

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT*

DECEMBER 31, 2020

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lutheran Immigration and Refugee Service, Inc.
Baltimore, Maryland

We have audited the accompanying financial statements of Lutheran Immigration and Refugee Service, Inc. ("LIRS") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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

Report on Summarized Comparative Information

We have previously audited LIRS's 2019 financial statements and our report dated May 7, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenue, Expenses and Changes in Net Assets by Award for the year ended December 31, 2020, and the Summary of Changes in Net Assets for the year ended December 31, 2020 is presented for purposes of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
June 2, 2021**

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$20,901,500	\$18,804,969
Investments, at market value	266,475	262,030
Accounts receivable		
U.S. government	7,054,489	5,305,424
Miscellaneous	422,485	374,428
Prepaid expenses and other assets	201,104	178,323
Funds held by trustee	<u>356,658</u>	<u>356,183</u>
Total Current Assets	29,202,711	25,281,357
Non-Current Assets		
Investments, at market value	1,096,322	1,064,303
Investments – deferred compensation	11,617	-
Investment in Lutheran Center Corporation	3,420,166	3,387,728
Operating lease right-of-use assets	326,456	408,686
Fixed assets, less accumulated depreciation and amortization of \$585,356 and \$754,547 at 2020 and 2019, respectively	<u>415,637</u>	<u>773,102</u>
Total Assets	<u>\$34,472,909</u>	<u>\$30,915,176</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$11,526,553	\$ 9,515,996
Deferred compensation	11,617	-
Operating lease liabilities	88,489	85,869
Long-term debt	<u>130,000</u>	<u>132,500</u>
Total Current Liabilities	11,756,659	9,734,365
Non-Current Liabilities		
Operating lease liabilities	248,939	329,563
Long-term Obligations debt, net of current portion	<u>1,418,705</u>	<u>1,546,729</u>
Total Liabilities	<u>13,424,303</u>	<u>11,610,657</u>
Net Assets		
Without Donor Restrictions		
Undesignated	19,126,774	17,239,655
Designated	<u>1,385,389</u>	<u>1,413,224</u>
Total Without Donor Restrictions	20,512,163	18,652,879
With Donor Restrictions (Note 8)	<u>536,443</u>	<u>651,640</u>
Total Net Assets	<u>21,048,606</u>	<u>19,304,519</u>
Total Liabilities and Net Assets	<u>\$34,472,909</u>	<u>\$30,915,176</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020 With Summarized Comparative Totals For 2019

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Operating Activities				
Support and Revenue				
Support				
Church bodies	\$ 580,600	\$ 401,185	\$ 981,785	\$ 969,751
Foundations and corporations	67,444	331,590	399,034	758,808
Other contributions	1,975,480	56,375	2,031,855	6,200,923
In-kind contributions	957	-	957	487,472
	<u>2,624,481</u>	<u>789,150</u>	<u>3,413,631</u>	<u>8,416,954</u>
CARES Act Awards (Note 14)	1,264,280	-	1,264,280	-
U.S. Government grants	<u>56,593,234</u>	<u>-</u>	<u>56,593,234</u>	<u>52,109,373</u>
Total support	<u>60,481,995</u>	<u>789,150</u>	<u>61,271,145</u>	<u>60,526,327</u>
Revenue				
Servicing fees	1,967,506	-	1,967,506	2,250,335
Miscellaneous	<u>52,356</u>	<u>-</u>	<u>52,356</u>	<u>121,888</u>
Total revenue	<u>2,019,862</u>	<u>-</u>	<u>2,019,862</u>	<u>2,372,223</u>
Net assets released from restrictions (Note 7)	<u>904,347</u>	<u>(904,347)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>63,406,204</u>	<u>(115,197)</u>	<u>63,291,007</u>	<u>62,898,550</u>
Expenses				
Program Services				
U.S. government funded activities	53,373,069	-	53,373,069	48,465,698
Other program activities	<u>3,167,538</u>	<u>-</u>	<u>3,167,538</u>	<u>4,187,473</u>
Total program services	<u>56,540,607</u>	<u>-</u>	<u>56,540,607</u>	<u>52,653,171</u>
Supporting Services				
Management and general	3,504,050	-	3,504,050	4,048,320
Fund-raising	<u>1,283,400</u>	<u>-</u>	<u>1,283,400</u>	<u>1,142,461</u>
Total supporting services	<u>4,787,450</u>	<u>-</u>	<u>4,787,450</u>	<u>5,190,781</u>
Total Expenses	<u>61,328,057</u>	<u>-</u>	<u>61,328,057</u>	<u>57,843,952</u>
Change in Net Assets – Operating Activities	2,078,147	(115,197)	1,962,950	5,054,598
Non-operating Activities				
Investment earnings (Note 2)	129,011	-	129,011	228,464
Loss on disposal of asset	<u>(347,874)</u>	<u>-</u>	<u>(347,874)</u>	<u>-</u>
Change in Net Assets	1,859,284	(115,197)	1,744,087	5,283,062
Net Assets, beginning of year	<u>18,652,879</u>	<u>651,640</u>	<u>19,304,519</u>	<u>14,021,457</u>
Net Assets, end of year	<u>\$20,512,163</u>	<u>\$ 536,443</u>	<u>\$21,048,606</u>	<u>\$19,304,519</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,744,087	\$ 5,283,062
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	100,174	168,686
Unrealized gain on investments	(3,952)	(4,560)
(Gain)/loss in Lutheran Center Corporation investment	(32,438)	36,738
Amortization of right-of-use assets, net of payments on lease liabilities	4,226	6,746
Loss on disposal of assets	347,874	-
Changes in assets and liabilities:		
Accounts receivable		
U.S. government	(1,749,065)	(707,302)
Miscellaneous	(48,057)	357,370
Prepaid expenses and deposits	(22,781)	25,337
Funds held by trustee	(475)	(8,393)
Deferred compensation	11,617	-
Accounts payable and accrued expenses	<u>2,010,557</u>	<u>2,312,050</u>
Net Cash Provided by Operating Activities	<u>2,361,767</u>	<u>7,469,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(88,607)	-
Purchases of investments	(57,760)	(1,078,297)
Proceeds from sales of investments	<u>13,631</u>	<u>13,632</u>
Net Cash Used In Investing Activities	<u>(132,736)</u>	<u>(1,064,665)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term obligations	<u>(132,500)</u>	<u>(125,000)</u>
Net Cash Used in Financing Activities	<u>(132,500)</u>	<u>(125,000)</u>
Net Increase in Cash and Cash Equivalents	2,096,531	6,280,069
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>18,804,969</u>	<u>12,524,900</u>
End of year	<u>\$20,901,500</u>	<u>\$18,804,969</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 85,641</u>	<u>\$ 92,400</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

(1) ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Lutheran Immigration and Refugee Service, Inc. ("*LIRS*") is incorporated in Maryland as a non-stock corporation.

Witnessing to God's love for all people, the mission of LIRS is to stand with and advocate for migrants and refugees, transforming communities through ministries of service and justice.

BASIS OF PRESENTATION

LIRS follows the reporting requirements of U.S. generally accepted accounting principles (GAAP), which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objective of LIRS. These net assets may be used at the discretion of LIRS's management and the board of directors. LIRS has chosen to provide further classification information about net assets without donor restrictions on the statement of financial position. The sub classifications are as follows

- ◆ *Undesignated* – Represents the cumulative net assets without donor restrictions including those net assets invested in building and equipment.
- ◆ *Designated* – Represents net assets designated to be used at the discretion of management.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of LIRS and/or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt.

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.

CASH AND CASH EQUIVALENTS

LIRS considers money market funds, demand deposits with banks, and short-term investments with maturities of three months or less, to be cash equivalents.

CONCENTRATION OF CREDIT RISK

LIRS occasionally maintains cash deposits in excess of federally insured limits of \$250,000. 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.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

INVESTMENTS

Accounting Standards Codification (“ASC”) 958, “Not-for-profit Entities” 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 activities.

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.

FIXED ASSETS

Fixed assets purchased by LIRS are recorded at cost, or if donated, at fair market value on the date of donation. LIRS follows the practice of capitalizing all expenditures for fixed assets over \$5,000. Depreciation on furniture, equipment, computer software and buildings is computed on the straight-line method over their estimated useful life of the asset 3 to 30 years. Leasehold improvements are amortized over the shorter of the improvements’ life or the remaining lease term.

CONTRIBUTIONS

Contributions are recognized as revenues in the period received and are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose. LIRS reports contributions in the donor restricted net assets if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the statement of activities. Donor-restricted contributions are initially reported in the with donor restriction net asset class, even if it is anticipated that such restrictions will be met in the current reporting period.

CONTRIBUTIONS IN-KIND

Contributions in-kind primarily consist of goods received to support the Reception and Placement program.

U.S. GOVERNMENT AWARDS

LIRS receives grant awards funded by the U.S. Government for the resettlement of and other services to refugees and to other migrants in federal custody. Revenue from such grants are considered to be conditional contributions and are recognized as qualifying expenses are incurred under the agreement. LIRS adopted the simultaneous release option for donor-restricted conditional grants that are recognized and used within the same reporting period, therefore, these amounts are reported as without donor restriction.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

SERVICE FEE REVENUE

Revenue is recognized when control of the services provided is transferred to the customer, in an amount that reflects the consideration LIRS expects to be entitled to in exchange for those services. Revenue from contracts with customers is from servicing fees charged on the collection of transportation loans (*Note 3*), which is recognized as the loans are collected; and from licensing fees assessed to users of LIRS's Immigration and Refugee Information System (IRIS) software, which is recognized ratably over the subscription period.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain categories of expenses that are attributable to program and supporting functions of LIRS have been allocated based on time and effort and include facilities operations, depreciation, and interest.

LEASES

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the statement of financial position. LIRS determines whether an agreement is or contains a lease at lease inception.

ROU assets represent LIRS's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As LIRS's leases do not provide an implicit interest rate, the incremental borrowing rate based on the information available at commencement date is used in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

DEBT

LIRS applies the guidance in ASU 2013-04, *Liabilities (Topic 405)*, which requires an entity to measure obligations resulting from joint and several liability arrangements as the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors.

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 recognizes or derecognizes tax positions on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. LIRS has reviewed the tax positions taken for each of the open tax years (2017 - 2019) or expected to be taken in LIRS's 2020 tax return and has concluded it has no material uncertain tax positions. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

LIRS follows the accounting guidance that creates a single model to address uncertainty in tax positions and clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its financial statements. Under the requirements of this guidance, organizations could now be required to record an obligation as the result of tax positions they have historically taken on various tax exposure items. LIRS is not required to record such an obligation.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

CONTINGENCY

Under the terms of the U.S. Government grants, which are made based upon the acceptance by the U.S. Government of the program proposals submitted by LIRS, amounts are stipulated for both direct program costs and administrative overhead costs. The administrative overhead rate has been approved through December 31, 2019 and a provisional rate has been provided through December 31, 2020. LIRS records revenue from the administrative overhead costs based on the current rates in effect during the year rather than from the provisional rate. Management believes that any adjustment to the administrative rate used in recording U.S. Government grant activity in the 2020 financial statements, if any, will not have a material effect on the financial position or operating results of LIRS.

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 LIRS's audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2020, the FASB issued ASU 2020-07: Presentation and disclosure requirements by not-for-profit entities for contributed non-financial assets (Topic 958). Prior to this update, Topic 958 only specified requirements for the recognition and initial measurement of contributions and disclosure requirements pertaining to contributed services. Under the new guidance, not-for-profit organizations will be required to present gifts-in-kind as a separate component on their statement of activities and will require specific disclosures for certain quantitative and qualitative information about such non-financial assets. The amendments in this update are effective for periods beginning after June 15, 2021 and should be applied on a retrospective basis. LIRS plans to adopt the new ASU at the required implementation date.

(2) INVESTMENTS

At December 31, 2020 and 2019 investments consisted of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed Income:				
Certificate of deposit	\$ 1,096,322	\$ 1,096,322	\$ 1,064,303	\$ 1,064,303
Private debt obligation	224,569	224,569	224,569	224,569
Government money market fund	22	22	22	22
Equities:				
Lutheran-related investment pools	<u>26,884</u>	<u>41,884</u>	<u>26,203</u>	<u>37,439</u>
	<u>\$ 1,347,797</u>	<u>\$ 1,362,797</u>	<u>\$ 1,315,097</u>	<u>\$ 1,326,333</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

Investment earnings for the years ended December 31, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends*	\$ 125,423	\$ 224,254
Unrealized gain	3,952	4,560
Investment fees	<u>(364)</u>	<u>(350)</u>
	<u>\$ 129,011</u>	<u>\$ 228,464</u>

* Includes interest earned on the operating bank accounts and money market funds

The following describes the hierarchy of inputs used to measure market value and the primary valuation methodologies used by LIRS for investments measured at market value on a recurring basis. An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the market value measurement. The three levels of inputs are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

The methods described above may produce a market value calculation that may not be indicative of net realizable value or reflective of future market values. Furthermore, LIRS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the market value of certain investments could result in a different estimate of market value.

The following table presents the investments carried at market value as of December 31, 2020 and December 31, 2019, by caption on the statement of financial position by the valuation hierarchy defined above:

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income:				
Certificate of deposit	\$ -	\$ 1,096,322	\$ -	\$ 1,096,322
Private debt obligation	-	224,569	-	224,569
Government money market fund	22	-	-	22
Equities:				
Lutheran-related investment pools	<u>-</u>	<u>41,884</u>	<u>-</u>	<u>41,884</u>
	<u>\$ 22</u>	<u>\$ 1,362,775</u>	<u>\$ -</u>	<u>\$ 1,362,797</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

	<u>2019</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Fixed Income:				
Certificate of deposit	\$ -	\$ 1,064,303	\$ -	\$ 1,064,303
Private debt obligation	-	224,569	-	224,569
Government money market fund	22	-	-	22
Equities:				
Lutheran-related investment pools	-	37,439	-	37,439
	<u>\$ 22</u>	<u>\$ 1,326,311</u>	<u>\$ -</u>	<u>\$ 1,326,333</u>

(3) DEFERRED COMPENSATION

In 2020, LIRS established a deferred compensation plan for highly compensated employees that qualifies under IRC 457(B). Contributions to the plan amounted to \$11,400 in 2020. The balance in the deferred compensation plan as of December 31, 2020 was \$11,617 and assets are comprised of exchange traded funds that are valued using level 1 inputs.

(4) LOAN RECEIVABLE—REFUGEES

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. LIRS earned fees of \$1,275,069 and \$1,465,288 for the years ending December 31, 2020 and 2019, respectively which are included in Servicing fees on the statement of activities. These loans are not included in the statement of financial position as they are not loans owned by LIRS. The activity for the transportation loans was as follows:

	<u>2020</u>	<u>2019</u>
Balance outstanding at beginning year	\$22,209,898	\$25,660,570
New loans	2,454,337	5,070,113
Loan payments	(5,122,442)	(5,856,339)
Loans forgiven without prejudice	-	-
Loans transferred to IOM	(380,804)	(2,664,446)
Balance outstanding at end of year	<u>\$19,160,989</u>	<u>\$22,209,898</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(5) INVESTMENT IN LUTHERAN CENTER CORPORATION

LIRS occupies approximately 50% 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 and Lutheran World Relief (“LWR”) occupy. LIRS has a 50% interest in LCC and as such, carries its investment in LCC on the equity method. LIRS and LWR provide monthly payments to LCC under a partial cost sharing agreement which provides for reimbursement of costs, including interest 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, 2020 and 2019, LIRS has recorded occupancy expense of approximately \$623,600 and \$619,200 respectively, based upon its proportionate share of LCC’s costs.

Since LIRS reports its investment in LCC under the equity method, LIRS’s proportionate share of the LCC’s operating results will be reflected in the reported investment value. At December 31, 2020 and 2019, LIRS’ equity in LCC was \$3,420,166 and \$3,387,728, respectively. At December 31, 2020, LCC assets consisted principally of the building and improvements. The building is subject to a ground lease which provides for LCC to pay rent of \$1 per year for 50 years beginning in 1999, with four optional ten-year extensions.

(6) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 206,467	\$ 733,123
Furniture and fixtures	403,764	403,764
Buildings	111,810	111,810
Land	156,390	156,390
Leasehold improvement	<u>122,562</u>	<u>122,562</u>
	1,000,993	1,527,649
Less accumulated depreciation	<u>(585,356)</u>	<u>(754,547)</u>
Property and equipment, net of depreciation	<u>\$ 415,637</u>	<u>\$ 773,102</u>

Depreciation expense of property and equipment was \$98,198 and \$166,711 in 2020 and 2019, respectively.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(7) 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. 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 pay off their portion of the outstanding debt, the other organization will be liable. LCC, as owner of the Lutheran Center building, 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. As of December 31, 2020, and 2019, the covenant was met.

The 2007 Bonds, bearing interest at 5.25% per annum, were issued as Serial Bonds with annual principal payments due on April 1 each year through 2029. The 2007 Bonds also have annual mandatory sinking fund provisions. Deferred loan costs in the amount of \$226,212 were incurred in connection with the issuance of the 2007 Bonds. 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, 2020 and 2019 is shown on the statement of financial position net of unamortized bond premium of \$25,280 and \$28,344, respectively, and deferred loan costs of \$41,575 and \$46,615, respectively.

In conjunction with the issuance of the 2007 Bonds, a Debt Service Reserve Fund (the “Reserve Fund”) was established. LIRS has ownership to 50% of the value held in the Reserve Fund which is included within Funds held by Trustee on the statement of financial position. Funds in the Debt Service Reserve Fund may be withdrawn by the Trustee to make the principal or interest payments required in the event that the other funds available for the purpose are inadequate. The Debt Service Reserve Fund balance at December 31, 2020 and 2019 was \$224,717 and \$233,375, respectively. Additionally, Funds held by Trustee on the statement of financial position includes LIRS’s 50% ownership in the debt service principal and interest accounts it contributes to funding which amounted to \$131,941 and \$122,808 as of December 31, 2020, and 2019, respectively.

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

	LIRS Portion	LWR Portion	Total
2021	\$ 140,000	\$ 140,000	\$ 280,000
2022	147,500	147,500	295,000
2023	157,500	157,500	315,000
2024	162,500	162,500	325,000
2025	172,500	172,500	345,000
Thereafter	<u>785,000</u>	<u>785,000</u>	<u>1,570,000</u>
	<u>\$1,565,000</u>	<u>\$1,565,000</u>	<u>\$3,130,000</u>

Interest expense on the 2007 Bonds for the years ended December 31, 2020 and 2019 was approximately \$83,900 and \$90,100, respectively.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(8) NET ASSETS

Net assets with donor restrictions as of December 31, 2020 and 2019 were available for the following purposes:

	<u>2020</u>	<u>2019</u>
The Swanson Refugee and Migrant Travel Fund	\$ 73,221	\$ 80,201
Family Reunification	159,126	52,516
Rusk House of Hospitality	182,546	191,850
Border Crisis	43,043	-
NYC Syrian URM/Syrian Refugee	45,846	45,846
Refugee Protection and Family Strengthening	-	62,751
Other	<u>32,661</u>	<u>218,476</u>
	<u>\$ 536,443</u>	<u>\$ 651,640</u>

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

	<u>2020</u>	<u>2019</u>
The Swanson Refugee and Migrant Travel Fund	\$ 6,980	\$ 2,497
Family Reunification	191,490	584,332
Rusk House of Hospitality	9,304	24,372
Central American Migrant Children and Families	-	37,842
Border Crisis	306,957	-
NYC Syrian URM/Syrian Refugee	-	44,875
Refugee Protection and Family Strengthening	197,136	451,941
Other	<u>192,480</u>	<u>530,813</u>
	<u>\$ 904,347</u>	<u>\$ 1,676,672</u>

(9) FUNCTIONAL EXPENSES

	U.S. Government Funded Activities	Other Program Activities	Total Program Services	Management And General	Fund- Raising	Total Support Services	<u>Totals</u>	
							<u>2020</u>	<u>2019</u>
Personnel Costs	\$ 3,237,995	\$ 1,675,014	\$ 4,913,009	\$ 2,682,232	\$ 678,110	\$ 3,360,342	\$ 8,273,351	\$ 8,222,051
Office Operations	965,141	589,502	1,554,643	768,390	600,180	1,368,570	2,923,213	3,251,276
Travel and Meetings	15,257	4,591	19,848	38,815	2,135	40,950	60,798	476,449
Supporting Services –								
Field Operations	46,654,910	-	46,654,910	-	-	-	46,654,910	38,648,703
Refugee Aid and Other Grants	2,482,578	833,033	3,315,611	-	-	-	3,315,611	7,076,786
Depreciation and Amortization	<u>17,188</u>	<u>65,398</u>	<u>82,586</u>	<u>14,613</u>	<u>2,975</u>	<u>17,588</u>	<u>100,174</u>	<u>168,687</u>
	<u>\$ 53,373,069</u>	<u>\$ 3,167,538</u>	<u>\$ 56,540,607</u>	<u>\$ 3,504,050</u>	<u>\$ 1,283,400</u>	<u>\$ 4,787,450</u>	<u>\$ 61,328,057</u>	<u>\$ 57,843,952</u>

(10) RETIREMENT PLAN

LIRS maintains a defined contribution plan for eligible employees. LIRS contributes 3% of eligible employee earnings and provides a match of up to 4% of recipient contributions to the plan. Contributions to the plan were approximately \$337,100 and \$283,200, respectively, for the years 2020 and 2019.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(11) LEASE COMMITMENTS

LIRS has an agreement to lease office space and a copier, and each is an operating lease. The following is quantitative data related to LIRS's operating leases for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating Lease Amounts:		
Right-of-use assets	\$ 326,456	\$408,686
Lease liabilities	337,428	415,432
Other Information:		
Operating outgoing cash flows for operating leases	\$ 85,869	\$ 83,348
Weighted-average remaining lease term	3.87 years	4.85 years
Weighted average discount rate	2.07%	2.07%

Lease cost information for the year ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Operating lease cost	\$ 90,094	\$ 90,094
Variable lease costs	<u>455</u>	<u>3,051</u>
Total lease Costs	<u>\$ 90,549</u>	<u>\$ 93,145</u>

Future lease payments at December 31, 2020:

<u>Year Ending December 31,</u>	
2021	\$ 88,489
2022	91,215
2023	88,964
2024	76,653
2025	<u>6,408</u>
Total undiscounted cash flows	351,729
Less: present value adjustment	<u>14,301</u>
Lease liability	<u>\$ 337,428</u>

(12) LETTER OF CREDIT

LIRS maintains a letter of credit to benefit the State of Maryland for unemployment payments. The amount available under this arrangement as of December 31, 2020 and 2019 was \$48,635 and \$57,880, respectively. As of December 31, 2020, and 2019, LIRS had no outstanding advances.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(13) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At December 31, 2020 and 2019, financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<u>Financial Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 20,901,500	\$ 18,804,969
Short-term investments	266,475	262,030
U.S. government receivables	7,054,489	5,305,424
Miscellaneous receivables	<u>422,485</u>	<u>374,428</u>
Total financial assets available within one year	28,644,949	24,746,851
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose or time restrictions	<u>(536,443)</u>	<u>(651,640)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 28,108,506</u>	<u>\$ 24,095,211</u>

As part of LIRS's liquidity-management plan, it structures its financial assets to be available as its obligations come due.

(14) COVID-19 AND PAYCHECK PROTECTION PROGRAM

In December 2019, a novel strain of the coronavirus ("COVID-19") was reported and subsequently, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern". This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on LIRS operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on LIRS funders, donors, employees and all of which are uncertain and cannot be predicted.

In 2020, LIRS received \$1,254,000 from the Small Business Administration's ("SBA") Payment Protection Program (the "PPP Loan"). LIRS accounted for the PPP Loan as a conditional contribution with the incurrence of qualifying expenses representing the barrier to recognition. LIRS incurred qualifying expenditures to the extent of the PPP Loan amount as of December 31, 2020, and as such, recognized the award as income. Subsequent to year end, the loan was formally forgiven by the SBA. Additionally, LIRS received a \$10,000 Economic Injury Disaster Loan Advance ("EIDL Advance") from the SBA. The EIDL Advance is not required to be repaid. The PPP Loan and EIDL Advance, are reported in CARES Act Awards on the statement of activities and changes in net assets.

(15) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date the financial statements were available for issuance, June 2, 2021, have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY AWARD

Year Ended December 31, 2020

Contract Award Fiscal Year	Refugee Reception And Placement SPRMCO19CA0030/ SPRMCO21CA0037	Matching Grant 2002MDRVMG/ 2102MDRVMG	Preferred Communities Intensive Case Management 90RP0113/04 90RP0113/05
Revenue			
U.S. Government Grants	\$ 7,675,173	\$ 2,690,303	\$ 2,710,302
Expenses			
Program			
Personnel costs	1,115,989	196,995	275,590
Office operations	311,462	61,172	63,709
Travel and meetings	4,248	1,228	1,076
Supporting services – field operations	3,380,378	2,289,962	2,209,838
Refugee aid and other grants	2,482,578	-	-
Depreciation	<u>5,869</u>	<u>1,236</u>	<u>1,596</u>
Total program expenses	<u>7,300,524</u>	<u>2,550,593</u>	<u>2,551,809</u>
Management and General			
Administrative allocation and changes	<u>374,649</u>	<u>139,710</u>	<u>158,493</u>
Total expenses	<u>7,675,13</u>	<u>2,690,303</u>	<u>2,710,302</u>
Excess (deficiency) of revenue over expenses	-	-	-
Net Assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY AWARD – (Continued)

Year Ended December 31, 2020

Contract Award	Foster Care	Home Studies
Fiscal Year	Safe Release Support	Post Release
Revenue	90ZU0182/03	90ZU0172/03
U.S. Government Grants	<u>\$ 6,863,856</u>	<u>\$ 3,362,070</u>
Expenses		
Program		
Personnel costs	185,434	355,546
Office operations	67,486	134,302
Travel and meetings	2,108	1,001
Supporting services – field operations	6,205,972	2,672,564
Refugee aid and other grants	-	-
Depreciation	<u>1,472</u>	<u>2,050</u>
Total program expenses	<u>6,462,472</u>	<u>3,165,463</u>
Management and General		
Administrative allocation and changes	<u>401,384</u>	<u>196,607</u>
Total expenses	<u>6,863,856</u>	<u>3,362,070</u>
Excess (deficiency) of revenue over expenses	-	-
Net Assets, beginning of year	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ -</u>	<u>\$ -</u>

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LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY AWARD – (Continued)

Year Ended December 31, 2020

Contract Award <u>Fiscal Year</u>	<u>IRC- Switchboard</u>	<u>Residential Shelter And Fingerprinting</u>	
	<u>617925789</u>	<u>90ZU0318/01</u> <u>90ZU0223/03</u>	<u>90ZU0297/01</u> <u>90ZU0297/02</u>
Revenue			
U.S. Government Grants	<u>\$204,767</u>	<u>\$ 28,351,894</u>	<u>\$4,431,625</u>
Expenses			
Program			
Personnel costs	151,259	785,501	111,060
Office operations	40,764	250,960	21,086
Travel and meetings	-	4,544	949
Supporting services – field operations	-	25,647,072	4,038,835
Refugee aid and other grants	-	-	-
Depreciation	<u>770</u>	<u>3,335</u>	<u>543</u>
Total program expenses	<u>192,793</u>	<u>26,691,412</u>	<u>4,172,473</u>
Management and General			
Administrative allocation and changes	<u>11,974</u>	<u>1,660,482</u>	<u>259,152</u>
Total expenses	<u>204,767</u>	<u>28,351,894</u>	<u>4,431,625</u>
Excess (deficiency) of revenue over expenses	-	-	-
Net Assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY AWARD – (Continued)

Year Ended December 31, 2020

Fiscal Year	Refugee Pathway 90RP0113/02 90ZM0010/01	Refugee Medical Assistance Program 2020MDRCMA	Total
Revenue			
U.S. Government Grants	<u>\$222,875</u>	<u>\$80,369</u>	<u>\$ 56,593,234</u>
Expenses			
Program			
Personnel costs	10,213	50,408	3,237,995
Office operations	7,035	7,165	965,141
Travel and meetings	13	90	15,257
Supporting services – field operations	192,518	17,771	46,654,910
Refugee aid and other grants	-	-	2,482,578
Depreciation	<u>63</u>	<u>254</u>	<u>17,188</u>
Total program expenses	<u>209,842</u>	<u>75,688</u>	<u>53,373,069</u>
Management and General			
Administrative allocation and changes	<u>13,033</u>	<u>4,681</u>	<u>3,220,165</u>
Total expenses	<u>222,875</u>	<u>80,369</u>	<u>56,593,234</u>
Excess (deficiency) of revenue over expenses	-	-	-
Net Assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

SUMMARY OF CHANGES IN NET ASSETS

Year Ended December 31, 2020

	Balance December 31, <u>2019</u>	<u>Additions</u> <u>(Including Inter-Fund Transfers)</u>	<u>Deductions</u>	Balance December 31, <u>2020</u>
Without Donor Restriction				
Undesignated, available for general activities	\$ 17,239,655	\$ 60,613,006	\$ 58,725,887	\$ 19,126,774
Designated				
Capital Reserve	591,003	-	-	591,003
Partner Stabilization Fund	452,309	-	-	452,309
Friends of Refugees	28,085	90,300	118,135	250
Innovation Fund	341,827	-	-	341,827
	<u>1,413,224</u>	<u>90,300</u>	<u>118,135</u>	<u>1,385,389</u>
Total Without Donor Restriction	<u>\$ 18,652,879</u>	<u>\$ 60,703,306</u>	<u>\$ 58,844,022</u>	<u>\$ 20,512,163</u>
With Donor Restriction				
The Swanson Refugee and Migrant				
Travel Fund	80,201	-	6,980	73,221
Family Reunification	52,516	298,100	191,490	159,126
Rusk House of Hospitality	191,850	-	9,304	182,546
Border Crisis	-	350,000	306,957	43,043
NYC Syrian URM/Syrian Refugee	45,846	-	-	45,846
Refugee Protection and Family Strengthening	62,751	134,385	197,136	-
Other	218,476	6,665	192,480	32,661
Total With Donor Restriction	<u>\$ 651,640</u>	<u>\$ 789,150</u>	<u>\$ 904,347</u>	<u>\$ 536,443</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.