>	<u>\$ 184,943,263</u>

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 199,724	\$ 22,028,977
Change in Value of Split-Interest Agreements	320,116	(116,125)
Change in Value of Trusts	1,085,077	(1,779,692)
Asset Retirement Obligations	(8,605)	(50,139)
Adjustment for Pension Liability	(57,990)	(5,160,357)
Increase in Accrued Interest	89,677	83,145
Restricted Contributions for Endowment	(221,240)	(292,495)
Change in Provision for Bad Debt Expense and Writeoffs	236,773	303,622
Realized and Unrealized Loss (Gain) on Investments	2,135,857	(2,373,604)
Depreciation	3,838,310	3,781,916
Amortization of Capital Lease Assets	150,999	180,520
Amortization - Other	96,258	64,384
Loss on Sale of Land, Building, and Equipment	53,851	12,656
Noncash Contributions Related to Lifetrack Acquisition	-	(3,073,141)
Increase in Receivables	(225,949)	(3,853,700)
Decrease in Other Assets	158,567	306,714
Increase in Current Liabilities	372,842	2,214,580
Net Cash Provided (Used) by Operating Activities	8,224,267	12,277,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(707,583)	(655,557)
Proceeds from Sale of Investments	990,176	950,594
Proceeds from Sale of Land, Building, and Equipment	-	823,943
Capital Expenditures	(6,348,223)	(4,648,266)
Net Cash Provided (Used) by Investing Activities	(6,065,630)	(3,529,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-Term Debt Payments	(975,276)	(725,723)
Long-Term Debt Proceeds	2,163,292	450,000
Restricted Contributions for Endowment	221,240	292,495
Distributions from Trusts and Split Interest Agreements	234,903	303,481
Net Cash Provided (Used) by Financing Activities	1,644,159	320,253
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,802,796	9,068,228
Cash and Cash Equivalents - Beginning of Year	35,420,389	26,352,161
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 39,223,185	\$ 35,420,389
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 321,836	\$ 281,617

See accompanying Notes to Consolidated Financial Statements.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lutheran Social Service of Minnesota and Affiliates (the Organization) is one of the largest statewide private social service organizations in Minnesota and is affiliated with the six Minnesota synods of the Evangelical Lutheran Church in America. The consolidated financial statements of the Organization include the following Affiliates:

- Children’s Home Society of Minnesota
- Lutheran Social Service of Minnesota Foundation
- Rezek House LLC
- LSS Townhomes LLC
- LSS Supportive Housing LLC
- Partners in Community Supports, Inc.
- CFCL LLC
- LSS Development LLC
- LSS Park Avenue Apartments LP
- RH-St. Paul Apartments LP
- LSS Rolling Hills LLC
- CFCL Duluth LLC

Program services are grouped into three service categories, which are:

- Children, Youth, Families and the Center for Changing Lives
- Services for Older Adults
- People with Disabilities

The Organization has over 350 program units in over 300 locations in the state of Minnesota that provided services to more than 100,000 persons in 2022.

Children’s Home Society of Minnesota (CHS) is incorporated as a nonprofit organization. CHS exists to help children thrive, and to build, strengthen, and sustain individual, family, and community life. CHS was affiliated with the Organization on October 1, 2014. LSS has control of up to 70% of CHS’s board of directors. In addition, the Organization has rented office space from CHS. The effect of these intercompany transactions, including management fees, the leasing of space, and other expenditures, has been eliminated from the Organization’s 2022 and 2021 consolidated financial statements. The year-end of CHS is June 30, which differs from the Organization’s year-end of September 30.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Are not restricted by donors, or the donor-imposed restrictions have expired. Net assets without donor restrictions represent funds that are fully available, at the discretion of management and the board of directors for the Organization to utilize in any of its programs or supporting services.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Are comprised of funds subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, as well as certain income earned on net assets with donor restrictions that has not yet been appropriated for expenditure by the Organization’s board of directors. Other donor-imposed restrictions are perpetual on nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At times, such deposits may be in excess of Federal Deposit Insurance Corporation insurance limits. At times, the investment portfolio may contain cash and cash equivalents that are included in investments in the consolidated statement of financial position.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges are not included as support until such time as the conditions are substantially met.

Accounts Receivable

The Organization provides an allowance for uncollectible accounts based on the reserve method using management’s judgment and the Organization’s approved policy. Payment for services is required within 30 days of receipt of invoice. An allowance is estimated for accounts receivable based on the Organization’s policy as well as historical experience of the Organization. The Organization’s policy is based on determined percentages of outstanding receivables by age of the balance. When all collection efforts have been exhausted, the receivable is written off against the related reserve. At September 30, 2022 and 2021, the allowance for uncollectible accounts was \$516,261 and \$624,637, respectively.

Net Land, Buildings, and Equipment

Property and equipment acquisitions are recorded at cost. Donated items are recorded at fair value on the date received. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The Organization’s capitalization threshold for assets with useful life of greater than one year is \$1,500.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Land, Buildings, and Equipment (Continued)

Artwork has been donated to the Organization strictly for the enjoyment of people we serve and other stakeholders. Such donations are recorded at fair market value. These assets are not depreciated but are evaluated annually for impairment.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Investments

The Organization invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported.

Goodwill

The Organization acquired controlling interest in Partners in Community Supports, Inc. (PICS) effective April 1, 2008 recognizing goodwill in the amount of \$729,207.

During fiscal year 2010, the Organization purchased substantially all the assets, excluding real estate, of Empowerment Services Inc. (ESI), a Minnesota corporation, recognizing goodwill in the amount of \$350,000.

On June 30, 2013, PICS acquired the customers of two other Fiscal Support entities (Dungarvin & CCP) recognizing an additional \$300,000 in goodwill.

In fiscal year 2016, LSS acquired two group homes located in Elk River from Opportunity Partners recognizing \$75,000 in goodwill from the transaction.

The Organization does not amortize goodwill. Goodwill is tested for impairment using a qualitative assessment to determine whether it is more likely than not that the fair value is less than its carrying amount.

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Deferred Financing Costs

Deferred financing costs consist of finance and closing costs of tax-exempt revenue bonds. These amounts are being amortized over the life of the related liability. These costs are presented net with the related long-term debt (Note 8).

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split Interest Agreements

The Organization is named as a beneficiary in various gift annuities, charitable remainder trusts, and unitrusts. Upon notification of the gift, an asset is recorded for the difference between the fair value of those assets and the liability under the gift contracts with donors. The amount expected to be received is established at the time of the contribution using life expectancy actuarial tables, expected investment returns and annuity payments, and is revalued at the end of each fiscal year. Actual gains and losses resulting from the annual revaluation of these obligations are reflected as with donor restrictions, consistent with the method used to initially record the contributions.

The value of these gifts was \$285,101 and \$605,217 at September 30, 2022 and 2021, respectively. The assets are recorded in the Other Assets on the consolidated statements of financial position.

The Organization became the trustee for the Pittman Trust in 2007. The trust is held for 20 years. The trust provides that the lower of 8% of trust assets or the total interest and dividends earned by the trust will be distributed to the remainders. At the end of 20 years, the trust will pay out to the Organization. The value of the trust, as of 2022, is booked at present value of \$1,322,890, as an asset of \$2,226,792 and an offsetting liability of \$903,902 for the value of the future obligations under the trust. As of 2021, the value of the trust was booked at present value of \$1,551,135, as an asset of \$2,767,658 and an offsetting liability of \$1,216,523 for the value of the future obligations under the trust. The Pittman Trust assets are recorded in the Investments line and the Pittman Trust liability is recorded in the Obligation Under Trust Agreement line on the consolidated statements of financial position.

Conditional Grants

Forgivable loans are considered a conditional contribution. Loan proceeds received are recorded as a long-term liability until the barrier is met on the maturity date of the forgivable loan. Revenue from these loans is recognized upon the maturity date.

Defined Postretirement Benefits

The Organization has an unfunded postretirement benefit plan to provide health and life insurance benefits after age 65 for those individuals in certain work classification who were hired prior to January 1, 1984 and who terminate employment with at least 20 years of service. The related liability was reduced as of June 30, 2022 to reflect participants who have passed away.

Government Contracts

Government contracts are recorded as revenue when earned. The rates for the waived service programs are determined each year through negotiations with various counties in the state of Minnesota. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred income.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Contracts (Continued)

Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

The Organization receives a significant portion of its governmental service fees from Medicaid, Medical Assistance, Minnesota Supplemental Assistance, Social Security, and Supplemental Security income which are subject to regulated rate increases.

Adoption Fees

Adoption fee revenue is included as a part of Client Fees and Reimbursed Services on the consolidated statement of activities. Revenue recognition of adoption fees occurs as follows: half of the initial coordination fees are recognized at the initiation of the adoption process; the remaining portion is amortized over 16 months, management's estimated average length of time until an adoption is completed.

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for general use unless specifically restricted by the donor.

The Organization reports gifts as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Advertising Expenses

Advertising expenditures are expensed as incurred. Advertising expense for the years ended September 30, 2022 and 2021 totaled \$329,023 and \$285,130, respectively.

Functional Expense Allocation

Salaries and related benefits are allocated based on employees' and management's direct time spent on program or support activities or the best estimate of time spent. Occupancy and depreciation are allocated based on direct program or support service usage. Other expenses, such as professional fees and staff development, are directly identified to specific programs or administrative functions.

Tax-Exempt Status

Lutheran Social Service of Minnesota, Lutheran Social Service of Minnesota Foundation, Children's Home Society of Minnesota, and Partners in Community Supports, Inc. (PICS) have tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute. Rezek House LLC, LSS Townhomes LLC, LSS Supportive Housing LLC, CFCL LLC, and CFCL Duluth LLC are single member limited liability companies, the activities of which are reported within the activities of the Organization as exempt activities. The Organization has been classified as an organization that is a public charity under the IRC and charitable contributions by the donors are tax deductible.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status (Continued)

LSS Park Avenue Apartments LP and LSS Development LLC are taxable entities formed as part of the financing of Park Avenue Apartments. The project provides low-income individuals and families a quality place to live at below market rates. After the tax credit financing period ends in 2024, the Organization has the option to acquire the property at a bargain purchase price from their financing partner.

RH-St. Paul Apartments LP and LSS Rolling Hills LLC are taxable entities formed as a part of the financing of Rolling Hills Apartments. This project, like Park Avenue Apartments provides low-income individuals and families a quality place to live at below market rates. RH-St. Paul Apartments LP is a partnership between LSS Rolling Hills LLC (a single member LLC of Lutheran Social Services of Minnesota) and RH Developer LLC (a for-profit company).

The Organization has adopted the income tax standard regarding the recognition and measurement of uncertain tax positions. The Organization has no current obligation for unrelated business income tax. The Organization's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Nonoperating Activities

Nonoperating activities consist of gains and losses and other occurrences that fall outside of the normal operations of the Organization.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 31, 2023, the date the consolidated financial statements were available to be issued.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable at September 30, 2022 and 2021 consist of commitments from various donors. The discount rate has been imputed at 7% and 3.25% which approximates the Organization's risk free borrowing rate at September 30, 2022 and 2021, respectively. The allowance for uncollectible accounts was \$70,560 and \$10,163 for 2022 and 2021, respectively.

	2022	2021
Unconditional Pledges Receivable	\$ 1,949,681	\$ 1,908,182
Unamortized Discount	(75,563)	(38,693)
Allowance for Uncollectible Accounts	(70,560)	(10,163)
Total	\$ 1,803,558	\$ 1,859,326
Amounts Due in:		
Less Than One Year	\$ 1,155,631	\$ 1,151,388
Greater Than One Year	794,050	756,794
Total	\$ 1,949,681	\$ 1,908,182

Pledges receivable are recorded on the consolidated financial statements as follows:

	2022	2021
Current Pledges Receivable	\$ 1,085,071	\$ 1,141,225
Long-Term Pledges Receivable	718,487	718,101
Total	\$ 1,803,558	\$ 1,859,326

Pledges receivable from board members and employees totaled \$1,013,950 and \$1,423,567 at September 30, 2022 and 2021, respectively.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these financial instruments. The fair value of pledges receivable, which is based on discounted cash flows using current interest rates, approximates the carrying value. The carrying values of investments and the beneficial interest in perpetual trust, which are the fair value, are based upon fair value measurements.

Fair Value Hierarchy

The Organization has categorized its financial instruments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Financial assets recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in nonactive markets (examples include corporate and municipal bonds, which trade infrequently);
- pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, long-term promises to give, split-interest agreements, and long-term grants payable).

The following tables present the Organization's value for those investments, excluding money market funds, measured at fair value on a recurring basis as of September 30:

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Equities	\$ 6,042,850	\$ -	\$ -	\$ 6,042,850
Fixed Income	4,982,823	-	-	4,982,823
Bonds	-	463,318	-	463,318
Real Asset Securities	111,897	-	-	111,897
Total Investments				
Measured at Fair Value on a Recurring Basis	<u>\$ 11,137,570</u>	<u>\$ 463,318</u>	<u>\$ -</u>	<u>\$ 11,600,888</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,818,265</u>	<u>\$ 4,818,265</u>
	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	\$ 9,238,341	\$ -	\$ -	\$ 9,238,341
Fixed Income	4,158,223	-	-	4,158,223
Bonds	-	503,169	-	503,169
Real Asset Securities	140,635	-	-	140,635
Total Investments				
Measured at Fair Value on a Recurring Basis	<u>\$ 13,537,199</u>	<u>\$ 503,169</u>	<u>\$ -</u>	<u>\$ 14,040,368</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,961,416</u>	<u>\$ 5,961,416</u>

The totals in the previous table do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total investments:

	2022	2021
Total Investments	\$ 15,097,845	\$ 17,807,053
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(263,209)	(372,078)
Dynamic Asset Allocation Overlay	(2,059,847)	(2,387,759)
Alternative Investments	(1,173,901)	(1,205,540)
Other Investments Within Other Assets	-	198,692
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 11,600,888</u>	<u>\$ 14,040,368</u>

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Additional information on how the Organization measures fair value is as follows:

Investments – Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Beneficial Interest in Perpetual Trusts – Perpetual Trusts are recorded at fair value on a recurring basis. Fair value measurement is estimated based upon the Organization’s percentage interest in the fair value of the trust’s assets and, accordingly, are classified using Level 3 inputs. The underlying assets in the trusts are valued based upon quoted prices.

Level 3 Assets

The following table provides a summary of changes in fair value of the Organization’s Level 3 financial assets for the years ended September 30:

	<u>Beneficial Interest in Perpetual Trust</u>
Balance as of October 1, 2021	\$ 5,961,416
Distribution	(234,903)
Additions	-
Change in Value	<u>(908,248)</u>
Balance as of September 30, 2022	<u>\$ 4,818,265</u>
Balance as of October 1, 2020	\$ 5,044,335
Distribution	(258,237)
Additions	-
Change in Value	<u>1,175,318</u>
Balance as of September 30, 2021	<u>\$ 5,961,416</u>

The following is a summarization of the level 3 significant unobservable inputs:

<u>Instrument</u>	<u>Fair Value 2022</u>	<u>Fair Value 2021</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial Interest in Perpetual Trust	<u>\$ 4,818,265</u>	<u>\$ 5,961,416</u>	Fair Market Value of Trust Investments	Value of of Underlying Assets

The underlying assets consist of securities that are classified as Level 3 assets and the Organization’s fair value is determined by taking the fund or trust’s total value multiplied by their interest in the fund or trust, as stated in the fund and trust document.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Net Asset Value Per Share

The Organization invests primarily in investment funds, limited partnerships, or interest-bearing securities, referred to collectively for this purpose as investment funds. In situations where the investment fund does not have readily determinable net asset value per share or its equivalent investment funds are presented in the accompanying consolidated financial statements at fair value as determined under FASB ASC 820; *Fair Value Measurements and Disclosures*. The following table lists investments in investment funds by major category:

	Net Asset Value		Underfunded Commitments	Redemption Frequency	Redemption Notice Period
	2022	2021			
Dynamic Asset Allocation Overlay	\$ 2,059,847	\$ 2,387,759	\$ -	Monthly	90 Days
Alternative Investments	1,173,901	1,205,540	-	Monthly	30 Days
Total	<u>\$ 3,233,748</u>	<u>\$ 3,593,299</u>	<u>\$ -</u>		

Basis for Fair Value Measurements

Dynamic Asset Allocation Overlay

Dynamic asset allocation overlay funds include investments in two portfolios that no longer have active tickers. The investment objective of these two portfolios is to moderate the volatility of an equity-oriented asset allocation over the long term. Accordingly, the portfolios may invest in a diversified portfolio of securities. The fund strikes a daily net asset value (NAV), but because these portfolios are now private, this is not published on the NASDAQ.

Alternative Investments

Alternative investments represent ownership interest in a fund that exists to seek long-term capital appreciation. The fund seeks to achieve its investment objective primarily by allocating its assets among investments in a diversified portfolio of private investment vehicles, commonly referred to as hedge funds. The fund pursues the following strategies: long/short equity, event driven, credit/distressed, emerging markets, global macro, and other strategies. The fund is valued and traded monthly and generally uses the NAV provided by the underlying portfolios to determine the monthly value of the fund.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 LAND, BUILDING, AND EQUIPMENT

Cost and related accumulated depreciation at September 30 were:

	2022		2021	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 8,019,881	\$ -	\$ 7,946,381	\$ -
Land Improvements	2,252,962	1,026,533	2,037,922	945,426
Construction in Process	326,533	-	1,279,086	-
Building and Building Improvements	90,530,350	36,581,515	85,315,844	34,021,411
Equipment	16,511,115	14,321,078	15,318,878	13,633,583
Vehicles	440,393	398,355	396,905	396,905
Capital Lease - Vehicles	534,383	471,030	905,599	691,247
Donated Artwork	334,532	-	334,532	-
Total	<u>\$ 118,950,149</u>	<u>\$ 52,798,511</u>	<u>\$ 113,535,147</u>	<u>\$ 49,688,572</u>
Net Land, Building, and Equipment	<u>\$ 66,151,638</u>		<u>\$ 63,846,575</u>	

NOTE 5 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization has two perpetual trusts included in net assets with donor restrictions. Under the terms of the trusts, the Organization has the irrevocable right to receive the income on trust assets, subject to certain limitations, but will never receive the assets held in trust. The unrealized gains or losses and the undistributed earnings on the trusts are reported as additions or subtractions to the balance of net assets with donor restrictions.

The Anderson Trust was valued at \$3,108,217 and \$3,851,438 at September 30, 2022 and 2021, respectively. The distributed income from this trust is to be used for children and adults with disabilities within a 50-mile radius of the old Vasa home located near Red Wing, Minnesota. Income distributions from the trust were \$154,903 and \$178,237 for the years ended September 30, 2022 and 2021, respectively.

The Humphrey Trust was valued at \$1,710,048 and \$2,109,978 at September 30, 2022 and 2021, respectively. The Organization was named as a 5% beneficiary of the trust and receives 5% of the designated distributions from the trust. Distributions from the trust were \$80,000 for the years ended September 30, 2022 and 2021, respectively.

NOTE 6 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Defined Benefit Pension Plan

The Organization has a noncontributory defined benefit pension plan. The Organization froze its defined benefit pension plan for all participants. The plan provided for 100% vesting after five years of service or attainment of the normal retirement age of 65, with reduced compensation in cases of early retirement. Benefits are based on credited years of service and the average of the employee's highest compensation over a consecutive 36-month period during the 10 years prior to retirement.

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NOTE 6 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

The measurement dates used for the plan disclosures are as of September 30, 2022 and 2021 and for the years then ended.

The changes in the projected benefit obligation are as follows:

	<u>2022</u>	<u>2021</u>
Change in Projected Benefit Obligation:		
Projected Benefit Obligation at Beginning of Year	\$ 38,398,400	\$ 40,428,373
Interest Cost	1,260,266	1,290,989
Actuarial (Gain) Loss	(5,487,332)	(327,842)
Benefits Paid	<u>(2,593,939)</u>	<u>(2,993,120)</u>
Projected Benefit Obligation at End of Year	<u>\$ 31,577,395</u>	<u>\$ 38,398,400</u>
	<u>2022</u>	<u>2021</u>
Change in Plan Assets:		
Fair Value of Plan Assets at Beginning of Year	\$ 26,881,317	\$ 23,750,933
Actual Return on Plan Assets	(5,369,076)	4,923,504
Employer Contribution	1,200,000	1,200,000
Benefits Paid	<u>(2,593,939)</u>	<u>(2,993,120)</u>
Fair Value of Plan Assets at End of Year	<u>\$ 20,118,302</u>	<u>\$ 26,881,317</u>
Funded Status of the Plan:		
Benefit Obligation	\$ 31,577,395	\$ 38,398,400
Fair Value of Plan Assets	<u>20,118,302</u>	<u>26,881,317</u>
Excess of Benefit Obligation Over		
Funded Status of the Plan at End of Year	<u>\$ (11,459,093)</u>	<u>\$ (11,517,083)</u>
	<u>2022</u>	<u>2021</u>
Components of Net Periodic Benefit Costs:		
Interest Cost	\$ 1,260,266	\$ 1,290,989
Expected Return on Plan Assets	(1,568,973)	(1,795,477)
Amortization of Net Loss	<u>533,405</u>	<u>709,966</u>
Net Periodic Pension Cost	<u>\$ 224,698</u>	<u>\$ 205,478</u>
Underfunded Plan Information:		
Projected Benefit Obligation at End of Year	\$ 31,577,395	\$ 38,398,400
Accumulated Benefit Obligation at End of Year	31,577,395	38,398,400
Fair Value of Assets at End of Year	20,118,302	26,881,317

Weighted average assumptions used to determine net periodic benefit cost are as follows:

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NOTE 6 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

	2022	2021
<u>Actuarial Assumptions</u>		
Assumptions Used to Determine Benefit		
Obligations at September 30:		
Assumed Discount Rate	5.32%	3.40%
Assumed Annual Increase in Salaries	-	-
Assumptions Used to Determine Net Periodic Benefit		
Cost for Years Ended September 30:		
Assumed Discount Rate	3.40%	3.30%
Expected Long-Term Return on Plan Assets	6.00%	8.00%
Assumed Annual Increase in Salaries	-	-

Investment Allocation/Basis Used to Determine Expected Long-Term Rate of Return

This investment policy is to enhance the value of Defined Benefit Plan funds held in the portfolio(s) and at the same time provide a dependable, increasing source of income, which will be used to support benefit distributions of the plan. The portfolio shall be composed of diversified assets, including both equities and fixed-income investments. The equities are designed to provide current income, growth of income and appreciation of principal. The fixed-income investments are intended to provide a predictable and reliable source of interest income while reducing the volatility of the portfolio. As a long-term policy guideline, equity investments will constitute 75% of plan assets and fixed income (bonds and cash) 25% of the portfolio.

The percentage of the fair value of total plan assets held as of September 30, 2022 and 2021 (the measurement date) by asset category is as follows:

	2022	2021
The Plan Assets are Invested as Follows:		
Equity Securities and Mutual Funds	81%	75%
Debt Securities and Fixed Income Mutual Funds	19%	25%

Fair Value Measurement of Plan Assets

The plan uses fair value measurement to record fair value adjustments to certain assets and to determine fair value disclosures. The following table presents the fair value hierarchy for the balances of the assets of the plan measured at fair value on a recurring basis as of September 30:

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NOTE 6 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Fair Value Measurement of Plan Assets (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	\$ 8,316,094	\$ -	\$ 109,923	\$ 8,426,017
Mutual Funds	7,211,206	-	-	7,211,206
Fixed Income Mutual Funds	2,586,817	-	-	2,586,817
Bonds	-	1,042,555	-	1,042,555
Total	<u>\$ 18,114,117</u>	<u>\$ 1,042,555</u>	<u>\$ 109,923</u>	<u>\$ 19,266,595</u>
	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities	\$ 11,078,875	\$ -	\$ 283,057	\$ 11,361,932
Mutual Funds	8,057,167	-	-	8,057,167
Fixed Income Mutual Funds	4,261,778	-	-	4,261,778
Bonds	-	2,061,685	-	2,061,685
Total	<u>\$ 23,397,820</u>	<u>\$ 2,061,685</u>	<u>\$ 283,057</u>	<u>\$ 25,742,562</u>

The totals above do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total investments:

	2022	2021
Total Investments	\$ 20,118,302	\$ 26,881,317
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(851,707)	(1,138,755)
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 19,266,595</u>	<u>\$ 25,742,562</u>

Current Funding and Estimated Future Benefit Payments

The Organization provided funding to the plan of \$1,200,000 during the years ended 2022 and 2021, respectively.

Estimated future benefit payments, which reflect expected future services, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 2,682,900
2024	2,651,400
2025	2,645,600
2026	2,623,100
2027	2,590,100
2028-2032	12,265,200

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NOTE 6 PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Other Postretirement Benefits

The Organization also has a defined contribution 403(b) retirement savings plan that covers substantially all employees. Employees can elect to contribute a portion of their pretax earnings to the plan. Employees are eligible for participation in the plan upon employment. In 2022 and 2021, the Organization matched participant contributions by 50% up to the first 4% of eligible compensation. The plan was amended in fiscal 2005 to allow for employer discretionary contributions to be determined annually by the Organization's management. The discretionary contribution in 2022 and 2021 was 2%, respectively, of eligible compensation, respectively. Employees become fully vested in the employer match and discretionary contribution after five years of service. Expenses charged to the Organization's consolidated financial statements for this plan were \$1,943,037 and \$1,799,562 for the years ended September 30, 2022 and 2021, respectively.

NOTE 7 SELF-INSURED BENEFIT LIABILITIES

In 1992, a benefit fund was established for the Organization's self-funded employee medical, dental, and short-term disability plans. Under the plans, which are administered by the trust, contributions are made by the Organization and employees to pay claims, administrative costs, and commercial insurance premiums. The commercial insurance premiums (stop-loss insurance) cover individual medical claims in excess of \$200,000 and aggregate claims over 120% of annual expected claims or \$6,700,000. The self-insured medical, dental, and short-term disability expense recorded in the Organization's consolidated financial statements was \$13,657,972 and \$12,631,953 in 2022 and 2021, respectively. The Organization has recorded liabilities of \$1,517,390 and \$1,522,822 for claims incurred but not yet paid as of September 30, 2022 and 2021, respectively. The trust is a separate entity which is excluded from the Organization's consolidated financial statements.

The Organization became self-insured for workers' compensation on April 1, 1994. As of September 30, 2022 and 2021, the Organization has recorded liabilities of \$725,127 and \$629,956, respectively, for claims incurred but not yet reported. In addition, the Organization has a \$1,395,002 surety bond to secure amounts potentially required to be paid for workers' compensation. Consulting actuaries assist the Organization in determining its liability for self-insured claims.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
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NOTE 8 LONG-TERM DEBT AND LINE OF CREDIT

Description	Security	2022		2021	
		Face Value	Current Value	Face Value	Current Value
Note payable to Sunrise bank, N.A. 3.90% Interest bearing Due March 26, 2030	Land and Buildings	\$ 1,419,417	\$ 1,419,417	\$ 1,579,191	\$ 1,579,191
Note payable to Sunrise bank, N.A. 3.90% Interest bearing Due March 26, 2030	Land and Buildings	1,514,835	1,514,835	1,685,350	1,685,350
Note Payable to Sunrise Bank, Interest at 5%, Due through September 18, 2029 for CHS Pension Plan Payment	Eustis Building	564,052	564,052	605,912	605,912
Note Payable to Hennepin County Housing and Redevelopment Authority Affordable Housing Incentive Fund, Noninterest Bearing, Forgivable in 2037 *	Land and Building	600,000	600,000	600,000	600,000
Note Payable to Sunrise Bank, N.A. 2.88% Interest bearing, Due September 8, 2025	Harmony House	232,775	232,775	242,428	242,428
Note Payable to Sunrise Bank, N.A. 3.26% Interest Bearing, Due May 18, 2026	LaVine McGregor	352,298	352,298	365,758	365,758
Note Payable to Sunrise Bank, N.A. 3.90% Interest Bearing, Due October 5, 2026	Grand Place	157,895	157,895	163,352	163,352
Note Payable to Sunrise Bank, N.A. 3.90% Interest Bearing Due July 9, 2031	Land and Building	164,042	164,042	168,109	168,109
Note Payable to Sunrise Bank, N.A. 3.90% Interest Bearing Due July 9, 2031	Land and Building	273,403	273,403	280,181	280,181
Note Payable to US Bank, 4.30% Interest Bearing Due October 1, 2024	Land and Building	483,514	483,514	540,357	540,357
Note Payable to National Bank of Commerce 3.29% Interest Bearing Due August 15, 2026	Land and Building	1,963,292	1,963,292	-	-
Capital Leases	Vehicles	71,421	71,421	233,976	233,976
Subtotal for Lutheran Social Service of Minnesota		7,796,944	7,796,944	6,464,614	6,464,614
Note Payable to City of St. Paul Housing and Redevelopment Authority, Interest at 2%, Principal and Interest Due through December 31, 2026	Land and Building	432,500	371,870	426,500	354,134
Subtotal for Rezek House LLC		432,500	371,870	426,500	354,134

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
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NOTE 8 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Description	Security	2022		2021	
		Face Value	Current Value	Face Value	Current Value
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Forgivable May 16, 2033*	Land and Buildings	\$ 1,720,580	\$ 1,720,580	\$ 1,720,580	\$ 1,720,580
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Due May 16, 2033	Land and Buildings	119,420	86,272	119,420	83,759
Note Payable to Family Housing Fund, Noninterest Bearing, Due May 16, 2033	Land and Buildings	130,000	94,952	130,000	92,190
Note Payable to Minnesota Community Development Authority, Interest at 1%, Principal and Interest Due May 16, 2033	Land and Buildings	358,000	284,257	355,000	275,978
Subtotal for LSS Townhomes LLC		2,328,000	2,186,061	2,325,000	2,172,507
Note Payable to Family Housing Fund, Noninterest Bearing, Due May 19, 2034	Land and Buildings	126,000	86,887	126,000	84,152
Note Payable to Hennepin County Housing and Redevelopment Authority, Interest at 1%, Principal and Interest Due May 19, 2034	Land and Buildings	307,775	233,029	305,175	225,690
Note Payable to City of Minneapolis, Interest at 1%, Principal and Interest Due May 19, 2034	Land and Buildings	301,264	228,144	298,719	220,964
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Due May 19, 2034	Land and Buildings	600,000	413,744	600,000	400,721
Note Payable to City of Minneapolis Noninterest Bearing, Forgivable May 19, 2034 *	Land and Buildings	100,000	100,000	100,000	100,000
Total for LSS Supportive Housing LLC		1,435,039	1,061,804	1,429,894	1,031,527
Note Payable to Minnesota Housing Finance Agency, Noninterest Bearing, Forgivable in 2046 *	Land and Buildings	4,200,000	4,200,000	4,200,000	4,200,000
City of Duluth Home Loan, Noninterest Bearing, Forgivable in 2046 *	Land and Buildings	200,000	200,000	200,000	200,000
Total Center for Changing Lives Duluth LLC		4,400,000	4,400,000	4,400,000	4,400,000

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
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NOTE 8 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Description	Security	2022		2021	
		Face Value	Current Value	Face Value	Current Value
Note Payable to Wells Fargo, N.A.; Interest at 4.30%, Due January 1, 2028	Center for Changing Lives - Building and Improvements	\$ 1,655,965	\$ 1,655,965	\$ 1,734,953	\$ 1,734,953
Total for LSS Center for Changing Lives		1,655,965	1,655,965	1,734,953	1,734,953
Note Payable to City of Minneapolis AHTF, Interest at 5.50%, Principal and Interest Due November 15, 2037	Park Avenue Apartments	1,109,264	1,109,264	1,052,064	1,052,064
Note Payable to Hennepin County AHIF, Interest at 1%, Principal and Interest Due November 15, 2037	Park Avenue Apartments	459,504	459,504	455,504	455,504
Total for Park Avenue Apartments		1,568,768	1,568,768	1,507,568	1,507,568
Note Payable to Sunrise Bank N.A., Interest at 4.50%, Due January 1, 2045	Rolling Hills Apartments	2,592,632	2,592,632	2,657,960	2,657,960
Note Payable to St. Paul City HRA (CDBG), Interest at 3%, Due December 1, 2045	Rolling Hills Apartments	64,623	64,623	62,716	62,716
Note Payable to MHFA, Noninterest Bearing, Due June 20, 2043	Rolling Hills Apartments	300,000	120,404	300,000	113,555
Note Payable to Family Housing Fund, Noninterest Bearing, Due June 20, 2043	Rolling Hills Apartments	200,000	80,269	200,000	77,978
Note Payable to Housing & Redevelopment Authority of St. Paul (Home Loan), Interest at 1%, Due June 20, 2045	Rolling Hills Apartments	1,031,136	464,187	1,021,700	443,072
Total for Rolling Hills Apartments		4,188,391	3,322,115	4,242,376	3,355,281
Total Long-Term Debt and Conditional Grants		23,805,607	22,363,527	22,530,905	21,020,584
Less: Conditional Grants		6,820,580	6,820,580	6,820,580	6,820,580
Total Debt		16,985,027	15,542,947	15,710,325	14,200,004
Less: Current Maturities of Long-Term Debt		2,676,662	2,676,662	820,058	820,058
Less: Debt Issuance Costs		N/A	303,054	N/A	334,062
Maturities and Conditional Grants		\$ 14,308,365	\$ 12,563,231	\$ 14,890,267	\$ 13,045,884

* Conditional Grants

For below market loans the present value discount is imputed using rates between 3% and 5% depending on the year the loan was initiated.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
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NOTE 8 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Principal maturities for long-term debt are as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2023	\$ 2,676,662
2024	668,407
2025	1,196,605
2026	942,410
2027	1,890,137
Thereafter	8,168,726
Total	<u>\$ 15,542,947</u>

Land and buildings with a net book value of \$49,420,820 and \$43,904,534 are pledged as collateral at September 30, 2022 and 2021, respectively, primarily on MHFA mortgage notes.

Lines of Credit

The Organization has a total of \$7,000,000 of working capital lines of credit with U.S. Bank. The lines bear interest on outstanding borrowings at the bank's reference rate (5.04% at September 30, 2022) and matures on July 18, 2023. At September 30, 2022 and 2021, the amount outstanding was \$-0-.

The Organization also has a line of credit with Sunrise Bank in the amount of \$3,000,000. This line bears interest on outstanding borrowings at the bank's reference rate (3.75% at September 30, 2022) and matures on July 27, 2024. At September 30, 2022 and 2021, the amount outstanding was \$1,006,792.

The Organization has an additional \$4,000,000 of working capital lines of credit with Sunrise Ban. The lines bear interest on outstanding borrowings at the bank's reference rate (3.75% at September 30, 2022) and mature on March 24, 2023. At September 30, 2022 the amount outstanding was \$-0-.

Rolling Hills

During 2013, RH-St. Paul Apartments LP established a construction loan at Sunrise Bank of up to \$9.476 million for the Rolling Hills Project. This note is secured by real property owned by the partnership.

RH-St. Paul Apartments is a limited partnership consisting of the following general partners:

- LSS Rolling Hills LLC – a single member LLC of Lutheran Social Service of MN.
- RH Developer LLC – a for-profit company engaged in leasing and property management.

The balance outstanding on the loan as of September 30, 2022 and 2021 was \$2,592,632 and \$2,657,960, respectively. Interest accrues at 4.5% (updated to LIBOR plus 2.5% every five years) and principal payments are due until maturity on January 1, 2045.

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NOTE 8 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Rolling Hills (Continued)

On October 2, 2014, NEF, the limited partner, made a capital contribution to the partnership in the amount of \$6.4 million. The proceeds were used to pay down this loan.

NOTE 9 LEASES

The Organization has operating lease agreements for office space, residential facilities, and vehicles. The majority of these leases expire throughout the next five years. In most instances, office space lease terms are renewable.

As of September 30, 2022, future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year were:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 2,792,058
2024	2,225,565
2025	1,670,451
2026	1,186,177
2027	498,500
Thereafter	354,688
Total	<u><u>\$ 8,727,439</u></u>

Rental expense for all operating leases was \$3,512,952 and \$3,238,291 for the years ended September 30, 2022 and 2021, respectively.

The Organization leases certain vehicles under long-term lease agreements. The leases, which are accounted for as capital leases, expire at various dates. The cost of vehicles recorded under capital leases was \$534,383 and \$905,599 at September 30, 2022 and 2021. Accumulated depreciation was \$471,030 and \$691,247 at September 30, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	<u>\$ 72,671</u>
Total Lease Payments	72,671
Less: Interest Expense	(1,250)
Total Minimum Lease Payments	<u><u>\$ 71,421</u></u>

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
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NOTE 10 NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Cash Restricted by Donors for Specific Program Use	\$ 12,785,886	\$ 12,940,149
Subject to Passage of Time:		
Split Interest Deferred Gifts/Trusts	1,607,991	2,405,313
Donations and Forgivable Loan Interest for Property	575,804	623,227
Beneficial Interest in Perpetual Trusts	4,818,265	5,961,416
Total	7,002,060	8,989,956
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	1,330,180	3,225,225
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Endowment Funds	10,972,887	10,782,567
Total Endowments	12,303,067	14,007,792
Total Net Assets with Donor Restriction	\$ 32,091,013	\$ 35,937,897

Net Assets Released from Restrictions

The net assets released from restrictions as of September 30 consist of the following:

	2022	2021
Purpose Restrictions	\$ 7,035,793	\$ 6,356,522
Appropriation of Endowment Earnings	485,172	467,127
Total	\$ 7,520,965	\$ 6,823,649

NOTE 11 ENDOWMENTS

The Organization has donor-restricted endowment funds established for the purpose of securing the Organization's long-term financial viability and continuing to meet the needs of the Organization. As required by U.S. GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of the Organization has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of the gifts to the perpetual endowment and the value of subsequent gifts to the perpetual endowment.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 11 ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets without donor restrictions were \$-0- as of September 30, 2022 and 2021.

The Organization's Foundation board of directors has adopted an Investment and Distribution Policy for its endowments assets. The policy seeks to maintain the purchasing power of the endowment assets while providing a predictable funding stream to its programs. In addition, the organization has hired an outside investment manager to oversee the investment of the endowment funds. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

Return Objectives and Risk Parameters, Investment and Spending Policies for the Organization's Foundation

The investment policy provides a targeted mix of equity and income investments. Investment performance is benchmarked quarterly against the performance of the S&P 500 and the applicable bond fund indexes.

Annual distributions from the Endowment funds are targeted at 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end based upon the preceding the fiscal year in which the distribution is planned. In addition, actual investment performance is considered in the distribution decision.

Endowment net asset composition by type and changes in endowment net assets with donor restrictions for the years ended September 30 is as follows:

	<u>2022</u>	<u>2021</u>
	With Donor Restrictions	With Donor Restrictions
Endowment Fund Balance, Beginning of Year	\$ 14,007,792	\$ 11,492,419
Transfer In	344,731	-
Contributions	221,240	292,495
Net Investment Return	(1,785,524)	2,690,005
Appropriations	(485,172)	(467,127)
Endowment Fund Balance, End of Year	<u>\$ 12,303,067</u>	<u>\$ 14,007,792</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Organization provides Guardianship and Conservatorship services for vulnerable adults throughout the state of Minnesota. For these services, the court orders the appointment of a person or agency to act as a substitute decision maker for a person. The Organization follows the National Guardianship Association and the Minnesota Association for Guardianship Conservatorship standards. As of September 30, 2022 and 2021, the Organization was the guardianship or conservator of estates totaling \$46,175,871 and \$46,762,198, respectively.

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

LSS Pooled Trusts allow people with disabilities and/or their families to set aside money for additional needed expenses while protecting their public or private benefits such as Medicaid and Social Security. As of September 30, 2022 and 2021, assets held in the pooled trust amounted to \$34,948,027 and \$29,349,964, respectively.

The Organization is involved in legal action in regard to normal business activities. Management does not feel that these actions are material and pose a financial threat to the Organization and, accordingly, no liability is accrued at September 30, 2022 and 2021.

NOTE 13 LIQUIDITY AND AVAILABILITY

The Organization's liquidity management includes \$14 million in lines of credit of which approximately \$12.9 million is currently available. In the event of an unanticipated liquidity need, the Organization would draw from the lines of credit.

The following reflects the Organization's financial assets as of the statement of financial position date, including amounts not available within one year of the statement of financial position date. Amounts not available include unappropriated earnings of the endowment funds that could be drawn upon if the governing boards of Lutheran Social Services of Minnesota or Children's Home Society of Minnesota approve that action.

	<u>2022</u>	<u>2021</u>
Cash, Accounts and Pledges Receivable and Investments as of September 30	\$ 74,047,103	\$ 72,964,725
Less:		
Contractual or Donor-Imposed Restrictions Making Financial Assets Unavailable for General Expenditures	<u>(25,088,953)</u>	<u>(26,947,941)</u>
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 48,958,150</u>	<u>\$ 46,016,784</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Lutheran Social Service of Minnesota and Affiliates
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Lutheran Social Service of Minnesota and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lutheran Social Service of Minnesota and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lutheran Social Service of Minnesota and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lutheran Social Service of Minnesota and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 31, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Lutheran Social Service of Minnesota and Affiliates
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lutheran Social Service of Minnesota and Affiliates' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lutheran Social Service of Minnesota and Affiliates' major federal programs for the year ended September 30, 2022. Lutheran Social Service of Minnesota and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lutheran Social Service of Minnesota and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lutheran Social Service of Minnesota and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lutheran Social Service of Minnesota and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lutheran Social Service of Minnesota and Affiliates' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lutheran Social Service of Minnesota and Affiliates' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lutheran Social Service of Minnesota and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Lutheran Social Service of Minnesota and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Lutheran Social Service of Minnesota and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lutheran Social Service of Minnesota and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 31, 2023

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture:					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Community Health Board	192MN004W6003	\$ -	61,297
Child and Adult Care Food Program	10.558	MN Dept. of Education	2MN300061	-	6,711
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	MN Dept. of Human Services	GRK%163791	-	68,519
Emergency Food Assistance Program	10.569	Second Harvest/Heartland	GRK%144570	-	499
Total Department of Agriculture					137,026
Department of Housing and Urban Development:					
Continuum of Care Program - Health Act	14.267	MN Homeowner Center	FY2022-08	-	646,750
Housing Counseling	14.169			-	72,384
COVID-19: Community Development Block Grants	14.218	City of Plymouth	B-20-MC-27-0009	-	79,959
COVID-19: Community Development Block Grants	14.218	City of Minneapolis	B-20-MW-27-0003	-	5,796
COVID-19: Community Development Block Grants	14.218	City of Minneapolis	COM0003090	-	5,959
COVID-19: Community Development Block Grants	14.218	City of Minneapolis	B-20-MW-27-0003	-	15,390
COVID-19: Community Development Block Grants	14.218	City of St. Paul	B-20-MW-27-0007	-	24,922
COVID-19: Community Development Block Grants	14.218	Dakota County	B-20-UW-27-0003	-	5,240
Total COVID-19: Community Development Block Grants					137,266
Emergency Shelter Grants Program	14.231	Ramsey County	G000886	-	24,400
COVID-19: Emergency Shelter Grants Program	14.231	Hennepin County	HS0000796	-	9,417
COVID-19: Emergency Shelter Grants Program	14.231	MN Dept. of Human Services	GRK%189330	-	257,443
COVID-19: Emergency Shelter Grants Program	14.231	MN Dept. of Human Services	GRK%189334	-	18,769
COVID-19: Emergency Shelter Grants Program	14.231	MN Dept. of Human Services	GRK%188535	-	81,376
COVID-19: Emergency Shelter Grants Program	14.231	MN Dept. of Human Services	GRK%188189	-	191,167
COVID-19: Emergency Shelter Grants Program	14.231	MN Dept. of Human Services	GRK%189369	-	54,113
COVID-19: Emergency Shelter Grants Program	14.231	MN Dept. of Human Services	GRK%189527	-	70,555
COVID-19: Emergency Shelter Grants Program	14.231	MN Dept. of Human Services	GRK%189368	-	63,613
Total Emergency Shelter Grants Program					770,653
HOME Investment Partnership Program	14.239	City of Minneapolis	HD00000507	-	254,500
HOME Investment Partnership Program	14.239	City of Duluth CDBG	22726	-	200,000
Total HOME Investment Partnership Program					454,500
Continuum of Care Program - Health Act	14.267	Hearth Connection	41-1976959	-	144,439
Total Department of Housing and Urban Development					2,226,192
Department of Justice Direct Programs:					
Services for Trafficking Victims	16.320			-	122,641
COVID-19: Coronavirus Emergency Supplemental Funding Program	16.034	MN Dept. of Public Safety	A-CESF-2021-LSS-STP-00013A-CESF-2021-EMERGE-00028	-	15,657
Edward Byrne Memorial Justice Assistance Grant Program	16.738	MN Dept. of Public Safety	A-JAG-2021-LSS-STP-016	-	66,014
Total Department of Justice Direct Programs					204,312
Department of State:					
US Refugee Admissions Program	19.510	Lutheran Immigration and Refugee Services	SPRMC021CA3007/SPRMC022CA0022	-	609,915
COVID-19: US Refugee Admissions Program	19.510	Lutheran Immigration and Refugee Services	SPRMC021CA3290	-	426,658
Total Department of State					1,036,573
US Treasury:					
COVID-19: Emergency Rental Assistance	21.023	City of Minneapolis	COM0003555	-	403,697
COVID-19: Emergency Rental Assistance	21.023	City of Minneapolis	COM0004713	-	758,953
Total US Treasury					1,162,650

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grant/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services:					
Seeing and Exploring Life's Future (SELF) Pregnancy Prevention Program	93.060			\$ -	\$ 242,003
Transitional Living for Homeless Youth	93.550			-	1,043,992
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557			40,525	450,000
Basic Center Grant	93.623			-	636,779
Aging Cluster					
Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers	93.044	MN River Agency on Aging	316-22-003B114	-	20,728
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045	Land of the Dancing Sky	314-19-00C1-110/314-20-00C1-110	-	273,427
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045	Central MN Council on Aging	315-19-03C1-002/315-20-03C1-002	-	102,266
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045	MN River Agency on Aging	316-19-00C1-042-E89-02/316-20-00C1-042-E89-04/316-20-00C2-043-E89-04	-	293,923
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045	Trails	311-003E-300-001	-	85,021
Nutrition Services Incentive Program	93.053	Land of the Dancing Sky	314-19-00C1-110/314-20-00C1-110	-	665,347
Nutrition Services Incentive Program	93.053	Central MN Council on Aging	315-19-03C1-002/315-20-03C1-002	-	374,971
Nutrition Services Incentive Program	93.053	MN River Agency on Aging	316-19-00C1-042-E89-02/316-19-00C2-043-E89-02/316-20-00C1-042-E89-04/316-20-00C2-043-E89-04	-	1,578,624
Total Aging Cluster				-	3,384,307
Special Programs for the Aging--Title IV, and Title II, Discretionary Projects	93.048	Oasis	90CCDG0001	-	172,069
National Family Caregiver Support	93.052	MN River Agency on Aging	316-19-003E-028-00E/316-20-003E-028-00E	-	153,987
National Family Caregiver Support	93.052	Central MN Council on Aging	315-19-003E-001/315-20-003E-001	-	22,995
National Family Caregiver Support	93.052	Land of the Dancing Sky	314-19-003E-104A/314-20-003E-104	-	174,791
Total National Family Caregiver Support				-	351,373
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	MN Dept. of Health	GRK% 136422	-	84,180
Immunization Cooperative Agreements	93.288	St. Louis County	17256	-	59,674
Every Student Succeeds Act/Preschool Development Grants	93.434	MN Dept. of Human Services	GRK% 188899	-	132,558
COVID 19: Provider Relief Fund Phase 3	93.498	United Health Group	41-0872993	-	2,057,945
Promoting Safe and Stable Families, Kinship Navigator Program	93.566	MN Dept. of Human Services	GRK% 196232	-	173,893
Refugee and Entrant Assistance-State Administered Programs	93.566	International Institute of MN	GRK% 167581	-	80,733
Refugee and Entrant Assistance-State Administered Programs	93.566	MN Dept. of Human Services	GRK% 167577	-	558,954
Refugee and Entrant Assistance-State Administered Programs	93.566	MN Dept. of Human Services	GRK% 166727	-	67,631
Refugee and Entrant Assistance-State Administered Programs	93.566	Minnesota Council of Churches	GRK% 166891	-	52,489
Refugee and Entrant Assistance-State Administered Programs	93.566	Minnesota Council of Churches	GRK% 192735	-	153,556
Total Refugee and Entrant Assistance-State Administered Programs				-	913,363
Voluntary Agency Matching Grant Program	93.557	Lutheran Immigration and Refugee Services	2002MDRVMG	-	502,790
Low-Income Home Energy Assistance	93.588	MN Dept. of Commerce	GRK% 165616	-	366,271
Child Care and Development Block Grant	93.575	MN Dept. of Human Services	GRK% 203064	-	47,921
Refugee and Entrant Assistance-Discretionary Grant	93.576	Lutheran Immigration and Refugee Services	90RPO124	-	250,958
Refugee and Entrant Assistance-Discretionary Grant	93.576	Lutheran Immigration and Refugee Services	90RPO124-01-01	-	523,021
Total Refugee and Entrant Assistance-Discretionary Grant				-	973,985

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued):					
Trafficking Victim Assistance Program	93.588	US Committee for Refugees and Immigrants	90ZV0137-01-00, 90ZV01-136-01-00, 90ZV0135-01-00	\$ -	\$ 14,965
Chafee Education and Training Vouchers Program	93.589	MN Dept. of Human Services	GRK%157729	-	659,120
Adoption and Legal Guardianship Incentive Payments Program	93.603	MN Dept. of Human Services	GRK%185331	-	107,545
Adoption Assistance	93.659	MN Dept. of Human Services	GRK%142334/GRK%142348	-	663,522
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158720	-	124,477
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158721/GRK%214465	-	189,586
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158582	-	47,079
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158589	-	39,927
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158719/GRK%214464	-	231,208
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158722/GRK%214463	-	60,267
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158708/GRK%214468	-	129,665
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158713	-	648,499
Chafee Foster Care Independence Program	93.674	MN Dept. of Human Services	GRK%158599	-	48,244
Total Chafee Foster Care Independent Program	93.674	Kandiyohi County	2201MNCILP	-	152,927
Residential Shelter/Transitional Foster Care for Unaccompanied Alien Children	93.676	Lutheran Immigration and Refugee Services	90ZU0318-02-00/90ZU0318-02-00/90ZU0394-01-03	-	1,021,879
Opioid State Targeted Response	93.788	MN Dept. of Human Services	GRK%159489	-	117,155
Total Department of Health and Human Services				40,525	14,560,442
Corporation for National and Community Service:					
Foster Grandparent / Senior Companion Cluster	94.011			-	938,572
Senior Companion	94.016			-	1,035,448
Total Foster Grandparent / Senior Companion Cluster				-	1,974,020
Senior Demonstration Program (FGP)	94.017			-	13,705
Total Corporation for National and Community Service				-	1,987,725
AmeriCorps					
Total Corporation for National and Community Service	94.006	University of Arizona	ASUB00000890	-	90,632
Department of Homeland Security					
Emergency Food and Shelter National Board Program	97.024	United Way	501400-009/496600-017	-	5,000
Emergency Food and Shelter National Board Program	97.024	United Way	503200-003	-	5,735
COVID-19: Emergency Food and Shelter National Board Program	97.024	United Way	50000-006	-	40,089
Emergency Food and Shelter National Board Program	97.024	United Way	485913.001	-	16,070
Total Department of Homeland Security				-	66,894
Neighborhood Reinvestment Corporation dba NeighborWorks America					
Housing Stability Counseling Program	99.U19	MN Homeowners Center	HSCP-07	-	67,065
Total NeighborWorks America Program				-	67,065
Total Expenditures of Federal Awards				40,525	21,539,511

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2022**

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Lutheran Social Service of Minnesota and Affiliates (the Organization) that have been financed by the United States Government (federal awards). Federal awards received directly from federal agencies are included in the Schedule.

Additionally, all federal awards passed through from other entities have been included on the Schedule. Although the Organization is required to match certain grants, as defined in the grants, no such matching is included in the Schedule.

The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, statement of activities, or cash flows of the Organization.

NOTE B SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has a negotiated indirect cost rate that they use rather than the 10% de minimis rate under the Uniform Guidance.

NOTE C IN-KIND SUPPORT

The following shows the amount of in-kind support for volunteer hours obtained for the Senior Nutrition programs, Assistance Listing Numbers 93.045/93.053, which is required by the grant.

	Congregate	Home Delivered	Total
Land of the Dancing Sky AAA	\$ 29,794	\$ 63,691	\$ 93,485
Central MN Council on Aging	10,813	35,738	46,551
MN River Area Agency on Aging	51,914	209,842	261,756
Total	<u>\$ 92,521</u>	<u>\$ 309,271</u>	<u>\$ 401,792</u>

NOTE D LOAN OUTSTANDING

The balance of the loans outstanding for the HOME Investment Partnership Program, Assistance Listing number 14.239, as of September 30, 2022 is \$454,500.

**LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies)? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Name of Federal Program	Assistance Listing Number
COVID-19: Emergency Shelter Grants Program	14.231
US Refugee Admissions Program	19.510
COVID-19: Emergency Rental Assistance	21.023
COVID 19: Provider Relief Fund Phase 3	93.498
Foster Grandparent / Senior Companion Cluster	94.011/94.016

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? x yes _____ no

LUTHERAN SOCIAL SERVICE OF MINNESOTA AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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