

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

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

**DECEMBER 31, 2012**

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**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”), which comprise the statement of financial position as of December 31, 2012 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management 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. 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 the organization’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 the organization’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 LIRS as of December 31, 2012, 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 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 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 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 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.



**Philadelphia, Pennsylvania  
April 25, 2013**

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2012 And 2011

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 8,764,176	\$ 4,285,537
Investments, at market value <i>(Note 2)</i>	823,907	1,387,938
Accounts receivable		
U.S. Government	3,474,048	5,149,392
Miscellaneous	195,911	210,103
Loans receivable – refugees <i>(Note 3)</i>	8,442	101,112
Prepaid expenses and other assets	252,791	359,019
Investment in Lutheran Center Corporation <i>(Note 4)</i>	3,495,123	3,420,449
Funds held by trustee <i>(Note 5)</i>	<u>340,526</u>	<u>337,234</u>
	17,354,924	15,250,784
Furnishings and improvements, less accumulated depreciation and amortization of \$484,569 and \$956,025, respectively	<u>12,959</u>	<u>25,998</u>
<b>Total assets</b>	<u>\$ 17,367,883</u>	<u>\$ 15,276,782</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 7,300,437	\$ 5,427,259
Long-term debt <i>(Note 5)</i>	<u>2,508,044</u>	<u>2,598,858</u>
<b>Total liabilities</b>	<u>9,808,481</u>	<u>8,026,117</u>
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Undesignated	6,141,836	5,760,666
Designated	<u>1,181,106</u>	<u>1,104,926</u>
<b>Total unrestricted net assets</b>	<u>7,322,942</u>	<u>6,865,592</u>
Temporarily restricted <i>(Note 7)</i>	<u>236,460</u>	<u>385,073</u>
<b>Total net assets</b>	<u>7,559,402</u>	<u>7,250,665</u>
<b>Total liabilities and net assets</b>	<u>\$ 17,367,883</u>	<u>\$ 15,276,782</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2012 With Summarized Information For 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>				
<b>Support and Revenue</b>				
<b>Participating Church Bodies</b>				
Evangelical Lutheran Church in America	\$ 497,036	\$ 110,500	\$ 607,536	\$ 658,249
Lutheran Church – Missouri Synod	191,686	30,390	222,076	136,686
Latvian Evangelical Lutheran Church in America	3,500	-	3,500	3,500
Other church body support	-	36,376	36,376	-
	<u>692,222</u>	<u>177,266</u>	<u>869,488</u>	<u>798,435</u>
<b>Other Support</b>				
Foundations and other grants	33,595	14,829	48,424	39,940
Other contributions	381,066	33,297	414,363	435,187
In-kind contributions	7,791	-	7,791	4,849
	<u>422,452</u>	<u>48,126</u>	<u>470,578</u>	<u>479,976</u>
<b>U.S. Government and State</b>	<u>40,417,752</u>	<u>-</u>	<u>40,417,752</u>	<u>30,376,568</u>
<b>Total support</b>	<u>41,532,426</u>	<u>225,392</u>	<u>41,757,818</u>	<u>31,654,979</u>
<b>Revenue</b>				
Loan servicing fees (Note 3)	1,630,183	-	1,630,183	1,587,978
Miscellaneous	167,449	-	167,449	94,226
<b>Total revenue</b>	<u>1,797,632</u>	<u>-</u>	<u>1,797,632</u>	<u>1,682,204</u>
<b>Net assets released from restrictions (Note 7)</b>	<u>374,005</u>	<u>(374,005)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>43,704,063</u>	<u>(148,613)</u>	<u>43,555,450</u>	<u>33,337,183</u>
<b>Expenses</b>				
<b>Program Services</b>				
U.S. Government funded activities	37,090,450	-	37,090,450	27,680,295
Other program activities	1,727,260	-	1,727,260	1,539,900
<b>Total program services</b>	<u>38,817,710</u>	<u>-</u>	<u>38,817,710</u>	<u>29,220,195</u>
<b>Supporting Services</b>				
Management and general	3,616,623	-	3,616,623	3,127,515
Fund-raising	823,935	-	823,935	643,271
<b>Total supporting services</b>	<u>4,440,558</u>	<u>-</u>	<u>4,440,558</u>	<u>3,770,786</u>
<b>Total expenses</b>	<u>43,258,268</u>	<u>-</u>	<u>43,258,268</u>	<u>32,990,981</u>
<b>Change in net assets – operating activities</b>	445,795	(148,613)	297,182	346,202
<b>Non-operating Activities</b>				
Investment earnings (Note 2)	11,555	-	11,555	69,727
<b>Change in net assets</b>	457,350	(148,613)	308,737	415,929
<b>Net Assets</b>				
Beginning of year	6,865,592	385,073	7,250,665	6,834,736
<b>End of year</b>	<u>\$ 7,322,942</u>	<u>\$ 236,460</u>	<u>\$ 7,559,402</u>	<u>\$ 7,250,665</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 And 2011

	<u>2012</u>	<u>2011</u>
<b>INCREASE (DECREASE) IN CASH</b>		
<i>Net change in net assets</i>	\$ 308,737	\$ 415,929
<i>Adjustments to reconcile the net change in net assets to net cash (used for) provided by operating activities</i>		
Depreciation	13,039	14,699
Amortization	2,137	2,136
Unrealized losses (gains) on investments	(3,308)	1,454
Realized gains on investments	-	(50,873)
Equity in loss (gain) in Lutheran Center Corporation	(57,994)	63
(Increase) decrease in		
Accounts receivable		
U.S. Government	1,675,344	(108,963)
Miscellaneous	14,192	14,928
Loans receivable – refugees	92,670	27,029
Prepaid expenses and deposits	100,777	(241,993)
Funds held by trustee	(3,292)	(2,658)
Increase (decrease) in		
Accounts payable and accrued expenses	<u>1,873,178</u>	<u>(606,252)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>4,015,480</u>	<u>(534,501)</u>
<i>Cash flows from investing activities</i>		
Investment in Lutheran Center Corporation, net	(16,680)	(38,768)
Purchases of furniture and equipment	-	(15,551)
Purchases of investments	(232,661)	(750,106)
Proceeds from sales of investments	<u>800,000</u>	<u>1,372,505</u>
<b>Net cash provided by investing activities</b>	<u>550,659</u>	<u>568,080</u>
<i>Cash flows from financing activities</i>		
Repayment of long-term debt	<u>(87,500)</u>	<u>(82,500)</u>
<b>Net cash used for financing activities</b>	<u>(87,500)</u>	<u>(82,500)</u>
<b>Net increase (decrease) in cash</b>	4,478,639	(48,921)
<i>Cash</i>		
Beginning of year	<u>4,285,537</u>	<u>4,334,458</u>
<b>End of year</b>	<u>\$ 8,764,176</u>	<u>\$ 4,285,537</u>

## SUPPLEMENTAL DISCLOSURE

Total interest paid for the years ended December 31, 2012 and 2011 was \$131,316 and \$135,778, respectively.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012 And 2011

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### (1) SUMMARY OF 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.

#### **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, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 And 2011

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### **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 (2009 - 2011) or expected to be taken in LIRS's 2012 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, 2011, from which the summarized information was derived.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 And 2011

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### (2) INVESTMENTS

At December 31, 2012 and 2011 investments consisted of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed Income				
Money Market, Certificates of Deposit and Church Mission Certificates	\$ 526,959	\$ 527,336	\$ 1,318,955	\$ 1,318,731
U.S. Government Agency Bond	45,000	45,000	45,000	45,000
Private Debt Obligation	224,569	224,569	-	-
Equities				
Lutheran-related Investment Pools	<u>23,171</u>	<u>27,002</u>	<u>23,083</u>	<u>24,207</u>
	<u>\$ 819,699</u>	<u>\$ 823,907</u>	<u>\$ 1,387,038</u>	<u>\$ 1,387,938</u>

At December 31, 2012 and 2011, investments had unrealized gains of \$4,208 and \$900, respectively.

Investment earnings for the years ended December 31, 2012 and 2011 are comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends, net of investment fees of \$406 and \$1,077	\$ 8,247	\$ 20,308
Realized gains	-	50,873
Unrealized gains (losses)	<u>3,308</u>	<u>(1,454)</u>
	<u>\$ 11,555</u>	<u>\$ 69,727</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 LIRS 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 LIRS'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, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### December 31, 2012 And 2011

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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, 2012 and 2011 is as follows:

	<b>2012</b>		
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Total</u></b>
Fixed Income			
Money Market, Certificates of Deposit and Church Mission Certificates	\$ 431,959	\$ 95,377	\$ 527,336
U.S. Government Agency Bond	-	45,000	45,000
Private Debt Obligation	-	224,569	224,569
Equities			
Lutheran-related Investment Pools	<u>-</u>	<u>27,002</u>	<u>27,002</u>
	<u>\$ 431,959</u>	<u>\$ 391,948</u>	<u>\$ 823,907</u>
	<b>2011</b>		
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Total</u></b>
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			
Lutheran-related Investment Pools	<u>-</u>	<u>24,207</u>	<u>24,207</u>
	<u>\$ 1,223,954</u>	<u>\$ 163,984</u>	<u>\$ 1,387,938</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2012 or 2011.

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 And 2011

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### (3) LOANS RECEIVABLE – REFUGEES

#### LIRS LOAN PROGRAMS

The loans receivable consist of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Guam Refugee Loans	\$ 1,550	\$ 10,340
Refugee Loans – Other	<u>76,892</u>	<u>160,772</u>
	78,442	171,112
Less: Allowance for doubtful accounts	<u>(70,000)</u>	<u>(70,000)</u>
	<u>\$ 8,442</u>	<u>\$ 101,112</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>2012</u>	<u>2011</u>
Balance outstanding at beginning year	\$ 25,141,753	\$ 26,648,063
New loans, net of loans returned to IOM	10,058,967	8,524,217
Loan payments	(6,511,324)	(6,344,411)
Loans forgiven without prejudice	(608,949)	(517,668)
Loans transferred to IOM	<u>(2,162,403)</u>	<u>(3,168,448)</u>
Balance outstanding at end of year	<u>\$ 25,918,044</u>	<u>\$ 25,141,753</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, 2012 and 2011, LIRS has recorded occupancy expense of, approximately \$633,500 and \$621,500, 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, 2012 and 2011, LIRS’ equity in LCC was \$3,495,123 and \$3,420,449, respectively. At December 31, 2012, 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, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 And 2011

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### (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 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. The covenant was met as of December 31, 2012 and 2011.

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, 2012 and 2011 is shown on the statement of financial position including unamortized bond premium of \$50,544 and \$53,858, 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, 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	112,500	112,500	225,000
April 1, 2018 and thereafter	<u>1,942,500</u>	<u>1,942,500</u>	<u>3,885,000</u>
	<u>\$ 2,457,500</u>	<u>\$ 2,457,500</u>	<u>\$ 4,915,000</u>

Interest on the 2007 Bonds for the years ended December 31, 2012 and 2011 amounted to \$130,167 and \$134,695, 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, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 And 2011

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### (6) LEASE COMMITMENTS

LIRS has a lease for office space that expires on April 30, 2018. As of December 31, 2012, future minimum lease obligations under this operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 30,015
2014	30,916
2015	31,843
2016	32,799
2017	33,783
Thereafter	<u>11,343</u>
	<u>\$ 170,699</u>

Rent expense was approximately \$38,000 and \$27,000 for the years ended December 31, 2012 and 2011, respectively.

### (7) NET ASSETS

Temporarily restricted net assets at December 31, 2012 and 2011 were available for the following purposes:

	<u>2012</u>	<u>2011</u>
Asylum and Immigration	\$ -	\$ 120,996
The Swanson Fund	112,686	125,252
Synod and District Initiative	61,169	77,711
Haiti Relief	4,880	10,579
Other	<u>57,725</u>	<u>50,535</u>
	<u>\$ 236,460</u>	<u>\$ 385,073</u>

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

Asylum and Immigration	\$ 272,873
The Swanson Fund	12,666
Synod and District Initiative	16,542
Haiti Relief	20,528
Other	<u>51,396</u>
	<u>\$ 374,005</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

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

**December 31, 2012 And 2011**

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### **(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 \$343,000 and \$342,000, respectively, for the years 2012 and 2011.

### **(8) SUBSEQUENT EVENTS**

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 25, 2013, 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

## **SUPPLEMENTAL INFORMATION**



# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

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

Year Ended December 31, 2012

<u>Contract Award</u>	<u>Refugee Reception and Placement</u>		<u>Detained Torture Survivors</u>		<u>Matching Grant</u>		
	<u>SPRMC012CA006</u>	<u>SPRMC013CA1025</u>	<u>90ZT0096/03</u>	<u>90ZT0126/03</u>	<u>90RV0048/03</u>	<u>90RV0062/01</u>	<u>90RV0062/02</u>
<u>Fiscal Year</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2010</u>	<u>2012</u>	<u>2013</u>
<b>Revenue</b>							
U.S. Government grants	\$15,518,822	\$5,738,073	\$274,926	\$35,167	\$ 985,451	\$7,166,843	\$1,233,408
<b>Expenses</b>							
<b>Program</b>							
Personnel costs	643,212	214,376	82,445	9,778	-	164,253	42,425
Office operations	240,253	47,615	24,616	3,182	-	90,031	10,088
Travel and meetings	119,437	5,669	19,585	734	212	43,455	1,652
Supporting services – field operations	4,656,886	2,866,837	122,556	18,197	894,026	6,205,297	1,065,032
Refugee aid and other grants	8,722,315	2,184,412	-	-	-	-	-
Depreciation	1,828	263	277	20	-	452	48
<b>Total program expenses</b>	<u>14,383,931</u>	<u>5,319,172</u>	<u>249,479</u>	<u>31,911</u>	<u>894,238</u>	<u>6,503,488</u>	<u>1,119,245</u>
<b>Management and General</b>							
Administrative allocation and charges	1,134,891	418,901	25,447	3,256	91,213	663,355	114,163
<b>Total expenses</b>	<u>15,518,822</u>	<u>5,738,073</u>	<u>274,926</u>	<u>35,167</u>	<u>985,451</u>	<u>7,166,843</u>	<u>1,233,408</u>
<b>Deficiency of revenue over expenses</b>	-	-	-	-	-	-	-
<b>Net assets – beginning</b>	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
<b>Net assets – ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

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

Year Ended December 31, 2012

<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>Preferred Communities - Microenterprise Program</u>
	<u>90RB0036/03</u>	<u>90RB0045/01</u>	<u>90ZU0057/02</u>	<u>90ZU0057/03</u>	<u>90ZU0067/02</u>	<u>90ZU0067/03</u>	<u>90RP0068/03</u>
<u>Fiscal Year</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenue</b>							
U.S. Government grants	<u>\$194,839</u>	<u>\$24,102</u>	<u>\$868,883</u>	<u>\$521,886</u>	<u>\$4,807,199</u>	<u>\$2,440,024</u>	<u>\$187,372</u>
<b>Expenses</b>							
<b>Program</b>							
Personnel costs	107,087	19,410	428,740	215,694	280,102	122,887	37,708
Office operations	18,315	1,057	118,688	40,956	82,193	32,308	7,455
Travel and meetings	1,245	1,403	8,517	1,473	22,797	2,501	819
Supporting services – field operations	-	-	231,397	215,267	3,969,832	2,056,317	123,946
Refugee aid and other grants	50,000	-	-	-	6,465	-	-
Depreciation	<u>159</u>	<u>1</u>	<u>1,118</u>	<u>191</u>	<u>861</u>	<u>164</u>	<u>101</u>
<b>Total program expenses</b>	<u>176,806</u>	<u>21,871</u>	<u>788,460</u>	<u>473,581</u>	<u>4,362,250</u>	<u>2,214,177</u>	<u>170,029</u>
<b>Management and General</b>							
Administrative allocation and charges	<u>18,033</u>	<u>2,231</u>	<u>80,423</u>	<u>48,305</u>	<u>444,949</u>	<u>225,847</u>	<u>17,343</u>
<b>Total expenses</b>	<u>194,839</u>	<u>24,102</u>	<u>868,883</u>	<u>521,886</u>	<u>4,807,199</u>	<u>2,440,024</u>	<u>187,372</u>
<b>Deficiency of revenue over expenses</b>	-	-	-	-	-	-	-
<b>Net assets – beginning</b>	-	-	-	-	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets – ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

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

Year Ended December 31, 2012

<u>Contract Award</u>	<u>Preferred Communities - Community Opportunities</u>		<u>Preferred Communities - Creating New Communities</u>		<u>Preferred Communities - Cultural Orientation</u>	<u>Total</u>
	<u>90RP0065/02</u>	<u>90RP0065/03</u>	<u>90RP0085/01</u>	<u>90RP0085/02</u>	<u>90ZU0090/01</u>	
<u>Fiscal Year</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>	
<b>Revenue</b>						
U.S. Government grants	<u>\$1,018</u>	<u>\$222,533</u>	<u>\$ 119,091</u>	<u>\$39,663</u>	<u>\$38,452</u>	<u>\$40,417,752</u>
<b>Expenses</b>						
<b>Program</b>						
Personnel costs	-	30,966	28,372	11,621	15,445	2,454,521
Office operations	-	6,134	4,839	2,668	3,682	734,080
Travel and meetings	-	2,250	1,219	-	-	232,968
Supporting services – field operations	923	162,507	73,564	21,691	15,750	22,700,025
Refugee aid and other grants	-	-	-	-	-	10,963,192
Depreciation	-	79	74	12	16	5,664
<b>Total program expenses</b>	<u>923</u>	<u>201,936</u>	<u>108,068</u>	<u>35,992</u>	<u>34,893</u>	<u>37,090,450</u>
<b>Management and General</b>						
Administrative allocation and charges	<u>95</u>	<u>20,597</u>	<u>11,023</u>	<u>3,671</u>	<u>3,559</u>	<u>3,327,302</u>
<b>Total expenses</b>	<u>1,018</u>	<u>222,533</u>	<u>119,091</u>	<u>39,663</u>	<u>38,452</u>	<u>40,417,752</u>
<b>Deficiency of revenue over expenses</b>	-	-	-	-	-	-
<b>Net assets – beginning</b>	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
<b>Net assets – ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012 With Summarized Information For 2011

	Program Services			Supporting Services			Totals	
	U.S. Government Funded Activities	Other Program Activities	Total Program Services	Management And General	Fund- Raising	Total Support Services	2012	2011
Personnel costs	\$ 2,454,521	\$ 829,905	\$ 3,284,426	\$ 1,961,961	\$ 415,421	\$ 2,377,382	\$ 5,661,808	\$ 5,407,819
Office operations	734,080	483,742	1,217,822	1,426,963	396,888	1,823,851	3,041,673	2,605,970
Travel and meetings	232,968	77,106	310,074	219,849	9,253	229,102	539,176	552,585
Supporting services – field operations	22,700,025	-	22,700,025	-	-	-	22,700,025	16,222,349
Refugee aid and other grants	10,963,192	334,976	11,298,168	2,300	1,500	3,800	11,301,968	8,186,275
Depreciation and amortization	5,664	1,531	7,195	5,550	873	6,423	13,618	15,983
	<u>\$ 37,090,450</u>	<u>\$ 1,727,260</u>	<u>\$ 38,817,710</u>	<u>\$ 3,616,623</u>	<u>\$ 823,935</u>	<u>\$ 4,440,558</u>	<u>\$ 43,258,268</u>	<u>\$ 32,990,981</u>

# LUTHERAN IMMIGRATION AND REFUGEE SERVICE, INC.

## SUMMARY OF CHANGES IN NET ASSETS

Year Ended December 31, 2012

	<u>Balance, December 31, 2011</u>	<u>Additions (Including Inter-Fund Transfers)</u>	<u>Deductions</u>	<u>Balance, December 31, 2012</u>
<b>Unrestricted Net Assets</b>				
Undesignated, available for general activities	<u>\$5,760,666</u>	<u>\$43,121,367</u>	<u>\$42,740,197</u>	<u>\$6,141,836</u>
Designated				
Capital Reserve	591,003	-	-	591,003
Constituency and Resource Development	-	200,000	-	200,000
Agency Stabilization Fund	510,615	-	143,366	367,249
Friends of Refugees	<u>3,308</u>	<u>20,246</u>	<u>700</u>	<u>22,854</u>
	<u>1,104,926</u>	<u>220,246</u>	<u>144,066</u>	<u>1,181,106</u>
<b>Total unrestricted net assets</b>	<u>\$6,865,592</u>	<u>\$43,341,613</u>	<u>\$42,884,263</u>	<u>\$7,322,942</u>
<b>Temporarily Restricted Net Assets</b>				
Asylum and Immigration	\$ 120,996	\$ 151,877	\$ 272,873	\$ -
The Swanson Fund	125,252	100	12,666	112,686
Synod and District Initiative	77,711	-	16,542	61,169
Haiti Relief	10,579	14,829	20,528	4,880
Other	<u>50,535</u>	<u>58,586</u>	<u>51,396</u>	<u>57,725</u>
<b>Total temporarily restricted net assets</b>	<u>\$ 385,073</u>	<u>\$ 225,392</u>	<u>\$ 374,005</u>	<u>\$ 236,460</u>