

**LUTHERAN MINISTRIES OF MERCY, INC.  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2021 AND 2020**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Lutheran Ministries of Mercy, Inc. and Affiliates

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the consolidated financial statements of Lutheran Ministries of Mercy, Inc. and Affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Gilmore Jasion Mahler, LTD*

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,234,595	\$ 4,796,527
Net service accounts receivable	3,467,291	3,514,312
Other accounts receivable	213,159	425,843
Accounts receivable from supporting foundations	635,583	111,730
Employee Retention Credit receivable	5,034,882	0
Prepaid expenses and other current assets	177,754	177,825
Resident funds	543,667	697,012
Investments	3,262	3,262
Cash restricted as to use	1,307,391	421,229
Total current assets	13,617,584	10,147,740
<b>Property and equipment, net</b>	19,475,892	18,756,511
<b>Interest in net assets of supporting foundations</b>	18,623,266	17,243,640
<b>Other assets</b>	36,435	36,966
Total assets	\$ 51,753,177	\$ 46,184,857
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 722,149	\$ 834,830
Lines of credit	235,000	80,292
Resident funds payable	543,667	697,012
Accounts payable to supporting foundations	455,768	557,231
Medicaid franchise fee payable	308,161	323,459
Accrued compensation and related liabilities	1,601,677	1,606,158
Deferred revenue	144,599	0
Other accrued expenses	67,578	60,987
Current portion of long-term debt	45,970	21,529
Total current liabilities	4,124,569	4,181,498
<b>Long-term liabilities</b>		
Paycheck Protection Program loans	0	4,380,769
Long-term debt, net of current portion and debt issuance costs	1,296,976	455,649
Total long-term liabilities	1,296,976	4,836,418
Total liabilities	5,421,545	9,017,916
<b>Net assets</b>		
Without donor restrictions	34,976,461	26,037,307
With donor restrictions	11,355,171	11,129,634
Total net assets	46,331,632	37,166,941
Total liabilities and net assets	\$ 51,753,177	\$ 46,184,857

The accompanying notes are an integral part of these financial statements.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Operating revenue</b>			
Net service revenue	\$ 30,470,408	\$ 0	\$ 30,470,408
Rental income	717,831		717,831
Grant revenue	1,645,621		1,645,621
Other operating revenue	310,575		310,575
Contributions and donations	87,304		87,304
Net assets released from restrictions	480,537	(480,537)	0
Total operating revenue	33,712,276	(480,537)	33,231,739
<b>Operating expenses</b>			
Program	31,953,444		31,953,444
Support:			
General and administrative	6,235,420		6,235,420
Fundraising	186,119		186,119
Total operating expenses	38,374,983	0	38,374,983
<b>Operating expenses in excess of operating revenues</b>	(4,662,707)	(480,537)	(5,143,244)
<b>Other income (expenses)</b>			
Contributions from supporting foundations	1,080,261	670,764	1,751,025
Rebates and refunds	8,727		8,727
Governmental relief for COVID-19	362,215		362,215
Employee Retention Credit	6,342,605		6,342,605
Paycheck Protection Program loan forgiveness	4,380,769		4,380,769
Restricted grants and contributions		64,655	64,655
Contributions to supporting foundations			0
Investment income	951		951
Gain on sale of property and equipment	17,362		17,362
Total other income	12,192,890	735,419	12,928,309
<b>Change in net assets before interest in net assets of supporting foundations</b>	7,530,183	254,882	7,785,065
<b>Change in interest in net assets of supporting foundations</b>	1,408,971	(29,345)	1,379,626
<b>Change in net assets</b>	8,939,154	225,537	9,164,691
<b>Net assets beginning of year</b>	26,037,307	11,129,634	37,166,941
<b>Net assets end of year</b>	<u>\$ 34,976,461</u>	<u>\$ 11,355,171</u>	<u>\$ 46,331,632</u>

<b>2020</b>		
<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
\$ 32,579,400	\$ 0	\$ 32,579,400
709,503		709,503
1,044,100		1,044,100
355,785		355,785
115,551		115,551
372,737	(372,737)	0
<u>35,177,076</u>	<u>(372,737)</u>	<u>34,804,339</u>
31,748,633		31,748,633
5,503,797		5,503,797
161,200		161,200
<u>37,413,630</u>	<u>0</u>	<u>37,413,630</u>
(2,236,554)	(372,737)	(2,609,291)
728,512	130,247	858,759
2,138,026		2,138,026
1,916,976		1,916,976
		0
		0
	171,062	171,062
(1,750,000)		(1,750,000)
1,866		1,866
564		564
<u>3,035,944</u>	<u>301,309</u>	<u>3,337,253</u>
799,390	(71,428)	727,962
<u>3,808,016</u>	<u>553,400</u>	<u>4,361,416</u>
4,607,406	481,972	5,089,378
21,429,901	10,647,662	32,077,563
<u>\$ 26,037,307</u>	<u>\$ 11,129,634</u>	<u>\$ 37,166,941</u>

The accompanying notes are an integral part of these financial statements.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>			
	<b>Support</b>			<b>Total</b>
	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries and wages	\$ 18,295,953	\$ 3,824,865	\$ 110,707	\$ 22,231,525
Employee benefits	2,053,605	609,273	7,356	2,670,234
Payroll taxes	1,543,479	317,549	3,777	1,864,805
Total salaries and related expenses	21,893,037	4,751,687	121,840	26,766,564
Contract services	1,706,357	358,514	36,611	2,101,482
State mandated fees	1,253,196			1,253,196
Medical costs and supplies	676,774			676,774
Utilities	656,218	110,756		766,974
Specific assistance to individuals	948,010			948,010
Repairs and maintenance	641,009	130,950	3,693	775,652
Food costs and supplies	582,781			582,781
Activity and habilitation supplies	439,307			439,307
Household supplies	184,927	34,816		219,743
Insurance	248,120	59,134		307,254
Communication	233,514	41,318	1,143	275,975
Travel and education	194,034	40,406	545	234,985
Minor equipment and office expense	203,516	82,810		286,326
Promotion and development	7,795	194,844	1,004	203,643
Rent	101,597	21,213	2,075	124,885
Dues and subscriptions	121,124	31,589		152,713
Interest expense	17,198	46,083	325	63,606
Recruitment		16,823		16,823
Other expenses	134,861	35,577	16,968	187,406
Total functional expenses before depreciation	30,243,375	5,956,520	184,204	36,384,099
Depreciation	1,710,069	278,900	1,915	1,990,884
Total functional expenses	\$ 31,953,444	\$ 6,235,420	\$ 186,119	\$ 38,374,983



<b>2020</b>			
<b>Support</b>			
<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
\$ 18,031,648	\$ 3,392,049	\$ 111,907	\$ 21,535,604
2,030,403	623,555	5,575	2,659,533
1,634,542	252,666	3,782	1,890,990
21,696,593	4,268,270	121,264	26,086,127
1,550,962	319,164	3,289	1,873,415
1,337,685			1,337,685
848,294			848,294
666,699	96,331		763,030
739,441			739,441
614,032	110,356	3,119	727,507
609,223			609,223
481,810			481,810
265,614	42,094		307,708
279,383	58,997		338,380
226,281	34,816	1,087	262,184
191,795	34,480	1,171	227,446
180,540	91,080	10,677	282,297
19,241	120,694	2,941	142,876
90,332	16,795	1,536	108,663
66,978	13,661		80,639
11,811	39,913		51,724
	17,589		17,589
152,520	2,147	13,989	168,656
30,029,234	5,266,387	159,073	35,454,694
1,719,399	237,410	2,127	1,958,936
<b>\$ 31,748,633</b>	<b>\$ 5,503,797</b>	<b>\$ 161,200</b>	<b>\$ 37,413,630</b>

The accompanying notes are an integral part of these financial statements.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 9,164,691	\$ 5,089,378
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,990,884	1,958,936
Amortization of debt issuance costs	610	6,467
Change in interest in net assets of supporting foundations	(1,379,626)	(4,361,416)
Gain on sale of property and equipment	(17,362)	(564)
Paycheck Protection Program loan forgiveness	(4,380,769)	0
Changes in assets and liabilities:		
Net service accounts receivable	47,021	(436,129)
Other accounts receivable	212,684	(288,780)
Accounts receivable from supporting foundations	(523,853)	(78,745)
Employee Retention Credit receivable	(5,034,882)	0
Prepaid expenses and other current assets	71	25,945
Other assets	531	828
Accounts payable	(112,681)	(1,344)
Accounts payable to supporting foundations	(101,463)	(521,199)
Medicaid franchise fee payable	(15,298)	(9,301)
Accrued compensation and related liabilities	(4,481)	(198,472)
Deferred revenue	144,599	0
Other accrued expenses	6,591	8,985
Net cash provided by (used in) operating activities	(2,733)	1,194,589
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(2,721,098)	(1,638,246)
Proceeds from sale of property and equipment	28,195	725
Net cash used in investing activities	(2,692,903)	(1,637,521)
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(34,842)	(215,356)
Proceeds from long-term debt	900,000	0
Proceeds from Paycheck Protection Program loans	0	4,380,769
Net proceeds (payments) on lines of credit	154,708	(15,000)
Net cash provided by financing activities	1,019,866	4,150,413
Net increase (decrease) in cash, cash equivalents and cash restricted as to use	(1,675,770)	3,707,481
Cash, cash equivalents, and cash restricted as to use - beginning of year	5,217,756	1,510,275
Cash, cash equivalents, and cash restricted as to use - end of year	\$ 3,541,986	\$ 5,217,756
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 63,673	\$ 45,257
<b>Non-cash investing and financing activity</b>		
Paycheck Protection Program loan forgiveness	\$ 4,380,769	\$ 0

The accompanying notes are an integral part of these financial statements.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 1–Nature of business and organization**

Lutheran Ministries of Mercy, Inc. (LMM) is a not-for-profit corporation that was founded in 2013 with the goal of promoting sustainability, improvement, and innovation in the direct service operations of its affiliate organizations, which include Filling Memorial Home of Mercy, Inc., Luther Home of Mercy, Inc., and Lutheran Social Services of Northwestern Ohio, and their respective affiliates. The Code of Regulations for LMM consolidates governance, executive leadership, and other administrative functions while preserving the respective identity of each affiliate together with its existing licenses, certifications, contracts, and foundations.

Filling Memorial Home of Mercy, Inc. (Filling Home) is a not-for-profit corporation founded in 1958. Filling Home's principal activity is to operate a long-term care facility in Napoleon, Ohio, and group homes and day habilitation services in Williams, Henry, and Fulton Counties in Ohio for individuals with intellectual and developmental disabilities. Filling Home controls FMHM Community Living and FMHM Housing Corp. (collectively, FMHM).

FMHM Community Living is a not-for-profit corporation organized in 2006 to provide supported living and day habilitation services for individuals with intellectual and developmental disabilities in a group home atmosphere. Group homes are operated in Henry and Fulton Counties in Ohio.

FMHM Housing Corp. is a not-for-profit corporation organized in 2006 to hold the real property and fixed assets of FMHM Community Living. FMHM Housing Corp. leases the property and fixed assets to Filling Home and FMHM Community Living.

FMHM controls Fulfilling Housing, Inc., Fulfilling Housing II, Inc. Fulfilling Housing III, Inc., and Fulfilling Housing IV, Inc. (collectively, Fulfilling Housing). Fulfilling Housing entities are not-for-profit corporations with the purpose of constructing and operating group homes for physically or developmentally disabled residents. Fulfilling Housing projects were financed in part by the U.S. Department of Housing and Urban Development (HUD) and are subject to regulation by HUD.

Luther Home of Mercy, Inc. (Luther Home) is a not-for-profit corporation founded in 1928. Luther Home's principal activity is operating a long-term care facility in Williston, Ohio, and group homes and day habilitation services for individuals with intellectual and developmental disabilities in Williston, Ohio, and the surrounding area. Luther Home controls LHM Properties, Inc., a not-for-profit corporation organized to hold real property and fixed assets (collectively, LHM).

LHM controls Mercy Outreach Ministries, Inc., Mercy Outreach Ministries II, Inc., Mercy Outreach Ministries III, Inc., Mercy Outreach Ministries IV, Inc., Mercy Outreach Ministries V, Inc., Mercy Outreach Ministries VI, Inc., and Mercy Outreach Ministries VII, Inc. (collectively, MOMI). MOMI entities are not-for-profit corporations with the purpose of constructing and operating group homes for physically handicapped individuals in Northwood, Oak Harbor, and Toledo, Ohio, and an apartment complex for the elderly and disabled in Whitehouse, Ohio. The MOMI projects were financed in part by HUD and USDA Rural Development (USDA RD) and are subject to regulation by HUD and USDA RD.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 1–Nature of business and organization - continued**

Lutheran Social Services of Northwestern Ohio (LSS) is a not-for-profit organization established in 1911. LSS provides social services in areas such as mental health, substance use disorders, financial counseling, food assistance, and other stability programs in Northwest Ohio and Southeast Michigan.

**Note 2–Summary of significant accounting and reporting policies**

**Basis of presentation and consolidation**

The accompanying financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities* (ASC 958), to be in accordance with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of LMM and its affiliates: FMHM, Fulfilling Housing, LHM, MOMI, and LSS (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

**Operating expenses in excess of operating revenues**

The consolidated statements of activities and changes in net assets includes operating expenses in excess of operating revenues. Changes in net assets which are excluded from operating expenses in excess of operating revenues, consistent with industry practice, include contributions restricted for long-term purposes and other nonoperating activity.

**Use of estimates**

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. The Organization maintains deposits in federally insured financial institutions. At times, these deposits exceed federally insured limits; however, management monitors the soundness of these financial institutions and believes the Organization's risk is negligible.

**Net service accounts receivable**

Accounts receivable from residents and governmental agencies are recorded at the amount expected to be collected. In evaluating the collectability of accounts receivable, the Organization makes an assessment of all amounts that remain unpaid following normal payment periods. In the opinion of management, adequate provisions have been made for any amounts deemed uncollectable for potential bad debts, billing adjustments, and any adjustments that may result from audits and settlements by governmental agencies. The Organization has a significant concentration of its net service accounts receivable due from Medicaid. At December 31, 2021 and 2020, accounts receivable due from Medicaid made up 95 percent of total net service accounts receivable.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 2—Summary of significant accounting and reporting policies – continued**

**Resident funds**

The Organization maintains various bank accounts for deposits and disbursements for the residents' personal expenses. These funds are assets of the residents. At December 31, 2021 and 2020, the funds totaled \$543,667 and \$697,012, respectively, with a liability of equal amounts shown in the consolidated statements of financial position.

**Property and equipment**

Property and equipment amounts are recorded at cost. Donated property and equipment is recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Gifts of long-lived assets such as land, buildings, or equipment are reported as contributions without donor restriction, and are excluded from the excess of expenses over revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Paycheck Protection Program loans**

In March 2020, passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA) to provide forgivable loans to qualifying entities. The Organization has elected to record PPP loans in accordance with FASB ASC Topic 470: *Debt* (ASC 470). The full amount of PPP loan proceeds is recognized as long-term liabilities on the consolidated statement of financial position until the loans are partly or wholly forgiven by the SBA. PPP loan forgiveness income is recognized when the Organization's applications for forgiveness are approved. See Note 8.

**Net assets without donor restrictions**

Net assets without donor restrictions consist of all the resources and obligations related to the daily operations of the Organization.

**Net assets with donor restrictions**

Net assets with donor restrictions contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization. Net assets with donor restrictions that are perpetual in nature result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on net assets with donor restrictions are classified as without donor restriction, unless specifically restricted by the donor or by applicable state law.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 2—Summary of significant accounting and reporting policies – continued**

**Net service revenue**

The Organization recognizes revenue from contracts with customers in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 prescribes the following five-step model for recognizing revenue, the application of which may require significant judgment: 1) Identify the contracts; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; and 5) Recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization reports net service revenue at the amount the Organization expects to be entitled in exchange for provided individual care. These amounts are due from individuals and third-party payers (including government programs) and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Generally, the Organization bills all payers subsequent to services being provided. Revenues are recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. The Organization's service revenues primarily represent services that are bundled and treated as a single performance obligation satisfied over time as services are provided.

The Organization determines transaction price based on contractually agreed-upon amounts or rates. The Organization utilizes the expected value method to determine the amount of variable consideration that should be included to arrive at the transaction price. The Organization assesses collectability on all accounts prior to providing the services.

The Organization derives a significant concentration of its net service revenue through participation in the Medicaid program. For the years ended December 31, 2021 and 2020, Medicaid revenue as a percentage of total net service revenue was approximately 97 percent. Amounts earned under the Medicaid program are subject to review and audit by the third-party payers.

The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant changes in rates, or the payment system itself, could have a material impact on future Medicaid funding.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretations, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicaid program.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 2—Summary of significant accounting and reporting policies – continued**

**Net service revenue – continued**

The following paragraphs describe the reimbursement systems in place pertaining to certain Organization net service revenue sources:

**ICF/IID revenue**

Residential services provided at intermediate care facilities for individuals with intellectual disabilities (ICF/IID) are billed through a prospective Medicaid reimbursement system in Ohio, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year.

**Waiver revenue**

The Ohio Department of Developmental Disabilities (DODD) issues waivers for the fee-based reimbursement of services provided for home and community-based services, including supported living and day habilitation services. Reimbursement for individuals served through this waiver program is based on a profiling mechanism which places the individual receiving services into a funding range. DODD determines the rate at which providers are reimbursed for each range of services.

Opening balances of net service accounts receivable as of January 1, 2021 and January 1, 2020 were \$3,514,312 and \$3,075,941, respectively.

**Rental income**

Fulfilling Housing and MOMI projects are designated for occupancy by eligible low-income tenants, subject to a project rental assistance contract. The tenants are charged rental amounts based on a percentage of their income, and HUD or USDA RD subsidizes any shortfall from approved rates. Any tenant whose income is above the USDA RD income threshold will pay rent in excess of the USDA RD approved rates; the excess is required to be paid to USDA RD each month in the form of overage payments.

**Grant and contribution revenue**

The Organization recognizes grant and contribution revenue in accordance with ASC Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition* (ASC 958-605), which requires an entity to determine whether a contribution is conditional on the basis of whether the transaction includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Unconditional contributions are recognized as revenue when received or promised. Contributions with donor restrictions whose restriction are met in the same year are recognized as contributions without donor restrictions. Conditional contributions are recorded as liabilities and recognized as revenue in the period conditions are met.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 2—Summary of significant accounting and reporting policies – continued**

**Rebates and refunds**

Rebates and refunds received from the Ohio Bureau of Worker's Compensation are recorded in accordance with ASC 958-605. Rebates and refunds received are not conditional and are recognized in the period received.

**Donated services**

No amounts have been reflected in the consolidated financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs related to resident care and activities.

**Functional allocation of expenses**

The costs of providing various programs and support services have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, these expenses are charged to program, general and administrative, and fundraising expenses based on management allocation. Most expenses, including salaries and related expenses, are charged directly to the program or support cost center benefited at the time of the expenditure and no additional allocation of expenses is required. Other costs are allocated based on the percentage of total salaries and related expenses directly charged to program, general and administrative, and fundraising cost centers. The allocated costs include contract services, utilities, repairs and maintenance, household supplies, insurance, communication, travel and education, minor equipment and office expense, rent, dues and subscriptions, interest, other expenses, and depreciation.

**Tax status**

All entities within the Organization are not-for-profit entities as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Management of the Organization is required to determine whether tax positions of the Organization are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

Management of the Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). The Organization's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.



**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 2—Summary of significant accounting and reporting policies – continued**

**Upcoming accounting pronouncements**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. Management is currently evaluating the impact of ASU 2020-07 on its consolidated financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Recognition and presentation of expenses will depend on the classification of the lease as either finance or operating. ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of the Organization's leasing activities. ASU 2016-02, as amended by ASU 2020-05, is effective for fiscal years beginning after December 15, 2021, with early adoption permitted and is to be applied retrospectively. Management is currently evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

**Reclassifications**

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year.

**Subsequent events**

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2021, through September 13, 2022, which is the date the consolidated financial statements were available to be issued and have determined that there are no subsequent events that require recognition or disclosure.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 3—Cash, cash equivalents, and cash restricted as to use for statement of cash flows**

The following table provides a reconciliation of cash, cash equivalents, and cash restricted as to use as presented in the consolidated statements of cash flows at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,234,595	\$ 4,796,527
Cash restricted as to use:		
Replacement reserve	355,075	346,617
Tenant security deposits	22,672	23,084
Other escrow and reserve	21,932	21,926
Bank-restricted loan proceeds for construction draws	889,236	0
Donor-restricted for capital expenditure	18,476	29,602
Total cash restricted as to use	<u>1,307,391</u>	<u>421,229</u>
Total cash, cash equivalents, and cash restricted as to use	<u>\$ 3,541,986</u>	<u>\$ 5,217,756</u>

**Replacement reserve**

HUD and USDA RD require MOMI and Fulfilling Housing entities to make monthly or annual funding payments to a reserve account. These funds are to be used for replacement of property with the approval of HUD or USDA RD. Payments to this reserve totaled approximately \$54,000 for both years ended December 31, 2021 and 2020. Withdrawals approved by HUD and USDA RD amounted to approximately \$56,000 and \$48,000 for years ended December 31, 2021 and 2020, respectively.

**Note 4—Interest in net assets of supporting foundations**

FMHM, LHM, and LSS have established separately governed foundations (Filling Home (FH) Foundation, LHM Foundation, and LSS Foundation, respectively) with the purpose of supporting their respective agencies by maintaining and generating private sources of funding and contributions. These proceeds and contributions are used for the direct benefit of their respective supported agencies at the discretion of the foundations' boards of directors.

As these foundations hold contributions and investments for the benefit of their respective supported organization, FASB ASC Topic, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, requires that FMHM, LHM, and LSS recognize an asset (interest in net assets of supporting foundations) equal to the total net assets of their supporting foundation.

The Organization's interest in the net assets of supporting foundations at December 31 is as follows:

	<u>2021</u>	<u>2020</u>
FMHM interest in net assets of FH Foundation	\$ 5,464,721	\$ 4,922,432
LHM interest in net assets of LHM Foundation	8,610,661	8,456,330
LSS interest in net assets of LSS Foundation	4,547,884	3,864,878
Total interest in net assets of supporting foundations	<u>\$ 18,623,266</u>	<u>\$ 17,243,640</u>

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 4—Interest in net assets of supporting foundations – continued**

Each year the Organization’s interest in the net assets of supporting foundations is adjusted, and the change is recognized on the consolidated statement of activities and changes in net assets. The change in interest in net assets of supporting foundations for the years ended December 31 is as follows:

	<u>2021</u>	<u>2020</u>
FMHM change in interest in net assets of FH Foundation	\$ 542,289	\$ 1,126,221
LHM change in interest in net assets of LHM Foundation	154,331	2,429,167
LSS change in interest in net assets of LSS Foundation	683,006	806,028
Total change in interest in net assets of supporting foundations	<u>\$ 1,379,626</u>	<u>\$ 4,361,416</u>

Accounts receivable from and payable to supporting foundations at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
FMHM accounts receivable from FH Foundation	\$ 443,466	\$ 110,462
LHM accounts receivable from LHM Foundation	192,117	1,268
Total accounts receivable from supporting foundations	<u>\$ 635,583</u>	<u>\$ 111,730</u>
LMM accounts payable to FH Foundation	\$ 0	\$ 43,309
LMM accounts payable to LHM Foundation	0	48,170
LMM accounts payable to LSS Foundation	0	40,979
Fulfilling Housing accounts payable to FH Foundation	135,757	146,355
MOMI accounts payable to LHM Foundation	10,000	10,000
LSS accounts payable to LSS Foundation	310,011	268,418
Total accounts payable to supporting foundations	<u>\$ 455,768</u>	<u>\$ 557,231</u>

Transactions with supporting foundations for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
FMHM contributions from FH Foundation	\$ 350,328	\$ 379,877
LHM contributions from LHM Foundation	1,355,614	337,940
MOMI contributions from LHM Foundation	14,083	0
LSS contributions from LSS Foundation	31,000	140,942
Total contributions from supporting foundations	<u>\$ 1,751,025</u>	<u>\$ 858,759</u>
FMHM contributions to FH Foundation	\$ 0	\$ 750,000
LHM contributions to LHM Foundation	0	1,000,000
Total contributions to supporting foundations	<u>\$ 0</u>	<u>\$ 1,750,000</u>
Management services paid by FH Foundation to FMHM	\$ 30,000	\$ 6,000
Management services paid by LHM Foundation to LHM	4,200	4,200
Total management service payments from supporting foundations, included in other operating revenue	<u>\$ 34,200</u>	<u>\$ 10,200</u>

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 5—Property and equipment**

Property and equipment are summarized as follows at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,640,207	\$ 1,640,207
Land improvements	1,798,850	1,797,778
Building and building improvements	41,201,319	40,383,168
Transportation equipment	2,406,762	2,385,169
Furniture and fixtures	4,761,641	4,474,578
Equipment	7,542,918	6,830,105
Construction in progress	655,456	1,700
	<u>Total cost</u>	<u>57,512,705</u>
Less accumulated depreciation	40,531,261	38,756,194
	<u>Net carrying amount</u>	<u>\$ 18,756,511</u>

Depreciation expense on property and equipment totaled \$1,990,884 and \$1,958,936 for the years ended December 31, 2021 and 2020, respectively.

**Note 6—Lines of credit**

FMHM has a line of credit with a bank for \$300,000 which expires December 2022 and is guaranteed by the FH Foundation. The outstanding balance on the line of credit bears interest at a fixed rate of 4.25%. The balance outstanding on the line of credit at December 31, 2021 and 2020 was \$0 and \$10,292, respectively.

LSS has a line of credit with a bank for \$250,000 that is secured by substantially all the assets of LSS and LSS Foundation. The outstanding balance on the line of credit bears interest at a variable rate equal to the bank's prime rate plus 0.25% (3.50% at December 31, 2021 and 2020). The balance outstanding on the line of credit at December 31, 2021 and 2020 was \$235,000 and \$70,000, respectively.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 7—Long-term debt**

The Organization has the following long-term debt at December 31:

	<b>2021</b>	<b>2020</b>
MOMI - Various mortgages payable to USDA RD maturing in 2046 bearing interest at a fixed rate of 3.25%, payable in monthly installments of principal and interest totaling approximately \$420, plus rent overages. Additional monthly installments totaling approximately \$1,200 are deferred until 2036 under the terms of certain mortgage agreements. The mortgages are collateralized by MOMI real estate.	\$ 470,899	\$ 472,091
LMM - Mortgage payable to an individual bearing interest at a fixed rate of 1.3%, payable in monthly installments of principal and interest of \$4,081. The mortgage was paid off in May 2021.	0	20,337
LHM - Loan payable to a bank maturing in 2036 bearing interest at 4.125%, payable in monthly installments of principal and interest of \$6,715 until 2031, at which time monthly payments will be adjusted to accrue interest at the U.S. 10-Year Treasury rate, plus 2.75%, with a minimum rate of 4.125%. The loan is collateralized by LHM real estate.	886,687	0
Total long-term debt	1,357,586	492,428
Less current portion	45,970	21,529
Less debt issuance costs, net of amortization	14,640	15,250
Total long-term debt, net of current portion and debt issuance costs	\$ 1,296,976	\$ 455,649

Interest charged to expense, including amortization of debt issuance costs of \$610 and \$6,467, was \$63,606 and \$51,724 for the years ended December 31, 2021 and 2020, respectively.

Future maturities of long-term debt are as follows for the years ending December 31:

2022	\$	45,970
2023		47,890
2024		49,893
2025		51,618
2026		54,152
Thereafter		1,108,063
Total	\$	1,357,586

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 8—Paycheck Protection Program loans**

During 2020, the Organization applied for and received forgivable PPP loans totaling \$4,380,769. Under the terms of the program, PPP loans and accrued interest are eligible for forgiveness if certain requirements, including the use of proceeds on qualified expenses during the coverage period, are met. During 2021, the SBA approved full forgiveness of the PPP loans and the Organization recognized \$4,380,769 in other income on the consolidated statement of activities and changes in net assets for the year ended December 31, 2021.

**Note 9—Net assets with donor restrictions**

Net assets with donor restrictions at December 31 consists of the following:

	<u>2021</u>	<u>2020</u>
LMM - Purpose-restricted: scholarships	\$ 41,046	\$ 45,846
FMHM - Purpose-restricted: operating and program activities	121,178	28,888
FMHM - Purpose-restricted: capital expenditures	18,476	29,602
Fulfilling Housing - Purpose and time-restricted: HUD capital advance	3,012,000	3,012,000
LHM - Purpose and time-restricted: operating and program activities	135,244	142,686
LHM - Purpose-restricted: capital expenditures	74,669	43,175
LHM - Purpose-restricted: kitchen facility construction	577,383	500,000
MOMI - Purpose and time-restricted: HUD capital advance	5,979,300	5,979,300
MOMI - Purpose and time-restricted: City of Toledo capital advance	137,150	137,150
LSS - Purpose and time-restricted: operating and program activities	54,651	125,562
Total - Purpose and time-restricted	<u>10,151,097</u>	<u>10,044,209</u>
LHM - Perpetual in nature: beneficial interest in perpetual trusts	964,596	845,947
LSS - Perpetual in nature: endowment fund	239,478	239,478
Total – Perpetual in nature restricted	<u>1,204,074</u>	<u>1,085,425</u>
Total net assets with donor restrictions	<u>\$ 11,355,171</u>	<u>\$ 11,129,634</u>

In addition to the above net assets with donor restrictions, the consolidated statements include net assets of the respective supporting foundations. See Note 4. The FH, LHM and LSS Foundations each have a separate and independent board that governs the use of the respective net assets for the respective agency. Net assets with donor restrictions that are perpetual in nature are held at the respective supporting foundations and are restricted in perpetuity by donor.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 9—Net assets with donor restrictions – continued**

Fulfilling Housing and several MOMI entities entered into capital advance agreements with HUD under the Section 811 Supportive Housing Program. The capital advances bear no interest and are not required to be repaid as long as the related housing projects remain available to eligible, very low-income, disabled households for a period of 40 years in accordance with Section 811. Failure to comply with HUD requirements would result in HUD requiring repayment of the entire capital advance outstanding plus interest since the date of the first advance. Management of Fulfilling Housing and MOMI intends to comply with the requirements of Section 811 and considers the likelihood of repayment to be remote. These amounts have been included in net assets with donor restrictions at December 31, 2021 and 2020 and will be reclassified to net assets without donor restrictions after the 40-year restriction has expired.

Net assets released from restrictions for the years ending December 31 consists of the following:

	<u>2021</u>	<u>2020</u>
LMM - Purpose-restricted: scholarships	\$ 5,000	\$ 0
FMHM - Purpose-restricted: operating and program activities	274,305	10,245
FMHM - Purpose-restricted: capital expenditures	120	29,698
LHM - Purpose and time-restricted: operating and program activities	34,881	67,537
LHM - Purpose-restricted: capital expenditures	36,126	1,833
LSS - Purpose and time-restricted: operating and program activities	130,105	263,424
Total net assets restrictions released	<u>\$ 480,537</u>	<u>\$ 372,737</u>

**Note 10—Net service revenue**

Total net service revenue for the years ending December 31 consists of the following revenue streams:

	<u>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>
ICF/IID	\$ 20,397,674	67%	\$ 22,068,966	68%
Supported living	7,543,603	25%	8,017,673	25%
Day habilitation	1,506,704	5%	1,402,540	4%
Counseling and therapy	800,134	2%	723,275	2%
Other services	222,293	1%	366,946	1%
Total net service revenue	<u>\$ 30,470,408</u>	<u>100%</u>	<u>\$ 32,579,400</u>	<u>100%</u>

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 11—Retirement plans**

**Defined contribution plans**

FMHM, LHM, and LSS have 403(b) defined contribution pension plans which covers employees who meet certain eligibility requirements. Under the provisions of the plans FMHM, LHM, and LSS make contributions matching half of each employee's contributions up to 3%, 2%, and 5% of the employee's annual compensation, respectively.

Contributions to the plans totaled \$175,573 and \$162,904 for the years ended December 31, 2021 and 2020, respectively, and are included in employee benefits on the consolidated statement of functional expenses.

**Multiple employer defined benefit plan**

Prior to January 1, 2004, LSS's employees participated in a multiple employer defined benefit pension plan sponsored by the United Way of Greater Toledo (the Plan). Effective January 1, 2004, the United Way of Greater Toledo amended the Plan to freeze participant benefit accruals as of December 31, 2003.

As of January 1, 2020 (the most recent valuation available) the fair value of the Plan's assets exceeded the actuarial present value of the Plan's accumulated benefit obligations. Although the present value of benefits was less than assets, the Plan administrator required contributions from participating affiliates in both 2021 and 2020. Contributions in future years may be required in order for the Plan to meet required minimum funding levels. In addition, LSS may be required to provide additional funding to the extent that other participating employers do not meet their funding obligations.

LSS's allocated share of the minimum required contribution was \$8,823 and \$56,426 for the years ended December 31, 2021 and 2020, respectively. These amounts are included in employee benefits on the accompanying consolidated statements of functional expenses. The liability, presented on the consolidated statements of financial position in accrued compensation and related liabilities, was \$19,381 and \$83,761 as of December 31, 2021 and 2020, respectively.



**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 11—Retirement plans – continued**

**Multiemployer defined benefit plan**

LHM contributes to a multiemployer defined benefit plan for employees covered under union collective bargaining agreement. LHM made contributions to this plan of \$47,928 and \$46,352 for the years ended December 31, 2021 and 2020, respectively. While contributions are based on fixed hourly rates, federal laws (the Employee Retirement Income Security Act of 1974 as amended by the Multiemployer Pension Plan Amendments Act of 1980) impose certain contingent liabilities on contributors to multiemployer plans such as this.

In the event of withdrawal from the plan and under certain other conditions, a contributor to a multiemployer plan may be liable to the plan in accordance with formulas established by law. The position of LHM relative to other contributors to the multiemployer plan has not been determined with respect to plan assets and accumulated benefits.

LHM’s participation in the multiemployer plan for the years ended December 31, 2021 and 2020 is outlined in the table below. The “EIN/PN” column provides the Employee Identification Number (EIN) and the three-digit plan number (PN). The most recent Pension Protection Act zone status available for 2021 and 2020 is for the plan years as indicated below. The zone status is based on information that LHM received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded. The “FIP/RP Status Pending/Implemented” column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. In addition to regular plan contributions, LHM may be subject to a surcharge if the plan is in the red zone. The “Surcharge Imposed” column indicates whether a surcharge has been imposed on contributions to the plan. The last column lists the expiration date of the collective bargaining agreement to which the plan is subject.

Pension Plan	EIN/PN	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions by LHM		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2021	2020		2021	2020		
SEIU National Industry Pension Plan	52-6148540	Red	Red	Yes	\$47,928	\$46,352	Yes	09/30/2022

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 12–Governmental relief for COVID-19**

The Organization received funding from multiple governmental sources in response to the COVID-19 pandemic. These funds are not subject to repayment, provided the Organization is able to attest to its compliance with the terms and conditions of the funding, including demonstrating that the funds have been used for qualifying expenses or lost revenue attributable to COVID-19.

Governmental relief for COVID-19 by source for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Coronavirus Relief Fund – CARES Act	\$ 0	\$ 1,256,104
Provider Relief Fund – CARES Act	4,956	0
Ohio Department of Developmental Disabilities	357,259	345,887
Federal Emergency Management Agency	0	178,165
Families First Coronavirus Response Act	0	77,434
Ohio Department of Public Safety	0	59,386
Total	<u>\$ 362,215</u>	<u>\$ 1,916,976</u>

Management monitors compliance with the terms and conditions of the funding, which are complex and subject to interpretation and change. The funds are subject to government oversight, including potential audits.

**Note 13–Employee Retention Credit**

The CARES Act contained provisions for an Employee Retention Credit (ERC), which is a refundable payroll credit. The Organization recorded \$6,342,605 for the year ended December 31, 2021, in other income on the consolidated statement of activities and changes in net assets. As of December 31, 2021, the Organization applied \$1,307,723 of the ERC to quarterly payroll taxes due and requested a refund for the remaining \$5,034,882 of the ERC, which is presented as Employee Retention Credit receivable on the consolidated statement of financial position as of December 31, 2021. The revenue recognized from the ERC is considered a contribution in accordance with ASC 958-605. Management of the Organization believes that all conditions and eligibility requirements to qualify to receive the credit have been met as of December 31, 2021. The terms and conditions governing the ERC are complex and subject to government oversight, including potential audits.

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2021 and 2020**

**Note 14–Liquidity and availability of financial assets**

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,234,595	\$ 4,796,527
Net service accounts receivable	3,467,291	3,514,312
Other accounts receivable	213,159	425,843
Accounts receivable from supporting foundations	635,583	111,730
Investments	3,262	3,262
Total	<u>\$ 6,553,890</u>	<u>\$ 8,851,674</u>

Supporting foundations maintain certain investments that may be requested to meet operational needs of their respective Organizations. In addition to the lines of credit available as disclosed in Note 6, LHM Foundation has available a line of credit in the amount of \$2,000,000 and \$2,500,000 at December 31, 2021 and 2020, respectively, which could be drawn upon and advanced to the Organization in the event of an unanticipated liquidity need.

**Note 15–Risks and uncertainties**

The Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an Act of Congress, or an administrative change mandated by any regulatory agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

As a result of the continued spread of COVID-19 during 2021, economic uncertainties have arisen and continue as of the date of the consolidated financial statements. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the Organization’s clients, employees, donors, and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Organization’s financial condition or results of operations is uncertain.

**SUPPLEMENTARY INFORMATION**



**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2020**

ASSETS	LMM											Eliminations	Total
	LMM	FMHM	Fulfilling Housing	FMHM Eliminations	FMHM Total	LHM	MOMI	LHM Eliminations	LHM Total	LSS			
<b>Current assets</b>													
Cash and cash equivalents	\$ 5,204	\$ 1,382,997	\$ 71,445	\$ 0	\$ 1,454,442	\$ 2,978,450	\$ 80,856	\$ 0	\$ 3,059,306	\$ 277,575	\$ 0	\$ 4,796,527	
Net service accounts receivable		1,830,726			1,830,726	1,650,904			1,650,904	32,682		3,514,312	
Other accounts receivable	100,000	57,575	19,688		77,263	43,834	10,706		54,540	194,040		425,843	
Accounts receivable from related parties and foundations	131,968	431,352		(320,890)	110,462	87,592		(58,168)	29,424		(160,124)	111,730	
Employee Retention Credit receivable					0				0			0	
Prepaid expenses and other current assets	59,579	89,168	8,780		97,948	4,840	5,846		10,686	9,612		177,825	
Resident funds		290,299			290,299	406,713			406,713			697,012	
Investments					0				0	3,262		3,262	
Cash restricted as to use		29,602	42,888		72,490		348,739		348,739			421,229	
<b>Total current assets</b>	<b>296,751</b>	<b>4,111,719</b>	<b>142,801</b>	<b>(320,890)</b>	<b>3,933,630</b>	<b>5,172,333</b>	<b>446,147</b>	<b>(58,168)</b>	<b>5,560,312</b>	<b>517,171</b>	<b>(160,124)</b>	<b>10,147,740</b>	
<b>Property and equipment, net</b>	<b>129,600</b>	<b>4,632,166</b>	<b>2,502,279</b>		<b>7,134,445</b>	<b>6,750,341</b>	<b>4,388,904</b>		<b>11,139,245</b>	<b>353,221</b>		<b>18,756,511</b>	
<b>Interest in net assets of supporting foundations</b>		<b>4,922,432</b>			<b>4,922,432</b>	<b>8,456,330</b>			<b>8,456,330</b>	<b>3,864,878</b>		<b>17,243,640</b>	
<b>Other assets</b>					<b>0</b>		<b>375</b>		<b>375</b>	<b>36,591</b>		<b>36,966</b>	
<b>Total assets</b>	<b>\$ 426,351</b>	<b>\$ 13,666,317</b>	<b>\$ 2,645,080</b>	<b>\$ (320,890)</b>	<b>\$ 15,990,507</b>	<b>\$ 20,379,004</b>	<b>\$ 4,835,426</b>	<b>\$ (58,168)</b>	<b>\$ 25,156,262</b>	<b>\$ 4,771,861</b>	<b>\$ (160,124)</b>	<b>\$ 46,184,857</b>	
<b>LIABILITIES AND NET ASSETS</b>													
<b>Current liabilities</b>													
Accounts payable	\$ 20,538	\$ 217,922	\$ 23,066	\$ 0	\$ 240,988	\$ 451,232	\$ 48,942	\$ 0	\$ 500,174	\$ 73,130	\$ 0	\$ 834,830	
Lines of credit		10,292			10,292				0	70,000		80,292	
Resident funds payable		290,299			290,299	406,713			406,713			697,012	
Accounts payable to related parties and foundations	160,614	102,842	467,244	(320,890)	249,196		68,168	(58,168)	10,000	297,545	(160,124)	557,231	
Medicaid franchise fee payable		137,490			137,490	185,969			185,969			323,459	
Accrued compensation and related liabilities	7,004	795,137			795,137	673,036			673,036	130,981		1,606,158	
Deferred revenue			2,646		2,646	2,380	55,757		0	204		60,987	
Other accrued expenses	20,337				0		1,192		58,137			21,529	
Current portion of long-term debt					0		1,192		1,192			2,384	
<b>Total current liabilities</b>	<b>208,493</b>	<b>1,553,982</b>	<b>492,956</b>	<b>(320,890)</b>	<b>1,726,048</b>	<b>1,719,330</b>	<b>174,059</b>	<b>(58,168)</b>	<b>1,835,221</b>	<b>571,860</b>	<b>(160,124)</b>	<b>4,181,498</b>	
<b>Long-term liabilities</b>													
Paycheck Protection Program loans		2,149,700			2,149,700	2,000,000			2,000,000	231,069		4,380,769	
Long-term debt, net of current portion and debt issuance costs					0	0	455,649		455,649			455,649	
<b>Total long term liabilities</b>	<b>0</b>	<b>2,149,700</b>	<b>0</b>	<b>0</b>	<b>2,149,700</b>	<b>2,000,000</b>	<b>455,649</b>	<b>0</b>	<b>2,455,649</b>	<b>231,069</b>	<b>0</b>	<b>4,836,418</b>	
<b>Total liabilities</b>	<b>208,493</b>	<b>3,703,682</b>	<b>492,956</b>	<b>(320,890)</b>	<b>3,875,748</b>	<b>3,719,330</b>	<b>629,708</b>	<b>(58,168)</b>	<b>4,290,870</b>	<b>802,929</b>	<b>(160,124)</b>	<b>9,017,916</b>	
<b>Net assets</b>													
Without donor restrictions	172,012	9,904,145	(859,876)		9,044,269	15,127,866	(1,910,732)		13,217,134	3,603,892		26,037,307	
With donor restrictions	45,846	58,490	3,012,000		3,070,490	1,531,808	6,116,450		7,648,258	365,040		11,129,634	
<b>Total net assets</b>	<b>217,858</b>	<b>9,962,635</b>	<b>2,152,124</b>	<b>0</b>	<b>12,114,759</b>	<b>16,659,674</b>	<b>4,205,718</b>	<b>0</b>	<b>20,865,392</b>	<b>3,968,932</b>	<b>0</b>	<b>37,166,941</b>	
<b>Total liabilities and net assets</b>	<b>\$ 426,351</b>	<b>\$ 13,666,317</b>	<b>\$ 2,645,080</b>	<b>\$ (320,890)</b>	<b>\$ 15,990,507</b>	<b>\$ 20,379,004</b>	<b>\$ 4,835,426</b>	<b>\$ (58,168)</b>	<b>\$ 25,156,262</b>	<b>\$ 4,771,861</b>	<b>\$ (160,124)</b>	<b>\$ 46,184,857</b>	

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2021**

	<u>LMM</u>	<u>FMHM</u>	<u>Fulfilling Housing</u>	<u>FMHM Eliminations</u>	<u>FMHM Total</u>	<u>LHM</u>	<u>MOMI</u>	<u>LHM Eliminations</u>	<u>LHM Total</u>	<u>LSS</u>	<u>Eliminations</u>	<u>Total</u>
<b>Operating revenue</b>												
Net service revenue	\$ 0	\$ 12,405,663	\$ 0	\$ 0	\$ 12,405,663	\$ 17,164,103	\$ 0	\$ 0	\$ 17,164,103	\$ 900,642	\$ 0	\$ 30,470,408
Rental income			193,803		193,803		524,028		524,028			717,831
Grant revenue		99,063			99,063	38,224			38,224	1,607,397		1,645,621
Other operating revenue					0	204,652	1,764		206,416	5,096		310,575
Contributions and donations	1,181				0				0	86,123		87,304
Management fees	1,191,795	12,743		(12,743)	0	44,772		(44,772)	0		(1,191,795)	0
Total operating revenue	1,192,976	12,517,469	193,803	(12,743)	12,698,529	17,451,751	525,792	(44,772)	17,932,771	2,599,258	(1,191,795)	33,231,739
<b>Operating expenses</b>												
Program		12,274,180	234,576	(12,743)	12,496,013	16,094,271	749,510	(44,772)	16,799,009	2,707,390	(48,968)	31,953,444
Support:												
General and administrative	1,063,818	1,759,674	44,220		1,803,894	4,034,641	113,895		4,148,536	279,956	(1,060,784)	6,235,420
Fundraising	82,043	41,022			41,022	41,021			41,021	104,076	(82,043)	186,119
Total operating expenses	1,145,861	14,074,876	278,796	(12,743)	14,340,929	20,169,933	863,405	(44,772)	20,988,566	3,091,422	(1,191,795)	38,374,983
<b>Operating expenses in excess of revenues</b>	47,115	(1,557,407)	(84,993)	0	(1,642,400)	(2,718,182)	(337,613)	0	(3,055,795)	(492,164)	0	(5,143,244)
<b>Other income (expenses)</b>												
Contributions from related parties and foundations		350,328			350,328	1,355,614	14,083		1,369,697	31,000		1,751,025
Rebates and refunds		8,727			8,727				0			8,727
Governmental relief for COVID-19		130,426			130,426	231,789			231,789			362,215
Employee Retention Credit		2,666,853			2,666,853	3,346,818			3,346,818	328,934		6,342,605
Paycheck Protection Program revenue		2,149,700			2,149,700	2,000,000			2,000,000	231,069		4,380,769
Restricted grants and contributions	200	5,261			5,261				0	59,194		64,655
Contributions to related parties and foundations					0				0			0
Investment income			9		9	585	123		708	234		951
Gain (loss) on sale of property and equipment		6,700			6,700	10,662			10,662			17,362
Total other income	200	5,317,995	9	0	5,318,004	6,945,468	14,206	0	6,959,674	650,431	0	12,928,309
<b>Change in net assets before interest in net assets of supporting foundations</b>	47,315	3,760,588	(84,984)	0	3,675,604	4,227,286	(323,407)	0	3,903,879	158,267	0	7,785,065
<b>Change in interest in net assets of supporting foundations</b>		542,289			542,289	154,331			154,331	683,006		1,379,626
<b>Change in net assets</b>	47,315	4,302,877	(84,984)	0	4,217,893	4,381,617	(323,407)	0	4,058,210	841,273	0	9,164,691
<b>Net assets beginning of year</b>	217,858	9,962,635	2,152,124	0	12,114,759	16,659,674	4,205,718	0	20,865,392	3,968,932	0	37,166,941
<b>Net assets end of year</b>	\$ 265,173	\$ 14,265,512	\$ 2,067,140	\$ 0	\$ 16,332,652	\$ 21,041,291	\$ 3,882,311	\$ 0	\$ 24,923,602	\$ 4,810,205	\$ 0	\$ 46,331,632

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2020**

	<u>LMM</u>	<u>FMHM</u>	<u>Fulfilling Housing</u>	<u>FMHM Eliminations</u>	<u>FMHM Total</u>	<u>LHM</u>	<u>MOMI</u>	<u>LHM Eliminations</u>	<u>LHM Total</u>	<u>LSS</u>	<u>Eliminations</u>	<u>Total</u>
<b>Operating revenue</b>												
Net service revenue	\$ 0	\$ 12,927,088	\$ 0	\$ 0	\$ 12,927,088	\$ 18,850,808	\$ 0	\$ 0	\$ 18,850,808	\$ 801,504	\$ 0	\$ 32,579,400
Rental income	26,228		221,375		221,375		482,303		482,303		(20,403)	709,503
Grant revenue		2,250			2,250	22,284			22,284	1,019,566		1,044,100
Other operating revenue	3,410	82,578	4,149		86,727	188,481	4,991		193,472	72,176		355,785
Contributions and donations	3,922				0				0	111,629		115,551
Management fees	830,799	13,628		(13,628)	0	45,189		(45,189)	0		(830,799)	0
Total operating revenue	864,359	13,025,544	225,524	(13,628)	13,237,440	19,106,762	487,294	(45,189)	19,548,867	2,004,875	(851,202)	34,804,339
<b>Operating expenses</b>												
Program		12,205,046	222,999	(13,628)	12,414,417	16,399,247	756,557	(45,189)	17,110,615	2,292,972	(69,371)	31,748,633
Support:												
General and administrative	683,451	1,677,199	62,629		1,739,828	3,367,634	116,990		3,484,624	303,779	(707,885)	5,503,797
Fundraising	73,946	36,973			36,973	36,973			36,973	87,254	(73,946)	161,200
Total operating expenses	757,397	13,919,218	285,628	(13,628)	14,191,218	19,803,854	873,547	(45,189)	20,632,212	2,684,005	(851,202)	37,413,630
<b>Operating expenses in excess of revenues</b>	106,962	(893,674)	(60,104)	0	(953,778)	(697,092)	(386,253)	0	(1,083,345)	(679,130)	0	(2,609,291)
<b>Other income (expenses)</b>												
Contributions from related parties and foundations		379,877			379,877	337,940	171,721	(171,721)	337,940	140,942		858,759
Rebates and refunds		774,037			774,037	1,363,989			1,363,989			2,138,026
Governmental relief for COVID-19		739,285			739,285	1,177,691			1,177,691			1,916,976
Employee Retention Credit					0				0			0
Paycheck Protection Program revenue					0				0			0
Restricted grants and contributions	108	1,000			1,000				0	169,954		171,062
Contributions to related parties and foundations		(750,000)			(750,000)	(1,171,721)		171,721	(1,000,000)			(1,750,000)
Investment income		19	79		98	1,139	173		1,312	456		1,866
Gain (loss) on sale of property and equipment		200			200	525	(161)		364			564
Total other income	108	1,144,418	79	0	1,144,497	1,709,563	171,733	0	1,881,296	311,352	0	3,337,253
<b>Change in net assets before interest in net assets of supporting foundations</b>	107,070	250,744	(60,025)	0	190,719	1,012,471	(214,520)	0	797,951	(367,778)	0	727,962
<b>Change in interest in net assets of supporting foundations</b>		1,126,221			1,126,221	2,429,167			2,429,167	806,028		4,361,416
<b>Change in net assets</b>	107,070	1,376,965	(60,025)	0	1,316,940	3,441,638	(214,520)	0	3,227,118	438,250	0	5,089,378
<b>Net assets beginning of year</b>	110,788	8,585,670	2,212,149	0	10,797,819	13,218,036	4,420,238	0	17,638,274	3,530,682	0	32,077,563
<b>Net assets end of year</b>	\$ 217,858	\$ 9,962,635	\$ 2,152,124	\$ 0	\$ 12,114,759	\$ 16,659,674	\$ 4,205,718	\$ 0	\$ 20,865,392	\$ 3,968,932	\$ 0	\$ 37,166,941



**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2021

	Program							Total Program
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	
Salaries and wages	\$ 0	\$ 7,752,652	\$ 38,813	\$ 9,424,783	\$ 23,180	\$ 1,056,525	\$ 0	\$ 18,295,953
Employee benefits		864,082		1,093,231	1,887	94,405		2,053,605
Payroll taxes		701,044	2,118	751,073	1,430	87,814		1,543,479
Total salaries and related expenses	0	9,317,778	40,931	11,269,087	26,497	1,238,744	0	21,893,037
Contract services		317,923	51,916	1,018,564	221,086	96,868		1,706,357
State mandated fees		537,475		715,721				1,253,196
Medical costs and supplies		197,232		479,542				676,774
Utilities		218,650	29,004	293,743	86,628	28,193		656,218
Specific assistance to individuals						948,010		948,010
Repairs and maintenance		218,201	4,901	325,403	38,692	53,812		641,009
Food costs and supplies		210,697		357,651		14,433		582,781
Activity and habilitation supplies		70,069		369,238				439,307
Household supplies		132,134		53,613		(820)		184,927
Insurance		100,959	5,744	111,875	29,282	260		248,120
Communication		109,799		85,304		38,411		233,514
Travel and education		99,850		83,647		10,537		194,034
Minor equipment and office expense		76,531		67,941		59044		203,516
Promotion and development						7,795		7,795
Rent		14,094		67,242		69,229	(48,968)	101,597
Dues and subscriptions		76,068		38,893		6,163		121,124
Interest expense		3,878		10,740		2,580		17,198
Recruitment								0
Other expenses		12,344	13,342	58,720	17,014	90,956	(57,515)	134,861
Total functional expenses before depreciation	0	11,713,682	145,838	15,406,924	419,199	2,664,215	(106,483)	30,243,375
Depreciation		560,498	88,738	687,347	330,311	43,175		1,710,069
Total functional expenses	<u>\$ 0</u>	<u>\$ 12,274,180</u>	<u>\$ 234,576</u>	<u>\$ 16,094,271</u>	<u>\$ 749,510</u>	<u>\$ 2,707,390</u>	<u>\$ (106,483)</u>	<u>\$ 31,953,444</u>

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED**  
**For the Year Ended December 31, 2021**

	General and Administrative							Total General and Administrative
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	
Salaries and wages	\$ 375,920	\$ 1,130,471	\$ 17,604	\$ 2,543,033	\$ 16,880	\$ 116,877	\$ (375,920)	\$ 3,824,865
Employee benefits	49,694	156,154	5,248	390,682	1,766	55,423	(49,694)	609,273
Payroll taxes	34,329	105,367	1,678	191,936	1,339	17,229	(34,329)	317,549
Total salaries and related expenses	459,943	1,391,992	24,530	3,125,651	19,985	189,529	(459,943)	4,751,687
Contract services	169,804	48,822	975	273,098	34,805	780	(169,770)	358,514
State mandated fees								0
Medical costs and supplies								0
Utilities	13,902	32,672		78,084			(13,902)	110,756
Specific assistance to individuals								0
Repairs and maintenance	17,731	32,605		86,500	8,700	3,145	(17,731)	130,950
Food costs and supplies								0
Activity and habilitation supplies								0
Household supplies		19,744		14,252		820		34,816
Insurance	258,338	15,086		29,739		14,309	(258,338)	59,134
Communication	4,738	16,407		22,676		2,235	(4,738)	41,318
Travel and education	26,076	14,920		22,235		3,251	(26,076)	40,406
Minor equipment and office expense	14,199	11,436	18,715	18,060	34,599		(14,199)	82,810
Promotion and development		59,516		134,955		373		194,844
Rent		2,106		17,875		1,232		21,213
Dues and subscriptions	90,407	11,367		10,339		9,883	(90,407)	31,589
Interest expense	67	580		2,855	9,117	33,531	(67)	46,083
Recruitment		16,823						16,823
Other expenses	3,281	1,845		15,609	6,689	8,434	(281)	35,577
Total functional expenses before depreciation	1,058,486	1,675,921	44,220	3,851,928	113,895	267,522	(1,055,452)	5,956,520
Depreciation	5,332	83,753		182,713		12,434	(5,332)	278,900
Total functional expenses	<u>\$ 1,063,818</u>	<u>\$ 1,759,674</u>	<u>\$ 44,220</u>	<u>\$ 4,034,641</u>	<u>\$ 113,895</u>	<u>\$ 279,956</u>	<u>\$ (1,060,784)</u>	<u>\$ 6,235,420</u>

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED**  
For the Year Ended December 31, 2021

	<b>Fundraising</b>								<b>Total Functional Expenses</b>
	<b>LMM</b>	<b>FMHM</b>	<b>Fulfilling Housing</b>	<b>LHM</b>	<b>MOMI</b>	<b>LSS</b>	<b>Eliminations</b>	<b>Total Fundraising</b>	
Salaries and wages	\$ 64,432	\$ 32,216	\$ 0	\$ 32,216	\$ 0	\$ 46,275	\$ (64,432)	\$ 110,707	\$ 22,231,525
Employee benefits						7,356		7,356	2,670,234
Payroll taxes						3,777		3,777	1,864,805
Total salaries and related expenses	64,432	32,216	0	32,216	0	57,408	(64,432)	121,840	26,766,564
Contract services	17,611	8,806		8,805		19,000	(17,611)	36,611	2,101,482
State mandated fees								0	1,253,196
Medical costs and supplies								0	676,774
Utilities								0	766,974
Specific assistance to individuals								0	948,010
Repairs and maintenance						3,693		3,693	775,652
Food costs and supplies								0	582,781
Activity and habilitation supplies								0	439,307
Household supplies								0	219,743
Insurance								0	307,254
Communication						1,143		1,143	275,975
Travel and education						545		545	234,985
Minor equipment and office expense								0	286,326
Promotion and development						1,004		1,004	203,643
Rent						2,075		2,075	124,885
Dues and subscriptions								0	152,713
Interest expense						325		325	63,606
Recruitment								0	16,823
Other expenses						16,968		16,968	187,406
Total functional expenses before depreciation	82,043	41,022	0	41,021	0	102,161	(82,043)	184,204	36,384,099
Depreciation						1,915	0	1,915	1,990,884
Total functional expenses	<u>\$ 82,043</u>	<u>\$ 41,022</u>	<u>\$ 0</u>	<u>\$ 41,021</u>	<u>\$ 0</u>	<u>\$ 104,076</u>	<u>\$ (82,043)</u>	<u>\$ 186,119</u>	<u>\$ 38,374,983</u>

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2020

	Program							Total Program
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	
Salaries and wages	\$ 0	\$ 7,663,446	\$ 26,635	\$ 9,377,552	\$ 23,203	\$ 940,812	\$ 0	\$ 18,031,648
Employee benefits		897,082		1,060,794	1,891	70,636		2,030,403
Payroll taxes		708,488	2,232	844,004	1,447	78,371		1,634,542
Total salaries and related expenses	0	9,269,016	28,867	11,282,350	26,541	1,089,819	0	21,696,593
Contract services		333,144	50,466	897,110	197,585	72,657		1,550,962
State mandated fees		558,663		779,022				1,337,685
Medical costs and supplies		202,815		645,479				848,294
Utilities		227,407	30,159	297,572	84,719	26,842		666,699
Specific assistance to individuals						739,441		739,441
Repairs and maintenance		192,831	4,178	327,591	46,044	43,388		614,032
Food costs and supplies		195,727		394,052		19,444		609,223
Activity and habilitation supplies		53,825		427,985				481,810
Household supplies		194,970		70,644				265,614
Insurance		92,754	8,301	149,948	28,380			279,383
Communication		115,571		79,595		31,115		226,281
Travel and education		89,712		87,864		14,219		191,795
Minor equipment and office expense		47,261		91,188		42,091		180,540
Promotion and development						19,241		19,241
Rent		11,396		68,202		80,105	(69,371)	90,332
Dues and subscriptions		38,437		27,645		896		66,978
Interest expense		3,283		8,108		420		11,811
Recruitment								0
Other expenses		10,859	13,716	83,727	15,949	87,086	(58,817)	152,520
Total functional expenses before depreciation	0	11,637,671	135,687	15,718,082	399,218	2,266,764	(128,188)	30,029,234
Depreciation		567,375	87,312	681,165	357,339	26,208		1,719,399
Total functional expenses	\$ 0	\$ 12,205,046	\$ 222,999	\$ 16,399,247	\$ 756,557	\$ 2,292,972	\$ (128,188)	\$ 31,748,633

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED**  
**For the Year Ended December 31, 2020**

	General and Administrative							Total General and Administrative
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	
Salaries and wages	\$ 257,584	\$ 1,099,162	\$ 36,610	\$ 2,129,612	\$ 21,139	\$ 82,907	\$ (234,965)	\$ 3,392,049
Employee benefits	55,750	155,972	4,482	385,467	1,769	75,865	(55,750)	623,555
Payroll taxes	21,995	93,102	1,758	149,579	1,354	6,874	(21,996)	252,666
Total salaries and related expenses	<u>335,329</u>	<u>1,348,236</u>	<u>42,850</u>	<u>2,664,658</u>	<u>24,262</u>	<u>165,646</u>	<u>(312,711)</u>	<u>4,268,270</u>
Contract services	85,537	45,429	975	196,926	35,161	40,673	(85,537)	319,164
State mandated fees								0
Medical costs and supplies								0
Utilities	8,172	31,010		65,321			(8,172)	96,331
Specific assistance to individuals								0
Repairs and maintenance	16,070	26,295		71,910	8,700	3,453	(16,072)	110,356
Food costs and supplies								0
Activity and habilitation supplies								0
Household supplies		26,587		15,507				42,094
Insurance	184,771	12,648		32,916		13,433	(184,771)	58,997
Communication	2,631	15,760		17,472		1,584	(2,631)	34,816
Travel and education	9,255	12,233		19,287		2,911	(9,206)	34,480
Minor equipment and office expense	9,431	6,445	18,804	20,017	35,947	8,532	(8,096)	91,080
Promotion and development		48,231		71,861		602		120,694
Rent		1,554		14,971		270		16,795
Dues and subscriptions	7,039	5,241		6,069		2,181	(6,869)	13,661
Interest expense	606	448		1,780	8,358	29,327	(606)	39,913
Recruitment		17,589						17,589
Other expenses	18,850	2,124		19,415	4,562	24,650	(67,454)	2,147
Total functional expenses before depreciation	<u>677,691</u>	<u>1,599,830</u>	<u>62,629</u>	<u>3,218,110</u>	<u>116,990</u>	<u>293,262</u>	<u>(702,125)</u>	<u>5,266,387</u>
Depreciation	5,760	77,369		149,524		10,517	(5,760)	237,410
Total functional expenses	<u>\$ 683,451</u>	<u>\$ 1,677,199</u>	<u>\$ 62,629</u>	<u>\$ 3,367,634</u>	<u>\$ 116,990</u>	<u>\$ 303,779</u>	<u>\$ (707,885)</u>	<u>\$ 5,503,797</u>

**LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED**  
For the Year Ended December 31, 2020

	<b>Fundraising</b>							<b>Total Fundraising</b>	<b>Total Functional Expenses</b>
	<b>LMM</b>	<b>FMHM</b>	<b>Fulfilling Housing</b>	<b>LHM</b>	<b>MOMI</b>	<b>LSS</b>	<b>Eliminations</b>		
Salaries and wages	\$ 64,504	\$ 32,252	\$ 0	\$ 32,252	\$ 0	\$ 47,403	\$ (64,504)	\$ 111,907	\$ 21,535,604
Employee benefits						5,575		5,575	2,659,533
Payroll taxes						3,782		3,782	1,890,990
Total salaries and related expenses	<u>64,504</u>	<u>32,252</u>	<u>0</u>	<u>32,252</u>	<u>0</u>	<u>56,760</u>	<u>(64,504)</u>	<u>121,264</u>	<u>26,086,127</u>
Contract services						3,289		3,289	1,873,415
State mandated fees								0	1,337,685
Medical costs and supplies								0	848,294
Utilities								0	763,030
Specific assistance to individuals								0	739,441
Repairs and maintenance						3,119		3,119	727,507
Food costs and supplies								0	609,223
Activity and habilitation supplies								0	481,810
Household supplies								0	307,708
Insurance								0	338,380
Communication						1,087		1,087	262,184
Travel and education						1,171		1,171	227,446
Minor equipment and office expense						10,677		10,677	282,297
Promotion and development						2,941		2,941	142,876
Rent						1,536		1,536	108,663
Dues and subscriptions								0	80,639
Interest expense								0	51,724
Recruitment								0	17,589
Other expenses	9,442	4,721		4,721		4,547	(9,442)	13,989	168,656
Total functional expenses before depreciation	<u>73,946</u>	<u>36,973</u>	<u>0</u>	<u>36,973</u>	<u>0</u>	<u>85,127</u>	<u>(73,946)</u>	<u>159,073</u>	<u>35,454,694</u>
Depreciation						2,127		2,127	1,958,936
Total functional expenses	<u>\$ 73,946</u>	<u>\$ 36,973</u>	<u>\$ 0</u>	<u>\$ 36,973</u>	<u>\$ 0</u>	<u>\$ 87,254</u>	<u>\$ (73,946)</u>	<u>\$ 161,200</u>	<u>\$ 37,413,630</u>

**FILLING MEMORIAL HOME OF MERCY, INC. AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,453,688	\$ 1,454,442
Net service accounts receivable	1,652,127	1,830,726
Other accounts receivable	31,013	77,263
Accounts receivable from related parties and foundations	443,466	110,462
Employee Retention Credit receivable	1,359,130	0
Prepaid expenses and other current assets	103,316	97,948
Resident funds	280,017	290,299
Cash restricted as to use	66,421	72,490
Total current assets	5,389,178	3,933,630
<b>Property and equipment, net</b>	7,063,721	7,134,445
<b>Interest in net assets of supporting foundations</b>	5,464,721	4,922,432
<b>Other assets</b>	0	0
Total assets	\$ 17,917,620	\$ 15,990,507
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 181,960	\$ 240,988
Lines of credit	0	10,292
Resident funds payable	280,017	290,299
Accounts payable to related parties and foundations	205,732	249,196
Medicaid franchise fee payable	136,246	137,490
Accrued compensation and related liabilities	778,920	795,137
Other accrued expenses	2,093	2,646
Total current liabilities	1,584,968	1,726,048
<b>Long-term liabilities</b>		
Paycheck Protection Program loans	0	2,149,700
Total long term liabilities	0	2,149,700
Total liabilities	1,584,968	3,875,748
<b>Net assets</b>		
Without donor restrictions	13,180,998	9,044,269
With donor restrictions	3,151,654	3,070,490
Total net assets	16,332,652	12,114,759
Total liabilities and net assets	\$ 17,917,620	\$ 15,990,507

**FILLING MEMORIAL HOME OF MERCY, INC. AND SUBSIDIARIES**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating revenue</b>		
Net service revenue	\$ 12,405,663	\$ 12,927,088
Rental income	193,803	221,375
Grant revenue	0	2,250
Other operating revenue	99,063	86,727
Total operating revenue	12,698,529	13,237,440
<b>Operating expenses</b>		
Program	12,496,013	12,414,417
Support:		
General and administrative	1,803,894	1,739,828
Fundraising	41,022	36,973
Total operating expenses	14,340,929	14,191,218
<b>Operating expenses in excess of revenues</b>	(1,642,400)	(953,778)
<b>Other income (expenses)</b>		
Contributions from related parties and foundations	350,328	379,877
Rebates and refunds	8,727	774,037
Governmental relief for COVID-19	130,426	739,285
Employee Retention Credit	2,666,853	0
Paycheck Protection Program revenue	2,149,700	0
Restricted grants and contributions	5,261	1,000
Contributions to related parties and foundations	0	(750,000)
Investment income	9	98
Gain (loss) on sale of property and equipment	6,700	200
Total other income	5,318,004	1,144,497
<b>Change in net assets before interest in net assets of supporting foundations</b>	3,675,604	190,719
<b>Change in interest in net assets of supporting foundations</b>	542,289	1,126,221
<b>Change in net assets</b>	4,217,893	1,316,940
<b>Net assets beginning of year</b>	12,114,759	10,797,819
<b>Net assets end of year</b>	\$ 16,332,652	\$ 12,114,759



**LUTHER HOME OF MERCY AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 503,000	\$ 3,059,306
Net service accounts receivable	1,761,290	1,650,904
Other accounts receivable	32,627	54,540
Accounts receivable from related parties and foundations	296,911	29,424
Employee Retention Credit receivable	3,346,818	0
Prepaid expenses and other current assets	11,472	10,686
Resident funds	263,650	406,713
Cash restricted as to use	1,240,970	348,739
Total current assets	7,456,738	5,560,312
<b>Property and equipment, net</b>	11,846,637	11,139,245
<b>Interest in net assets of supporting foundations</b>	8,610,661	8,456,330
<b>Other assets</b>	375	375
Total assets	\$ 27,914,411	\$ 25,156,262
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 442,351	\$ 500,174
Resident funds payable	263,650	406,713
Accounts payable to related parties and foundations	10,000	10,000
Medicaid franchise fee payable	171,915	185,969
Accrued compensation and related liabilities	694,910	673,036
Other accrued expenses	65,037	58,137
Current portion of long-term debt	45,970	1,192
Total current liabilities	1,693,833	1,835,221
<b>Long-term liabilities</b>		
Paycheck Protection Program loans	0	2,000,000
Long-term debt, net of current portion and debt issuance costs	1,296,976	455,649
Total long term liabilities	1,296,976	2,455,649
Total liabilities	2,990,809	4,290,870
<b>Net assets</b>		
Without donor restrictions	17,055,260	13,217,134
With donor restrictions	7,868,342	7,648,258
Total net assets	24,923,602	20,865,392
Total liabilities and net assets	\$ 27,914,411	\$ 25,156,262

**LUTHER HOME OF MERCY AND SUBSIDIARIES**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating revenue</b>		
Net service revenue	\$ 17,164,103	\$ 18,850,808
Rental income	524,028	482,303
Grant revenue	38,224	22,284
Other operating revenue	206,416	193,472
Total operating revenue	17,932,771	19,548,867
<b>Operating expenses</b>		
Program	16,799,009	17,110,615
Support:		
General and administrative	4,148,536	3,484,624
Fundraising	41,021	36,973
Total operating expenses	20,988,566	20,632,212
<b>Operating expenses in excess of revenues</b>	(3,055,795)	(1,083,345)
<b>Other income (expenses)</b>		
Contributions from related parties and foundations	1,369,697	337,940
Rebates and refunds	0	1,363,989
Governmental relief for COVID-19	231,789	1,177,691
Employee Retention Credit	3,346,818	0
Paycheck Protection Program revenue	2,000,000	0
Contributions to related parties and foundations	0	(1,000,000)
Investment income	708	1,312
Gain (loss) on sale of property and equipment	10,662	364
Total other income	6,959,674	1,881,296
<b>Change in net assets before interest in net assets of supporting foundations</b>	3,903,879	797,951
<b>Change in interest in net assets of supporting foundations</b>	154,331	2,429,167
<b>Change in net assets</b>	4,058,210	3,227,118
<b>Net assets beginning of year</b>	20,865,392	17,638,274
<b>Net assets end of year</b>	\$ 24,923,602	\$ 20,865,392

**LUTHERAN SOCIAL SERVICES OF NORTHWESTERN OHIO**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 252,528	\$ 277,575
Net service accounts receivable	53,874	32,682
Other accounts receivable	149,519	194,040
Employee Retention Credit receivable	328,934	0
Prepaid expenses and other current assets	2,155	9,612
Investments	3,262	3,262
Total current assets	790,272	517,171
<b>Property and equipment, net</b>	336,776	353,221
<b>Interest in net assets of supporting foundations</b>	4,547,884	3,864,878
<b>Other assets</b>	36,060	36,591
Total assets	\$ 5,710,992	\$ 4,771,861
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 86,206	\$ 73,130
Lines of credit	235,000	70,000
Accounts payable to related parties and foundations	317,554	297,545
Accrued compensation and related liabilities	116,980	130,981
Deferred revenue	144,599	0
Other accrued expenses	448	204
Total current liabilities	900,787	571,860
<b>Long-term liabilities</b>		
Paycheck Protection Program loans	0	231,069
Total long term liabilities	0	231,069
Total liabilities	900,787	802,929
<b>Net assets</b>		
Without donor restrictions	4,516,076	3,603,892
With donor restrictions	294,129	365,040
Total net assets	4,810,205	3,968,932
Total liabilities and net assets	\$ 5,710,992	\$ 4,771,861

**LUTHERAN SOCIAL SERVICES OF NORTHWESTERN OHIO**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating revenue</b>		
Net service revenue	\$ 900,642	\$ 801,504
Grant revenue	1,607,397	1,019,566
Other operating revenue	5,096	72,176
Contributions and donations	86,123	111,629
Total operating revenue	2,599,258	2,004,875
<b>Operating expenses</b>		
Program	2,707,390	2,292,972
Support:		
General and administrative	279,956	303,779
Fundraising	104,076	87,254
Total operating expenses	3,091,422	2,684,005
<b>Operating expenses in excess of revenues</b>	(492,164)	(679,130)
<b>Other income (expenses)</b>		
Contributions from related parties and foundations	31,000	140,942
Employee Retention Credit	328,934	0
Paycheck Protection Program revenue	231,069	0
Restricted grants and contributions	59,194	169,954
Investment income	234	456
Total other income	650,431	311,352
<b>Change in net assets before interest in net assets of supporting foundations</b>	158,267	(367,778)
<b>Change in interest in net assets of supporting foundations</b>	683,006	806,028
<b>Change in net assets</b>	841,273	438,250
<b>Net assets beginning of year</b>	3,968,932	3,530,682
<b>Net assets end of year</b>	\$ 4,810,205	\$ 3,968,932