

Metropolitan Lutheran Ministry and Affiliate

Consolidated Financial Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Metropolitan Lutheran Ministry

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Lutheran Ministry and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 consolidated financial position of Metropolitan Lutheran Ministry and Affiliate as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Metropolitan Lutheran Ministry and Affiliate as of and for the year ended June 30, 2019, were audited by other auditors, whose report, dated December 16, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2021, on our consideration of Metropolitan Lutheran Ministry and Affiliate's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Lutheran Ministry and Affiliate's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
September 30, 2021

Metropolitan Lutheran Ministry and Affiliate

**Consolidated Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,731,975	\$ 214,715
Investments	1,249,929	2,183,312
Contracts and other receivables	64,574	242,943
Promises to give, net	162,903	292,687
Inventory	75,162	84,057
Prepaid expenses and other	107,836	87,632
Total current assets	3,392,379	3,105,346
Beneficial interest in assets held in perpetual annuity trust	224,072	224,159
Property and equipment, net	891,221	1,169,589
Total assets	\$ 4,507,672	\$ 4,499,094
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 21,785	\$ 44,543
Accrued expenses	70,841	46,098
Total current liabilities	92,626	90,641
Long-term note payable	221,200	-
Net assets:		
Without donor restrictions:		
Undesignated	2,977,484	2,218,115
Board designated	32,707	32,707
With donor restrictions	1,183,655	2,157,631
Total net assets	4,193,846	4,408,453
Total liabilities and net assets	\$ 4,507,672	\$ 4,499,094

See notes to consolidated financial statements.

Metropolitan Lutheran Ministry and Affiliate

Consolidated Statement of Activities and Changes in Net Assets Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions and grants:			
Foundations	\$ 367,238	\$ 440,700	\$ 807,938
Corporations	429,318	286,096	715,414
Individuals	396,177	179,477	575,654
Member congregations	114,618	41,610	156,228
Other congregations	19,458	1,000	20,458
United Way	54,821	71,081	125,902
Other organizations	260,216	-	260,216
Special events	34,105	-	34,105
In-kind contributions	3,351,089	-	3,351,089
Special event revenue	207,667	-	207,667
Government grants and contracts	698,144	173,886	872,030
Program fees	29,075	-	29,075
Investment income	114,617	-	114,617
Change in market value of beneficial interest in assets held in perpetual annuity trust	-	(87)	(87)
Other income	49,929	-	49,929
Net assets released from restrictions	2,167,739	(2,167,739)	-
Total revenues, gains and other support	8,294,211	(973,976)	7,320,235
Expenses:			
Program services:			
Client services	3,651,989	-	3,651,989
Employment services	215,517	-	215,517
Case management	548,496	-	548,496
Community outreach	486,009	-	486,009
Housing	396,002	-	396,002
Total program services	5,298,013	-	5,298,013
Supporting services:			
Development	282,633	-	282,633
Administration	643,361	-	643,361
Total supporting services	925,994	-	925,994
Direct benefit to donors	1,310,835	-	1,310,835
Total expenses	7,534,842	-	7,534,842
Change in net assets	759,369	(973,976)	(214,607)
Net assets – beginning of year	2,250,822	2,157,631	4,408,453
Net assets – end of year	\$ 3,010,191	\$ 1,183,655	\$ 4,193,846

See notes to consolidated financial statements.

Metropolitan Lutheran Ministry and Affiliate

Consolidated Statement of Activities and Changes in Net Assets Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions and grants:			
Foundations	\$ 447,139	\$ 223,662	\$ 670,801
Corporations	730,380	-	730,380
Individuals	211,270	1,156,435	1,367,705
Member congregations	104,731	11,610	116,341
Other congregations	17,002	1,000	18,002
United Way	105,136	-	105,136
Other organizations	68,912	-	68,912
Special events	223,573	-	223,573
In-kind contributions	1,431,754	245,000	1,676,754
Special event revenue	42,758	-	42,758
Government grants and contracts	594,725	-	594,725
Program fees	34,805	-	34,805
Investment income	124,587	-	124,587
Change in market value of beneficial interest in assets held in perpetual annuity trust	-	(58)	(58)
Other income	9,643	-	9,643
Net assets released from restrictions	511,833	(511,833)	-
Total revenues, gains and other support	4,658,248	1,125,816	5,784,064
Expenses:			
Program services:			
Client services	1,946,157	-	1,946,157
Employment services	216,766	-	216,766
Case management	510,007	-	510,007
Community outreach	237,391	-	237,391
Housing	533,696	-	533,696
Total program services	3,444,017	-	3,444,017
Supporting services:			
Development	276,023	-	276,023
Administration	638,608	-	638,608
Total supporting services	914,631	-	914,631
Direct benefit to donors	42,432	-	42,432
Total expenses	4,401,080	-	4,401,080
Change in net assets	257,168	1,125,816	1,382,984
Net assets – beginning of year	1,993,654	1,031,815	3,025,469
Net assets – end of year	\$ 2,250,822	\$ 2,157,631	\$ 4,408,453

See notes to consolidated financial statements.

Metropolitan Lutheran Ministry and Affiliate

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2020**

	Program Services								
	Community Support Services					Program Total	Development	Administration	Total
	Client Services	Employment Services	Case Management	Community Outreach	Housing				
Functional expenses:									
Personnel	\$ 242,430	\$ 91,618	\$ 135,405	\$ 49,948	\$ 166,457	\$ 685,858	\$ 179,805	\$ 233,283	\$ 1,098,946
Contractors	-	-	-	500	-	500	1,250	33,710	35,460
Occupancy	13,654	-	72	2,558	16,067	32,351	-	63,217	95,568
Office expense	9,672	177	2,017	2,687	4,555	19,108	12,986	105,199	137,293
Travel	-	3,254	1,577	213	141	5,185	1,031	2,934	9,150
Client assistance	294,217	120,309	408,996	84,360	198,306	1,106,188	590	8,174	1,114,952
In-kind expenses	3,013,286	-	-	343,381	-	3,356,667	-	-	3,356,667
Automobile expense	-	-	-	1,194	7,138	8,332	2	3,384	11,718
Special event expenses	-	-	-	32	-	32	78,301	6	78,339
Depreciation	78,164	-	-	-	-	78,164	208	-	78,372
Professional fees, insurance and other	566	159	429	1,136	3,338	5,628	8,460	193,454	207,542
Total functional expenses	\$ 3,651,989	\$ 215,517	\$ 548,496	\$ 486,009	\$ 396,002	\$ 5,298,013	\$ 282,633	\$ 643,361	6,224,007
Direct benefit to donors									<u>1,310,835</u>
Total expenses									<u><u>\$ 7,534,842</u></u>

See notes to consolidated financial statements.

Metropolitan Lutheran Ministry and Affiliate

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services								
	Community Support Services				Housing	Program Total	Development	Administration	Total
	Client Services	Employment Services	Case Management	Community Outreach					
Functional expenses:									
Personnel	\$ 198,023	\$ 95,009	\$ 185,483	\$ 41,618	\$ 207,602	\$ 727,735	\$ 165,724	\$ 426,286	\$ 1,319,745
Contractors	-	-	62,230	-	20,975	83,205	49,384	42,341	174,930
Occupancy	27,943	-	-	424	30,761	59,128	-	49,359	108,487
Office expense	4,291	720	2,134	1,338	9,326	17,809	27,851	78,681	124,341
Travel	971	3,279	4,736	653	2,369	12,008	1,942	2,469	16,419
Client assistance	319,823	108,774	232,098	108,058	224,561	993,314	-	1,026	994,340
In-kind expenses	1,348,454	13	-	75,205	-	1,423,672	-	-	1,423,672
Automobile expense	-	-	-	97	422	519	-	4,350	4,869
Special event expenses	-	-	-	1,026	-	1,026	11,386	-	12,412
Depreciation	17,236	3,315	8,618	3,315	13,921	46,405	7,292	12,594	66,291
Professional fees, insurance and other	29,416	5,656	14,708	5,657	23,759	79,196	12,444	21,502	113,142
Total functional expenses	\$ 1,946,157	\$ 216,766	\$ 510,007	\$ 237,391	\$ 533,696	\$ 3,444,017	\$ 276,023	\$ 638,608	4,358,648
Direct benefit to donors									42,432
Total expenses									\$ 4,401,080

See notes to consolidated financial statements.

Metropolitan Lutheran Ministry and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (214,607)	\$ 1,382,984
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	78,372	66,291
In-kind contribution of land	-	(245,000)
In-kind donation of land	220,000	-
Net unrealized gains on investments	(59,753)	(55,302)
Change in market value of perpetual annuity trust	87	58
Change in certain assets and liabilities:		
(Increase) decrease in:		
Contracts and other receivables	178,369	(177,934)
Promises to give	129,784	(156,726)
Inventory	8,895	887
Prepaid expenses and other	(20,204)	29,487
Increase (decrease) in:		
Accounts payable	(22,758)	(27,082)
Accrued expenses	24,743	(17,460)
Net cash provided by operating activities	322,928	800,203
Cash flows from investing activities:		
Net purchases of property and equipment	(20,004)	(80,194)
Purchase of investments	(35,852)	(1,080,029)
Proceeds from sale of investments	1,028,988	262,229
Net cash provided by (used in) investing activities	973,132	(897,994)
Cash flows from financing activities:		
Proceeds from note payable	221,200	-
Net cash provided by financing activities	221,200	-
Net increase (decrease) in cash and cash equivalents	1,517,260	(97,791)
Cash and cash equivalents – beginning of year	214,715	312,506
Cash and cash equivalents – end of year	\$ 1,731,975	\$ 214,715

See notes to consolidated financial statements.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 1. Nature of Organization

Principles of consolidation: The accompanying consolidated financial statements (collectively, the financial statements) include the accounts of Metropolitan Lutheran Ministry (MLM) and the MLM Foundation (the Foundation) (collectively, the Organization). All significant intercompany transactions and balances have been eliminated.

Organization: Metropolitan Lutheran Ministry affirms the right of all people to food, clothing and shelter, while promoting self-sufficiency and hope through direct services and advocacy. MLM serves residents in the greater Kansas City metropolitan area.

The Metropolitan Lutheran Ministry Foundation's exclusive purpose is to aid and assist MLM in carrying out its purpose and functions. The Foundation's assistance is provided through soliciting, accepting and receiving gifts, grants and legacies on behalf of MLM.

MLM programs holistically address the immediate need for food, clothing, shelter, utilities and transportation. Strengths and outcomes-based counseling and case management services guide clients in stabilizing their life circumstances and developing self-sufficiency. Services are provided through three Community Support Service Centers and two supportive housing offices. MLM is supported primarily through donor contributions, grants and the United Way.

The following community support services are included in the accompanying financial statements:

Client services: Provide shelf-stable food, fresh produce, hygiene items, diapers, sack lunches, senior commodities, school supplies, financial assistance for birth certificates, identification, rent and utilities to families and individuals in urgent need of assistance from three agency locations. Programming is targeted to low-income, impoverished, at-risk and homeless households.

Employment services: In 2013, MLM opened a center dedicated to assisting individuals with job search and educational opportunities. The center provides access to computers and the internet, support in resume writing and other job search activities and limited financial support to those enrolled in the program. In 2018, this program became part of the nationally recognized Financial Opportunity Center model.

Case management: Provides a continuum of care for clients that meets their needs for food, diapers, hygiene items, birth certificates, identification and rent/utility assistance to stabilize the family. In addition to this short-term assistance, MLM provides intensive, yearlong case management which includes housing assistance, financial literacy, household skills and employment support. To ensure that permanent and lasting solutions are in place for our clients, MLM continues to follow up with families for five years. Programming is targeted to at-risk and homeless households.

Community outreach: Over time, MLM has developed a portfolio of community outreach programs designed for the general benefit of the communities we operate in. The Minor Home Repair program provides assistance to low income, elderly and disabled homeowners who are in need of repairs to improve the safety and security of their homes, allowing them to remain in their homes.

MLM also hosts a Christmas Store in Kansas City alongside a volunteer corps of 500 people to provide approximately 900 families with food vouchers and a "self-shop" store with gifts for every member of the family.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 1 Nature of Organization (Continued)

Additionally, MLM hosts two unlimited hot breakfasts each Saturday in Kansas City, Kansas and Kansas City, Missouri. These breakfasts are staffed by 10 to 12 volunteers from area congregations and service organizations who cook and serve a breakfast of scrambled eggs, pancakes, sausage, juice and coffee. Participants in this program are from locations where a quarter to a third of families live with income below \$15,000 annually.

Finally, the MLM Orchard and Community Gardens exist to improve community health by providing better food for people in the adjacent neighborhoods of Boston Heights and Mount Hope. MLM manages an 80-tree orchard that produces a wide variety of fruit including apples, peaches, apricots, cherries, pears and plums. MLM also offers and maintains community garden beds for residents of the neighborhoods where fresh produce of their choice is grown. The orchard and community gardens continue to be a place of hope and encouragement for the neighborhoods and seek to change the habits of individuals in the community toward healthier food choices.

The following other programs are included in the accompanying financial statements:

Housing: MLM operates a permanent supportive housing project in the Kansas City metropolitan area, housing 23 chronically homeless persons who have disabilities. Residents live in a safe and nurturing setting with full-time staff members on-site to coordinate needed supportive services and activities.

Development and administration: Provides oversight of programs, business management, record keeping and budgeting, financing and other administrative and fundraising activities for the entire Organization.

Direct benefit to donors: Provides donations and goods to other outside organizations whose mission helps support that of MLM.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard permits the use of either the retrospective or cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2019. The Organization is evaluating the effect the standard will have on its financial statements and related disclosures. The Organization has selected the retrospective transition method and expects minor impact on ongoing financial reporting.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance affects any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. ASU 2016-02 is effective for the Organization's year ending December 31, 2022. The Organization is currently evaluating the effect of ASU 2016-02 on the financial statements.

Newly adopted accounting pronouncements: Effective July 1, 2019, the Organization adopted FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, for recipient transactions. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The Organization does not have any reciprocal transactions with customers that would be impacted by this new standard. Therefore, the adoption of this standard had no impact on the Organization's financial statements.

Basis of presentation: Financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America. Under these principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets of the Organization and change therein are classified and reported as follows:

Net assets without donor restrictions: This category includes net assets that are not subject to donor-imposed stipulations, as well as net assets designated by the board for specific purposes.

Net assets with donor restrictions: This category includes net assets subject to donor-imposed stipulations that will be met by actions of MLM and/or the passage of time. Certain net assets in this category are subject to donor-imposed stipulations that they be invested in perpetuity to provide a source of income to be used for general or a specific purpose.

Board-designated net assets: During the years ended June 30, 2020 and 2019, the MLM board of directors designated a portion of the net assets without donor restricted revenues over expenses. The board designated two purposes, to assist with the Organization's housing program and as a discretionary fund to be used by staff for additional program expenses. The amount of the discretionary fund is designated by the board during the annual budgeting process.

Estimates and assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash and cash equivalents: The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains cash balances at banks in excess of federally insured limits at various times during the year. The Organization has not experienced any losses in such accounts.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment return includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Investment return that is restricted by donor stipulation and for which the restrictions will be satisfied in the same year is recorded as investment income with donor restrictions and then released from restriction. Other investment return is reflected in the consolidated statements of activities and changes in net assets as investment income without donor restrictions or investment income with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization is the beneficiary of various funds held by the Greater Kansas City Community Foundation (the GKCCF). The GKCCF maintains pooled investments for the Organization's beneficial interest. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the beneficial interests based on the relationship of the fair value of the interest to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Contracts and other receivables: Contracts and other receivables are carried at original invoice amounts less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a regular basis. The Organization's management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of account receivable previously written off are recorded when received. At June 30, 2020 and 2019, no allowance on contracts and other receivables was considered necessary.

Promises to give: Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give are recorded at their net realizable value. Conditional promises to give, which depend upon specified future and uncertain events, are not included as support until such time as the conditions are substantially met.

Inventory: The inventory is stated at the lower of cost or estimated fair value and consists of contributed and purchased goods to be used to help clients with basic needs and supplies. The inventory consists of the following at June 30, 2020 and 2019:

	2020	2019
Food	\$ 37,630	\$ 44,197
Supplies	834	33,864
Other	36,698	5,996
	<u>\$ 75,162</u>	<u>\$ 84,057</u>

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The goods contributed during the years ended June 30, 2020 and 2019, were valued at approximately \$3,571,089 and \$1,431,754, respectively, and are recorded as in-kind contributions and expenses of direct client assistance. The fair value of contributed food, supplies and other items is based on the weighted average price per pound as determined by Feeding America National Food Bank Network.

Beneficial interest in assets held in perpetual annuity trust: MLM is a named beneficiary of a perpetual annuity trust. The beneficial interest in the trust is reported on the consolidated statements of financial position at fair value. Distributions from the trust are included in investment income in the year received.

Property and equipment: Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Major additions and improvements are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are charged against net assets in the current period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to 40 years.

Donated assets: Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. In 2019, donations of property and equipment of \$245,000 was recorded as in-kind contributions with donor restrictions on the consolidated statements of activities and changes in net assets. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restriction. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restrictions at that time.

Revenue recognition: The Organization recognizes contribution and special event revenue in the year in which it is promised by donors or the year in which a special event occurs.

Contributions that are restricted by the donor are reported as increases to net assets without donor restriction if the restriction expires in the reporting period in which the gift is recognized. All other donor-restricted support is reported as increases in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Grant revenues: The Organization recognizes grant funds received or receivable as revenue to the extent that related program expenses have been incurred. Grant funds received in excess of expenses incurred are recognized as refundable advances in the consolidated statements of financial position. At June 30, 2020 and 2019, there were no refundable advances reported in other current liabilities on the consolidated statements of financial position.

Contributed services: Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills which are performed by individuals possessing those skills and (c) would otherwise be purchased by the Organization if not donated. During the years ended June 30, 2020 and 2019, there were no contributed services.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and various committee assignments. The Organization benefitted from approximately 15,000 volunteer hours during the years ended June 30, 2020 and 2019.

Income taxes: MLM and the Foundation are exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) as not-for-profit organizations.

MLM and the Foundation's federal tax returns for tax years 2017 and later remain subject to examination by taxing authorities.

Functional expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Salaries and wages are charged to program expense and support expense on the basis of periodic time studies. Institutional expenses are charged to the programs based on headcount. Other expenses that are common to several programs are allocated on a pro rata basis, as determined by management, to the programs they benefit.

Note 3. Investments

Investments consist of the following at June 30, 2020 and 2019:

	2020	2019
Equity securities	\$ 47,383	\$ 870,471
Mutual funds	202,941	318,742
Money market	5,622	-
Interest in assets held at the Greater Kansas City Community Foundation:		
Money market pool	48,152	47,149
Fixed income pools	343,402	337,298
Equity pool	602,429	609,652
	<u>\$ 1,249,929</u>	<u>\$ 2,183,312</u>

Realized and unrealized gains and losses are reflected in the consolidated statements of activities and changes in net assets as changes in net assets without donor restrictions. Investment income is summarized as follows:

	December 31	
	2020	2019
Interest and dividend income	\$ 54,864	\$ 69,285
Realized and unrealized gains	59,753	55,302
	<u>\$ 114,617</u>	<u>\$ 124,587</u>

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 4. Interest in Assets Held at the Greater Kansas City Community Foundation

The Organization has transferred assets to the GKCCF and retained a beneficial interest in those assets. The Organization has granted variance power to the GKCCF to distribute the funds as directed by the Organization's Chair of the Board of Directors. The Organization is to receive principal and net earnings as requested for its use without donor restrictions. The cumulative amount of the retained beneficial interest included in investments on the consolidated statements of financial position was \$993,983 and \$994,099 at June 30, 2020 and 2019, respectively.

Note 5. Fair Value Measurements

The Organization follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these rules are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds: These are valued at the daily closing price as reported by the fund. Mutual funds and the money market funds held by the Organization are open-end investment funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and money market funds held by the Organization are deemed to be actively traded.

Interest in assets held at the Greater Kansas City Community Foundation: This is valued at the NAV of units of the pooled investment funds held at the GKCCF. The NAV, as provided by the GKCCF, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

Investment funds held by the GKCCF consist of a portfolio of money market, short-term fixed income, intermediate fixed income and equity investment pools. The investment objective of these pools is to seek a competitive return while preserving and growing the portfolio and providing cash flows to meet the needs of the Organization now and in the future. The Organization's interest may be redeemed within three to five business days. There are no outstanding commitments associated with this interest.

Beneficial interest in assets held in perpetual annuity trust: This is valued at the percentage of interest in the annuity trust, multiplied by the fair value of the underlying assets held by the trust as reported by the trustee. The underlying assets held by the annuity trust consist primarily of publicly traded mutual funds, exchange-traded funds, common collective trusts and money market accounts.

During 2020, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's assets.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2020:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Domestic equity securities:				
Consumer staples	\$ 13,061	\$ -	\$ -	\$ 13,061
Financials	6,783	-	-	6,783
Information technology	27,539	-	-	27,539
Mutual funds:				
Fixed income	103,168	-	-	103,168
Equities	99,773	-	-	99,773
Money market	5,622	-	-	5,622
Beneficial interest in assets held in perpetual annuity trust	-	-	224,072	224,072
Total assets in the fair value hierarchy	<u>\$ 255,946</u>	<u>\$ -</u>	<u>\$ 224,072</u>	480,018
Investments measured at net asset value				<u>993,983</u>
Total assets at fair value				<u>\$ 1,474,001</u>

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2019:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Fixed income	\$ 870,471	\$ -	\$ -	\$ 870,471
Equities	318,742	-	-	318,742
Beneficial interest in assets held in perpetual annuity trust	-	-	224,159	224,159
Total assets in the fair value hierarchy	<u>\$ 1,189,213</u>	<u>\$ -</u>	<u>\$ 224,159</u>	1,413,372
Investments measured at net asset value				994,099
Total assets at fair value				<u>\$ 2,407,471</u>

Level 3 measurements: The tables below present information about recurring fair value measurements of Level 3 investments:

	Beneficial Interest in Assets Held in Perpetual Annuity Trust
Balance – June 30, 2018	\$ 224,217
Distributions	(5,743)
Total gains for the period	5,685
Balance – June 30, 2019	224,159
Distributions	(7,599)
Total gains for the period	7,512
Balance – June 30, 2020	<u>\$ 224,072</u>

Distributions relate to annual distributions at the discretion of the trustee in accordance with the related donor agreements. Over time, the distributions are to approximate 5% of the asset value of the beneficial interest.

Gains included in the change in net assets for the year ended June 30, 2020, are presented in the consolidated statement of activities and changes in net assets as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 7,599	\$ -	\$ 7,599
Change in market value of beneficial interest in assets held in perpetual annuity trust	-	(87)	(87)

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

Gains included in the change in net assets for the year ended June 30, 2019, are presented in the consolidated statement of activities and changes in net assets as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 5,743	\$ -	\$ 5,743
Change in market value of beneficial interest in assets held in perpetual annuity trust	-	(58)	(58)

Note 6. Promises to Give

Unconditional promises to give consist of the following as of June 30, 2020 and 2019:

	2020	2019
United Way	\$ 27,000	\$ 631
Foundations	88,826	244,979
Individuals	50,000	50,000
Allowance for uncollectible promises to give	(2,923)	(2,923)
Total promises to give, net	<u>\$ 162,903</u>	<u>\$ 292,687</u>

Note 7. Property and Equipment

Property and equipment consist of the following:

	December 31	
	2020	2019
Land	\$ 30,000	\$ 250,000
Buildings and improvements	1,264,092	1,264,092
Equipment	422,439	407,436
Vehicles	40,873	35,873
	<u>1,757,404</u>	<u>1,957,401</u>
Less accumulated depreciation and amortization	866,183	787,812
	<u>\$ 891,221</u>	<u>\$ 1,169,589</u>

During the years ended June 30, 2020 and 2019, depreciation and amortization expense of \$78,372 and \$66,291, respectively, is included in the consolidated statements of activities and changes in net assets.

Effective February 1, 2015, the Organization leases property located in the Northland of Kansas City under terms of a 35-year agreement through December 2050, plus three additional options to renew for five years each. In accordance with the agreement and, in lieu of rent, the Organization is responsible for all costs associated with renovation of the property. Accordingly, there is no outstanding lease obligation related to this agreement.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	December 31	
	2020	2019
Case management	\$ 90,151	\$ 132,749
Client services	343,151	122,413
Employment services	11,229	2,517
Community outreach	99,108	85,847
Development	-	9,200
General and administrative	127,560	2,937
Eileen's Place	228,384	1,272,809
Eileen's Place – land	-	245,000
Restricted as to time	60,000	60,000
Perpetual annuity trust	224,072	224,159
	<u>\$ 1,183,655</u>	<u>\$ 2,157,631</u>

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions as follows:

	2020	2019
Case management	\$ 321,350	\$ 167,973
Client services	312,674	108,079
Employment services	118,203	93,214
Community outreach	96,664	40,894
Capital	-	15,700
Development	10,111	31,731
General and administrative	17,530	53,867
Eileen's Place	1,046,207	375
Eileen's Place – land	245,000	-
	<u>\$ 2,167,739</u>	<u>\$ 511,833</u>

Note 9. Retirement Plan

The Organization sponsors a 403(b) retirement plan under which eligible employees may choose to defer a percentage of their salary on a pretax basis, subject to certain IRC limits. The plan covers all employees who meet the eligibility requirements as stated in the plan document. The Organization matches an amount equal to 100% of each participant's contribution up to 3% of the participant's respective wages. The Organization contributed \$15,170 and \$17,528 for the years ended June 30, 2020 and 2019, respectively.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 10. Line of Credit and Note Payable

In November 2019, the Organization took out a line of credit agreement with Arvest Bank. At June 30, 2020, the limit was \$250,000. Advances bear interest at a variable rate, based on the Wall Street Journal Prime rate plus 1%. The interest rate on June 30, 2020, was 5.75%. The line is secured by the Organizations building, and the maturity date is November 2022. The outstanding balance on this line was \$0 as of June 30, 2020.

On March 27, 2020, the Coronavirus, Relief and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Organization received a Small Business Administration (SBA) Paycheck Protection Plan (PPP) loan for \$221,200 on April 14, 2020. The Organization determined it qualified for the PPP loan because the Organization has less than 500 employees. The loan is unsecured, bears interest at 1.00%, and matures on April 14, 2022. Under the provisions of the CARES Act, and related loans, this loan will be forgiven if certain conditions are met related to the use of proceeds and maintenance of employment with the Organization employees. Should the Organization be required to repay some portion of these funds because conditions for loan forgiveness are not met, it is the intent of the Organization leadership to repay any such funds to the lender in accordance with the terms of the agreement. Repayment for any unforgiven amounts would begin after the SBA denies forgiveness. The Organization has elected to account for the loan as a financial liability in accordance with ASC Topic 470, Debt. The outstanding balance of the note as of June 30, 2020, is \$221,200. On April 12, 2021, the Organization was approved for full forgiveness of the loan and will be recognized as loan forgiveness revenue in the statements of activities and changes in net assets for the fiscal year ending December 31, 2021.

Note 11. Related Party

In November 2019, the Organization contributed land and cash in the aggregate of \$1,260,000 to a newly formed entity, Eileen's Place, LLC, which will build a new residential and program facility. These donations were recorded in the direct benefit to donors on the statements of activities and changes in net assets. Although the Organization has only a nominal ownership interest in Eileen's Place, LLC, the Organization may have the potential to obtain a controlling interest in Eileen's Place if certain criteria are met in the future.

In November 2019, the Organization entered into a 180-month supportive service agreement with Eileen's Place, LLC to provide certain supportive and administrative services in exchange for monthly consideration of \$5,000, beginning on the date that the Eileen's Place, LLC residential and program facility is completed.

Note 12. Major Concentrations

Revenues: The Organization received approximately \$644,000 and \$426,000 of direct and pass-through funds from the Department of Housing and Urban Development for the years ended June 30, 2020 and 2019, respectively, and approximately \$603,000 and \$471,000 of in-kind support from the U.S. Department of Agriculture for the years ended June 30, 2020 and 2019, respectively. This revenue represented approximately 17% and 16% of the Organization's revenues for the years ended June 30, 2020 and 2019, respectively. In addition, the Organization received approximately \$1,081,144 and \$714,000 of in-kind contributions from Harvester's Food Network, which represents approximately 14% and 16% of the Organization's revenues for the years ended June 30, 2020 and 2019, respectively. These revenues are reported within the statements of activities and changes in net assets as in-kind contributions and government grants and contracts.

Metropolitan Lutheran Ministry and Affiliate

Notes to Consolidated Financial Statements

Note 12. Major Concentrations (Continued)

Federal awards: The Organization has received financial assistance from the U.S. Department of Housing and Urban Development, U.S. Department of Homeland Security and U.S. Department of Agriculture, through direct grants and various pass-through grantors, in the form of contracts, grants and awards to fund its activities. These activities are subject to audit by agents of the granting authority, and by independent public accountants, under the Single Audit Act, the purpose of which is to ensure compliance with the terms and conditions specified in these agreements. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 13. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions, or board designations, within one year of the statements of financial position.

	2020	2019
Total financial assets, end of year	\$ 3,209,381	\$ 2,933,657
Less financial assets unavailable for general expenditures due to:		
Contractual or donor-imposed restriction	(1,218,055)	(1,933,472)
Board-designated restrictions	(32,707)	(32,707)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,958,619</u>	<u>\$ 967,478</u>

All amounts included in cash and cash equivalents are available to meet general and programmatic obligations of the Organization over a 12-month period. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing business activities to be general expenditures except those relating to the provision of client services.

In addition to the financial assets available to meet general expenditures over the next 12 months, Metro Lutheran Ministry intends to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 14. Subsequent Events

Subsequent to year-end, management has elected to change the year-end to a calendar year-end. There will be a short fiscal year from the period July 1, 2020 through December 31, 2020. Then the Organization will adopt a calendar year-end beginning January 1, 2021.

Subsequent events were evaluated through September 30, 2021, which is the date the financial statements were available to be issued.