

Annual Report for Illinois Licensed Adoption Agencies

Date: July 1, 2022

Name of Agency: Lutheran Family Service

Corporate Address*: 17628 Hubbard Road

East Moline, IL 61244-9782

Illinois DCFS

License/Provider ID number: 568556

Telephone: 515-251-4900

License Effective date: 10/2/2020 to 10/2/2024

The reporting period and answers to all questions for this report relate to the agency's most recent fiscal year. Specify the dates of your agency's fiscal year and reporting period for this report: 7/1/21-6/30/22

***If the agency operates satellite or branch offices, please attach a separate sheet listing complete addresses of all other offices.**

This report is to be completed by agencies providing adoption services and shall be filed with the Department of Children and Family Services and with the Illinois Attorney General's Office. In addition, each licensed agency that maintains a website shall provide this report on its website. The report shall be filed annually, no later than the 45th day following an adoption agency's license anniversary date. Failure to provide the annual report or disclose certain information required in the report may result in the suspension of an agency's license for a period of 90 days. Subsequent violations may result in a revocation of the license. [Rule 401.530]

This report applies only to the provision of adoption services and includes agencies providing foster care conversion services.

Question number 1 (A – M) pertains only to domestic and international agency-assisted adoption services, and home study services-only programs. Question number 1 (A-M) does not pertain to foster care conversion adoptions. Agencies that provide adoption services only through foster care conversions must answer questions 2 – 12, but need not answer question number 1.

Please respond to the following questions with a yes or no answer on the left and provide additional detail as requested:

Yes 1. **Non-identifying** information for the past year concerning adoption is attached:

Domestic Agency-Assisted Adoptions

- A. The number of adoptive families who have submitted an agency application but who are not yet licensed: 0
- B. The number of adoptive families who are licensed and awaiting domestic placement as of the agency's fiscal year end: 4
- C. The number of biological parents who the agency provided services to during the reporting period for domestic adoption: 6
- D. The number of children placed in adoptive homes during the year:
Adoptive parents/families who are Illinois Residents: 1
Adoptive parents/families who are non-Illinois Residents: 1

- E. The number of adoptions initiated during the year:
 Adoptive parents/families who are Illinois Residents: 1
 Adoptive parents/families who are non-Illinois Residents: 1
- F. The number of adoptions finalized during the year:
 Adoptive parents/families who are Illinois Residents: 1
 Adoptive parents/families who are non-Illinois Residents: 1
- G. The number of adoptive placement disruptions: 0
- H. The number of domestic adoption dissolutions this year: 0

International Adoptions (either by direct placements/referrals, or through home-study-services-only)

Check the boxes that apply to the intercountry adoption services the agency provides:

- Child referral/matching placement services;
- Adoption home study/post placement services (utilized by families who are working with another agency for their referral/match);
- None.

The number of adoptive families who have submitted an agency application but who are not yet approved or licensed: _____

The number of adoptive families who are licensed or approved and awaiting international placement: _____

The number of international adoptive placements made during the year: _____

List the countries with which you have accredited international adoption programs:

The number of international adoptions finalized this year in the U.S., specifying the countries of origin: _____

The number of finalizations in other countries, specifying the countries of origin:

The number of international adoptive placement disruptions: _____

No 2. Has the agency:

- lost the right to provide adoption services in any state or country,
- had its license suspended for cause, or
- was the agency the subject of other sanctions by any court, governmental agency, or governmental regulatory body relating to the provision of adoption services?

If the answer to any portion of this question is yes, attach a full and complete statement of explanation.

- No 3. During the past year, were any actions related to licensure initiated against the agency by a licensing or accrediting body?
If the answer is yes, attach a complete statement of explanation.
- No 4. During the past year, has the agency been a named party in any civil court actions in relation to the provision of foster care or adoption services?
If the answer is yes, attach a complete statement of explanation.
- No 5. Is the agency currently the subject of a pending investigation by federal or state authorities?
If the answer is yes, attach a complete statement of explanation.
- No 6. Were there any criminal charges, child abuse charges, malpractice complaints, or lawsuits related to the provision of adoption services against the agency or any of its employees, officers, or directors during the past year?
If the answer is yes, attach a complete statement of explanation and the basis or disposition of the actions.
- No 7. Was the agency found liable for any civil or administrative violation or found guilty of or pled guilty to any criminal or administrative violation that relates to the provision of adoption services under federal, state or foreign law?
If the answer is yes, attach a complete statement of explanation.
- No 8. Was any employee, officer or director of the agency found guilty of any crime or determined to have violated a civil law or administrative rule relating to the provision of adoption services under federal, state or foreign law?
If the answer is yes, attach a complete statement of explanation.
- No 9. Was any civil or administrative proceeding relating to adoption services instituted by the agency during the year (excluding uncontested adoption proceedings and proceedings filed pursuant to Section 12a of the Adoption Act)?
If the answer is yes, attach a complete statement of explanation.
- Yes 10. The agency's website address is: www.lutheranfamilyservice.org
- Yes 11. An audited financial statement for the prior fiscal year, including a general description of fees, wages, salaries and other compensation described in Rule 401.565(a), certified by an independent public accountant, is attached.
- Yes 12. This Annual Report with attachments and audited financial statement, certified by an independent public accountant, has been posted on the website listed in item 9.
- Yes 13. Effective August 15, 2005, Annual Reports are available upon request.

Information contained in this report is subject to the applicable confidentiality requirements of the Child Care Act and the Adoption Act.

I certify that the above statements are true and accurate, based on information available to me at this time.

Kimberly Laube - Executive Director of Life Ministries

Printed or typed name of Executive Director

Kimberly Laube
Signature of Executive Director

July 1, 2022
Date

Mailing Instructions on the back

This report is to be mailed to the child welfare agency's A&I licensing Unit and the Illinois Attorney General's Office:

Illinois Attorney General
Charitable Trust Bureau
100 W. Randolph Street, 11th Floor
Chicago, IL 60601
312-814-2595 or 312-814-3000

DCFS Agency and Intuitional Licensing Units:

Cook County

A&I Licensing Unit
A&I Licensing Supervisor
1911 S. Indiana Ave. – 9th Fl.
Chicago, IL 60616

Northern Region

A&I Licensing Unit
A&I Licensing Supervisor
1619 W. Jefferson Street
Joliet, IL 60435

Central / Southern Region

A&I Licensing Unit
A&I Licensing Supervisor
1124 N. Walnut
Springfield, IL 62702

**LUTHERAN FAMILY SERVICE
FORT DODGE, IOWA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

**REVIEWED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

**Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants**

**Lutheran Family Service
Fort Dodge, Iowa
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Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report

To Management and the Board of Directors of
Lutheran Family Service
Fort Dodge, Iowa 50501

We have audited the accompanying financial statements of Lutheran Family Service (a nonprofit, religious organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, 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. 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 judgement, 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 entity'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 entity'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 Family Service as of June 30, 2021, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2020 financial statements were reviewed by us, and our report thereon, dated December 2, 2020, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

Fort Dodge, Iowa
December 9, 2021

**Lutheran Family Service
Fort Dodge, Iowa
Statements of Financial Position
June 30, 2021 and 2020**

	<u>Assets</u>	2021 <u>Audited</u>	2020 <u>Reviewed</u>
Current Assets:			
Cash and cash equivalents		\$ 90,633	24,182
Accounts receivable, less allowance for doubtful accounts of \$2,000		17,902	57,815
Contributions receivable: (Note 8)			
Unrestricted, less allowance for uncollectible receivables of \$1,000		87,989	83,907
Prepaid expenses (Note 6)		<u>24,070</u>	<u>14,845</u>
Total current assets		<u>220,594</u>	<u>180,749</u>
Property and Equipment: (Note 3)		<u>159,530</u>	<u>163,230</u>
Other Assets:			
Rent deposit		4,734	4,734
Unamortized loan fees		<u>95</u>	<u>-</u>
Total other assets		4,829	4,734
Total assets		<u>\$ 384,953</u>	<u>348,713</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable		\$ 39,109	49,199
Payroll taxes payable		6,596	5,690
Accrued expenses (Note 4)		52,769	58,756
Unearned revenue		16,189	-
Line of credit payable, less issuance cost of \$0 and \$481 (Note 9)		<u>-</u>	<u>44,519</u>
Total current liabilities		<u>114,663</u>	<u>158,164</u>
Net Assets:			
Without donor restrictions		261,298	177,069
With donor restrictions (Note 10)		<u>8,992</u>	<u>13,480</u>
Total net assets		<u>270,290</u>	<u>190,549</u>
Total liabilities and net assets		<u>\$ 384,953</u>	<u>348,713</u>

See accompanying notes and accountant's review report.

**Lutheran Family Service
Fort Dodge, Iowa
Statements of Activities
For The Years Ended June 30, 2021 and 2020**

	2021 (Audited)		
	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
ID West budget	\$ 22,820	-	22,820
ID East budget	2,000	-	2,000
Individual and corporate contributions	377,062	-	377,062
Congregational contributions	198,214	-	198,214
Paycheck protection forgiven loan	-	-	-
Total support	<u>600,096</u>	<u>-</u>	<u>600,096</u>
Revenue:			
Counseling fees and training	253,068	-	253,068
Adoption fees	261,742	-	261,742
Contracted staff	89,669	-	89,669
Congregational services	25,317	-	25,317
Miscellaneous service fee income	14,307	-	14,307
Investment income	37	-	37
Gain (loss) on disposal of fixed assets	-	-	-
Total revenue	<u>644,140</u>	<u>-</u>	<u>644,140</u>
Total support and revenue	<u>1,244,236</u>	<u>-</u>	<u>1,244,236</u>
 Net assets released from restrictions (Note 11)	<u>4,488</u>	<u>(4,488)</u>	<u>-</u>
Expenses:			
Program Services:			
Family and individual counseling	550,402	-	550,402
Adoption services	242,147	-	242,147
Congregational services	85,849	-	85,849
Total program services	<u>878,398</u>	<u>-</u>	<u>878,398</u>
Supporting Services:			
Management and general	137,953	-	137,953
Fund-raising	148,144	-	148,144
Total supporting services	<u>286,097</u>	<u>-</u>	<u>286,097</u>
Total expenses	<u>1,164,495</u>	<u>-</u>	<u>1,164,495</u>
 Change in net assets	84,229	(4,488)	79,741
Net assets at beginning of year	177,069	13,480	190,549
Net assets at end of year	<u>\$ 261,298</u>	<u>8,992</u>	<u>270,290</u>

See accompanying notes and accountant's review report.

2020 (Reviewed)		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
28,362	-	28,362
2,000	-	2,000
375,956	-	375,956
177,827	-	177,827
<u>169,200</u>	<u>-</u>	<u>169,200</u>
<u>753,345</u>	<u>-</u>	<u>753,345</u>
229,899	-	229,899
253,994	-	253,994
66,195	-	66,195
36,543	-	36,543
9,817	-	9,817
45	-	45
(301)	-	(301)
<u>596,192</u>	<u>-</u>	<u>596,192</u>
<u>1,349,537</u>	<u>-</u>	<u>1,349,537</u>
<u>8,757</u>	<u>(8,757)</u>	<u>-</u>
583,493	-	583,493
242,515	-	242,515
101,240	-	101,240
<u>927,248</u>	<u>-</u>	<u>927,248</u>
139,070	-	139,070
141,653	-	141,653
280,723	-	280,723
<u>1,207,971</u>	<u>-</u>	<u>1,207,971</u>
150,323	(8,757)	141,566
26,746	22,237	48,983
<u>177,069</u>	<u>13,480</u>	<u>190,549</u>

**Lutheran Family Service
Fort Dodge, Iowa
Statements of Functional Expenses
For The Years Ended June 30, 2021 and 2020**

	2021 (Audited)			
	Program Services			Total Program Services
	Family and Individual Counseling	Adoption Services	Congregational Services	
Salaries and Related Expenses:				
Salaries	\$ 366,453	151,278	56,590	574,321
Employee health and retirement benefits	43,055	11,971	2,314	57,340
Payroll taxes	34,656	12,882	5,346	52,884
Total salaries and related expenses	444,164	176,131	64,250	684,545
Other Expenses:				
Professional fees	-	18,362	2,640	21,002
Supplies	2,707	966	505	4,178
Telephone	5,927	3,867	757	10,551
Postage	3,143	1,413	436	4,992
Advertising	-	-	-	-
Occupancy	12,533	4,053	1,788	18,374
Rent of office space	47,365	19,821	6,434	73,620
Printing and publications	311	1,549	34	1,894
Auto and travel	7,976	9,960	7,737	25,673
Conferences, conventions, meetings and dues	50	715	199	964
Equipment repair and purchases	17,011	1,112	421	18,544
Bad debts	2,694	-	-	2,694
Miscellaneous	1,346	2,503	42	3,891
Interest	-	39	-	39
Depreciation	5,175	1,656	606	7,437
Total other expenses	106,238	66,016	21,599	193,853
Total expenses	\$ 550,402	242,147	85,849	878,398

See accompanying notes and accountant's review report.

2020
(Reviewed)

Program Services			
Family and Individual Counseling	Adoption Services	Congregational Services	Total Program Services
396,343	148,150	71,631	616,124
41,664	10,309	3,220	55,193
33,187	12,100	5,619	50,906
<u>471,194</u>	<u>170,559</u>	<u>80,470</u>	<u>722,223</u>
-	15,488	2,530	18,018
3,075	1,204	797	5,076
7,203	3,865	874	11,942
4,218	1,116	410	5,744
81	-	-	81
11,765	2,867	1,426	16,058
53,822	20,823	6,658	81,303
547	126	-	673
10,516	18,874	6,499	35,889
1,161	612	65	1,838
10,110	1,348	369	11,827
315	59	-	374
2,916	3,189	327	6,432
-	51	1	52
6,570	2,334	814	9,718
<u>112,299</u>	<u>71,956</u>	<u>20,770</u>	<u>205,025</u>
<u>583,493</u>	<u>242,515</u>	<u>101,240</u>	<u>927,248</u>

(continued)

**Lutheran Family Service
Fort Dodge, Iowa
Statements of Functional Expenses
For The Years Ended June 30, 2021 and 2020**

	2021 (Audited)			
	Supporting Services			
	Management and General	Fund Raising	Total Supporting Services	2021 Total
Salaries and Related Expenses:				
Salaries	\$ 9,335	74,894	84,229	658,550
Employee health and retirement benefits	1,064	15,216	16,280	73,620
Payroll taxes	904	7,227	8,131	61,015
Total salaries and related expenses	11,303	97,337	108,640	793,185
Other Expenses:				
Professional fees	70,856	21,490	92,346	113,348
Supplies	-	6	6	4,184
Telephone	2,853	360	3,213	13,764
Postage	287	1,181	1,468	6,460
Advertising	5,733	21	5,754	5,754
Occupancy	11,691	-	11,691	30,065
Rent of office space	-	-	-	73,620
Printing and publications	240	16,411	16,651	18,545
Auto and travel	6,021	4,850	10,871	36,544
Conferences, conventions, meetings and dues	1,319	104	1,423	2,387
Equipment repair and purchases	17,741	5,273	23,014	41,558
Bad debts	-	-	-	2,694
Miscellaneous	883	1,111	1,994	5,885
Interest	2,184	-	2,184	2,223
Depreciation	6,842	-	6,842	14,279
Total other expenses	126,650	50,807	177,457	371,310
Total expenses	\$ 137,953	148,144	286,097	1,164,495

See accompanying notes and accountant's review report.

(continued)

2020 (Reviewed)			
<u>Supporting Services</u>			
<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>2020 Total</u>
9,035	78,677	87,712	703,836
1,081	14,799	15,880	71,073
<u>1,323</u>	<u>7,162</u>	<u>8,485</u>	<u>59,391</u>
<u>11,439</u>	<u>100,638</u>	<u>112,077</u>	<u>834,300</u>
65,572	15,744	81,316	99,334
199	174	373	5,449
2,476	438	2,914	14,856
16	730	746	6,490
4,985	-	4,985	5,066
21,302	28	21,330	37,388
-	-	-	81,303
223	11,738	11,961	12,634
8,505	5,119	13,624	49,513
65	420	485	2,323
5,745	5,514	11,259	23,086
-	-	-	374
570	1,057	1,627	8,059
10,131	53	10,184	10,236
<u>7,842</u>	<u>-</u>	<u>7,842</u>	<u>17,560</u>
<u>127,631</u>	<u>41,015</u>	<u>168,646</u>	<u>373,671</u>
<u>139,070</u>	<u>141,653</u>	<u>280,723</u>	<u>1,207,971</u>

**Lutheran Family Service
Fort Dodge, Iowa
Statements of Cash Flows
For The Years Ended June 30, 2021 and 2020**

	2021 <u>(Audited)</u>	2020 <u>(Reviewed)</u>
Cash flows from operating activities:		
Contributions from individuals, corporations, congregations and Iowa District West and East	\$ 596,072	585,907
Paycheck protection forgiven loan	-	169,200
Fees and support received	697,454	590,591
Interest received	37	45
Cash paid to employees and suppliers	(1,169,695)	(1,219,804)
Interest paid	<u>(1,838)</u>	<u>(10,113)</u>
Net cash from operating activities	<u>122,030</u>	<u>115,826</u>
 Cash flows (used in) investing activities:		
Capital expenditures	<u>(10,579)</u>	<u>(2,317)</u>
 Cash flows (used in) financing activities:		
Line of credit - net borrowing	(45,000)	(105,000)
Loan fees paid	<u>-</u>	<u>(404)</u>
Net cash (used in) financing activities	<u>(45,000)</u>	<u>(105,404)</u>
 Net increase in cash and cash equivalents	66,451	8,105
 Cash and cash equivalents at beginning of year	<u>24,182</u>	<u>16,077</u>
 Cash and cash equivalents at end of year	<u>\$ 90,633</u>	<u>24,182</u>

(continued)

(continued)

	2021 <u>(Audited)</u>	2020 <u>(Reviewed)</u>
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	<u>\$ 79,741</u>	<u>141,566</u>
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:		
Bad debts	2,694	374
Depreciation	14,279	17,560
Amortization loan fees	385	123
Loss on sale of fixed assets	-	301
(Increase) decrease in accounts receivable	37,220	(5,913)
(Increase) decrease in promises to give	(4,082)	1,818
(Increase) decrease in prepaid expenses	(9,225)	(11,206)
Increase (decrease) in accounts payable	(10,090)	(28,800)
Increase (decrease) in payroll taxes payable	906	(2,850)
Increase (decrease) in accrued expenses	(5,987)	2,853
Increase (decrease) in unearned revenue	16,189	-
Total adjustments	<u>42,289</u>	<u>(25,740)</u>
Net cash from operating activities	<u>\$ 122,030</u>	<u>115,826</u>
Supplemental Disclosures:		
Schedule of noncash investing and financing activities:		
Contribution of reduced rents	<u>\$ 18,000</u>	<u>18,000</u>
See accompanying notes and accountant's review report.		

**Lutheran Family Service
Fort Dodge, Iowa
Footnotes to the Financial Statements
June 30, 2021 and 2020**

Note 1 Organization and Nature of Activities

Lutheran Family Service is organized as a not-for-profit, religious organization for the purpose of providing family and individual counseling, pregnancy counseling, adoption services, congregational services and family life education in Iowa.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting and Presentation - Assets and liabilities, and support, revenue, and expenses are recognized on the accrual basis in accordance with U.S. generally accepted accounting principles. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are currently available for operating purposes under the direction of the board.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

Estimates - The presentation of financial statements in conformity with 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 - Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of accounts receivable, the majority of which comes from individual counseling clients. The Organization's majority of support consists of contributions from congregations of the Lutheran Church-Missouri Synod and private individuals.

**Lutheran Family Service
Fort Dodge, Iowa
Footnotes to the Financial Statements
June 30, 2021 and 2020**

The Organization maintains cash in bank deposit accounts at financial institutions which, at times, may exceed federally insured limits. Management believes that this risk is limited because the institutions are large national institutions with strong financial positions. At June 30, 2021 and 2020, the Organization's cash balances were fully insured. The Organization also maintains cash in a savings account that is not a bank deposit account and is not federally insured. At June 30, 2021 and 2020, the Organization's uninsured cash balances in the savings account were approximately \$5,646 and \$616, respectively. Management believes that the risk is limited because the institution maintains a strong capital position.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Recently Adopted Accounting Standards Update Revenues from Contracts with Customers (FASB ASC 606)

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenues from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods or services. The Company adopted the requirements of the new guidance as of July 1, 2020.

There was no effect on the amounts that would have been reported under the former guidance, or the effects of applying the new guidance on the balance sheet accounts as of July 1, 2020 or on the statement of income or statement of cash flows.

Accounts Receivable - Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2021 and 2020 was \$2,000.

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Revenues from Contracts with Customers The Organization's revenue is earned primarily based on counseling and adoption services. Counseling fees are earned at the time of the session and adoption services are earned at various points in the adoption process. If an adoption isn't completed, any amount paid above the nonrefundable portion is returned to the client.

Transaction Price The transaction price of a contract is the cash consideration due from the client which is based on the type of service being provided, including the length of a session for counseling clients.

Property and Equipment - Fixed assets are accounted for on the basis of historical cost. Fixed assets are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 31 years. The Organization follows the practice of capitalizing all expenditures for land, building, and equipment in excess of \$300. When assets are replaced or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and the gain or loss, if any, is reflected in income. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Unearned Revenue - Adoption client payments received in advance of adoption services performed are recorded as unearned revenue. Revenue recognition occurs as services are provided.

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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Donated Goods and Services - Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. The Organization also receives a significant amount of donated services from unpaid volunteers who assist in program services. No amounts have been recognized in the statement of activities because no objective basis is available to measure the value of such services.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

Advertising - Advertising costs are included in management and general expenses and are expensed as incurred. Total advertising cost expensed during the years ended June 30, 2021 and 2020 was \$5,754 and \$5,066, respectively.

Income Taxes - Lutheran Family Service is a not-for-profit, religious organization under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from income tax.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit period is June 30, 2019 through June 30, 2021. Interest and penalties due to an income tax adjustment, if applicable, will be recognized as interest and miscellaneous expenses, respectively.

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Note 3 Property and Equipment

	2021			
	Cost			
	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 19,000	-	-	19,000
Buildings	294,025	-	486	293,539
Leasehold improvements	26,647	-	-	26,647
Office equipment	151,492	10,579	79,981	82,090
Furnishings	64,609	-	11,520	53,089
Total cost	555,773	10,579	91,987	474,365
	Accumulated Depreciation			
	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 188,610	6,185	486	194,309
Leasehold improvements	4,662	666	-	5,328
Office equipment	142,699	5,583	79,981	68,301
Furnishings	56,572	1,845	11,520	46,897
Total accumulated depreciation	392,543	14,279	91,987	314,835
Net book value	\$ 163,230			159,530

2020

Cost			
Beginning			Ending
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
19,000	-	-	19,000
294,025	-	-	294,025
26,647	-	-	26,647
150,009	2,317	834	151,492
64,609	-	-	64,609
<u>554,290</u>	<u>2,317</u>	<u>834</u>	<u>555,773</u>

Accumulated Depreciation			
Beginning			Ending
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
180,950	7,660	-	188,610
3,996	666	-	4,662
135,843	7,389	533	142,699
54,727	1,845	-	56,572
<u>375,516</u>	<u>17,560</u>	<u>533</u>	<u>392,543</u>
<u>178,774</u>			<u>163,230</u>

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Note 4 Accrued Expenses

Accrued expenses consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accrued payroll	\$ 26,042	\$ 28,180
Accrued paid time off	<u>26,727</u>	<u>30,576</u>
Total accrued expenses	\$ <u>52,769</u>	\$ <u>58,756</u>

Note 5 Operating Leases

Lutheran Family Service had a commercial lease with Handy LC to lease office space located in Sioux City, Iowa. The lease was for one year terminating on March 31, 2015. The lease was extended for three years terminating on March 31, 2018. As of January 1, 2018, Midlands Morningside is the owner of this office space. The lease has been continued on a month to month basis until September 2019. The lease is \$1,277.50 per month and has future rentals of \$0. The rent paid on this lease for the years ended June 30, 2021 and 2020 was \$0 and \$3,833, respectively.

Lutheran Family Service has a commercial lease with Iowa District West to lease office space located in Fort Dodge, Iowa. The lease is on a month to month basis and Lutheran Family Service is receiving free use of the facilities and is recording the free rent as in-kind contributions and rent expense. The lease is \$1,500 per month and has future rentals of \$0. The rent expense for the years ended June 30, 2021 and 2020 was \$18,000.

Lutheran Family Service has a commercial lease with Merle Hay Center to lease office space located in Urbandale, Iowa. The lease is for 62 months commencing on May 27, 2015 and terminating July 31, 2020. The lease is rent free for the first 60 days and \$3,993.17 for the next 24 months, \$4,094.53 for the following 24 months and then \$4,195.90 for the final 12 months and has future rentals of \$54,445. The lease has been extended for an additional 37 months commencing on August 1, 2020 and terminating August 31, 2023 with monthly payments of \$4,195 with no rent due for November 2020. The rent paid for the years ended June 30, 2021 and 2020 was \$46,353 and \$50,070, respectively.

Lutheran Family Service has a commercial lease with Northwest Bank & Trust to lease office space located in Bettendorf, Iowa. The lease is month to month commencing on April 1, 2017. The lease is \$786 per month, starting June 2021. The rent paid for the years ended June 30, 2021 and 2020 was \$9,267 and \$9,252, respectively.

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Future minimum rentals are as follows:

<u>June 30,</u>	<u>2021</u>	<u>2020</u>
2021	\$ ---	\$ 46,155
2022	50,351	50,351
2023	50,351	50,351
2024	<u>8,391</u>	<u>8,391</u>
	<u>\$ 109,093</u>	<u>\$ 155,248</u>

Note 6 Prepaid Expenses

Prepaid expenses consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Prepaid liability insurance	\$ 11,472	\$ 1,874
Prepaid health insurance	7,120	6,452
Prepaid office supplies and printing	280	1,432
Prepaid maintenance	216	147
Prepaid rent	<u>4,982</u>	<u>4,940</u>
Total prepaid expenses	<u>\$ 24,070</u>	<u>\$ 14,845</u>

Note 7 Defined Contribution Plan

The Organization participates in the Concordia Plan Services of the Lutheran Church-Missouri Synod. All employees working over 20 hours a week are covered by this retirement and survivor program. The Organization contributes a fixed percentage of each participant's salary to this plan. The Organization is providing a match of employee contributions equal to one percent of the employee's salary if the employee contributes two percent of his/her salary. If the employee contributes less than two percent of his/her salary, the match is equal to fifty percent of the employee's contribution. Retirement and survivor expenses for the years ended June 30, 2021 and 2020 were \$46,763 and \$47,953, respectively.

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Note 8 Contributions Receivable

As of June 30, 2021, and 2020, donors to Lutheran Family Service have made written promises to give totaling \$88,989 and \$84,907 respectively, of which management has established an allowance for uncollectible promises of \$1,000. The allowance for uncollectible promises to give is computed based on a historical ratio of amounts not collected to amounts promised.

Unconditional promises to give consists of the following:

	<u>2021</u>	<u>2020</u>
Unconditional promises	\$ 88,989	\$ 84,907
Less allowance for uncollectible promises	<u>(1,000)</u>	<u>(1,000)</u>
Net unconditional promises to give	<u>\$ 87,989</u>	<u>\$ 83,907</u>
Amounts due in:		
Less than one year	\$ 87,989	\$ 83,907
One to five years	<u>---</u>	<u>---</u>
	<u>\$ 87,989</u>	<u>\$ 83,907</u>

Unconditional promises to give are recorded as receivables and revenues. Lutheran Family Service distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as net assets without donor restriction when the restriction is satisfied within the same year that the contribution is received.

Note 9 Line of Credit

The Organization has an available line of credit of \$150,000. At June 30, 2021 and 2020, the outstanding balance was \$0 and \$45,000, respectively. Interest payments are due monthly at a rate equal to the lender's cost of funds plus 3%. The agreement is secured by real estate owned by the Organization with a carrying value of \$99,230. The credit line expires on August 17, 2021. Interest expense for the years ended June 30, 2021 and 2020 was \$1,690 and \$5,415, respectively.

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The Organization obtained a six-month line of credit of \$100,000 on August 19, 2019 maturing February 19, 2020. At June 30, 2021 and 2020, the outstanding balance was \$0. Interest payments are due monthly at a rate equal to the lender's cost of funds plus 3%. Interest expense for the year ended June 30, 2021 and 2020 was \$0 and \$1,787, respectively.

The Organization obtained an additional line of credit of \$100,000 on March 25, 2020. At June 30, 2021 and 2020, the outstanding balance was \$0. Interest payments are due monthly at a rate equal to the lender's cost of funds plus 3%. The agreement is secured by real estate owned by the Organization with a carrying value of \$99,230. The credit line expires on August 25, 2021. Interest expense for the year ended June 30, 2021 and 2020 was \$0.

Note 10 Net Assets With Donor Restrictions

Net assets with donor restrictions contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Organization. At June 30, 2021 and 2020, net assets with donor restrictions are available for the following purposes or time restrictions as noted in the following schedule:

	<u>2021</u>	<u>2020</u>
Lifelong Marriage	\$ 8,992	\$ 11,803
Turning Hearts and Minds Toward Life	---	<u>1,677</u>
	<u>\$ 8,992</u>	<u>\$ 13,480</u>

Note 11 Net Assets Released From Restrictions

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purpose or by occurrence of other events specified by the donors. Net assets were released as follows:

	<u>2021</u>	<u>2020</u>
Lifelong Marriage	\$ 2,811	\$ 3,423
Equipment, building and grounds maintenance	---	2,725
Turning Hearts and Minds Toward Life	<u>1,677</u>	<u>2,609</u>
	<u>\$ 4,488</u>	<u>\$ 8,757</u>

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Note 12 Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Current financial assets:	
Cash and cash equivalents	\$ 90,633
Accounts receivable, net	17,902
Contribution receivable, net	<u>87,989</u>
Total current financial assets	196,524
Less amounts unavailable for general expenditures:	
Net assets with donor restrictions not available for general expenditures:	
Lifelong Marriage	<u>(8,992)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>187,532</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 13 Subsequent Events

Management has evaluated subsequent events through December 9, 2021, the date which the financial statements were available to be issued.

Management is currently evaluating the impact of the COVID-19 pandemic on the Organization and its funding sources and has conducted that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position and the valuation of the Organization's net assets, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

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Note 14 New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Upon the adoption of ASU 2016-02, the ASU will supersede FASB ASC 840, *Leases*, and add FASB 842, *Leases*. The primary difference between existing GAAP and the guidance in the ASU is the recognition of lease assets and liabilities for operating leases on the balance sheet of lessees. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all organizations. In November 2019, the FASB issued Accounting Standards Update No. 2019-10 deferring the effective date. ASU 2019-10 is effective for fiscal years beginning after December 15, 2020 including interim periods within those fiscal years beginning after December 15, 2021. In June 2020, the FASB issued ASU 2020-05 deferring the effective date. ASU 2020-05 is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years beginning after December 15, 2022.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. Early application is permitted for all organizations. In November 2019, the FASB issued Accounting Standards Update No. 2019-10 deferring the effective date. ASU 2019-10 is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years.

Management has not yet determined the effect these new pronouncements will have on the financial statements.

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Note 15 Paycheck Protection Program

On April 17, 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$169,200. The PPP loans were made available to businesses and nonprofits in response to the COVID-19 pandemic. The loan may be forgiven if certain requirements are met. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent and utilities within an eight-week period. At least 60% of the forgiven amount must be used for payroll. Employers must also maintain or rehire employees and maintain salary levels. Forgiveness will be reduced if full-time headcount declines or if salaries and wages decrease. The loan has an interest rate of 1% and matures in two years.

As the Organization is expecting to meet all the requirements for loan forgiveness, it has chosen to account for this under ASC 958-605 *Not-for Profit Entities: Revenue Recognition*. The PPP loan is recognized as a conditional contribution and since the condition is met at the same time as the restriction is satisfied it is recorded as an unrestricted contribution. The Organization received notice on November 1, 2020 that the loan has been forgiven.