

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Lutheran Ministries of Mercy, Inc. and Affiliates (an Ohio corporation) (collectively, the Organization), which comprise the consolidated balance sheet as of December 31, 2022, and 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).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the results of their operations, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Lutheran Ministries of Mercy, Inc. and Affiliates as of December 31, 2021 were audited by Gilmore Jasion Mahler, LTD whose members and professional staff joined CliftonLarsonAllen LLP as of January 1, 2023, and has subsequently ceased operations. Gilmore Jasion Mahler, LTD's report dated September 13, 2022, expressed an unmodified opinion on those statements.

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 for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

The December 31, 2021 supplementary information was subjected to auditing procedures applied in the December 31, 2021 audit of the basic financial statements by Gilmore Jason Mahler, LTD, whose report on such information stated that it was fairly stated in all material respects in relation to the December 31, 2021 financial statement as a whole.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

CliftonLarsonAllen LLP

Maumee, Ohio
October 20, 2023

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,543,372	\$ 2,234,595
Net service accounts receivable	3,505,618	3,467,291
Other accounts receivable	247,931	213,159
Accounts receivable from supporting foundations	476,707	635,583
Employee Retention Credit receivable	4,705,948	5,034,882
Prepaid expenses and other current assets	140,101	177,754
Resident funds	374,044	543,667
Investments	3,262	3,262
Cash restricted as to use	595,979	1,307,391
Total current assets	11,592,962	13,617,584
Property and equipment, net	21,532,148	19,475,892
Interest in net assets of supporting foundations	16,668,441	18,623,266
Operating right-of-use assets	94,094	0
Other assets	35,803	36,435
Total assets	\$ 49,923,448	\$ 51,753,177
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,344,038	\$ 722,149
Lines of credit	1,055,455	235,000
Resident funds payable	374,044	543,667
Accounts payable to supporting foundations	960,920	455,768
Medicaid franchise fee payable	297,607	308,161
Current portion of operating lease liabilities	22,829	0
Accrued compensation and related liabilities	1,952,877	1,601,677
Deferred revenue	156,111	144,599
Other accrued expenses	74,216	67,578
Current portion of long-term debt	47,890	45,970
Total current liabilities	6,285,987	4,124,569
Long-term liabilities		
Operating lease liabilities - net of current portion	71,265	0
Long-term debt, net of current portion and debt issuance costs	1,257,077	1,296,976
Total long-term liabilities	1,328,342	1,296,976
Total liabilities	7,614,329	5,421,545
Net assets		
Without donor restrictions	30,630,337	34,976,461
With donor restrictions	11,678,782	11,355,171
Total net assets	42,309,119	46,331,632
Total liabilities and net assets	\$ 49,923,448	\$ 51,753,177

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, 2022 and 2021

	2022		
	Without donor restrictions	With donor restrictions	Total
Operating revenues			
Net service revenue	\$ 31,186,210	\$ 0	\$ 31,186,210
Rental income	750,555		750,555
Grant revenue	2,345,582		2,345,582
Other operating revenue	217,506		217,506
Net assets released from restrictions	201,632	(201,632)	0
Total operating revenue	34,701,485	(201,632)	34,499,853
Operating expenses			
Program expenses	35,629,196		35,629,196
General and administrative expenses	6,643,197		6,643,197
Fundraising expenses	166,544		166,544
Total operating expenses	42,438,937	0	42,438,937
Operating expenses in excess of operating revenues	(7,737,452)	(201,632)	(7,939,084)
Other income			
Contributions and donations	12,728		12,728
Rebates and refunds	2,745		2,745
Governmental relief for COVID-19	3,803,574		3,803,574
Employee Retention Credit			0
Paycheck Protection Program loan forgiveness			0
Restricted grants and contributions		64,942	64,942
Investment income	13,372		13,372
Gain on sale of property and equipment	15,256		15,256
Total other income	3,847,675	64,942	3,912,617
Excess (deficiency) of operating revenues over operating expenses	(3,889,777)	(136,690)	(4,026,467)
Other changes in net assets			
Contributions from supporting foundations	1,430,274	381,867	1,812,141
Contributions to supporting foundations			0
Contributions - restricted for capital from supporting foundations		146,638	146,638
Net assets released from restrictions - capital	152,371	(152,371)	0
Other changes in net assets	1,582,645	376,134	1,958,779
Change in net assets before interest in net assets of supporting foundations	(2,307,132)	239,444	(2,067,688)
Change in interest in net assets of supporting foundations	(2,038,992)	84,167	(1,954,825)
Change in net assets	(4,346,124)	323,611	(4,022,513)
Net assets beginning of year	34,976,461	11,355,171	46,331,632
Net assets end of year	<u>\$ 30,630,337</u>	<u>\$ 11,678,782</u>	<u>\$ 42,309,119</u>

2021		
Without donor restrictions	With donor restrictions	Total
\$ 30,470,408	\$ 0	\$ 30,470,408
717,831		717,831
1,645,621		1,645,621
310,575		310,575
444,411	(444,411)	0
<u>33,588,846</u>	<u>(444,411)</u>	<u>33,144,435</u>
31,953,444		31,953,444
6,235,420		6,235,420
186,119		186,119
<u>38,374,983</u>	<u>0</u>	<u>38,374,983</u>
(4,786,137)	(444,411)	(5,230,548)
87,304		87,304
8,727		8,727
362,215		362,215
6,342,605		6,342,605
4,380,769		4,380,769
	64,655	64,655
951		951
17,362		17,362
<u>11,199,933</u>	<u>64,655</u>	<u>11,264,588</u>
6,413,796	(379,756)	6,034,040
1,080,261	498,322	1,578,583
		0
	172,442	172,442
36,126	(36,126)	0
<u>1,116,387</u>	<u>634,638</u>	<u>1,751,025</u>
7,530,183	254,882	7,785,065
1,408,971	(29,345)	1,379,626
8,939,154	225,537	9,164,691
26,037,307	11,129,634	37,166,941
<u>\$ 34,976,461</u>	<u>\$ 11,355,171</u>	<u>\$ 46,331,632</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, 2022 and 2021

	2022			
	Support			Total
	Program	General and Administrative	Fundraising	
Salaries and wages	\$ 19,608,243	\$ 4,044,271	\$ 106,952	\$ 23,759,466
Employee benefits	2,312,641	577,805	1,898	2,892,344
Payroll taxes	1,687,092	354,173	3,343	2,044,608
Total salaries and related expenses	23,607,976	4,976,249	112,193	28,696,418
Contract services	1,587,672	372,384	20,908	1,980,964
State mandated fees	1,178,790			1,178,790
Medical costs and supplies	676,149			676,149
Utilities	726,418	119,029		845,447
Specific assistance to individuals	1,829,745			1,829,745
Repairs and maintenance	812,592	168,417	3,489	984,498
Food costs and supplies	623,813			623,813
Activity and habilitation supplies	1,173,500			1,173,500
Household supplies	167,283	39,911		207,194
Insurance	271,416	62,967		334,383
Communication	235,960	42,973	1,078	280,011
Travel and education	258,735	56,696	786	316,217
Minor equipment and office expense	194,156	89,081		283,237
Promotion and development	9,928	236,382	2,646	248,956
Rent	138,570	22,230	1,329	162,129
Dues and subscriptions	150,704	42,883	65	193,652
Interest expense	13,838	46,530	176	60,544
Recruitment		19,564		19,564
Other expenses	139,521	40,507	22,469	202,497
Total functional expenses before depreciation	33,796,766	6,335,803	165,139	40,297,708
Depreciation	1,832,430	307,394	1,405	2,141,229
Total functional expenses	<u>\$ 35,629,196</u>	<u>\$ 6,643,197</u>	<u>\$ 166,544</u>	<u>\$ 42,438,937</u>

2021			
Support			
Program	General and Administrative	Fundraising	Total
\$ 18,295,953	\$ 3,824,865	\$ 110,707	\$ 22,231,525
2,053,605	609,273	7,356	2,670,234
1,543,479	317,549	3,777	1,864,805
21,893,037	4,751,687	121,840	26,766,564
1,706,357	358,514	36,611	2,101,482
1,253,196			1,253,196
676,774			676,774
656,218	110,756		766,974
948,010			948,010
641,009	130,950	3,693	775,652
582,781			582,781
439,307			439,307
184,927	34,816		219,743
248,120	59,134		307,254
233,514	41,318	1,143	275,975
194,034	40,406	545	234,985
203,516	82,810		286,326
7,795	194,844	1,004	203,643
101,597	21,213	2,075	124,885
121,124	31,589		152,713
17,198	46,083	325	63,606
	16,823		16,823
134,861	35,577	16,968	187,406
30,243,375	5,956,520	184,204	36,384,099
1,710,069	278,900	1,915	1,990,884
<u>\$ 31,953,444</u>	<u>\$ 6,235,420</u>	<u>\$ 186,119</u>	<u>\$ 38,374,983</u>

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (4,022,513)	\$ 9,164,691
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,141,229	1,990,884
Amortization of debt issuance costs	610	610
Change in interest in net assets of supporting foundations	1,954,825	(1,379,626)
Gain on sale of property and equipment	(15,256)	(17,362)
Paycheck Protection Program loan forgiveness	0	(4,380,769)
Changes in assets and liabilities:		
Net service accounts receivable	(38,327)	47,021
Other accounts receivable	(34,772)	212,684
Accounts receivable from supporting foundations	158,876	(523,853)
Employee Retention Credit receivable	328,934	(5,034,882)
Prepaid expenses and other current assets	37,653	71
Other assets	632	531
Accounts payable	621,889	(112,681)
Accounts payable to supporting foundations	505,152	(101,463)
Medicaid franchise fee payable	(10,554)	(15,298)
Accrued compensation and related liabilities	351,200	(4,481)
Deferred revenue	11,512	144,599
Other accrued expenses	6,638	6,591
Net cash provided by (used in) operating activities	1,997,728	(2,733)
Cash flows from investing activities		
Purchases of property and equipment	(4,191,949)	(2,721,098)
Proceeds from sale of property and equipment	9,720	28,195
Net cash used in investing activities	(4,182,229)	(2,692,903)
Cash flows from financing activities		
Principal payments on long-term debt	(38,589)	(34,842)
Proceeds from long-term debt	0	900,000
Net proceeds on lines of credit	820,455	154,708
Net cash provided by financing activities	781,866	1,019,866
Net decrease in cash, cash equivalents and cash restricted as to use	(1,402,635)	(1,675,770)
Cash, cash equivalents, and cash restricted as to use - beginning of year	3,541,986	5,217,756
Cash, cash equivalents, and cash restricted as to use - end of year	\$ 2,139,351	\$ 3,541,986
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 60,544	\$ 63,673
Interest capitalized	\$ 43,111	\$ 0
Non-cash investing and financing activity		
Paycheck Protection Program loan forgiveness	\$ 0	\$ 4,380,769
Right-of-use assets received in exchange for lease liabilities	\$ 122,420	\$ 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, 2022 and 2021

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. LMM consists of the following organizations:

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, 2022 and 2021

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.

Excess (deficiency) of operating revenues over operating expenses

The consolidated statements of activities and changes in net assets includes excess (deficiency) of operating revenues over operating expenses. Other changes in net assets, which are excluded from excess (deficiency) of operating revenues over operating expenses, consistent with industry practice, include contributions restricted for capital assets, net assets released restricted for capital assets, contributions from supporting foundations and change in interest of net assets of supporting foundations.

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 uncollectible 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, 2022 and 2021, accounts receivable due from Medicaid made up 99% and 95%, respectively, of total net service accounts receivable.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed annually using the Organization's incremental borrowing rate. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. There are no conditional promises to give in 2022 and 2021.

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, 2022 and 2021, the funds totaled \$374,044 and \$ 543,667, 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 (deficiency) of operating revenues over operating expenses, 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.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) assets and operating lease liabilities on the consolidated statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the consolidated statement of financial position.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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

Leases – continued

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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 9. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is not the opinion that any review will not have a material adverse impact on the Organization’s financial position.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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

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.

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 payors (including government programs) and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Generally, the Organization bills all payors 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, 2022 and 2021, Medicaid revenue as a percentage of total net service revenue was approximately 97%. Amounts earned under the Medicaid program are subject to review and audit by the third-party payors.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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

Net service revenue – continued

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.

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.

Counseling and therapy

The LSS's principal activity is providing social services in areas such as individual and marital counseling and family therapy and enrichment. Counseling and therapy service fees revenue is recorded at standard billing rates and billing rates less contractual adjustments, which reflects the consideration to which LSS expects to be entitled in exchange for services provided. These amounts are due from clients and third-party payors (including government programs) and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Program service fees are billed after services are performed and service revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Net service revenues are considered performance obligations satisfied over time as services are provided.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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

Net service revenue – continued

Opening balances of net service accounts receivable as of January 1, 2022 and January 1, 2021 were \$3,467,291 and \$3,514,312, 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.

Revenue from rental payments is recognized under the accrual method. Rental payments include subsidy payments, as described above, and are included in income as rent becomes due. Rental payments received in advance are deferred until earned.

Fulfilling Housing and MOMI projects have elected to apply the practical expedient, which does not require contracts be separated between lease and non-lease components.

Lease operations consist principally of operating leases of residential real estate expiring in 2023 in which MOMI and Fulfilling are the lessors. Lease contracts do not include variable lease 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, when cash is advanced are recorded as deferred revenue and recognized as revenue in the period conditions are met.

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.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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

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, 2022 and 2021

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

Adoption of new accounting standards

Contributed Nonfinancial Assets:

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.

The Organization adopted the requirements of ASU 2020-07 for the year ended December 31, 2022, applied retrospectively to all periods presented. The adoption of the standard had no impact on the change in net assets for the years ended December 31, 2022 and 2021.

Leases:

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization has not elected the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, lease liabilities of \$17,487, which represents the present value of the remaining operating lease payments discounted using the applicable discount rate, and right-of-use assets of \$17,487.

Subsequent events

The Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2022, through October 20, 2023, 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, 2022 and 2021

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,543,372	\$ 2,234,595
Cash restricted as to use:		
Replacement reserve	344,301	355,075
Tenant security deposits	24,124	22,672
Other escrow and reserve	21,938	21,932
Bank-restricted loan proceeds for construction draws	166,224	889,236
Donor-restricted for capital expenditure	39,392	18,476
Total cash restricted as to use	<u>595,979</u>	<u>1,307,391</u>
Total cash, cash equivalents, and cash restricted as to use	<u>\$ 2,139,351</u>	<u>\$ 3,541,986</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, 2022 and 2021. Withdrawals approved by HUD and USDA RD amounted to approximately \$71,000 and \$56,000 for years ended December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
FMHM interest in net assets of FH Foundation	\$ 4,907,843	\$ 5,464,721
LHM interest in net assets of LHM Foundation	7,249,688	8,610,661
LSS interest in net assets of LSS Foundation	4,510,910	4,547,884
Total interest in net assets of supporting foundations	<u>\$ 16,668,441</u>	<u>\$ 18,623,266</u>

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
FMHM change in interest in net assets of FH Foundation	\$ (556,878)	\$ 542,289
LHM change in interest in net assets of LHM Foundation	(1,360,973)	154,331
LSS change in interest in net assets of LSS Foundation	(36,974)	683,006
Total change in interest in net assets of supporting foundations	<u>\$ (1,954,825)</u>	<u>\$ 1,379,626</u>

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

	<u>2022</u>	<u>2021</u>
FMHM accounts receivable from FH Foundation	\$ 240,977	\$ 443,466
LHM accounts receivable from LHM Foundation	235,730	192,117
Total accounts receivable from supporting foundations	<u>\$ 476,707</u>	<u>\$ 635,583</u>
Fulfilling Housing accounts payable to FH Foundation	\$ 244,699	\$ 135,757
MOMI accounts payable to LHM Foundation	10,000	10,000
LSS accounts payable to LSS Foundation	706,221	310,011
Total accounts payable to supporting foundations	<u>\$ 960,920</u>	<u>\$ 455,768</u>

In addition, included in the lines of credit of the statements of financial position at December 31, 2022 is \$900,000 due to LHM Foundation, see note 6.

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

	<u>2022</u>	<u>2021</u>
FMHM contributions from FH Foundation	\$ 700,000	\$ 350,328
LHM contributions from LHM Foundation	1,086,231	1,355,614
MOMI contributions from LHM Foundation	23,748	14,083
LSS contributions from LSS Foundation	148,800	31,000
Total contributions from supporting foundations	<u>\$ 1,958,779</u>	<u>\$ 1,751,025</u>
Management services paid by FH Foundation to FMHM	\$ 30,000	\$ 30,000
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>\$ 34,200</u>

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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

The interest in net assets of supporting foundations on the consolidated statement of financial position is recorded at the net asset value of the supporting foundations. The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB Accounting Standards Codification Topic, Fair Value Measurement, are described as follows:

- 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:
- a. Quoted prices for similar assets or liabilities in active markets;
 - b. Quoted prices for identical or similar assets or liabilities in inactive markets;
 - c. Inputs other than quoted prices that are observable for the asset or liability;
 - d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability’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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Organization’s considers the interest in net assets of supporting foundations to be considered level 3 valued at fair value of the underlying net assets.

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2022	2021		
Interest in net assets of supporting foundation	\$ 16,668,441	\$ 18,623,266	Net asset value	Value of underlying assets and liabilities

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

Note 5—Property and equipment

Property and equipment are summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,640,207	\$ 1,640,207
Land improvements	2,289,321	1,798,850
Building and building improvements	42,792,649	41,201,319
Transportation equipment	2,612,111	2,406,762
Furniture and fixtures	4,931,325	4,761,641
Equipment	8,064,976	7,542,918
Construction in progress	1,830,158	655,456
	<u>Total cost</u>	<u>60,007,153</u>
Less accumulated depreciation	42,628,599	40,531,261
	<u>Net carrying amount</u>	<u>\$ 19,475,892</u>

Depreciation expense on property and equipment totaled \$2,141,229 and \$1,990,884 for the years ended December 31, 2022 and 2021, respectively.

LHM broke ground on May 18, 2021 for the construction of a new state-of the art kitchen and central storage facility (Ginny's Kitchen), which is included in construction in progress. Ginny's Kitchen was completed in July 2023 and was funded in part by donor contributions and a bank loan (see note 7).

Note 6—Lines of credit

FMHM has a line of credit with a bank for \$300,000 which expired 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, 2022 and 2021 was \$0. January 11, 2023, the FMHM signed a new line of credit agreement with a bank for \$500,000, maturing in January 2099. The line of credit will bear interest at the prime rate (7.50% at December 31, 2022), and will be guaranteed by the FH Foundation.

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% (7.75% and 3.50% at December 31, 2022 and 2021). The balance outstanding on the line of credit at December 31, 2022 and 2021 was \$155,455 and \$235,000, respectively.

At December 31, 2022 and 2021, included in the lines of credit on the consolidated statements of financial position is a line of credit with \$900,000 and \$0, respectively, outstanding due to LHM Foundation. LHM Foundation has an available line of credit of \$2,000,000, with a bank. The line is used to support operating cash flow needs of LHM. The line of credit is collateralized by all assets of the LHM Foundation and bears an interest rate of 6.12% on December 31, 2022.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

Note 7—Long-term debt

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

	2022	2021
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.	\$ 469,773	\$ 470,899
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.	849,224	886,687
Total long-term debt	1,318,997	1,357,586
Less current portion	47,890	45,970
Less debt issuance costs, net of amortization	14,030	14,640
Total long-term debt, net of current portion and debt issuance costs	\$ 1,257,077	\$ 1,296,976

Interest charged to expense, including amortization of debt issuance costs of \$610, was \$60,477 and \$63,606 for the years ended December 31, 2022 and 2021, respectively.

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

2023	\$	47,890
2024		49,893
2025		51,978
2026		54,152
2027		56,415
Thereafter		1,058,669
Total	\$	1,318,997

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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. The Organization received full forgiveness from SBA in 2021, and 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>2022</u>	<u>2021</u>
LMM - Purpose-restricted: scholarships	\$ 38,797	\$ 41,046
FMHM - Purpose-restricted: operating and program activities	181,578	121,178
FMHM - Purpose-restricted: capital expenditures	139,392	18,476
Fulfilling Housing - Purpose and time-restricted: HUD capital advance	3,012,000	3,012,000
LHM - Purpose and time-restricted: operating and program activities	497,364	135,244
LHM - Purpose-restricted: capital expenditures	62,409	74,669
LHM - Purpose-restricted: kitchen facility construction	583,910	577,383
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	70,265	54,651
Total - Purpose and time-restricted	<u>10,702,165</u>	<u>10,151,097</u>
LHM - Perpetual in nature: beneficial interest in perpetual trusts	737,139	964,596
LSS - Perpetual in nature: endowment fund	239,478	239,478
Total – Perpetual in nature restricted	<u>976,617</u>	<u>1,204,074</u>
Total net assets with donor restrictions	<u>\$ 11,678,782</u>	<u>\$ 11,355,171</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, 2022 and 2021

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, 2022 and 2021 and will be reclassified to net assets without donor restrictions after the 40-year restriction has expired.

Note 10—Net service revenue

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

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
ICF/IID	\$ 20,852,049	67%	\$ 20,397,674	67%
Supported living	7,578,205	24%	7,543,603	25%
Day habilitation	1,882,966	6%	1,506,704	5%
Counseling and therapy	560,868	2%	800,134	2%
Other services	312,122	1%	222,293	1%
Total net service revenue	<u>\$ 31,186,210</u>	<u>100%</u>	<u>\$ 30,470,408</u>	<u>100%</u>

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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 \$177,041 and \$175,573 for the years ended December 31, 2022 and 2021, 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), a multiple employer defined benefit pension plan sponsored by the United Way of Greater Toledo. 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, 2021 (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 2022 and 2021. 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 \$7,799 and \$8,823 for the years ended December 31, 2022 and 2021, 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 \$18,333 and \$19,381 as of December 31, 2022 and 2021, respectively.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

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 \$39,994 and \$47,928 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 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 2022 and 2021 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
		2022	2021		2022	2021		
SEIU National Industry Pension Plan	52-6148540	Red	Red	Yes	\$39,994	\$47,928	Yes	09/30/2025

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

Note 12—Governmental relief for COVID-19

The Organization received funding from multiple governmental sources in response to the COVID-19 pandemic, including funding from State of Ohio House Bill 169 (HB 169) for a one-time Medicaid provider relief payment. Payments made to the Organization under HB 169 are to be used exclusively for compensation for direct care staff. The revenue recognized from HB 169 is considered a contribution in accordance with ASC 958-605. Management of the Organization believes that the eligibility requirements to qualify to receive the funding have been met and accordingly the revenue has been recognized.

In addition, the Organization has received funding from the Department of Health and Humans Services (DHHS) through the Provider Relief Fund (PRF) program. PRF distributions are considered contributions in accordance with ASC 958-05 and revenue is recognized as expenses are incurred and conditions for funding are met. PRF distributions are not subject to repayment provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the DHHS.

At December 31, 2022 a balance of \$156,111, was in deferred revenue related to provider relief funds not utilized for 2022 or prior. The Organization has through December 31, 2023, to utilize these funds under the requirements for uses under DHHS.

Revenue recognized for governmental relief for the years ended December 31 on the consolidated statement of activities and changes in net assets is as follows:

	2022	2021
HB 169	\$ 2,978,420	\$ 0
Ohio Department of Developmental Disabilities	0	357,259
DHHS Provider Relief Fund – CARES Act	825,154	4,956
Total	\$ 3,803,574	\$ 362,215

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. During 2021, \$1,646,657 of the refund was received. As of December 31, 2022, and 2021, the remaining \$4,705,948 and \$5,034,882, respectively, of the refund requested is presented as Employee Retention Credit receivable on the consolidated statement of financial position. The revenue recognized from the ERC is considered a contribution in accordance with ASC 958-605.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

Note 13—Employee Retention Credit - continued

Management of the Organization believes that all conditions and eligibility requirements to qualify to receive the credit have been met. The terms and conditions governing the ERC are complex and subject to government oversight, including potential audits. As of June 2023, the Organization received payment in full for all outstanding Employee Retention Credit receivables recorded as of December 31, 2022.

Note 14—Leases

The Organization leases certain office space and equipment under long-term, non-cancelable operating lease agreements, that expire at various dates through March 2028.

The following table provides quantitative information concerning the Organization’s leases:

	<u>2022</u>
Lease costs	
Operating lease costs	\$ 31,713
Total lease costs	<u>\$ 31,713</u>
Other information:	
Operating cash flows from operating leases	\$ 31,713
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 122,420
Weighted-average remaining lease term – operating leases	4.2 years
Weighted-average discount rate – operating leases	4.96%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year ending December 31,</u>	<u>Operating leases</u>
2023	\$ 26,877
2024	26,877
2025	24,337
2026	11,637
2027	11,637
Thereafter	2,909
Total lease payments	<u>104,274</u>
Less: interest	<u>(10,178)</u>
Present value of lease liabilities	<u>\$ 94,094</u>

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption. Lease disclosures for the year ended December 31, 2021, as presented below, are made under prior lease guidance in FASB ASC 840.

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2022 and 2021

Note 14–Leases – continued

The Organization had operating leases for an office building and equipment as of December 31, 2021. Total lease payments under these operating leases were \$40,200 for 2021. Future minimum rent commitments under these leases as of December 31, 2021 were as follows:

Year ending December 31,	Operating leases
2022	\$ 33,910
2023	3,454
2024	1,439
Total lease payments	\$ 38,803

Note 15–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:

	2022	2021
Cash and cash equivalents	\$ 1,543,372	\$ 2,234,595
Net service accounts receivable	3,505,618	3,467,291
Other accounts receivable	247,931	213,159
Accounts receivable from supporting foundations	476,707	635,583
Investments	3,262	3,262
Total	\$ 5,776,890	\$ 6,553,890

Supporting foundations maintain certain investments that may be requested to meet operational needs of their respective Organizations. In addition to the Organizations have available lines of credit available, see note 6, which could be drawn upon and advanced to the Organization in the event of an unanticipated liquidity need.

Note 16–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.

SUPPLEMENTARY INFORMATION

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
December 31, 2022

	LMM	FMHM	Fulfilling Housing	FMHM Eliminations	FMHM Total	LHM	MOMI	LHM Eliminations	LHM Total	LSS	Eliminations	Total
ASSETS												
Current assets												
Cash and cash equivalents	\$ 27,237	\$ 796,085	\$ 52,025	\$ 0	\$ 848,110	\$ 488,846	\$ 46,677	\$ 0	\$ 535,523	\$ 132,502	\$ 0	\$ 1,543,372
Net service accounts receivable		1,686,768			1,686,768	1,789,937			1,789,937	28,913		3,505,618
Other accounts receivable		26,239	12,926		39,165	100,362	2,366		102,728	106,038		247,931
Accounts receivable from related parties and foundations	101,854	645,498		(404,521)	240,977	332,085		(133,306)	198,779		(64,903)	476,707
Employee Retention Credit receivable		1,359,130			1,359,130	3,346,818			3,346,818	0		4,705,948
Prepaid expenses and other current assets	71,066	38,852	9,069		47,921	5,913	13,046		18,959	2,155		140,101
Resident funds		205,416			205,416	168,628			168,628			374,044
Investments					0				0	3,262		3,262
Cash restricted as to use		39,392	54,229		93,621	166,224	336,134		502,358			595,979
Total current assets	200,157	4,797,380	128,249	(404,521)	4,521,108	6,398,813	398,223	(133,306)	6,663,730	272,870	(64,903)	11,592,962
Property and equipment, net	323,598	4,807,418	2,374,790		7,182,208	9,791,468	3,923,286		13,714,754	311,588		21,532,148
Interest in net assets of supporting foundations		4,907,843			4,907,843	7,249,688			7,249,688	4,510,910		16,668,441
Operating right-of-use assets									0	94,094		94,094
Other assets							375		375	35,428		35,803
Total assets	\$ 523,755	\$ 14,512,641	\$ 2,503,039	\$ (404,521)	\$ 16,611,159	\$ 23,439,969	\$ 4,321,884	\$ (133,306)	\$ 27,628,547	\$ 5,224,890	\$ (64,903)	\$ 49,923,448
LIABILITIES AND NET ASSETS												
Current liabilities												
Accounts payable	\$ 89,368	\$ 199,177	\$ 21,956	\$ 0	\$ 221,133	\$ 860,651	\$ 98,210	\$ 0	\$ 958,861	\$ 74,676	\$ 0	\$ 1,344,038
Lines of credit					0	900,000			900,000	155,455		1,055,455
Resident funds payable		205,416			205,416	168,628			168,628			374,044
Accounts payable to related parties and foundations	166,757		530,931	(404,521)	126,410		143,306	(133,306)	10,000	722,656	(64,903)	960,920
Medicaid franchise fee payable		123,850			123,850	173,757			173,757			297,607
Current portion of operating lease liabilities					0				0	22,829		22,829
Accrued compensation and related liabilities	18,306	1,007,746			1,007,746	816,198			816,198	110,627		1,952,877
Deferred revenue		156,111			156,111				0	0		156,111
Other accrued expenses			2,246		2,246	2,450	69,292		71,742	228		74,216
Current portion of long-term debt					0	46,619	1,271		47,890			47,890
Total current liabilities	274,431	1,692,300	555,133	(404,521)	1,842,912	2,968,303	312,079	(133,306)	3,147,076	1,086,471	(64,903)	6,285,987
Long-term liabilities												
Paycheck Protection Program loans					0				0			0
Operating lease liabilities - net of current portion					0				0	71,265		71,265
Long-term debt, net of current portion and debt issuance costs					0	802,605	454,472		1,257,077			1,257,077
Total long-term liabilities	0	0	0	0	0	802,605	454,472	0	1,257,077	71,265	0	1,328,342
Total liabilities	274,431	1,692,300	555,133	(404,521)	1,842,912	3,770,908	766,551	(133,306)	4,404,153	1,157,736	(64,903)	7,614,329
Net assets												
Without donor restrictions	210,527	12,499,371	(1,064,094)		11,435,277	17,788,239	(2,561,117)		15,227,122	3,757,411		30,630,337
With donor restrictions	38,797	320,970	3,012,000		3,332,970	1,880,822	6,116,450		7,997,272	309,743		11,678,782
Total net assets	249,324	12,820,341	1,947,906	0	14,768,247	19,669,061	3,555,333	0	23,224,394	4,067,154	0	42,309,119
Total liabilities and net assets	\$ 523,755	\$ 14,512,641	\$ 2,503,039	\$ (404,521)	\$ 16,611,159	\$ 23,439,969	\$ 4,321,884	\$ (133,306)	\$ 27,628,547	\$ 5,224,890	\$ (64,903)	\$ 49,923,448

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
December 31, 2021

	LMM	FMHM	Fulfilling Housing	FMHM Eliminations	FMHM Total	LHM	MOMI	LHM Eliminations	LHM Total	LSS	Eliminations	Total
ASSETS												
Current assets												
Cash and cash equivalents	\$ 25,379	\$ 1,412,250	\$ 41,438	\$ 0	\$ 1,453,688	\$ 419,106	\$ 83,894	\$ 0	\$ 503,000	\$ 252,528	\$ 0	\$ 2,234,595
Net service accounts receivable		1,652,127			1,652,127	1,761,290			1,761,290	53,874		3,467,291
Other accounts receivable		31,013			31,013	32,627			32,627	149,519		213,159
Accounts receivable from related parties and foundations	77,518	741,093		(297,627)	443,466	434,365		(137,454)	296,911		(182,312)	635,583
Employee Retention Credit receivable		1,359,130			1,359,130	3,346,818			3,346,818	328,934		5,034,882
Prepaid expenses and other current assets	60,811	94,573	8,743		103,316	5,825	5,647		11,472	2,155		177,754
Resident funds		280,017			280,017	263,650			263,650			543,667
Investments					0				0	3,262		3,262
Cash restricted as to use		18,476	47,945		66,421	889,236	351,734		1,240,970			1,307,391
Total current assets	163,708	5,588,679	98,126	(297,627)	5,389,178	7,152,917	441,275	(137,454)	7,456,738	790,272	(182,312)	13,617,584
Property and equipment, net	228,758	4,640,096	2,423,625		7,063,721	7,691,802	4,154,835		11,846,637	336,776		19,475,892
Interest in net assets of supporting foundations		5,464,721			5,464,721	8,610,661			8,610,661	4,547,884		18,623,266
Operating right-of-use assets					0	0			0			0
Other assets					0	375			375	36,060		36,435
Total assets	\$ 392,466	\$ 15,693,496	\$ 2,521,751	\$ (297,627)	\$ 17,917,620	\$ 23,455,380	\$ 4,596,485	\$ (137,454)	\$ 27,914,411	\$ 5,710,992	\$ (182,312)	\$ 51,753,177
LIABILITIES AND NET ASSETS												
Current liabilities												
Accounts payable	\$ 11,632	\$ 162,826	\$ 19,134	\$ 0	\$ 181,960	\$ 394,242	\$ 48,109	\$ 0	\$ 442,351	\$ 86,206	\$ 0	\$ 722,149
Lines of credit					0				0	235,000		235,000
Resident funds payable		280,017			280,017	263,650			263,650			543,667
Accounts payable to related parties and foundations	104,794	69,975	433,384	(297,627)	205,732	10,000	147,454	(137,454)	10,000	317,554	(182,312)	455,768
Medicaid franchise fee payable		136,246			136,246	171,915			171,915			308,161
Current portion of operating lease liabilities					0				0			0
Accrued compensation and related liabilities	10,867	778,920			778,920	694,910			694,910	116,980		1,601,677
Deferred revenue					0				0	144,599		144,599
Other accrued expenses			2,093		2,093	2,685	62,352		65,037	448		67,578
Current portion of long-term debt					0	44739	1,231		45,970			45,970
Total current liabilities	127,293	1,427,984	454,611	(297,627)	1,584,968	1,572,141	259,146	(137,454)	1,693,833	900,787	(182,312)	4,124,569
Long-term liabilities												
Paycheck Protection Program loans					0				0			0
Operating lease liabilities - net of current portion					0				0			0
Long-term debt, net of current portion and debt issuance costs					0	841,948	455,028		1,296,976			1,296,976
Total long term liabilities	0	0	0	0	0	841,948	455,028	0	1,296,976	0	0	1,296,976
Total liabilities	127,293	1,427,984	454,611	(297,627)	1,584,968	2,414,089	714,174	(137,454)	2,990,809	900,787	(182,312)	5,421,545
Net assets												
Without donor restrictions	224,127	14,125,858	(944,860)		13,180,998	19,289,399	(2,234,139)		17,055,260	4,516,076		34,976,461
With donor restrictions	41,046	139,654	3,012,000		3,151,654	1,751,892	6,116,450		7,868,342	294,129		11,355,171
Total net assets	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
Total liabilities and net assets	\$ 392,466	\$ 15,693,496	\$ 2,521,751	\$ (297,627)	\$ 17,917,620	\$ 23,455,380	\$ 4,596,485	\$ (137,454)	\$ 27,914,411	\$ 5,710,992	\$ (182,312)	\$ 51,753,177

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2022

	LMM	FMHM	Fulfilling Housing	FMHM Eliminations	FMHM Total	LHM	MOMI	LHM Eliminations	LHM Total	LSS	Eliminations	Total
Operating revenues												
Net service revenue	\$ 0	\$ 12,261,782	\$ 0	\$ 0	\$ 12,261,782	\$ 18,188,084	\$ 0	\$ 0	\$ 18,188,084	\$ 736,344	\$ 0	\$ 31,186,210
Rental income	52,549		221,452		221,452		529,103		529,103		(52,549)	750,555
Grant revenue					0	123,725			123,725	2,221,857		2,345,582
Other operating revenue	2,000	53,997			53,997	131,456	5,778		137,234	24,275		217,506
Management fees	1,134,717	14,300		(14,300)	0	58,434		(58,434)	0		(1,134,717)	0
Net assets released from restrictions					0				0			0
Total operating revenue	1,189,266	12,330,079	221,452	(14,300)	12,537,231	18,501,699	534,881	(58,434)	18,978,146	2,982,476	(1,187,266)	34,499,853
Operating expenses												
Program expenses		13,585,984	264,201	(14,300)	13,835,885	17,521,598	759,570	(58,434)	18,222,734	3,570,577	0	35,629,196
General and administrative expenses	1,119,526	1,880,597	76,496		1,957,093	4,263,797	126,136		4,389,933	276,571	(1,099,926)	6,643,197
Fundraising expenses	87,340	43,670			43,670	43,670			43,670	79,204	(87,340)	166,544
Total operating expenses	1,206,866	15,510,251	340,697	(14,300)	15,836,648	21,829,065	885,706	(58,434)	22,656,337	3,926,352	(1,187,266)	42,438,937
Operating expenses in excess of revenues	(17,600)	(3,180,172)	(119,245)	0	(3,299,417)	(3,327,366)	(350,825)	0	(3,678,191)	(943,876)	0	(7,939,084)
Other income												
Contributions and donations					0				0	12,728		12,728
Rebates and refunds		2,745			2,745				0	0		2,745
Governmental relief for COVID-19		1,584,134			1,584,134	2,219,440			2,219,440			3,803,574
Employee Retention Credit					0				0			0
Paycheck Protection Program revenue					0				0			0
Restricted grants and contributions	1,751				11	182	99		0	63,191		64,942
Investment income			11		11				281	13,080		13,372
Gain (loss) on sale of property and equipment		5,000			5,000	10,256			10,256			15,256
Total other income	1,751	1,591,879	11	0	1,591,890	2,229,878	99	0	2,229,977	88,999	0	3,912,617
Excess (deficiency) of operating revenues over operating expenses	(15,849)	(1,588,293)	(119,234)	0	(1,707,527)	(1,097,488)	(350,726)	0	(1,448,214)	(854,877)	0	(4,026,467)
Other changes in net assets												
Contributions from related parties and foundations		700,000			700,000	939,593	23,748		963,341	148,800		1,812,141
Contributions to related parties and foundations					0				0			0
Contributions - restricted for capital from supporting foundations					0	146,638			146,638			146,638
Net assets released from restrictions - capital					0				0			0
Other changes in net assets		700,000			700,000	1,086,231	23,748	0	1,109,979	148,800	0	1,958,779
Change in net assets before interest in net assets of supporting foundations	(15,849)	(888,293)	(119,234)	0	(1,007,527)	(11,257)	(326,978)	0	(338,235)	(706,077)		(2,067,688)
Change in interest in net assets of supporting foundations		(556,878)			(556,878)	(1,360,973)			(1,360,973)	(36,974)		(1,954,825)
Change in net assets	(15,849)	(1,445,171)	(119,234)	0	(1,564,405)	(1,372,230)	(326,978)	0	(1,699,208)	(743,051)	0	(4,022,513)
Net assets - beginning of year	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
Net assets - end of year	\$ 249,324	\$ 12,820,341	\$ 1,947,906	\$ 0	\$ 14,768,247	\$ 19,669,061	\$ 3,555,333	\$ 0	\$ 23,224,394	\$ 4,067,154	\$ 0	\$ 42,309,119

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>
Operating revenue												
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					0	38,224			38,224	1,607,397		1,645,621
Other operating revenue		99,063			99,063	204,652	1,764		206,416	5,096		310,575
Management fees	1,191,795	12,743		(12,743)	0	44,772		(44,772)	0		(1,191,795)	0
Net assets released from restrictions					0				0			0
Total operating revenue	1,191,795	12,517,469	193,803	(12,743)	12,698,529	17,451,751	525,792	(44,772)	17,932,771	2,513,135	(1,191,795)	33,144,435
Operating expenses												
Program expenses		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
General and administrative expenses	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 expenses	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
Operating expenses in excess of revenues	45,934	(1,557,407)	(84,993)	0	(1,642,400)	(2,718,182)	(337,613)	0	(3,055,795)	(578,287)	0	(5,230,548)
Other income (expenses)												
Contributions and donations	1,181				0				0	86,123		87,304
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
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	1,381	4,967,667	9	0	4,967,676	5,589,854	123	0	5,589,977	705,554	0	11,264,588
Excess (deficiency) of operating revenues	47,315	3,410,260	(84,984)	0	3,325,276	2,871,672	(337,490)	0	2,534,182	127,267	0	6,034,040
Other changes in net assets												
Contributions from related parties and foundations		350,328			350,328	1,183,172	14,083		1,197,255	31,000		1,578,583
Contributions to related parties and foundations					0				0			0
Contributions - restricted for capital from supporting foundations					0	172,442			172,442			172,442
Net assets released from restrictions - capital					0				0			0
Other changes in net assets	0	350,328	0	0	350,328	1,355,614	14,083	0	1,369,697	31,000	0	1,751,025
Change in net assets before interest in net assets of supporting foundations	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
Change in interest in net assets of supporting foundations		542,289			542,289	154,331			154,331	683,006		1,379,626
Change in net assets	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
Net assets beginning of year	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
Net assets end of year	\$ 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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program							
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	Total Program
Salaries and wages	\$ 0	\$ 8,478,913	\$ 42,474	\$ 9,992,030	\$ 23,379	\$ 1,071,447	\$ 0	\$ 19,608,243
Employee benefits		1,034,027		1,127,422	1,859	149,333		2,312,641
Payroll taxes		752,818	2,341	842,766	1,672	87,495		1,687,092
Total salaries and related expenses	0	10,265,758	44,815	11,962,218	26,910	1,308,275	0	23,607,976
Contract services		399,087	61,243	819,840	201,765	105,737		1,587,672
State mandated fees		496,232		682,558				1,178,790
Medical costs and supplies		244,890		431,259				676,149
Utilities		262,616	42,419	300,152	92,341	28,890		726,418
Specific assistance to individuals						1,829,745		1,829,745
Repairs and maintenance		250,112	8,363	458,762	47,641	47,714		812,592
Food costs and supplies		232,136		369,087		22,590		623,813
Activity and habilitation supplies		99,153		1,074,347				1,173,500
Household supplies		110,126		63,683		(6,526)		167,283
Insurance		111,619	5,744	118,674	35,379			271,416
Communication		118,326		88,429		29,205		235,960
Travel and education		140,048		106,901		11,786		258,735
Minor equipment and office expense		72,709		71,904		49,543		194,156
Promotion and development						9,928		9,928
Rent		14,703		71,622		52,245		138,570
Dues and subscriptions		87,114		58,187		5,403		150,704
Interest expense		2,450		8,771		2,617		13,838
Recruitment								0
Other expenses		86,267	10,306	67,675	16,004	32,003	(72,734)	139,521
Total functional expenses before depreciation	0	12,993,346	172,890	16,754,069	420,040	3,529,155	(72,734)	33,796,766
Depreciation		592,638	91,311	767,529	339,530	41,422		1,832,430
Total functional expenses	\$ 0	\$ 13,585,984	\$ 264,201	\$ 17,521,598	\$ 759,570	\$ 3,570,577	\$ (72,734)	\$ 35,629,196

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

	Program							
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	Total Program
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		59,044		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	\$ 0	\$ 12,274,180	\$ 234,576	\$ 16,094,271	\$ 749,510	\$ 2,707,390	\$ (106,483)	\$ 31,953,444

LUTHERAN MINISTRIES OF MERCY, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED
For the Year Ended December 31, 2022

	General and Administrative							Total General and Administrative
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	
Salaries and wages	\$ 371,314	\$ 1,250,419	\$ 46,167	\$ 2,617,960	\$ 24,867	\$ 104,858	\$ (371,314)	\$ 4,044,271
Employee benefits	63,685	105,342	7,536	435,880	1,739	27,308	(63,685)	577,805
Payroll taxes	32,814	107,753	1,657	234,068	1,565	9,130	(32,814)	354,173
Total salaries and related expenses	467,813	1,463,514	55,360	3,287,908	28,171	141,296	(467,813)	4,976,249
Contract services	167,918	61,046	975	220,445	36,562	33,756	(148,318)	372,384
State mandated fees								0
Medical costs and supplies								0
Utilities	15,858	39,242		79,787			(15,858)	119,029
Specific assistance to individuals								0
Repairs and maintenance	26,926	37,373		121,950	8,700	394	(26,926)	168,417
Food costs and supplies								0
Activity and habilitation supplies								0
Household supplies		16,456		16,929		6,526		39,911
Insurance	283,351	16,679		31,546		14,742	(283,351)	62,967
Communication	4,987	17,681		23,507		1,785	(4,987)	42,973
Travel and education	47,796	20,927		28,417		7,352	(47,796)	56,696
Minor equipment and office expense	7,708	10,865	20,161	19,114	38,941		(7,708)	89,081
Promotion and development		60,224		175,339		819		236,382
Rent		2,197		19,039		994		22,230
Dues and subscriptions	92,887	13,017		15,468		14,398	(92,887)	42,883
Interest expense		366		2,332	8,054	35,778		46,530
Recruitment		19,564						19,564
Other expenses	4,282	12,891		17,989	5,708	3,919	(4,282)	40,507
Total functional expenses before depreciation	1,119,526	1,792,042	76,496	4,059,770	126,136	261,759	(1,099,926)	6,335,803
Depreciation		88,555		204,027		14,812		307,394
Total functional expenses	<u>\$ 1,119,526</u>	<u>\$ 1,880,597</u>	<u>\$ 76,496</u>	<u>\$ 4,263,797</u>	<u>\$ 126,136</u>	<u>\$ 276,571</u>	<u>\$ (1,099,926)</u>	<u>\$ 6,643,197</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, 2022

	Fundraising								Total Functional Expenses
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations	Total Fundraising	
Salaries and wages	\$ 68,438	\$ 34,219	\$ 0	\$ 34,219	\$ 0	\$ 38,514	\$ (68,438)	\$ 106,952	\$ 23,759,466
Employee benefits						1,898		1,898	2,892,344
Payroll taxes						3,343		3,343	2,044,608
Total salaries and related expenses	68,438	34,219	0	34,219	0	43,755	(68,438)	112,193	28,696,418
Contract services	18,902	9,451		9,451		2,006	(18,902)	20,908	1,980,964
State mandated fees								0	1,178,790
Medical costs and supplies								0	676,149
Utilities								0	845,447
Specific assistance to individuals								0	1,829,745
Repairs and maintenance						3,489		3,489	984,498
Food costs and supplies								0	623,813
Activity and habilitation supplies								0	1,173,500
Household supplies								0	207,194
Insurance								0	334,383
Communication						1,078		1,078	280,011
Travel and education						786		786	316,217
Minor equipment and office expense								0	283,237
Promotion and development						2,646		2,646	248,956
Rent						1,329		1,329	162,129
Dues and subscriptions						65		65	193,652
Interest expense						176		176	60,544
Recruitment								0	19,564
Other expenses						22,469		22,469	202,497
Total functional expenses before depreciation	87,340	43,670	0	43,670	0	77,799	(87,340)	165,139	40,297,708
Depreciation						1,405	0	1,405	2,141,229
Total functional expenses	<u>\$ 87,340</u>	<u>\$ 43,670</u>	<u>\$ 0</u>	<u>\$ 43,670</u>	<u>\$ 0</u>	<u>\$ 79,204</u>	<u>\$ (87,340)</u>	<u>\$ 166,544</u>	<u>\$ 42,438,937</u>

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

	Fundraising							Total Fundraising	Total Functional Expenses
	LMM	FMHM	Fulfilling Housing	LHM	MOMI	LSS	Eliminations		
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		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>

FILLING MEMORIAL HOME OF MERCY, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 848,110	\$ 1,453,688
Net service accounts receivable	1,686,768	1,652,127
Other accounts receivable	39,165	31,013
Accounts receivable from related parties and foundations	240,977	443,466
Employee Retention Credit receivable	1,359,130	1,359,130
Prepaid expenses and other current assets	47,921	103,316
Resident funds	205,416	280,017
Investments	0	0
Cash restricted as to use	93,621	66,421
Total current assets	4,521,108	5,389,178
Property and equipment, net	7,182,208	7,063,721
Interest in net assets of supporting foundations	4,907,843	5,464,721
Operating right-of-use assets	0	0
Other assets	0	0
Total assets	\$ 16,611,159	\$ 17,917,620
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 221,133	\$ 181,960
Lines of credit	0	0
Resident funds payable	205,416	280,017
Accounts payable to related parties and foundations	126,410	205,732
Medicaid franchise fee payable	123,850	136,246
Current portion of operating lease liabilities	0	0
Accrued compensation and related liabilities	1,007,746	778,920
Deferred revenue	156,111	0
Other accrued expenses	2,246	2,093
Current portion of long-term debt	0	0
Total current liabilities	1,842,912	1,584,968
Long-term liabilities		
Paycheck Protection Program loans	0	0
Operating lease liabilities - net of current portion	0	0
Long-term debt, net of current portion and debt issuance costs	0	0
Total long-term liabilities	0	0
Total liabilities	1,842,912	1,584,968
Net assets		
Without donor restrictions	11,435,277	13,180,998
With donor restrictions	3,332,970	3,151,654
Total net assets	14,768,247	16,332,652
Total liabilities and net assets	\$ 16,611,159	\$ 17,917,620

FILLING MEMORIAL HOME OF MERCY, INC. AND SUBSIDIARIES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues		
Net service revenue	\$ 12,261,782	\$ 12,405,663
Rental income	221,452	193,803
Grant revenue	0	0
Other operating revenue	53,997	99,063
Management fees	0	0
Net assets released from restrictions	0	0
Total operating revenue	12,537,231	12,698,529
Operating expenses		
Program expenses	13,835,885	12,496,013
General and administrative expenses	1,957,093	1,803,894
Fundraising expenses	43,670	41,022
Total operating expenses	15,836,648	14,340,929
Operating expenses in excess of revenues	(3,299,417)	(1,642,400)
Other income		
Contributions and donations	0	0
Rebates and refunds	2,745	8,727
Governmental relief for COVID-19	1,584,134	130,426
Employee Retention Credit	0	2,666,853
Paycheck Protection Program revenue	0	2,149,700
Restricted grants and contributions	0	5,261
Investment income	11	9
Gain (loss) on sale of property and equipment	5,000	6,700
Total other income	1,591,890	4,967,676
Excess (deficiency) of operating revenues over operating expenses	(1,707,527)	3,325,276
Other changes in net assets		
Contributions from related parties and foundations	700,000	350,328
Contributions to related parties and foundations	0	0
Contributions - restricted for capital from supporting foundations	0	0
Net assets released from restrictions - capital	0	0
Other changes in net assets	700,000	350,328
Change in net assets before interest in net assets of supporting foundations	(1,007,527)	3,675,604
Change in interest in net assets of supporting foundations	(556,878)	542,289
Change in net assets	(1,564,405)	4,217,893
Net assets beginning of year	16,332,652	12,114,759
Net assets end of year	\$ 14,768,247	\$ 16,332,652

LUTHER HOME OF MERCY AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS	2022	2021
Current assets		
Cash and cash equivalents	\$ 535,523	\$ 503,000
Net service accounts receivable	1,789,937	1,761,290
Other accounts receivable	102,728	32,627
Accounts receivable from related parties and foundations	198,779	296,911
Employee Retention Credit receivable	3,346,818	3,346,818
Prepaid expenses and other current assets	18,959	11,472
Resident funds	168,628	263,650
Investments	0	0
Cash restricted as to use	502,358	1,240,970
Total current assets	6,663,730	7,456,738
Property and equipment, net	13,714,754	11,846,637
Interest in net assets of supporting foundations	7,249,688	8,610,661
Operating right-of-use assets	0	0
Other assets	375	375
Total assets	\$ 27,628,547	\$ 27,914,411
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 958,861	\$ 442,351
Lines of credit	900,000	0
Resident funds payable	168,628	263,650
Accounts payable to related parties and foundations	10,000	10,000
Medicaid franchise fee payable	173,757	171,915
Current portion of operating lease liabilities	0	0
Accrued compensation and related liabilities	816,198	694,910
Deferred revenue	0	0
Other accrued expenses	71,742	65,037
Current portion of long-term debt	47,890	45,970
Total current liabilities	3,147,076	1,693,833
Long-term liabilities		
Paycheck Protection Program loans	0	0
Operating lease liabilities - net of current portion	0	0
Long-term debt, net of current portion and debt issuance costs	1,257,077	1,296,976
Total long term liabilities	1,257,077	1,296,976
Total liabilities	4,404,153	2,990,809
Net assets		
Without donor restrictions	15,227,122	17,055,260
With donor restrictions	7,997,272	7,868,342
Total net assets	23,224,394	24,923,602
Total liabilities and net assets	\$ 27,628,547	\$ 27,914,411

LUTHER HOME OF MERCY AND SUBSIDIARIES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues		
Net service revenue	\$ 18,188,084	\$ 17,164,103
Rental income	529,103	524,028
Grant revenue	123,725	38,224
Other operating revenue	137,234	206,416
Management fees	0	0
Net assets released from restrictions	0	0
Total operating revenue	18,978,146	17,932,771
Operating expenses		
Program expenses	18,222,734	16,799,009
General and administrative expenses	4,389,933	4,148,536
Fundraising expenses	43,670	41,021
Total operating expenses	22,656,337	20,988,566
Operating expenses in excess of revenues	(3,678,191)	(3,055,795)
Other income		
Contributions and donations	0	0
Rebates and refunds	0	0
Governmental relief for COVID-19	2,219,440	231,789
Employee Retention Credit	0	3,346,818
Paycheck Protection Program revenue	0	2,000,000
Restricted grants and contributions	0	0
Investment income	281	708
Gain (loss) on sale of property and equipment	10,256	10,662
Total other income	2,229,977	5,589,977
Excess (deficiency) of operating revenues over operating expenses	(1,448,214)	2,534,182
Other changes in net assets		
Contributions from related parties and foundations	963,341	1,197,255
Contributions to related parties and foundations	0	0
Contributions - restricted for capital from supporting foundations	146,638	172,442
Net assets released from restrictions - capital	0	0
Other changes in net assets	1,109,979	1,369,697
Change in net assets before interest in net assets of supporting foundations	(338,235)	3,903,879
Change in interest in net assets of supporting foundations	(1,360,973)	154,331
Change in net assets	(1,699,208)	4,058,210
Net assets beginning of year	24,923,602	20,865,392
Net assets end of year	\$ 23,224,394	\$ 24,923,602

LUTHERAN SOCIAL SERVICES OF NORTHWESTERN OHIO
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 132,502	\$ 252,528
Net service accounts receivable	28,913	53,874
Other accounts receivable	106,038	149,519
Accounts receivable from related parties and foundations	0	0
Employee Retention Credit receivable	0	328,934
Prepaid expenses and other current assets	2,155	2,155
Resident funds	0	0
Investments	3,262	3,262
Cash restricted as to use	0	0
Total current assets	272,870	790,272
Property and equipment, net	311,588	336,776
Interest in net assets of supporting foundations	4,510,910	4,547,884
Operating right-of-use assets	94,094	0
Other assets	35,428	36,060
Total assets	\$ 5,224,890	\$ 5,710,992
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 74,676	\$ 86,206
Lines of credit	155,455	235,000
Resident funds payable	0	0
Accounts payable to related parties and foundations	722,656	317,554
Medicaid franchise fee payable	0	0
Current portion of operating lease liabilities	22,829	0
Accrued compensation and related liabilities	110,627	116,980
Deferred revenue	0	144,599
Other accrued expenses	228	448
Current portion of long-term debt	0	0
Total current liabilities	1,086,471	900,787
Long-term liabilities		
Paycheck Protection Program loans	0	0
Operating lease liabilities - net of current portion	71,265	0
Long-term debt, net of current portion and debt issuance costs	0	0
Total long term liabilities	71,265	0
Total liabilities	1,157,736	900,787
Net assets		
Without donor restrictions	3,757,411	4,516,076
With donor restrictions	309,743	294,129
Total net assets	4,067,154	4,810,205
Total liabilities and net assets	\$ 5,224,890	\$ 5,710,992

LUTHERAN SOCIAL SERVICES OF NORTHWESTERN OHIO
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues		
Net service revenue	\$ 736,344	\$ 900,642
Rental income	0	0
Grant revenue	2,221,857	1,607,397
Other operating revenue	24,275	5,096
Management fees	0	0
Net assets released from restrictions	0	0
Total operating revenue	2,982,476	2,513,135
Operating expenses		
Program expenses	3,570,577	2,707,390
General and administrative expenses	276,571	279,956
Fundraising expenses	79,204	104,076
Total operating expenses	3,926,352	3,091,422
Operating expenses in excess of revenues	(943,876)	(578,287)
Other income		
Contributions and donations	12,728	86,123
Rebates and refunds	0	0
Governmental relief for COVID-19	0	0
Employee Retention Credit	0	328,934
Paycheck Protection Program revenue	0	231,069
Restricted grants and contributions	63,191	59,194
Investment income	13,080	234
Gain (loss) on sale of property and equipment	0	0
Total other income	88,999	705,554
Excess (deficiency) of operating revenues over operating expenses	(854,877)	127,267
Other changes in net assets		0
Contributions from related parties and foundations	148,800	31,000
Contributions to related parties and foundations	0	0
Contributions - restricted for capital from supporting foundations	0	0
Net assets released from restrictions - capital	0	0
Other changes in net assets	148,800	31,000
Change in net assets before interest in net assets of supporting foundations	(706,077)	158,267
Change in interest in net assets of supporting foundations	(36,974)	683,006
Change in net assets	(743,051)	841,273
Net assets beginning of year	4,810,205	3,968,932
Net assets end of year	\$ 4,067,154	\$ 4,810,205



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