



Financial Statements and Report of
Independent Certified Public Accountants

Lutheran Immigration and Refugee Service, Inc.

December 31, 2014

(With Summarized Comparative Information for
December 31, 2013)

Lutheran Immigration and Refugee Service, Inc.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Lutheran Immigration and Refugee Service

Report On the Financial Statements

We have audited the accompanying financial statements of Lutheran Immigration and Refugee Service, Inc. ("LIRS"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets and statement of 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 did not audit the equity-method investment in Lutheran Center Corporation which reflect assets constituting 19% of total assets as of December 31, 2014 and 2013, and 0% of total revenues for the years then ended. This amount was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LIRS, is based solely on the report of the other auditors. 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.

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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, 2014, and the statements of activities and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenue, Expenses and Changes in Net Assets by Award for the year ended December 31, 2014, Schedule of Functional Expenses for the Year ended December 31, 2014 with Summarized Information for 2013, and the Summary of Changes in Net Assets for the Year ended December 31, 2014 on pages 21 to 25 is presented for purposes of additional analysis, and is not a required part of the financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report On 2013 Summarized Comparative Information

We have previously audited LIRS's 2013 financial statements (not presented herein), and an unmodified audit opinion was expressed on those audited financial statements in the report dated May 6, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 26, 2015, on our consideration of LIRS'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 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 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 LIRS's internal control over financial reporting and compliance.



Baltimore, Maryland
May 26, 2015

Lutheran Immigration and Refugee Service, Inc.

Statements of Financial Position

<i>Year ended December 31, 2014 (With Summarized Comparative Totals as of December 31, 2013)</i>	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,526,717	6,605,466
Investments, at market value (Note B)	838,414	834,880
Accounts receivable		
U.S. government	5,751,406	7,079,988
Miscellaneous	519,174	207,584
Loans receivable – refugees (Note C)	4,571	7,603
Prepaid expenses and other assets	169,567	205,289
Investment in Lutheran Center Corporation (Note D)	3,669,353	3,670,839
Funds held by trustee (Note E)	366,064	350,396
Total Current Assets	18,845,266	18,962,045
Fixed assets, less accumulated depreciation and amortization of \$493,223 and \$486,513 at 2014 and 2013, respectively	289,493	271,015
Total Assets	\$ 19,134,759	19,233,060
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 8,104,766	8,611,175
Long-term debt, current portion (Note E)	102,500	100,000
Total Current Liabilities	8,207,266	8,711,175
Long-term Obligations, net of current portion (Note E)	2,206,415	2,312,230
Total Liabilities	10,413,681	11,023,405
Net Assets		
Unrestricted		
Undesignated	6,148,674	6,468,101
Designated	1,747,164	1,173,910
Total unrestricted net assets	7,895,838	7,642,011
Temporarily restricted (Note G)	825,240	567,644
Total Net Assets	8,721,078	8,209,655
Total Liabilities and Net Assets	\$ 19,134,759	19,233,060

The accompanying notes are an integral part of these consolidated statements.

Lutheran Immigration and Refugee Service, Inc.

Statements of Activities and Changes in Net Assets

<i>Year ended December 31, 2014 (With Summarized Comparative Totals for the year ended December 31, 2013)</i>	Unrestricted	Temporarily restricted	Totals	
			2014	2013
Operating Activities				
Support and Revenue				
Support				
Church bodies	\$ 1,012,136	\$ 425,700	\$ 1,437,836	\$ 912,302
Foundations and corporations	234,005	52,500	286,505	116,023
Other contributions	670,408	141,639	812,047	940,873
In-kind contributions	129,266	2,738	132,004	9,198
	<u>2,045,815</u>	<u>622,577</u>	<u>2,668,392</u>	<u>1,978,396</u>
U.S. Government and State	<u>55,341,275</u>	<u>-</u>	<u>55,341,275</u>	<u>46,414,735</u>
Total support	<u>57,387,090</u>	<u>622,577</u>	<u>58,009,667</u>	<u>48,393,131</u>
Revenue				
Servicing fees	1,859,495	-	1,859,495	1,788,150
Miscellaneous	191,325	4,521	195,846	183,018
Total revenue	<u>2,050,820</u>	<u>4,521</u>	<u>2,055,341</u>	<u>1,971,168</u>
Net assets released from restrictions (Note G)	<u>369,502</u>	<u>(369,502)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>59,807,412</u>	<u>257,596</u>	<u>60,065,008</u>	<u>50,364,299</u>
Expenses				
Program Services				
U.S. government funded activities	51,356,580	-	51,356,580	42,699,314
Other program activities	2,579,606	-	2,579,606	2,035,062
Total program services	<u>53,936,186</u>	<u>-</u>	<u>53,936,186</u>	<u>44,734,376</u>
Supporting Services				
Management and general	4,439,719	-	4,439,719	4,037,326
Fund-raising	1,185,748	-	1,185,748	952,226
Total supporting services	<u>5,625,467</u>	<u>-</u>	<u>5,625,467</u>	<u>4,989,552</u>
Total Expenses	<u>59,561,653</u>	<u>-</u>	<u>59,561,653</u>	<u>49,723,928</u>
Change in Net Assets – Operating Activities	<u>245,759</u>	<u>257,596</u>	<u>503,355</u>	<u>640,371</u>
Non-operating Activities				
Investment earnings (Note B)	<u>8,068</u>	<u>-</u>	<u>8,068</u>	<u>9,882</u>
Change in Net Assets	<u>253,827</u>	<u>257,596</u>	<u>511,423</u>	<u>650,253</u>
Net Assets, beginning of year	<u>7,642,011</u>	<u>567,644</u>	<u>8,209,655</u>	<u>7,559,402</u>
Net Assets, end of year	<u>\$ 7,895,838</u>	<u>\$ 825,240</u>	<u>\$ 8,721,078</u>	<u>\$ 8,209,655</u>

The accompanying notes are an integral part of these consolidated statements.

Lutheran Immigration and Refugee Service, Inc.

Statements of Cash Flows

<i>Year ended December 31,</i>	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 511,423	\$ 650,253
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,710	1,944
Amortization	2,136	2,137
Unrealized loss (gain) on investments	368	(4,046)
Loss (gain) in Lutheran Center Corporation investment	18,621	(23,270)
Non-cash contribution	-	(260,000)
Changes in assets and liabilities:		
Accounts receivable		
U.S. government	1,328,583	(3,605,940)
Miscellaneous	(311,590)	(11,672)
Loans receivable – refugees	3,033	840
Prepaid expenses and deposits	30,269	42,051
Funds held by trustee	(15,668)	(9,869)
Accounts payable and accrued expenses	(506,409)	1,310,738
Net Cash Provided by (Used in) Operating Activities	1,067,476	(1,906,834)
Cash Flows from Investing Activities		
Purchase of furniture, fixtures and equipment	(16,987)	—
Purchase of building improvements	(8,200)	—
Investment in Lutheran Center Corporation	(17,134)	(152,446)
Purchases of investments	(145,388)	(52,033)
Proceeds from sales of investments	141,484	45,053
Net Cash Used In Investing Activities	(46,225)	(159,426)
Cash Flows from Financing Activities		
Repayment of long-term debt	(100,000)	(92,500)
Net Cash Used in Financing Activities	(100,000)	(92,500)
Net Increase (Decrease) in Cash and Cash Equivalents	921,251	(2,158,760)
Cash and Cash Equivalents, beginning of year	6,605,466	8,764,226
Cash and Cash Equivalents, end of year	\$ 7,526,717	\$ 6,605,466
Supplemental Cash Flow Information		
Interest paid	\$ 121,538	\$ 129,591

The accompanying notes are an integral part of these consolidated statements.

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE A—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

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

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.

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.

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. As of December 31, 2014, balances held in accounts in excess of the FDIC insurable limit were \$6,357,853. Management does not consider this to be a significant credit risk.

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.

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE A—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES— Continued

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 and buildings is computed on the straight-line method over the 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.

Net Assets

LIRS's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- ***Unrestricted Net Assets*** – Net assets that are not subject to donor-imposed stipulations. As reflected in the accompanying statements of financial position, LIRS's Board of Directors has designated a portion of the unrestricted net assets of LIRS as a board designated fund.
- ***Temporarily Restricted Net Assets*** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of LIRS and/or the passage of time.

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. Contributions of assets are recorded at fair value. 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***".

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.

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE A—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES— Continued

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 effort in the respective programs.

Debt

LIRS adopted the guidance in ASU 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*, 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. The adoption of ASU 2013-04 did not have a material effect on the financial statements.

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 (2011 - 2013) or expected to be taken in LIRS’s 2014 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, 2014 and 2013

NOTE A—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES— Continued

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, 2013, from which the summarized information was derived.

NOTE B—INVESTMENTS

At December 31, 2014 and 2013 investments consisted of the following:

	2014		2013	
	Cost	Market	Cost	Market
Fixed income:				
Money market, certificates of deposit and church mission certificates	\$ 537,976	\$ 537,976	\$ 533,099	\$ 533,421
U.S. Government Agency Bond	45,000	45,000	46,161	46,161
Private debt obligation	224,569	224,569	224,569	224,569
Equities:				
Lutheran-related investment pools	23,627	30,869	23,119	30,729
	<u>\$ 831,172</u>	<u>\$ 838,414</u>	<u>\$ 826,948</u>	<u>\$ 834,880</u>

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE B—INVESTMENTS—Continued

Investment earnings for the years ended December 31, 2014 and 2013 are comprised of the following:

	2014	2013
Interest and dividends	\$ 8,996	\$ 6,268
Realized (loss)	(96)	—
Unrealized (loss) gain	(368)	4,046
Investment fees	(464)	(432)
	<u>\$ 8,068</u>	<u>\$ 9,882</u>

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.

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE B—INVESTMENTS—Continued

The following table presents the investments carried at market value as of December 31, 2014 and December 31, 2013, by caption on the statement of financial position by the valuation hierarchy defined above:

	2014		
	Level 1	Level 2	Total
Fixed income:			
Money market, certificates of deposit and church mission certificates	\$ 537,976	\$ —	\$ 537,976
U.S. Government Agency Bond	—	45,000	45,000
Private debt obligation	—	224,569	224,569
Equities:			
Lutheran-related investment pools	—	30,869	30,869
	<u>\$ 537,976</u>	<u>\$ 300,438</u>	<u>\$ 838,414</u>
	2013		
	Level 1	Level 2	Total
Fixed income:			
Money market, certificates of deposit and church mission certificates	\$ 438,099	\$ 95,322	\$ 533,421
U.S. Government Agency Bond	—	46,161	46,161
Private debt obligation	—	224,569	224,569
Equities:			
Lutheran-related investment pools	—	30,729	30,729
	<u>\$ 438,099</u>	<u>\$ 396,781</u>	<u>\$ 834,880</u>

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE C—LOANS RECEIVABLE—REFUGEES

LIRS Loan Programs

The loans receivable consist of the following as of December 31, 2014 and 2013:

	2014	2013
Guam refugee loans	\$ —	\$ 126
Refugee loans – other	74,571	77,477
	74,571	77,603
Less: allowance for doubtful accounts	(70,000)	(70,000)
	\$ 4,571	\$ 7,603

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. Included in servicing fees, LIRS earned fees of \$1,817,755 and \$1,763,296 as of December 31, 2014 and 2013, respectively. 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:

	2014	2013
Balance outstanding at beginning year	\$ 28,043,264	\$ 25,918,044
New loans	13,055,954	12,023,797
Loan payments	(7,260,957)	(7,042,956)
Loans forgiven without prejudice	(236,530)	(335,368)
Loans transferred to IOM	(2,740,153)	(2,520,252)
Balance outstanding at end of year	\$ 30,861,578	\$ 28,043,264

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE D—INVESTMENT IN LUTHERAN CENTER CORPORATION

LIRS occupies approximately 57% 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 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, 2014 and 2013, LIRS has recorded occupancy expense of, approximately \$776,000 and \$787,000 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, 2014 and 2013, LIRS’ equity in LCC was \$3,669,353 and \$3,670,839, respectively. At December 31, 2014, 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 50 years beginning in 1999, with four optional ten-year extensions.

NOTE E—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, 2014, the covenant was met.

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE E—DEBT—Continued

The 2007 Bonds, bearing interest at 5.25% per annum, 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. 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, 2014 and 2013 is shown on the statement of financial position including unamortized bond premium of \$43,915 and \$47,230, respectively.

In conjunction with the issuance of the 2007 Bonds, a Debt Service Reserve Fund was created in the amount of \$449,138. 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. The Debt Service Reserve Fund balance at December 31, 2014 and 2013 was \$229,480 and \$244,349, respectively.

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

	LWR Portion	LIRS Portion	Total
2015	\$ 102,500	\$ 102,500	\$ 205,000
2016	107,500	107,500	215,000
2017	112,500	112,500	225,000
2018	120,000	120,000	240,000
2019	125,000	125,000	250,000
Thereafter	1,697,500	1,697,500	3,395,000
	<u>\$ 2,265,000</u>	<u>\$ 2,265,000</u>	<u>\$ 4,530,000</u>

Interest on the 2007 Bonds for the years ended December 31, 2014 and 2013 amounted to \$121,538 and \$126,591, respectively.

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE F—LEASE COMMITMENTS

LIRS has two leases for office space that expire on April 30, 2017 and April 31, 2018. As of December 31, 2014, future minimum lease obligations under these operating leases are as follows:

2015	\$ 112,012
2016	113,614
2017	71,455
2018	19,232
	<u>\$ 316,313</u>

Rent expense was approximately \$105,000 and \$41,000 for the years ended December 31, 2014 and 2013, respectively.

NOTE G—NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 were available for the following purposes:

	2014	2013
Immigration Community Support/Alternatives to Detention	\$ 42,524	\$ 50,000
The Swanson Refugee and Migrant Travel Fund	113,986	113,386
Synod/District, Congregational Support Initiative	13,950	61,169
Detention Visitation	47,751	—
Rusk House of Hospitality	241,449	263,149
Central American Migrant Children and Families	266,837	—
Refugee Mentoring	27,156	—
Other	71,587	79,940
	<u>\$ 825,240</u>	<u>\$ 567,644</u>

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE G—NET ASSETS—Continued

During 2014, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

	2014
Immigration Community Support/Alternatives to Detention	\$ 68,156
Synod and District Initiative	47,219
Detention-Visitation	12,249
Rusk House of Hospitality	35,180
Central American Migrant Children and Families	64,743
Refugee Mentoring	50,344
Other	91,611
	<u>\$ 369,502</u>

During 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

	2013
Immigration Community Support/Alternatives to Detention	\$ 104,060
Rusk House of Hospitality	51,634
Other	70,016
	<u>\$ 225,710</u>

NOTE H—PENSION PLAN

Substantially all employees of LIRS are enrolled in the defined contribution pension plan made available and administered by Portico Benefit Services. 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 \$483,000 and \$417,000, respectively, for the years 2014 and 2013.

Lutheran Immigration and Refugee Service, Inc.

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE I—SUBSEQUENT EVENTS

LIRS evaluated its December 31, 2014 financial statements for subsequent events through May 26, 2015, the date the financial statements were available to be issued. Management has determined that there are no events that would require disclosure or adjustments in the financial statements.

Supplemental Information



Lutheran Immigration and Refugee Service, Inc.

Statement of Revenue, Expenses and Changes in Net Assets by Award

Year ended December 31, 2014

Contract Award Fiscal Year	Refugee Reception and Placement		Detained Torture Survivors		Matching Grant		
	SPRMCO14CA1006 2014	SPRMCO15CA1014 2015	90ZT0096/03 2014	90ZT0126/01 2015	90RV0062/02 2013	90RV0062/03 2014	90RV0071/01 2015
Revenue							
U.S. Government grants	\$ 19,427,423	\$ 6,134,499	\$ 322,655	\$ 99,098	\$ 238,667	\$ 6,012,248	\$ 1,073,329
Expenses							
Program							
Personnel costs	704,169	252,657	90,777	29,107	—	128,497	41,887
Office operations	384,372	47,409	18,332	6,567	—	23,092	7,157
Travel and meetings	113,184	4,806	15,867	1,307	—	42,633	2,243
Supporting services – field operations	6,171,271	2,323,050	172,068	54,247	219,767	5,341,840	937,017
Refugee aid and other grants	10,830,329	3,117,990	—	—	—	—	—
Depreciation	458	190	60	22	—	77	29
Total program expenses	18,203,783	5,746,102	297,104	91,250	219,767	5,536,140	988,333
Management and General							
Administrative allocation and charges	1,223,640	388,398	25,551	7,848	18,900	476,108	84,997
Total expenses	19,427,423	6,134,499	322,655	99,098	238,667	6,012,248	1,073,329
Deficiency of revenue over expenses	—	—	—	—	—	—	—
Net Assets, beginning of year	—	—	—	—	—	—	—
Transfers	—	—	—	—	—	—	—
Net assets, end of year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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.

Statement of Revenue, Expenses and Changes in Net Assets by Award—Continued

Year ended December 31, 2014

Contract Award Fiscal Year	Employment Services Technical Assistance		Alien Unaccompanied Minors – Family Reunification		Alien Unaccompanied Minors – Foster Care		Intensive Case Management	
	90RB0045/02 2014	90RB0045/03 2015	90ZU0057/03 2014	90ZU0084/01 2015	90ZU0067/03 2014	90ZU0103/01 2015	90RP0101/01 2014	90RP0101/02 2015
Revenue								
U.S. Government grants	\$ 150,547	\$ 38,369	\$ 2,167,332	\$ 811,268	\$ 13,513,902	\$ 4,120,829	\$ 697,537	\$ 231,169
Expenses								
Program								
Personnel costs	96,350	28,778	645,195	207,832	667,107	206,986	72,931	26,778
Office operations	39,024	5,690	155,025	43,424	252,604	45,222	15,848	4,549
Travel and meetings	3,202	838	16,864	4,984	112,822	5,615	27,479	902
Supporting services – field operations	—	—	1,346,172	490,647	11,410,778	3,536,528	525,996	180,615
Refugee aid and other grants	—	—	—	—	—	—	—	—
Depreciation	49	26	355	137	429	152	46	18
Total program expenses	138,625	35,330	2,163,610	747,024	12,443,740	3,794,502	642,299	212,863
Management and General								
Administrative allocation and charges	11,922	3,038	186,071	64,244	1,070,162	326,327	55,238	18,306
Total expenses	150,547	38,369	2,349,681	811,268	13,513,902	4,120,829	697,537	231,169
Deficiency of revenue over expenses	—	—	(182,349)	—	—	—	—	—
Net Assets, beginning of year	—	—	—	—	—	—	—	—
Transfers	—	—	182,349	—	—	—	—	—
Net assets, end of year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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.

Statement of Revenue, Expenses and Changes in Net Assets by Award—Continued

Year ended December 31, 2014

Contract Award Fiscal Year	Preferred Communities – Creating New Communities		Preferred Communities – Cultural Orientation		Total
	90RP0085/03 2014		90RP0090/02 2014	90RP0090/03 2015	
Revenue					
U.S. Government grants	\$ 97,618	—	\$ 161,209	43,575	\$ 55,341,275
Expenses					
Program					
Personnel costs	22,596	—	36,144	12,708	3,270,497
Office operations	5,211	—	7,409	1,976	1,062,913
Travel and meetings	39	—	2,426	1,145	356,355
Supporting services – field operations	62,029	—	102,443	24,288	32,898,756
Refugee aid and other grants	—	—	—	—	13,948,319
Depreciation	12	—	21	8	2,088
Total program expenses	89,888	—	148,443	40,125	51,538,928
Management and General					
Administrative allocation and charges	7,730		12,766	3,451	3,984,696
Total expenses	97,618	—	161,209	43,575	55,523,624
Deficiency of revenue over expenses	—	—	—	—	(182,349)
Net Assets, beginning of year	—	—	—	—	—
Transfers	—	—	—	—	182,349
Net assets, end of year	\$ —	—	\$ —	—	\$ —

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 Functional Expenses

Year ended December 31, 2014 with Summarized Information for 2013

	Program Services			Supporting Services			Totals	
	U.S. Government Funded Activities	Other Program Activities	Total Program Services	Management and General	Fund- Raising	Total Support Services	2014	2013
Personnel costs	\$ 3,270,498	\$ 1,217,742	\$ 4,488,240	\$ 2,682,117	\$ 630,659	\$ 3,312,775	\$ 7,801,015	\$ 6,789,663
Office operations	1,062,914	617,345	1,680,259	1,482,967	471,731	1,954,698	3,634,957	3,238,926
Travel and meetings	356,355	133,159	489,514	249,963	82,519	332,482	821,996	658,688
Supporting services – field operations	32,716,407	182,349	32,898,756	—	—	—	32,898,756	27,318,831
Refugee aid and other grants	13,948,319	426,480	14,374,799	21,168	500	21,668	14,396,466	11,713,991
Depreciation and amortization	2,087	2,531	4,618	3,505	341	3,845	8,463	3,829
	\$ 51,356,580	\$ 2,579,606	\$ 53,936,186	\$ 4,439,719	\$ 1,185,749	\$ 5,625,468	\$ 59,561,653	\$ 49,723,928

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, 2014

	Balance December 31, 2013	Additions (Including Inter-Fund Transfers)	Deductions	Balance December 31, 2014
Unrestricted Net Assets				
Undesignated, available for general activities	\$ 6,468,101	59,426,537	59,745,964	\$ 6,148,674
Designated				
Capital Reserve	591,003	—	—	591,003
Constituency and Resource Development	200,000	—	—	200,000
Partner Stabilization Fund	367,249	67,000	—	434,249
Friends of Refugees	15,659	19,440	13,187	21,912
Innovation Fund	—	500,000	—	500,000
	1,173,911	586,440	13,187	1,747,164
Total Unrestricted Net Assets	7,642,012	60,012,977	59,759,151	7,895,838
Temporarily Restricted Net Assets				
Immigration Community Support/Alternatives to Detention	50,000	99,104	106,581	42,524
The Swanson Refugee and Migrant Travel Fund	113,386	600	—	113,986
Synod/District Initiative Congregational Support Initiative	61,168	—	47,219	13,950
Detention Visitation	—	60,000	12,249	47,751
Rusk House of Hospitality	263,149	13,480	35,180	241,449
Central American Migrant Children and Families	—	331,579	64,743	266,836
Refugee Mentoring	—	77,500	50,344	27,156
Other	79,940	83,260	91,611	71,589
Total Temporarily Restricted Net Assets	\$ 567,643	\$ 665,523	\$ 407,926	\$ 825,240

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