

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2010

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

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TAIT, WELLER & BAKER LLP
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Lutheran Immigration and Refugee Service
Baltimore, Maryland

We have audited the accompanying statement of financial position of Lutheran Immigration and Refugee Service as of December 31, 2010, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from Lutheran Immigration and Refugee Service's 2009 financial statements and, in our report dated April 12, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Immigration and Refugee Service as of December 31, 2010, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
April 27, 2011

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 4,334,458	\$ 20,753
Investments, at market value <i>(Note 2)</i>	1,960,918	1,767,181
Accounts receivable		
U.S. Government	5,040,429	6,962,720
Miscellaneous	225,031	151,921
Loans receivable – refugees <i>(Note 3)</i>	128,141	133,435
Prepaid expenses and other assets	122,477	237,088
Investment in Lutheran Center Corporation <i>(Note 4)</i>	3,381,744	3,380,541
Funds held by trustee <i>(Note 5)</i>	<u>334,576</u>	<u>331,206</u>
	15,527,774	12,984,845
Furnishings and improvements, less accumulated depreciation and amortization of \$941,326 and \$924,380, respectively	<u>25,146</u>	<u>42,092</u>
Total assets	<u>\$15,552,920</u>	<u>\$13,026,937</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 6,033,511	\$ 4,406,234
Long-term debt <i>(Note 5)</i>	<u>2,684,673</u>	<u>2,767,987</u>
Total liabilities	<u>8,718,184</u>	<u>7,174,221</u>
NET ASSETS		
Unrestricted		
Undesignated	4,579,580	3,727,989
Designated	<u>1,744,923</u>	<u>1,676,191</u>
Total unrestricted net assets	<u>6,324,503</u>	<u>5,404,180</u>
Temporarily restricted <i>(Note 7)</i>	<u>510,233</u>	<u>448,536</u>
Total net assets	<u>6,834,736</u>	<u>5,852,716</u>
Total liabilities and net assets	<u>\$15,552,920</u>	<u>\$13,026,937</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2010 with Summarized Information for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
Operating Activities				
Support and Revenue				
Participating Church Bodies				
Evangelical Lutheran Church in America	\$ 504,692	\$ 91,833	\$ 596,525	\$ 542,335
Lutheran Church – Missouri Synod	223,374	30,000	253,374	216,600
Latvian Evangelical Lutheran Church in America	<u>3,500</u>	<u>-</u>	<u>3,500</u>	<u>3,000</u>
	<u>731,566</u>	<u>121,833</u>	<u>853,399</u>	<u>761,935</u>
Other Support				
Foundations and other grants	1,500	50,000	51,500	11,500
Other contributions	250,961	10,000	260,961	280,442
In-kind contributions	<u>13,027</u>	<u>25</u>	<u>13,052</u>	<u>65,316</u>
	<u>265,488</u>	<u>60,025</u>	<u>325,513</u>	<u>357,258</u>
U.S. Government and State	<u>38,183,471</u>	<u>-</u>	<u>38,183,471</u>	<u>29,907,281</u>
Total support	<u>39,180,525</u>	<u>181,858</u>	<u>39,362,383</u>	<u>31,026,474</u>
Revenue				
Loan servicing fees (<i>Note 3</i>)	1,293,621	-	1,293,621	982,677
Miscellaneous	<u>87,769</u>	<u>1,443</u>	<u>89,212</u>	<u>92,538</u>
Total revenue	<u>1,381,390</u>	<u>1,443</u>	<u>1,382,833</u>	<u>1,075,215</u>
Net assets released from restrictions (<i>Note 7</i>)	<u>121,604</u>	<u>(121,604)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>40,683,519</u>	<u>61,697</u>	<u>40,745,216</u>	<u>32,101,689</u>
Expenses				
Program Services				
U.S. Government funded activities	35,616,822	-	35,616,822	27,478,314
Other program activities	<u>1,117,748</u>	<u>-</u>	<u>1,117,748</u>	<u>1,317,325</u>
Total program services	<u>36,734,570</u>	<u>-</u>	<u>36,734,570</u>	<u>28,795,639</u>
Supporting Services				
Management and general	2,792,796	-	2,792,796	2,632,868
Fund-raising	<u>430,073</u>	<u>-</u>	<u>430,073</u>	<u>331,174</u>
Total supporting services	<u>3,222,869</u>	<u>-</u>	<u>3,222,869</u>	<u>2,964,042</u>
Total expenses	<u>39,957,439</u>	<u>-</u>	<u>39,957,439</u>	<u>31,759,681</u>
Change in net assets – operating activities	726,080	61,697	787,777	342,008
Non-operating Activities				
Investment earnings (<i>Note 2</i>)	<u>194,243</u>	<u>-</u>	<u>194,243</u>	<u>281,949</u>
Change in net assets	920,323	61,697	982,020	623,957
Net Assets				
Beginning of year	<u>5,404,180</u>	<u>448,536</u>	<u>5,852,716</u>	<u>5,228,759</u>
End of year	<u>\$ 6,324,503</u>	<u>\$ 510,233</u>	<u>\$ 6,834,736</u>	<u>\$ 5,852,716</u>

See notes to financial statements.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
INCREASE (DECREASE) IN CASH		
<i>Net change in net assets</i>	\$ 982,020	\$ 623,957
<i>Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	16,946	49,927
Amortization	2,137	2,137
Unrealized gains on investments	(156,568)	(238,009)
Equity in loss in Lutheran Center Corporation	27,500	54,139
(Increase) decrease in		
Accounts receivable		
U.S. Government	1,922,291	(2,359,413)
Miscellaneous	(73,110)	198,452
Loans receivable – refugees	5,294	(16,857)
Prepaid expenses and deposits	109,160	34,573
Funds held by trustee	(3,370)	(14,876)
Increase in		
Accounts payable and accrued expenses	<u>1,627,277</u>	<u>819,627</u>
Net cash provided by (used for) operating activities	<u>4,459,577</u>	<u>(846,343)</u>
<i>Cash flows from investing activities</i>		
Investment in Lutheran Center Corporation, net	(28,703)	(33,774)
Purchases of investments	(142,169)	(140,064)
Sales of investments	<u>105,000</u>	<u>196,219</u>
Net cash (used for) provided by investing activities	<u>(65,872)</u>	<u>22,381</u>
<i>Cash flows from financing activities</i>		
Repayment of long-term debt	<u>(80,000)</u>	<u>(77,500)</u>
Net cash used for financing activities	<u>(80,000)</u>	<u>(77,500)</u>
Net increase (decrease) in cash	4,313,705	(901,462)
<i>Cash</i>		
Beginning of year	<u>20,753</u>	<u>922,215</u>
End of year	<u>\$4,334,458</u>	<u>\$ 20,753</u>

NOTE: Cash paid for interest was \$140,044 and \$131,624, in 2010 and 2009, respectively.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Lutheran Immigration and Refugee Service (“**LIRS**”) is incorporated pursuant to the provisions of the Minnesota Non-profit Corporation Act.

The mission of LIRS is to stand with and advocate for migrants and refugees, transforming communities through ministries of service and justice.

ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 27, 2011, have been evaluated in the preparation of the financial statements. Management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

CONCENTRATION OF CREDIT RISK

LIRS occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“**ASC**”) 825, “**Financial Instruments**”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

CONTRIBUTIONS

LIRS reports gifts of cash and other assets as restricted support 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, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as “**net assets released from restrictions.**”

NET ASSETS

LIRS classifies its resources into two net asset categories according to externally (donor) imposed restrictions as follows:

Unrestricted net assets include the revenues and expenses associated with the principal mission of LIRS.

Temporarily restricted net assets include gifts and contributions for which donor-imposed restrictions have not been met.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

U.S. GOVERNMENT AWARDS

LIRS receives grant awards from the U.S. Government for the resettlement of and other services to refugees and to other migrants in federal custody. LIRS records revenues under these awards as expenses are incurred.

INVESTMENTS

LIRS applies ASC 958, “*Not-for-Profit Entities.*” ASC 958 establishes standards for accounting for certain investments held by not-for-profit organizations and requires that investments in securities be recorded at fair market value with the resulting gains and losses reported in the statement of activity.

The fair market value of investments traded on a securities exchange is determined based on quoted market prices for those investments.

As part of its investment policy, LIRS is prohibited from investing in specific companies as identified by the two primary supporting Church bodies and to the extent such prohibitions are communicated to LIRS.

ALLOCATION OF EXPENSES

The expenses for staff personnel, facilities and related costs incurred in the operations are allocated to the various programs and contracts based on the level of activity in the respective programs.

FURNISHINGS AND IMPROVEMENTS

Furnishings and improvements have been recorded at cost. Depreciation is provided on the straight-line method over five and eight years, the estimated useful lives of the assets. Leasehold improvement costs are amortized over the lives of the leases.

INCOME TAXES

LIRS has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “*Code*”), and has been classified as an organization, which is not a private foundation under Section 509(a) of the Code.

LIRS has reviewed the tax positions for each of the open tax years (2009) or expected to be taken in LIRS’s 2010 tax return and has concluded that there are not significant uncertain tax positions that would require recognition in the financial statements

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the LIRS’s audited financial statements for the year ended December 31, 2009, from which the summarized information was derived.

RECLASSIFICATIONS

Certain account balances in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

(2) INVESTMENTS

At December 31, 2010 and 2009 investments consisted of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed Income				
Money Market, Certificates of Deposit and Church Mission Certificates	\$ 573,670	\$ 574,155	\$ 491,755	\$ 485,106
U.S. Government Agency Bond	45,000	45,000	45,000	45,000
Corporate Bonds	60,554	61,924	122,359	126,099
Equities				
Socially Conscious Mutual Funds	575,611	599,152	575,610	511,095
Church – Body Investment Pools	662,246	641,885	645,188	568,963
Common Stock	<u>41,483</u>	<u>38,802</u>	<u>41,483</u>	<u>30,918</u>
	<u>\$1,958,564</u>	<u>\$1,960,918</u>	<u>\$1,921,395</u>	<u>\$1,767,181</u>

At December 31, 2010 and 2009, investments had unrealized gains (losses) of \$2,354 and \$(154,214), respectively.

Investment earnings for the years ended December 31, 2010 and 2009 are comprised of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 37,675	\$ 43,940
Unrealized gains	<u>156,568</u>	<u>238,009</u>
	<u>\$194,243</u>	<u>\$281,949</u>

LIRS utilizes various methods to measure the fair value of its investments on a recurring basis. United States generally accepted accounting principles establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

The summary of inputs used to value LIRS's investments as of December 31, 2010 and 2009 is as follows:

	2010		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed Income			
Money Market, Certificates of Deposit and Church Mission Certificates	\$ 478,670	\$ 95,485	\$ 574,155
U.S. Government Agency Bond	-	45,000	45,000
Corporate Bonds	-	61,924	61,924
Equities			
Social Conscious Mutual Funds	599,152	-	599,152
Church – Body Investment Pools	-	641,885	641,885
Common Stocks	<u>38,802</u>	<u>-</u>	<u>38,802</u>
	<u>\$1,116,624</u>	<u>\$844,294</u>	<u>\$1,960,918</u>
	2009		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed Income			
Money Market, Certificates of Deposit and Church Mission Certificates	\$ 396,756	\$ 88,350	\$ 485,106
U.S. Government Agency Bond	-	45,000	45,000
Corporate Bonds	-	126,099	126,099
Equities			
Social Conscious Mutual Funds	511,095	-	511,095
Church – Body Investment Pools	-	568,963	568,963
Common Stocks	<u>30,918</u>	<u>-</u>	<u>30,918</u>
	<u>\$938,769</u>	<u>\$828,412</u>	<u>\$1,767,181</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2010 or 2009.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

(3) LOANS RECEIVABLE – REFUGEES

LIRS LOAN PROGRAMS

The loans receivable consist of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Guam Refugee Loans	\$ 10,755	\$ 12,547
Refugee Loans – Other	<u>187,386</u>	<u>190,888</u>
	198,141	203,435
Less: Allowance for doubtful accounts	<u>(70,000)</u>	<u>(70,000)</u>
	<u>\$128,141</u>	<u>\$133,435</u>

TRANSPORTATION LOANS – IOM PROGRAM

LIRS acts as an agent for the collection of transportation loans for refugee resettlement through the International Organization for Migration (“IOM”). Collections are remitted to IOM net of servicing fees earned which are 25% of loan collections. These loans are not included in the statement of financial position as they are not loans of LIRS. The activity for the transportation loans was as follows:

	<u>2010</u>	<u>2009</u>
Balance outstanding at beginning year	\$23,401,980	\$14,682,105
New loans, net of loans returned to IOM	10,868,044	12,858,414
Loan payments	(5,163,630)	(3,931,185)
Loans forgiven without prejudice	(56,998)	(184,797)
Loans transferred to IOM	<u>(2,401,333)</u>	<u>(22,557)</u>
Balance outstanding at end of year	<u>\$26,648,063</u>	<u>\$23,401,980</u>

(4) INVESTMENT IN LUTHERAN CENTER CORPORATION

LIRS occupies approximately 56% of the office space and common space in the Lutheran Center owned by Lutheran Center Corporation (“LCC”). LCC, a non-profit organization, was organized to construct and operate the office building which LIRS, Lutheran World Relief (“LWR”) and other organizations occupy. LIRS has a 50% interest in LCC and as such, carries its investment in LCC on the equity method. LIRS, LWR and other tenants are providing monthly payments to LCC under a partial cost sharing agreement which provides for reimbursement of costs, including interest and depreciation, in operating the building based upon space occupied. The Agreement is for 30 years commencing September 1, 1999 through August 31, 2029 with six renewal options of 10 years each. For the years ended December 31, 2010 and 2009, LIRS has recorded occupancy expense of, approximately \$630,800 and \$654,900, respectively, based upon its proportionate share of LCC’s costs. Since LIRS has previously provided equity investments in LCC, any gain (loss) realized by LCC will increase (decrease) LIRS’ equity in LCC. At December 31, 2010 and 2009, LIRS’ equity in LCC was \$3,381,744 and \$3,380,541, respectively. At December 31, 2010, LCC assets consisted principally of the building. The building is subject to a ground lease which provides for LCC to pay rent of \$1 per year for the next 50 years, with four optional ten-year extensions.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

(5) DEBT

On July 26, 2007, LIRS and LWR borrowed \$5,805,000 through the issuance of Economic Development Revenue Bonds, Series 2007, (“2007 Bonds”) through the Maryland Economic Development Corporation. The 2007 Bonds were issued to advance refund the Maryland Economic Development Revenue Bonds, Series 2000 (“2000 Bonds”) issued by the Maryland Economic Development Corporation. In addition, proceeds of the 2007 Bonds were used to pay a portion of the issuance costs of the 2007 Bonds. LIRS and LWR are jointly and severally liable for the 2007 Bonds and as such, each has recorded 50% of the outstanding debt and related issue costs. In the event that either organization is unable to payoff their portion of the outstanding debt, the other organization will be liable. LCC, as owner of Lutheran Center, has guaranteed the repayment of the debt. LIRS and LWR must maintain a joint leverage ratio (cash and investments to annual debt service) of 5 to 1 or approximately \$2,250,000 in required cash and investments. The covenant was met as of December 31, 2010 and 2009.

The 2007 Bonds were issued as Serial Bonds maturing April 1 in the years 2008 through 2029 and have annual mandatory sinking fund provisions which began in 2008. The 2007 Bonds bear interest at 5.25% per annum. Deferred loan costs in the amount of \$226,212 were incurred in connection with the issuance of the 2007 Bonds and LIRS capitalized 50% of these costs which are being amortized on a straight-line basis over the life of the bonds. Long-term debt on the 2007 Bonds at December 31, 2010 and 2009 is shown on the statement of financial position including unamortized bond premium of \$57,173 and \$60,487, respectively.

In conjunction with the issuance of the 2007 Bonds, a Debt Service Reserve Fund was created in the amount of \$449,138 and LIRS has recorded 50% of these funds as Funds held by Trustee. Funds in the Debt Service Reserve Fund may be withdrawn by the Trustee to make the principal or interest payments of the 2007 Bonds in the event that the other funds available for the purpose are inadequate.

Principal payments under the terms of the 2007 Bond indenture are as follows:

<u>Date</u>	<u>LWR Portion</u>	<u>LIRS Portion</u>	<u>Total</u>
April 1, 2011	\$ 82,500	\$ 82,500	\$ 165,000
April 1, 2012	87,500	87,500	175,000
April 1, 2013	92,500	92,500	185,000
April 1, 2014	100,000	100,000	200,000
April 1, 2015	102,500	102,500	205,000
April 1, 2016 and thereafter	<u>2,162,500</u>	<u>2,162,500</u>	<u>4,325,000</u>
	<u>\$2,627,500</u>	<u>\$2,627,500</u>	<u>\$5,255,000</u>

Interest on the 2007 Bonds for the years ended December 31, 2010 and 2009 amounted to \$138,994 and \$145,098, respectively. Payments of principal and interest are partially funded by other tenants in the Lutheran Center through allocation of building costs based upon space occupied (*See Note 4*).

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

(6) LEASE COMMITMENTS

LIRS has a lease for office space that expires on April 30, 2018. As of December 31, 2010, future minimum lease obligations under this operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 28,292
2012	29,141
2013	30,015
2014	30,916
2015	31,843
Thereafter	<u>77,925</u>
	<u>\$228,132</u>

Rent expense was approximately \$117,000 and \$146,000 for the years ended December 31, 2010 and 2009, respectively.

(7) NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Asylum and Immigration	\$ 149,963	\$ 117,249
The Swanson Fund	110,252	100,252
Synod and District Initiative	95,455	95,455
Planned Giving Initiative	29,167	96,885
Haiti Relief	71,229	-
Other	<u>54,167</u>	<u>38,695</u>
	<u>\$510,233</u>	<u>\$448,536</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

Asylum and Immigration	\$ 42,286
Planned Giving Initiative	67,743
Haiti Relief	8,771
Other	<u>2,804</u>
	<u>\$121,604</u>

Included in designated unrestricted net assets are \$641,886 and \$568,964 of board designated endowment funds as of December 31, 2010 and 2009, respectively.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

(8) PENSION PLAN

Substantially all employees of LIRS are enrolled in the defined contribution pension plan made available and administered by the Board of Pensions of the Evangelical Lutheran Church in America. Contributions to this plan are based upon earnings for all eligible employees and are accrued and funded on a current basis. Pension expense was approximately \$367,000 and \$436,000, respectively, for the years 2010 and 2009.

SUPPLEMENTAL INFORMATION

TAIT, WELLER & BAKER LLP

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION

**Board of Directors
Lutheran Immigration and Refugee Service
Baltimore, Maryland**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lutheran Immigration and Refugee Service as of and for the year ended December 31, 2010, taken as a whole, which are presented in the preceding section of this report. The accompanying supplemental information for revenue, expenses and changes in U.S. Government net assets by contract, functional expenses, and changes in net assets, pages 14 to 18, is presented for purposes of additional analysis and is not a required part of the basic 2010 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 2010 financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic 2010 financial statements taken as a whole.



**Philadelphia, Pennsylvania
April 27, 2011**

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN U.S. GOVERNMENT NET ASSETS BY CONTRACT

Year ended December 31, 2010

<u>Contract Award</u>	<u>Refugee Reception and Placement</u>				<u>Matching Grant</u>	
	<u>SPRMCO09CA010</u>	<u>SPRMCO10CA006</u>	<u>SPRMCO10CA044</u>	<u>SPRMCO11CA008</u>	<u>90RV0048/02</u>	<u>90RV0048/03</u>
<u>Fiscal Year</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>
Revenue						
U.S. Government grants	<u>\$(38,276)</u>	<u>\$ 6,524</u>	<u>\$16,260,629</u>	<u>\$4,213,998</u>	<u>\$1,603,175</u>	<u>\$5,560,028</u>
Expenses						
Program						
Personnel costs	-	-	555,778	193,297	13,716	136,503
Office operations	-	491	183,868	44,198	3,711	93,452
Travel and meetings	-	1,927	93,137	6,098	35,944	42,925
Supporting services – field operations	850	(139,772)	5,385,521	2,129,983	1,425,524	4,855,903
Refugee aid and other grants	-	143,372	9,061,905	1,585,216	-	-
Depreciation	-	-	1,779	633	49	394
Total program expenses	<u>850</u>	<u>6,018</u>	<u>15,281,988</u>	<u>3,959,425</u>	<u>1,478,944</u>	<u>5,129,177</u>
Management and General						
Administrative allocation and charges	<u>71</u>	<u>506</u>	<u>978,641</u>	<u>254,573</u>	<u>124,231</u>	<u>430,851</u>
Total expenses	<u>921</u>	<u>6,524</u>	<u>16,260,629</u>	<u>4,213,998</u>	<u>1,603,175</u>	<u>5,560,028</u>
Deficiency of revenue over expenses	<u>(39,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets – beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers	<u>39,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets – ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN U.S. GOVERNMENT NET ASSETS BY CONTRACT – (Continued)

Year ended December 31, 2010

<u>Contract Award</u>	<u>Employment Services Technical Assistance</u>		<u>Preferred Communities - Micro-Enterprise Program</u>		<u>Alien Unaccompanied Minors-Family Reunification</u>	<u>Alien Unaccompanied Minors Foster Care</u>	
	<u>90RB0036/01</u>	<u>90RB0036/02</u>	<u>90RP0068/01</u>	<u>90RP0068/02</u>	<u>90ZV0057/01</u>	<u>90ZU0031/05</u>	<u>90ZU0067/01</u>
<u>Fiscal Year</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenue							
U.S. Government grants	\$296,571	\$51,208	\$202,559	\$58,990	\$88	\$5,006,974	\$983,703
Expenses							
Program							
Personnel costs	193,196	38,506	26,562	13,613	-	1,158,737	81,135
Office operations	36,546	7,164	4,937	3,312	48	328,452	19,144
Travel and meetings	44,855	1,486	4,234	-	33	50,579	1,058
Supporting services – field operations	734	-	151,092	37,448	-	3,077,769	805,854
Refugee aid and other grants	-	-	-	-	-	-	-
Depreciation	465	84	77	46	-	3,443	284
Total program expenses	<u>275,796</u>	<u>47,240</u>	<u>186,902</u>	<u>54,419</u>	<u>81</u>	<u>4,618,980</u>	<u>907,475</u>
Management and General							
Administrative allocation and charges	23,167	3,968	15,700	4,571	7	387,994	76,228
Total expenses	<u>298,963</u>	<u>51,208</u>	<u>202,602</u>	<u>58,990</u>	<u>88</u>	<u>5,006,974</u>	<u>983,703</u>
Deficiency of revenue over expenses	(2,392)	-	(43)	-	-	-	-
Net assets – beginning	-	-	-	-	-	-	-
Transfers	2,392	-	43	-	-	-	-
Net assets – ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN U.S. GOVERNMENT NET ASSETS BY CONTRACT – (Continued)

Year ended December 31, 2010

<u>Contract Award</u>	<u>Detained Torture Survivors</u>		<u>Preferred Communities - Community Opportunities</u>		<u>Children Services</u>	<u>Preferred</u>	<u>Grand Total</u>
	<u>90ZT0096/01</u>	<u>90ZT0096/02</u>	<u>90RP0065/01</u>	<u>90RP0065/02</u>	<u>Field Coordination</u>	<u>Communities</u>	
<u>Fiscal Year</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	
Revenue							
U.S. Government grants	<u>\$323,509</u>	<u>\$85,842</u>	<u>\$243,070</u>	<u>\$84,039</u>	<u>\$2,996,044</u>	<u>\$244,796</u>	<u>\$38,183,471</u>
Expenses							
Program							
Personnel costs	80,931	31,494	29,245	12,553	2,252,762	40,987	4,859,015
Office operations	58,886	7,868	5,652	2,764	348,251	9,149	1,157,893
Travel and meetings	17,990	747	1,827	-	161,594	13,534	477,968
Supporting services – field operations	140,341	38,969	187,856	62,169	-	162,044	18,322,285
Refugee aid and other grants	-	-	-	-	-	-	10,790,493
Depreciation	<u>292</u>	<u>112</u>	<u>85</u>	<u>41</u>	<u>1,271</u>	<u>113</u>	<u>9,168</u>
Total program expenses	<u>298,440</u>	<u>79,190</u>	<u>224,665</u>	<u>77,527</u>	<u>2,763,878</u>	<u>225,827</u>	<u>35,616,822</u>
Management and General							
Administrative allocation and charges	<u>25,069</u>	<u>6,652</u>	<u>18,871</u>	<u>6,512</u>	<u>232,166</u>	<u>18,969</u>	<u>2,608,747</u>
Total expenses	<u>323,509</u>	<u>85,842</u>	<u>243,536</u>	<u>84,039</u>	<u>2,996,044</u>	<u>244,796</u>	<u>38,225,569</u>
Deficiency of revenue over expenses	-	-	(466)	-	-	-	(42,098)
Net assets – beginning	-	-	-	-	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,098</u>
Net assets – ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2010 with Summarized Information for 2009

	Program Services			Supporting Services			Totals	
	U.S. Government Funded Activities	Other Program Activities	Total Program Services	Management And General	Fund- Raising	Total Support Services	2010	2009
Personnel costs	\$ 4,859,015	\$ 699,813	\$ 5,558,828	\$1,850,721	\$273,922	\$2,124,643	\$ 7,683,471	\$ 7,239,428
Office operations	1,157,893	319,473	1,477,366	833,199	145,312	978,511	2,455,877	2,426,280
Travel and meetings	477,968	50,144	528,112	102,482	10,218	112,700	640,812	587,565
Supporting services – field operations	18,322,285	-	18,322,285	-	-	-	18,322,285	15,553,241
Refugee aid and other grants	10,790,493	46,680	10,837,173	-	-	-	10,837,173	5,912,968
Depreciation and amortization	<u>9,168</u>	<u>1,638</u>	<u>10,806</u>	<u>6,394</u>	<u>621</u>	<u>7,015</u>	<u>17,821</u>	<u>40,199</u>
	<u>\$35,616,822</u>	<u>\$1,117,748</u>	<u>\$36,734,570</u>	<u>\$2,792,796</u>	<u>\$430,073</u>	<u>\$3,222,869</u>	<u>\$39,957,439</u>	<u>\$31,759,681</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

SUMMARY OF CHANGES IN NET ASSETS

Year ended December 31, 2010

	<u>Balance, December 31, 2009</u>	<u>Additions (Including Inter-Fund Transfers)</u>	<u>Deductions</u>	<u>Balance, December 31, 2010</u>
Unrestricted Net Assets				
Undesignated, available for general activities	<u>\$3,727,989</u>	<u>\$40,682,746</u>	<u>\$39,831,155</u>	<u>\$4,579,580</u>
Designated				
Capital Reserve	591,003	-	-	591,003
Agency Stabilization Fund	511,676	-	-	511,676
Friends of Refugees	4,548	490	4,680	358
Functioning as Endowment	<u>568,964</u>	<u>72,922</u>	<u>-</u>	<u>641,886</u>
	<u>1,676,191</u>	<u>73,412</u>	<u>4,680</u>	<u>1,744,923</u>
Total unrestricted net assets	<u>\$5,404,180</u>	<u>\$40,756,158</u>	<u>\$39,835,835</u>	<u>\$6,324,503</u>
Temporarily Restricted Net Assets				
Asylum and Immigration	\$ 117,249	\$ 75,000	\$ 42,286	\$ 149,963
The Swanson Fund	100,252	10,000	-	110,252
Synod and District Initiative	95,455	-	-	95,455
Planned Giving Initiative	96,885	25	67,743	29,167
Haiti Relief	-	80,000	8,771	71,229
Other	<u>38,695</u>	<u>18,276</u>	<u>2,804</u>	<u>54,167</u>
Total temporarily restricted net assets	<u>\$ 448,536</u>	<u>\$ 183,301</u>	<u>\$ 121,604</u>	<u>\$ 510,233</u>