

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

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

DECEMBER 31, 2011

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

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TAIT, WELLER & BAKER LLP
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Lutheran Immigration and Refugee Service
Baltimore, Maryland

We have audited the accompanying statement of financial position of Lutheran Immigration and Refugee Service as of December 31, 2011, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from Lutheran Immigration and Refugee Service's 2010 financial statements and, in our report dated April 27, 2011, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Immigration and Refugee Service as of December 31, 2011, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
April 12, 2012

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 4,285,537	\$ 4,334,458
Investments, at market value (<i>Note 2</i>)	1,387,938	1,960,918
Accounts receivable		
U.S. Government	5,149,392	5,040,429
Miscellaneous	210,103	225,031
Loans receivable – refugees (<i>Note 3</i>)	101,112	128,141
Prepaid expenses and other assets	359,019	122,477
Investment in Lutheran Center Corporation (<i>Note 4</i>)	3,420,449	3,381,744
Funds held by trustee (<i>Note 5</i>)	<u>337,234</u>	<u>334,576</u>
	15,250,784	15,527,774
Furnishings and improvements, less accumulated depreciation and amortization of \$956,025 and \$941,326, respectively	<u>25,998</u>	<u>25,146</u>
Total assets	<u>\$15,276,782</u>	<u>\$15,552,920</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,427,259	\$ 6,033,511
Long-term debt (<i>Note 5</i>)	<u>2,598,858</u>	<u>2,684,673</u>
Total liabilities	<u>8,026,117</u>	<u>8,718,184</u>
NET ASSETS		
Unrestricted		
Undesignated	5,760,666	4,579,580
Designated	<u>1,104,926</u>	<u>1,744,923</u>
Total unrestricted net assets	<u>6,865,592</u>	<u>6,324,503</u>
Temporarily restricted (<i>Note 7</i>)	<u>385,073</u>	<u>510,233</u>
Total net assets	<u>7,250,665</u>	<u>6,834,736</u>
Total liabilities and net assets	<u>\$15,276,782</u>	<u>\$15,552,920</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2011 with Summarized Information for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
Operating Activities				
Support and Revenue				
Participating Church Bodies				
Evangelical Lutheran Church in America	\$ 528,249	\$ 130,000	\$ 658,249	\$ 596,525
Lutheran Church – Missouri Synod	136,686	-	136,686	253,374
Latvian Evangelical Lutheran Church in America	3,500	-	3,500	3,500
	<u>668,435</u>	<u>130,000</u>	<u>798,435</u>	<u>853,399</u>
Other Support				
Foundations and other grants	4,940	35,000	39,940	51,500
Other contributions	407,756	27,431	435,187	260,961
In-kind contributions	4,849	-	4,849	13,052
	<u>417,545</u>	<u>62,431</u>	<u>479,976</u>	<u>325,513</u>
U.S. Government and State	<u>30,376,568</u>	<u>-</u>	<u>30,376,568</u>	<u>38,183,471</u>
Total support	<u>31,462,548</u>	<u>192,431</u>	<u>31,654,979</u>	<u>39,362,383</u>
Revenue				
Loan servicing fees (Note 3)	1,587,978	-	1,587,978	1,293,621
Miscellaneous	94,226	-	94,226	89,212
Total revenue	<u>1,682,204</u>	<u>-</u>	<u>1,682,204</u>	<u>1,382,833</u>
Net assets released from restrictions (Note 7)	<u>317,591</u>	<u>(317,591)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>33,462,343</u>	<u>(125,160)</u>	<u>33,337,183</u>	<u>40,745,216</u>
Expenses				
Program Services				
U.S. Government funded activities	27,680,295	-	27,680,295	35,616,822
Other program activities	1,539,900	-	1,539,900	1,117,748
Total program services	<u>29,220,195</u>	<u>-</u>	<u>29,220,195</u>	<u>36,734,570</u>
Supporting Services				
Management and general	3,127,515	-	3,127,515	2,792,796
Fund-raising	643,271	-	643,271	430,073
Total supporting services	<u>3,770,786</u>	<u>-</u>	<u>3,770,786</u>	<u>3,222,869</u>
Total expenses	<u>32,990,981</u>	<u>-</u>	<u>32,990,981</u>	<u>39,957,439</u>
Change in net assets – operating activities	471,362	(125,160)	346,202	787,777
Non-operating Activities				
Investment earnings (Note 2)	69,727	-	69,727	194,243
Change in net assets	541,089	(125,160)	415,929	982,020
Net Assets				
Beginning of year	6,324,503	510,233	6,834,736	5,852,716
End of year	<u>\$ 6,865,592</u>	<u>\$ 385,073</u>	<u>\$ 7,250,665</u>	<u>\$ 6,834,736</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
INCREASE (DECREASE) IN CASH		
<i>Net change in net assets</i>	\$ 415,929	\$ 982,020
<i>Adjustments to reconcile the net change in net assets to net cash (used for) provided by operating activities</i>		
Depreciation	14,699	16,946
Amortization	2,136	2,137
Unrealized losses (gains) on investments	1,454	(156,568)
Realized gains on investments	(50,873)	-
Equity in loss in Lutheran Center Corporation	63	27,500
(Increase) decrease in		
Accounts receivable		
U.S. Government	(108,963)	1,922,291
Miscellaneous	14,928	(73,110)
Loans receivable – refugees	27,029	5,294
Prepaid expenses and deposits	(241,993)	109,160
Funds held by trustee	(2,658)	(3,370)
Increase (decrease) in		
Accounts payable and accrued expenses	<u>(606,252)</u>	<u>1,627,277</u>
Net cash (used for) provided by operating activities	<u>(534,501)</u>	<u>4,459,577</u>
<i>Cash flows from investing activities</i>		
Investment in Lutheran Center Corporation, net	(38,768)	(28,703)
Purchases of furniture and equipment	(15,551)	-
Purchases of investments	(750,106)	(142,169)
Proceeds from sales of investments	<u>1,372,505</u>	<u>105,000</u>
Net cash provided by (used for) investing activities	<u>568,080</u>	<u>(65,872)</u>
<i>Cash flows from financing activities</i>		
Repayment of long-term debt	<u>(82,500)</u>	<u>(80,000)</u>
Net cash used for financing activities	<u>(82,500)</u>	<u>(80,000)</u>
Net (decrease) increase in cash	(48,921)	4,313,705
<i>Cash</i>		
Beginning of year	<u>4,334,458</u>	<u>20,753</u>
End of year	<u>\$4,285,537</u>	<u>\$4,334,458</u>

SUPPLEMENTAL DISCLOSURE

Total interest paid for the years ended December 31, 2011 and 2010 was \$135,778 and \$140,044, respectively.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

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

The mission of LIRS is to protect migrants and refugees through services of justice that rebuild lives, rekindle dreams, and transform communities to embrace, embody, and enact welcome for all newcomers in ways that enliven and enrich whole communities.

ACCOUNTING ESTIMATES

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

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 12, 2012, have been evaluated in the preparation of the financial statements. Management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

CONCENTRATION OF CREDIT RISK

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

INVESTMENTS

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

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

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

FURNISHINGS AND IMPROVEMENTS

Furnishings and improvements 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 furniture and equipment over \$5,000. Depreciation on furniture and equipment is computed on the straight-line method over five and eight years, the estimated useful lives of the assets. Leasehold improvement costs are amortized over the lives of the leases.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

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 of LIRS and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

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. 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.

ALLOCATION OF EXPENSES

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

INCOME TAXES

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

LIRS has reviewed the tax positions for each of the open tax years (2008 - 2010) or expected to be taken in LIRS's 2011 tax return and has concluded that there are not significant uncertain tax positions that would require recognition in the financial statements

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the LIRS's audited financial statements for the year ended December 31, 2010, from which the summarized information was derived.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(2) INVESTMENTS

At December 31, 2011 and 2010 investments consisted of the following:

	2011		2010	
	Cost	Market	Cost	Market
Fixed Income				
Money Market, Certificates of Deposit and Church Mission Certificates	\$1,318,955	\$1,318,731	\$ 573,670	\$ 574,155
U.S. Government Agency Bond	45,000	45,000	45,000	45,000
Corporate Bonds	-	-	60,554	61,924
Equities				
Socially Conscious Mutual Funds	-	-	575,611	599,152
Church – Body Investment Pools	23,083	24,207	662,246	641,885
Common Stock	-	-	41,483	38,802
	<u>\$1,387,038</u>	<u>\$1,387,938</u>	<u>\$1,958,564</u>	<u>\$1,960,918</u>

At December 31, 2011 and 2010, investments had unrealized gains of \$900 and \$2,354, respectively.

Investment earnings for the years ended December 31, 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends, net of investment fees of \$1,077 and \$2,116	\$20,308	\$ 37,675
Realized gains	50,873	-
Unrealized gains (losses)	<u>(1,454)</u>	<u>156,568</u>
	<u>\$69,727</u>	<u>\$194,243</u>

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

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

The summary of inputs used to value LIRS's investments as of December 31, 2011 and 2010 is as follows:

	2011		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed Income			
Money Market, Certificates of Deposit and Church Mission Certificates	\$1,223,954	\$ 94,777	\$1,318,731
U.S. Government Agency Bond	-	45,000	45,000
Equities			
Church – Body Investment Pools	-	24,207	24,207
	<u>\$1,223,954</u>	<u>\$ 163,984</u>	<u>\$1,387,938</u>
	2010		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed Income			
Money Market, Certificates of Deposit and Church Mission Certificates	\$ 478,670	\$ 95,485	\$ 574,155
U.S. Government Agency Bond	-	45,000	45,000
Corporate Bonds	-	61,924	61,924
Equities			
Social Conscious Mutual Funds	599,152	-	599,152
Church – Body Investment Pools	-	641,885	641,885
Common Stocks	38,802	-	38,802
	<u>\$1,116,624</u>	<u>\$ 844,294</u>	<u>\$1,960,918</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2011 or 2010.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(3) LOANS RECEIVABLE – REFUGEES

LIRS LOAN PROGRAMS

The loans receivable consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Guam Refugee Loans	\$ 10,340	\$ 10,755
Refugee Loans – Other	<u>160,772</u>	<u>187,386</u>
	171,112	198,141
Less: Allowance for doubtful accounts	<u>(70,000)</u>	<u>(70,000)</u>
	<u>\$101,112</u>	<u>\$128,141</u>

TRANSPORTATION LOANS – IOM PROGRAM

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

	<u>2011</u>	<u>2010</u>
Balance outstanding at beginning year	\$26,648,063	\$23,401,980
New loans, net of loans returned to IOM	8,524,217	10,868,044
Loan payments	(6,344,411)	(5,163,630)
Loans forgiven without prejudice	(517,668)	(56,998)
Loans transferred to IOM	<u>(3,168,448)</u>	<u>(2,401,333)</u>
Balance outstanding at end of year	<u>\$25,141,753</u>	<u>\$26,648,063</u>

(4) INVESTMENT IN LUTHERAN CENTER CORPORATION

LIRS occupies approximately 56% of the office space and common space in the Lutheran Center owned by Lutheran Center Corporation (“*LCC*”). LCC, a non-profit organization, was organized to construct and operate the office building which LIRS, Lutheran World Relief (“*LWR*”) and other organizations occupy. LIRS has a 50% interest in LCC and as such, carries its investment in LCC on the equity method. LIRS, LWR and other tenants are providing monthly payments to LCC under a partial cost sharing agreement which provides for reimbursement of costs, including interest and depreciation, in operating the building based upon space occupied. The Agreement is for 30 years commencing September 1, 1999 through August 31, 2029 with six renewal options of 10 years each. For the years ended December 31, 2011 and 2010, LIRS has recorded occupancy expense of, approximately \$621,500 and \$630,800, 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, 2011 and 2010, LIRS’ equity in LCC was \$3,420,449 and \$3,381,744, respectively. At December 31, 2011, LCC assets consisted principally of the building. The building is subject to a ground lease which provides for LCC to pay rent of \$1 per year for the next 50 years, with four optional ten-year extensions.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(5) DEBT

On July 26, 2007, LIRS and LWR borrowed \$5,805,000 through the issuance of Economic Development Revenue Bonds, Series 2007, (“2007 Bonds”) through the Maryland Economic Development Corporation. The 2007 Bonds were issued to advance refund the Maryland Economic Development Revenue Bonds, Series 2000 (“2000 Bonds”) issued by the Maryland Economic Development Corporation. In addition, proceeds of the 2007 Bonds were used to pay a portion of the issuance costs of the 2007 Bonds. LIRS and LWR are jointly and severally liable for the 2007 Bonds and as such, each has recorded 50% of the outstanding debt and related issue costs. In the event that either organization is unable to payoff their portion of the outstanding debt, the other organization will be liable. LCC, as owner of Lutheran Center, has guaranteed the repayment of the debt. LIRS and LWR must maintain a joint leverage *ratio* (cash and investments to annual debt service) of 5 to 1 or approximately \$2,250,000 in required cash and investments. The covenant was met as of December 31, 2011 and 2010.

The 2007 Bonds were issued as Serial Bonds maturing April 1 in the years 2008 through 2029 and have annual mandatory sinking fund provisions which began in 2008. The 2007 Bonds bear interest at 5.25% per annum. Deferred loan costs in the amount of \$226,212 were incurred in connection with the issuance of the 2007 Bonds and LIRS capitalized 50% of these costs which are being amortized on a straight-line basis over the life of the bonds. Long-term debt on the 2007 Bonds at December 31, 2011 and 2010 is shown on the statement of financial position including unamortized bond premium of \$53,858 and \$57,173, respectively.

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

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

<u>Date</u>	<u>LWR Portion</u>	<u>LIRS Portion</u>	<u>Total</u>
April 1, 2012	\$ 87,500	\$ 87,500	\$ 175,000
April 1, 2013	92,500	92,500	185,000
April 1, 2014	100,000	100,000	200,000
April 1, 2015	102,500	102,500	205,000
April 1, 2016	107,500	107,500	215,000
April 1, 2017 and thereafter	<u>2,055,000</u>	<u>2,055,000</u>	<u>4,110,000</u>
	<u>\$2,545,000</u>	<u>\$2,545,000</u>	<u>\$5,090,000</u>

Interest on the 2007 Bonds for the years ended December 31, 2011 and 2010 amounted to \$134,695 and \$138,994, respectively. Payments of principal and interest are partially funded by other tenants in the Lutheran Center through allocation of building costs based upon space occupied (*See Note 4*).

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(6) LEASE COMMITMENTS

LIRS has a lease for office space that expires on April 30, 2018. As of December 31, 2011, future minimum lease obligations under this operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 29,141
2013	30,015
2014	30,916
2015	31,843
2016	32,799
Thereafter	<u>45,126</u>
	<u>\$199,840</u>

Rent expense was approximately \$27,000 and \$117,000 for the years ended December 31, 2011 and 2010, respectively.

(7) NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 were available for the following purposes:

	<u>2011</u>	<u>2010</u>
Asylum and Immigration	\$ 120,996	\$ 149,963
The Swanson Fund	125,252	110,252
Synod and District Initiative	77,711	95,455
Planned Giving Initiative	-	29,167
Haiti Relief	10,579	71,229
Other	<u>50,535</u>	<u>54,167</u>
	<u>\$385,073</u>	<u>\$510,233</u>

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

Asylum and Immigration	\$ 165,967
Planned Giving Initiative	29,167
Synod and District Initiative	17,744
Haiti Relief	90,650
Other	<u>14,063</u>
	<u>\$317,591</u>

Included in designated unrestricted net assets was \$641,886 of board designated endowment funds as of December 31, 2010. During the year ended December 31, 2011, LIRS' Board of Directors voted to release these funds into unrestricted undesignated net assets.

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(8) PENSION PLAN

Substantially all employees of LIRS are enrolled in the defined contribution pension plan made available and administered by the Board of Pensions of the Evangelical Lutheran Church in America. Contributions to this plan are based upon earnings for all eligible employees and are accrued and funded on a current basis. Pension expense was approximately \$342,000 and \$367,000, respectively, for the years 2011 and 2010.

SUPPLEMENTAL INFORMATION

TAIT, WELLER & BAKER LLP

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lutheran Immigration and Refugee Service as of and for the year ended December 31, 2011, taken as a whole, which are presented in the preceding section of this report. The accompanying supplemental information for revenue, expenses and changes in U.S. Government net assets by contract, functional expenses, and changes in net assets, pages 14 to 18, is presented for purposes of additional analysis and is not a required part of the basic 2011 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
April 12, 2012**

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

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

Year ended December 31, 2011

<u>Contract Award</u>	<u>Refugee Reception and Placement</u>		<u>Detained Torture Survivors</u>		<u>Matching Grant</u>	
	<u>SPRMC011CA008</u>	<u>SPRMC012CA006</u>	<u>90ZT0096/02</u>	<u>90ZT0096/03</u>	<u>90RV0048/03</u>	<u>90RV0062/01</u>
<u>Fiscal Year</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2010</u>	<u>2012</u>
Revenue						
U.S. Government grants	\$ 11,841,897	\$ 3,227,039	\$ 294,158	\$ 106,202	\$ 8,063,459	\$ 58,143
Expenses						
Program						
Personnel costs	595,762	194,877	104,193	34,468	199,502	-
Office operations	207,005	46,100	35,242	8,301	92,647	-
Travel and meetings	99,307	4,906	16,373	773	77,607	-
Supporting services – field operations	3,160,520	1,515,415	115,362	51,680	6,867,971	52,193
Refugee aid and other grants	6,891,780	1,202,235	-	-	-	-
Depreciation	1,848	596	334	112	567	-
Total program expenses	<u>10,956,222</u>	<u>2,964,129</u>	<u>271,504</u>	<u>95,334</u>	<u>7,238,294</u>	<u>52,193</u>
Management and General						
Administrative allocation and charges	969,322	262,910	30,951	10,868	825,165	5,950
Total expenses	<u>11,925,544</u>	<u>3,227,039</u>	<u>302,455</u>	<u>106,202</u>	<u>8,063,459</u>	<u>58,143</u>
Deficiency of revenue over expenses	(83,647)	-	(8,297)	-	-	-
Net assets – beginning	-	-	-	-	-	-
Transfers	83,647	-	8,297	-	-	-
Net assets – ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

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

Year ended December 31, 2011

<u>Contract Award</u>	<u>Employment Services Technical Assistance</u>		<u>Alien Unaccompanied Minors – Family Reunification</u>		<u>Alien Unaccompanied Minors - Foster Care</u>	
	<u>90RB0036/02</u>	<u>90RB0036/03</u>	<u>90ZU0057/01</u>	<u>90ZU0057/02</u>	<u>90ZU0067/01</u>	<u>90ZU0067/02</u>
<u>Fiscal Year</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenue						
U.S. Government grants	\$ 261,536	\$ 54,984	\$ 803,344	\$ 202,372	\$ 3,574,741	\$ 1,278,665
Expenses						
Program						
Personnel costs	185,952	40,646	411,982	118,274	293,024	93,115
Office operations	23,992	7,044	110,271	29,334	75,863	23,600
Travel and meetings	27,680	1,603	12,057	2,189	35,370	2,178
Supporting services – field operations	-	-	193,010	31,531	2,803,753	1,028,594
Refugee aid and other grants	-	-	-	-	-	-
Depreciation	256	63	1,179	334	914	327
Total program expenses	<u>237,880</u>	<u>49,356</u>	<u>728,499</u>	<u>181,662</u>	<u>3,208,924</u>	<u>1,147,814</u>
Management and General						
Administrative allocation and charges	27,118	5,628	83,049	20,710	365,817	130,851
Total expenses	<u>264,998</u>	<u>54,984</u>	<u>811,548</u>	<u>202,372</u>	<u>3,574,741</u>	<u>1,278,665</u>
Deficiency of revenue over expenses	(3,462)	-	(8,204)	-	-	-
Net assets – beginning	-	-	-	-	-	-
Transfers	3,462	-	8,204	-	-	-
Net assets – ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

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

Year ended December 31, 2011

<u>Contract Award</u>	<u>Preferred Communities - Microenterprise Program</u>		<u>Preferred Communities - Community Opportunities</u>		<u>Preferred Communities - Creating New Communities</u>	<u>National Capacity Building Project</u>	<u>Grand Total</u>
	<u>90RP0068/02</u>	<u>90RP0068/03</u>	<u>90RP0065/02</u>	<u>90RP0065/03</u>	<u>90RP0085/01</u>	<u>90ZT0081/02</u>	
<u>Fiscal Year</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>	
Revenue							
U.S. Government grants	\$ 216,179	\$ 62,988	\$ 250,049	\$ 72,068	\$ 4,744	\$ 4,000	\$30,376,568
Expenses							
Program							
Personnel costs	44,233	13,429	37,593	8,663	3,524	910	2,380,147
Office operations	14,473	2,676	8,487	1,598	725	-	687,358
Travel and meetings	4,826	-	2,001	-	-	716	287,586
Supporting services – field operations	131,236	40,400	176,275	54,409	-	-	16,222,349
Refugee aid and other grants	-	-	-	-	-	2,000	8,096,015
Depreciation	135	37	105	23	10	-	6,840
Total program expenses	<u>194,903</u>	<u>56,542</u>	<u>224,461</u>	<u>64,693</u>	<u>4,259</u>	<u>3,626</u>	<u>27,680,295</u>
Management and General							
Administrative allocation and charges	22,219	6,446	25,588	7,375	485	374	2,800,826
Total expenses	<u>217,122</u>	<u>62,988</u>	<u>250,049</u>	<u>72,068</u>	<u>4,744</u>	<u>4,000</u>	<u>30,481,121</u>
Deficiency of revenue over expenses	(943)	-	-	-	-	-	(104,553)
Net assets – beginning	-	-	-	-	-	-	-
Transfers	943	-	-	-	-	-	104,553
Net assets – ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2011 with Summarized Information for 2010

	Program Services			Supporting Services			Totals	
	U.S. Government Funded Activities	Other Program Activities	Total Program Services	Management And General	Fund- Raising	Total Support Services	2011	2010
Personnel costs	\$ 2,380,147	\$ 899,219	\$ 3,279,366	\$ 1,783,801	\$ 344,652	\$ 2,128,453	\$ 5,407,819	\$ 7,683,471
Office operations	687,358	463,089	1,150,447	1,174,945	280,578	1,455,523	2,605,970	2,455,877
Travel and meetings	287,586	90,312	377,898	157,540	17,147	174,687	552,585	640,812
Supporting services – field operations	16,222,349	-	16,222,349	-	-	-	16,222,349	18,322,285
Refugee aid and other grants	8,096,015	85,185	8,181,200	5,075	-	5,075	8,186,275	10,837,173
Depreciation and amortization	6,840	2,095	8,935	6,154	894	7,048	15,983	17,821
	<u>\$ 27,680,295</u>	<u>\$ 1,539,900</u>	<u>\$ 29,220,195</u>	<u>\$ 3,127,515</u>	<u>\$ 643,271</u>	<u>\$ 3,770,786</u>	<u>\$ 32,990,981</u>	<u>\$ 39,957,439</u>

LUTHERAN IMMIGRATION AND REFUGEE SERVICE

SUMMARY OF CHANGES IN NET ASSETS

Year ended December 31, 2011

	<u>Balance, December 31, 2010</u>	<u>Additions (Including Inter-Fund Transfers)</u>	<u>Deductions</u>	<u>Balance, December 31, 2011</u>
Unrestricted Net Assets				
Undesignated, available for general activities	<u>\$ 4,579,580</u>	<u>\$ 33,851,492</u>	<u>\$ 32,670,406</u>	<u>\$ 5,760,666</u>
Designated				
Capital Reserve	591,003	-	-	591,003
Agency Stabilization Fund	511,676	-	1,061	510,615
Friends of Refugees	358	4,840	1,890	3,308
Functioning as Endowment	<u>641,886</u>	<u>-</u>	<u>641,886</u>	<u>-</u>
	<u>1,744,923</u>	<u>4,840</u>	<u>644,837</u>	<u>1,104,926</u>
Total unrestricted net assets	<u>\$ 6,324,503</u>	<u>\$ 33,856,332</u>	<u>\$ 33,315,243</u>	<u>\$ 6,865,592</u>
Temporarily Restricted Net Assets				
Asylum and Immigration	\$ 149,963	\$ 137,000	\$ 165,967	\$ 120,996
The Swanson Fund	110,252	15,000	-	125,252
Synod and District Initiative	95,455	-	17,744	77,711
Planned Giving Initiative	29,167	-	29,167	-
Haiti Relief	71,229	30,000	90,650	10,579
Other	<u>54,167</u>	<u>10,431</u>	<u>14,063</u>	<u>50,535</u>
Total temporarily restricted net assets	<u>\$ 510,233</u>	<u>\$ 192,431</u>	<u>\$ 317,591</u>	<u>\$ 385,073</u>