

**LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.**

***FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT***

**DECEMBER 31, 2019**

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## ***TABLE OF CONTENTS***

---

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
<i>Statement of Financial Position,</i> December 31, 2019 and 2018	3
<i>Statement of Activities and Changes in Net Assets,</i> Year Ended December 31, 2019 with Summarized Information for 2018	4
<i>Statements of Cash Flows,</i> Years Ended December 31, 2019 and 2018	5
<i>Notes to Financial Statements</i>	6-17
<b>SUPPLEMENTAL INFORMATION</b>	
<i>Schedule of Revenue, Expenses and Changes in Net Assets by Award,</i> Year Ended December 31, 2019	18-21
<i>Summary of Changes in Net Assets,</i> Year Ended December 31, 2019	22

---

---

## **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, 2019, 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, 2019, 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 2018 financial statements and our report dated May 22, 2019 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, 2018, 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, 2019, and the Summary of Changes in Net Assets for the year ended December 31, 2019 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  
May 7, 2020**

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 18,804,969	\$ 12,524,900
Investments, at market value	262,030	257,108
Accounts receivable		
U.S. government	5,305,424	4,598,122
Miscellaneous	374,428	731,798
Prepaid expenses and other assets	178,323	203,660
Investment in Lutheran Center Corporation	3,387,728	3,424,466
Funds held by trustee	<u>356,183</u>	<u>347,790</u>
<b>Total Current Assets</b>	<u>28,669,085</u>	<u>22,087,844</u>
<b>Non-Current Assets</b>		
Investments, at market value	1,064,303	-
Operating lease right-of-use assets	408,686	-
Fixed assets, less accumulated depreciation and amortization of \$754,547 and \$587,836 at 2019 and 2018, respectively	<u>773,102</u>	<u>939,813</u>
<b>Total Assets</b>	<u>\$ 30,915,176</u>	<u>\$ 23,027,657</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 9,515,996	\$ 7,203,946
Operating lease liabilities	85,869	-
Long-term debt	<u>132,500</u>	<u>125,000</u>
<b>Total Current Liabilities</b>	9,734,365	7,328,946
<b>Non-Current Liabilities</b>		
Operating lease liabilities	329,563	-
Long-term Obligations, net	<u>1,546,729</u>	<u>1,677,254</u>
<b>Total Liabilities</b>	<u>11,610,657</u>	<u>9,006,200</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	17,239,655	12,247,149
Designated	<u>1,413,224</u>	<u>1,016,371</u>
<b>Total Without Donor Restrictions</b>	<u>18,652,879</u>	<u>13,263,520</u>
With Donor Restrictions (Note 7)	<u>651,640</u>	<u>757,937</u>
<b>Total Net Assets</b>	<u>19,304,519</u>	<u>14,021,457</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 30,915,176</u>	<u>\$ 23,027,657</u>

See notes to financial statements.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019 With Summarized Comparative Totals For 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Operating Activities</b>				
<b>Support and Revenue</b>				
<b>Support</b>				
Church bodies	\$ 545,900	\$ 423,851	\$ 969,751	\$ 1,035,400
Foundations and corporations	82,235	676,573	758,808	398,137
Other contributions	6,125,522	75,401	6,200,923	4,289,872
In-kind contributions	<u>102,472</u>	<u>385,000</u>	<u>487,472</u>	<u>489,224</u>
	6,856,129	1,560,825	8,416,954	6,212,633
<b>U.S. Government grants</b>	<u>52,109,373</u>	<u>-</u>	<u>52,109,373</u>	<u>41,631,070</u>
<b>Total support</b>	<u>58,965,502</u>	<u>1,560,825</u>	<u>60,526,327</u>	<u>47,843,703</u>
<b>Revenue</b>				
Servicing fees	2,250,335	-	2,250,335	2,522,312
Miscellaneous	<u>112,338</u>	<u>9,550</u>	<u>121,888</u>	<u>191,070</u>
<b>Total revenue</b>	<u>2,362,673</u>	<u>9,550</u>	<u>2,372,223</u>	<u>2,713,382</u>
<b>Net assets released from restrictions (Note 7)</b>	<u>1,676,672</u>	<u>(1,676,672)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>63,004,847</u>	<u>(106,297)</u>	<u>62,898,550</u>	<u>50,557,085</u>
<b>Expenses</b>				
<b>Program Services</b>				
U.S. government funded activities	48,465,698	-	48,465,698	37,652,805
Other program activities	<u>4,187,473</u>	<u>-</u>	<u>4,187,473</u>	<u>4,486,785</u>
<b>Total program services</b>	<u>52,653,171</u>	<u>-</u>	<u>52,653,171</u>	<u>42,139,590</u>
<b>Supporting Services</b>				
Management and general	4,048,320	-	4,048,320	4,496,316
Fund-raising	<u>1,142,461</u>	<u>-</u>	<u>1,142,461</u>	<u>1,182,813</u>
<b>Total supporting services</b>	<u>5,190,781</u>	<u>-</u>	<u>5,190,781</u>	<u>5,679,129</u>
<b>Total Expenses</b>	<u>57,843,952</u>	<u>-</u>	<u>57,843,952</u>	<u>47,818,719</u>
<b>Change in Net Assets – Operating Activities</b>	5,160,895	(106,297)	5,054,598	2,738,366
<b>Non-operating Activities</b>				
Investment earnings (Note 2)	228,464	-	228,464	148,441
Loss on disposal of asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,749)</u>
<b>Change in Net Assets</b>	5,389,359	(106,297)	5,283,062	2,777,058
<b>Net Assets, beginning of year</b>	<u>13,263,520</u>	<u>757,937</u>	<u>14,021,457</u>	<u>11,244,399</u>
<b>Net Assets, end of year</b>	<u>\$18,652,879</u>	<u>\$ 651,640</u>	<u>\$19,304,519</u>	<u>\$14,021,457</u>

See notes to financial statements.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,283,062	\$ 2,777,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	168,686	127,966
Unrealized (gain) loss on investments	(4,560)	4,472
Loss in Lutheran Center Corporation investment	36,738	42,667
Amortization of right-of-use assets, net of payments on lease liabilities	6,746	-
Loss on disposal of assets	-	109,749
Changes in assets and liabilities:		
Accounts receivable		
U.S. government	(707,302)	(1,726,910)
Miscellaneous	357,370	(175,718)
Prepaid expenses and deposits	25,337	10,887
Funds held by trustee	(8,393)	(6,436)
Accounts payable and accrued expenses	<u>2,312,050</u>	<u>(1,098,776)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>7,469,734</u>	<u>64,959</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	-	(465,617)
Purchases of investments	(1,078,297)	(14,626)
Proceeds from sales of investments	<u>13,632</u>	<u>20,494</u>
<b>Net Cash Used In Investing Activities</b>	<u>(1,064,665)</u>	<u>(459,749)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>(125,000)</u>	<u>(120,000)</u>
<b>Net Cash Used in Financing Activities</b>	<u>(125,000)</u>	<u>(120,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	6,280,069	(514,790)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>12,524,900</u>	<u>13,039,690</u>
<b>End of year</b>	<u>\$18,804,969</u>	<u>\$12,524,900</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 92,400</u>	<u>\$ 98,831</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

---

### (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, 2019 And 2018**

---

### ***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, 2019 And 2018

---

### **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 (2016 - 2018) or expected to be taken in LIRS's 2019 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.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

---

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.

### **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, 2018 and a provisional rate has been provided through December 31, 2019. 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 2019 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, 2018, from which the summarized information was derived.

### **RECLASSIFICATIONS**

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

### **NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability of accounting for lease transactions. The ASU requires lessees to recognize leases on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosure regarding key information about leasing arrangements. Lessor accounting is largely unchanged. LIRS applied the transition method allowed by ASU 2018-11 to adopt this standard as of January 1, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance applies to all entities that receive or make contributions. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or an exchange transaction. ASU No. 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards (see below). LIRS adopted this standard prospectively for contributions received for the year ended December 31, 2019. The adoption of this standard resulted in federal grants being accounted for as contributions than were under the previous guidance.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

---

### (2) INVESTMENTS

At December 31, 2019 and 2018 investments consisted of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Fixed Income:</b>				
Certificate of deposit	\$ 1,064,303	\$ 1,064,303	\$ -	\$ -
Private debt obligation	224,569	224,569	224,569	224,569
Government money market fund	22	22	16	16
<b>Equities:</b>				
Lutheran-related investment pools	<u>26,203</u>	<u>37,439</u>	<u>25,847</u>	<u>32,523</u>
	<u>\$ 1,315,097</u>	<u>\$ 1,326,333</u>	<u>\$ 250,432</u>	<u>\$ 257,108</u>

Investment earnings for the years ended December 31, 2019 and 2018 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends*	\$ 224,254	\$ 153,272
Unrealized gain (loss)	4,560	(4,472)
Investment fees	<u>(350)</u>	<u>(359)</u>
	<u>\$ 228,464</u>	<u>\$ 148,441</u>

\* Includes interest earned on the operating bank accounts

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, 2019 And 2018

The following table presents the investments carried at market value as of December 31, 2019 and December 31, 2018, by caption on the statement of financial position by the valuation hierarchy defined above:

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Fixed Income:</b>				
Certificate of deposit	\$ -	\$ 1,064,303	\$ -	\$ 1,064,303
Private debt obligation	-	224,569	-	224,569
Government money market fund	22	-	-	22
<b>Equities:</b>				
Lutheran-related investment pools	-	37,439	-	37,439
	<u>\$ 22</u>	<u>\$ 1,326,311</u>	<u>\$ -</u>	<u>\$ 1,326,333</u>
	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Fixed Income:</b>				
Private debt obligation	\$ -	\$ 224,569	\$ -	\$ 224,569
Government Money Market Fund	16	-	-	16
<b>Equities:</b>				
Lutheran-related investment pools	-	32,523	-	32,523
	<u>\$ 16</u>	<u>\$ 257,092</u>	<u>\$ -</u>	<u>\$ 257,108</u>

### (3) LOAN RECEIVABLE—REFUGEES

#### *LIRS LOAN PROGRAMS*

The loans receivable, which are included in prepaid expenses and other assets on the Statement of Financial Position, consists of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Refugee loans – other	\$ 42,757	\$ 59,447
Less: allowance for doubtful accounts	<u>(40,000)</u>	<u>(50,000)</u>
	<u>\$ 2,757</u>	<u>\$ 9,447</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

---

### 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 \$1,465,288 and \$1,681,054 for the years ending December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
<b>Balance outstanding at beginning year</b>	\$25,660,570	\$30,146,679
New loans	5,070,113	4,368,523
Loan payments	(5,856,339)	(6,723,968)
Loans forgiven without prejudice	-	(61,960)
Loans transferred to IOM	<u>(2,664,446)</u>	<u>(2,068,704)</u>
<b>Balance outstanding at end of year</b>	<u>\$22,209,898</u>	<u>\$25,660,570</u>

#### (4) 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, 2019 and 2018, LIRS has recorded occupancy expense of approximately \$619,200 and \$684,000 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, 2019 and 2018, LIRS’ equity in LCC was \$3,387,728 and \$3,424,466, respectively. At December 31, 2019, 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.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

---

### (5) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 733,123	\$ 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>
	1,527,649	1,527,649
Less accumulated depreciation	<u>(754,547)</u>	<u>(587,836)</u>
Property and equipment, net of depreciation	<u>\$ 773,102</u>	<u>\$ 939,813</u>

Depreciation expense of property and equipment was \$166,711 and \$125,990 in 2019 and 2018, respectively.

### (6) 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, 2019, and 2018, 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, 2019 and 2018 is shown on the statement of financial position net of unamortized bond premium of \$28,344 and \$31,408, respectively, and deferred loan costs of \$46,615 and \$51,654, 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, 2019 and 2018 was \$233,375 and \$228,836, 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 \$122,808 and \$118,954 as of December 31, 2019, and 2018, respectively.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

---

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

	<u>LIRS</u> <u>Portion</u>	<u>LWR</u> <u>Portion</u>	<u>Total</u>
2020	\$ 132,500	\$ 132,500	\$ 265,000
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
Thereafter	<u>957,500</u>	<u>957,500</u>	<u>1,915,000</u>
	<u>\$ 1,697,500</u>	<u>\$ 1,697,500</u>	<u>\$ 3,395,000</u>

Interest expense on the 2007 Bonds for the years ended December 31, 2019 and 2018 was approximately \$90,100 and \$97,300, respectively.

### (7) NET ASSETS

Net assets with donor restrictions as of December 31, 2019 and 2018 were available for the following purposes:

	<u>2019</u>	<u>2018</u>
The Swanson Refugee and Migrant Travel Fund	\$ 80,201	\$ 82,423
Family Reunification	52,516	260,951
Rusk House of Hospitality	191,850	203,422
Central American Migrant Children and Families	-	37,842
NYC Syrian URM/Syrian Refugee	45,846	90,721
Refugee Protection and Family Strengthening	62,751	(308)
Other	<u>218,476</u>	<u>82,886</u>
	<u>\$ 651,640</u>	<u>\$ 757,937</u>

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

	<u>2019</u>	<u>2018</u>
The Swanson Refugee and Migrant Travel Fund	\$ 2,497	\$ -
Family Reunification	584,332	599,740
Rusk House of Hospitality	24,372	22,011
Central American Migrant Children and Families	37,842	31,562
NYC Syrian URM/Syrian Refugee	44,875	109,503
Refugee Protection and Family Strengthening	451,941	486,798
Other	<u>530,813</u>	<u>12,979</u>
	<u>\$ 1,676,672</u>	<u>\$ 1,262,593</u>



# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

### (8) FUNCTIONAL EXPENSES

	U.S. Government Funded Activities	Other Program Activities	Total Program Services	Management And General	Fund- Raising	Total Support Services	Totals	
							2019	2018
Personnel Costs	\$ 2,968,400	\$ 1,854,510	\$ 4,822,910	\$ 2,841,757	\$ 557,384	\$ 3,399,141	\$ 8,222,051	\$ 8,217,032
Office Operations	928,850	747,434	1,676,284	1,000,513	574,479	1,574,922	3,251,276	3,380,716
Travel and Meetings	221,714	74,934	296,648	171,921	7,880	179,801	476,449	638,814
Supporting Services – Field Operations	38,402,677	246,026	38,648,703	-	-	-	38,648,703	29,867,082
Refugee Aid and Other Grants	5,927,942	1,129,269	7,057,211	19,575	-	19,575	7,076,786	5,587,109
Depreciation and Amortization	16,115	135,300	151,415	14,554	2,718	17,272	168,687	127,966
	<u>\$48,465,698</u>	<u>\$4,187,473</u>	<u>\$52,653,171</u>	<u>\$4,048,320</u>	<u>\$1,142,461</u>	<u>\$5,190,781</u>	<u>\$57,843,952</u>	<u>\$47,818,719</u>

### (9) PENSION PLAN

LIRS maintains a defined contribution pension plan for eligible employees. 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 \$283,200 and \$277,000, respectively, for the years 2019 and 2018.

### (10) 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 year ended December 31, 2019:

#### Operating Lease Amounts:

Right-of-use assets	\$408,686
Lease liabilities	415,432

#### Other Information:

Operating outgoing cash flows for operating leases	\$ 83,348
Weighted-average remaining lease term	4.85 years
Weighted average discount rate	2.07%

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

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

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

---

Future lease payments at December 31, 2019:

<u>Year Ending December 31,</u>	
2020	\$ 85,869
2021	88,489
2022	91,215
2023	88,964
2024	76,653
Thereafter	<u>6,408</u>
Total undiscounted cash flows	437,598
Less: present value adjustment	<u>22,166</u>
Lease liability	<u>\$415,432</u>

### (11) 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, 2019 and 2018 was \$57,880 and \$48,826, respectively. As of December 31, 2019, and 2018, LIRS had no outstanding advances.

### (12) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At December 31, 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 18,804,969	\$ 12,524,900
Short-term investments	262,030	257,108
U.S. government receivables	5,305,424	4,598,122
Miscellaneous receivables	<u>374,428</u>	<u>731,798</u>
Total financial assets available within one year	24,746,851	18,111,928
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose or time restrictions	<u>(651,640)</u>	<u>(757,937)</u>
Total financial assets available to management for General expenditures within one year	<u>\$24,095,211</u>	<u>\$17,353,991</u>

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

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## *NOTES TO FINANCIAL STATEMENTS – (Continued)*

**December 31, 2019 And 2018**

---

### **(13) SUBSEQUENT EVENTS**

Subsequent events after the statements of financial position date through the date that the financial statements were available for issuance, May 7, 2020, have been evaluated in the preparation of the financial statements. In March 2020, it was increasingly evident that the outbreak of the novel strain of coronavirus (COVID-19) was beginning to disrupt global economic activity. By way of federal, state, and local authority mandates, there were significant constraints on and/or required closures of businesses. The ultimate impact on LIRS's operations is not reasonably estimable at this time.

## **SUPPLEMENTAL INFORMATION**

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

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

Year Ended December 31, 2019

<b>Contract Award Fiscal Year</b>	<b>Refugee Reception And Placement SPRMC018CA1003/ SPRMC018CA0030</b>	<b>Matching Grant 1902MDRVMG</b>	<b>Preferred Communities Intensive Case Management 90RP0113/02 90RP0113/03</b>
<b>Revenue</b>			
U.S. Government Grants	\$13,485,729	\$4,679,857	\$2,075,593
<b>Expenses</b>			
<b>Program</b>			
Personnel costs	929,834	163,934	269,098
Office operations	378,903	76,657	75,428
Travel and meetings	60,171	9,364	64,635
Supporting services – field operations	5,263,431	4,106,444	1,521,739
Refugee aid and other grants	5,927,942	-	-
Depreciation	5,656	1,005	1,440
Total program expenses	<u>12,565,937</u>	<u>4,357,404</u>	<u>1,932,340</u>
<b>Management and General</b>			
Administrative allocation and changes	<u>919,792</u>	<u>322,453</u>	<u>143,253</u>
Total expenses	<u>13,485,729</u>	<u>4,679,857</u>	<u>2,075,593</u>
Excess (deficiency) of revenue over expenses	-	-	-
<b>Net Assets, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets, end of year</b>	<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, 2019

<b>Contract Award Fiscal Year</b>	<b>Foster Care Safe Release Support</b>	<b>Home Studies Post Release</b>
	<b>90ZU0182/01</b>	<b>90ZU0172/01</b>
	<b>90ZU0182/02</b>	<b>90ZU0172/02</b>
<b>Revenue</b>		
U.S. Government Grants	<u>\$6,251,195</u>	<u>\$3,347,172</u>
<b>Expenses</b>		
<b>Program</b>		
Personnel costs	417,208	378,762
Office operations	109,261	91,722
Travel and meetings	24,457	16,576
Supporting services – field operations	5,252,786	2,620,368
Refugee aid and other grants	-	-
Depreciation	<u>2,144</u>	<u>2,113</u>
Total program expenses	<u>5,805,856</u>	<u>3,109,541</u>
<b>Management and General</b>		
Administrative allocation and changes	<u>445,339</u>	<u>237,631</u>
Total expenses	<u>6,251,195</u>	<u>3,347,172</u>
Excess (deficiency) of revenue over expenses	-	-
<b>Net Assets, beginning of year</b>	<u>-</u>	<u>-</u>
<b>Net Assets, end of year</b>	<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, 2019

<b>Contract Award</b> <b>Fiscal Year</b>	<b>Residential Shelter And Fingerprinting</b>	
	<b>90ZU0223/01</b> <b>90ZU0223/02</b>	<b>90ZU0297/01</b> <b>2019</b>
<b>Revenue</b>		
U.S. Government Grants	\$21,026,815	\$622,720
<b>Expenses</b>		
<b>Program</b>		
Personnel costs	573,231	7,786
Office operations	117,228	1,881
Travel and meetings	28,420	279
Supporting services – field operations	18,821,918	569,830
Refugee aid and other grants	-	-
Depreciation	2,832	37
Total program expenses	19,543,629	579,813
<b>Management and General</b>		
Administrative allocation and changes	1,483,186	42,907
Total expenses	21,026,815	622,720
Excess (deficiency) of revenue over expenses	-	-
<b>Net Assets, beginning of year</b>	-	-
<b>Net Assets, end of year</b>	\$ -	\$ -

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, 2019

<u>Fiscal Year</u>	<u>IRC- Switchboard</u>	<u>Refugee Pathway</u>	
	<u>617925789</u>	<u>90RP0113/02</u>	<u>Total</u>
		<u>90ZM0010/01</u>	
<b>Revenue</b>			
U.S. Government Grants	<u>\$289,680</u>	<u>\$330,612</u>	<u>\$52,109,373</u>
<b>Expenses</b>			
<b>Program</b>			
Personnel costs	191,146	37,401	2,968,400
Office operations	61,543	16,227	928,850
Travel and meetings	9,917	7,895	221,714
Supporting services – field operations	-	246,161	38,402,677
Refugee aid and other grants	-	-	5,927,942
Depreciation	<u>739</u>	<u>149</u>	<u>16,115</u>
Total program expenses	<u>263,345</u>	<u>307,833</u>	<u>48,465,698</u>
<b>Management and General</b>			
Administrative allocation and changes	<u>26,335</u>	<u>22,779</u>	<u>3,643,675</u>
Total expenses	<u>289,680</u>	<u>330,612</u>	<u>52,109,373</u>
Excess (deficiency) of revenue over expenses	-	-	-
<b>Net Assets, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets, end of year</b>	<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, 2019

	<u>Balance December 31, 2018</u>	<u>Additions (Including Inter-Fund Transfers)</u>	<u>Deductions</u>	<u>Balance December 31, 2019</u>
<b>Without Donor Restriction</b>				
Undesignated, available for general activities	\$ 12,247,149	\$ 61,159,786	\$ 56,167,280	\$ 17,239,655
Designated				
Capital Reserve	591,003	-	-	591,003
Constituency and Resource Development	(368,118)	368,118	-	-
Partner Stabilization Fund	452,309	-	-	452,309
Friends of Refugees	(650)	28,735	-	28,085
Innovation Fund	341,827	-	-	341,827
	<u>1,016,371</u>	<u>396,853</u>	<u>-</u>	<u>1,413,224</u>
<b>Total Without Donor Restriction</b>	<u>\$ 13,263,520</u>	<u>\$ 61,556,639</u>	<u>\$ 56,167,280</u>	<u>\$ 18,652,879</u>
<b>With Donor Restriction</b>				
The Swanson Refugee and Migrant Travel Fund	82,423	275	2,497	80,201
Family Reunification	260,951	375,897	584,332	52,516
Rusk House of Hospitality	203,422	12,800	24,372	191,850
Central American Migrant Children and Families	37,842	-	37,842	-
NYC Syrian URM/Syrian Refugee	90,721	-	44,875	45,846
Refugee Protection and Family Strengthening	(308)	515,000	451,941	62,751
Other	82,886	666,403	530,813	218,476
<b>Total With Donor Restriction</b>	<u>\$ 757,937</u>	<u>\$ 1,570,375</u>	<u>\$ 1,676,672</u>	<u>\$ 651,640</u>

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