

**LUTHERAN ASSOCIATION OF
MISSIONARIES AND PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES**
Brookfield, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended August 31, 2023

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lutheran Association of Missionaries and Pilots U.S., Inc.
d/b/a Lutheran Indian Ministries
Brookfield, Wisconsin

Opinion

We have audited the accompanying financial statements of Lutheran Association of Missionaries & Pilots U.S., Inc. d/b/a Lutheran Indian Ministries ("LIM") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LIM as of August 31, 2023, and the changes in net assets and its 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. 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 LIM 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.

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 LIM's ability to continue as a going concern within one year after the date that 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 LIM'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 LIM'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.

November 7, 2023
Milwaukee, Wisconsin

LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES
Brookfield, Wisconsin

Statement of Financial Position
August 31, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$	449,256
Investments - other		2,611,370
Prepaid expenses		47,121
Total current assets		<u>3,107,747</u>

Property and equipment, net		<u>1,865,531</u>
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Total assets	\$	<u><u>4,973,278</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	29,840
Accrued payroll		5,586
Notes payable		30,100
Current portion of mortgage payable		25,727
Total current liabilities		<u>91,253</u>

Noncurrent Liabilities:

Long-term portion of mortgage payable		<u>556,459</u>
Total liabilities		647,712

Net Assets:

Without donor restrictions		4,145,151
With donor restrictions		180,415
Total net assets		<u>4,325,566</u>

Total liabilities and net assets	\$	<u><u>4,973,278</u></u>
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The accompanying notes to financial statements
are an integral part of these statements.

LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES
 Brookfield, Wisconsin

Statement of Activities
 Year Ended August 31, 2023

	Without Donor Restriction	With Donor Restriction	Total
Revenues:			
Nonexchange transactions:			
Donations	\$ 1,909,052	\$ -	\$ 1,909,052
Insurance settlement	17,127	-	17,127
Total nonexchange transactions	1,926,179	-	1,926,179
Other revenues:			
Interest	99,562	-	99,562
Total revenues	2,025,741	-	2,025,741
Expenses:			
Program services	1,106,237	-	1,106,237
Management and general	352,809	-	352,809
Fundraising	377,480	-	377,480
Total expenses	1,836,526	-	1,836,526
Change in net assets before nonrecurring items	189,215	-	189,215
Nonrecurring Item	(650,000)	-	(650,000)
Change in net assets	(460,785)	-	(460,785)
Net Assets, beginning of year	4,605,936	180,415	4,786,351
Net Assets, end of year	\$ 4,145,151	\$ 180,415	\$ 4,325,566

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

LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES
 Brookfield, Wisconsin

Statement of Functional Expenses
 Year Ended August 31, 2023

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Salaries and benefits	\$ 520,664	\$ 238,408	\$ 106,931	\$ 866,003
Communication	99,809	2,008	104,627	206,444
Administration	96,800	101,467	146,663	344,930
Transportation	49,901	815	9,148	59,864
U.S. programs	294,326	-	-	294,326
Contributions remitted to MSC Canada	2,800	-	-	2,800
Depreciation	41,937	10,111	10,111	62,159
	<u>1,106,237</u>	<u>352,809</u>	<u>377,480</u>	<u>1,836,526</u>
Total expenses	\$ 1,106,237	\$ 352,809	\$ 377,480	\$ 1,836,526

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

LUTHERAN ASSOCIATION OF MISSIONARIES & PILOTS U.S., INC.
D/B/A LUTHREAN INDIAN MINISTRIES
 Brookfield, Wisconsin

Statement of Cash Flows
 Year Ended August 31, 2023

Cash Flows from Operating Activities:	
Change in net assets before nonrecurring item	\$ 189,215
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation	62,159
Nonrecurring item	(650,000)
Changes in assets and liabilities:	
Grants receivable - ERC, net	206,781
Prepaid expenses	25,310
Accounts payable	9,178
Accrued payroll	(2,574)
Total adjustments	<u>(349,146)</u>
Net cash and cash equivalents used by operating activities	<u>(159,931)</u>
 Cash Flows from Investing Activities:	
Additions to property and equipment	(30,086)
Proceeds from sale of investments	240,769
Net cash provided by investing activities	<u>210,683</u>
 Cash Flows from Financing Activities:	
Payments on mortgage payable	<u>(24,668)</u>
Net change in cash and cash equivalents	26,084
Cash and cash equivalents, beginning of year	<u>423,172</u>
Cash and cash equivalents, end of year	<u><u>\$ 449,256</u></u>
 Supplemental disclosures:	
Interest paid	\$ 19,576
Donated securities	<u><u>\$ 212,003</u></u>

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

LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES
Brookfield, Wisconsin

Notes to Financial Statements
August 31, 2023

1. Organization and Nature of Operations

Organization

Lutheran Association of Missionaries and Pilots U.S., Inc. d/b/a Lutheran Indian Ministries (“LIM”) is a Wisconsin nonprofit corporation.

Nature of Operations

Lutheran Association of Missionaries and Pilots, US (also known as Lutheran Indian Ministries) shares the Gospel of Jesus Christ with Native American people, encouraging them to proclaim Christ’s Kingdom to their own and to others.

Under the leadership of our Executive Director, Robert Heffle, (Iñupiat Eskimo), the staff of LIM envisions a day when all Nations walk together in Christian fellowship.

PROCLAIM

To achieve the Mission and Vision of LIM, the Gospel is shared in a manner that acknowledges local culture, customs, missionary history, and social challenges that exist in Native communities. Sharing the Gospel while addressing the high rates of domestic violence, child abuse, substance use, historical trauma, incarceration rates and suicide demonstrates how the Gospel heals and restores individuals, families, and communities. LIM partners with churches that serve Native people and supports Lutheran churches as appropriate.

DISCIPLE

LIM identifies, mentors, and supports the development of American Indian/Native Alaskan leaders so they can replicate programs, or share the of the Gospel within their community. Examples include training, mentoring, and facilitation of targeted learning experiences. LIM also encourages Native leaders to consider professional church work and will assist through connections with the Lutheran Seminaries.

LIM’s ministry staff cultivates relationships with Native leaders and provides discipleship training opportunities to share the Gospel message within their community. Discipling of Native people enables LIM, by the power of the Holy Spirit, to bring programming and the Gospel message of hope to more families and communities.

HEAL

By providing programming where Native people can explore life experiences that may include abuse and addiction, Biblical stories and principals are used so Native people can begin to heal. This initial step is critical so Native people hear the Gospel message, begin to learn of God grace, and that he will accept them exactly as they are. LIM also equips, trains, supports, and encourages existing faith communities to better serve Native people.

Program Service Accomplishments

LIM accomplishes it’s mission by focusing efforts in three primary areas. See below for descriptions and total program expenses for the year ended August 31, 2023:

Pastoral Care: Worship, Administer Sacraments, Bible Study, Counsel - \$442,496

Healing Ministry: Equip and train local Native Leaders to address grief, abuse, suicide, addiction etc. - \$331,872

Youth/Campus Ministry: Youth Bible Studies/Camp experience - \$276,560

Other: \$55,309

LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES
Brookfield, Wisconsin

Notes to Financial Statements
August 31, 2023
(Continued)

1. Organization and Nature of Operations (Continued)

Nature of Operations (Continued)

LIM anticipates gathering on the Last Day when we shall see "a great multitude that no one can count, from every nation, tribe, people, and language, standing before the throne and before the Lamb." (Revelation 7:9)

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of LIM have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. LIM does not have any restrictions that are required to be held in perpetuity.

Revenue Recognition

LIM recognizes revenue based on the existence or absence of an exchange transaction. LIM recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member. LIM did not generate any revenue from exchange transactions for the year ended August 31, 2023.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

Notes to Financial Statements

August 31, 2023

(Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue from non-exchange transactions consist of the following:

- **Contributions and promises to give** – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized at prime interest rate and is reported as contribution revenue. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. LIM does not have any unconditional or conditional promises to give as of August 31, 2023.

Income Taxes

LIM is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. LIM is not considered a private foundation by the Internal Revenue Service. LIM does not consider any of its support and revenues to be unrelated business income, and accordingly, no provision for income taxes has been provided in the accompanying financial statements.

LIM has implemented accounting for uncertainty in income taxes in accordance with U.S. GAAP. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosures required. Management of LIM evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. LIM recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

In management's opinion, LIM has not taken any uncertain tax positions, and accordingly, has not reported a corresponding liability in the financial statements.

Functional Expenses

LIM classifies expenses into two functions: program services and supporting services. The program services function includes all expenses directly related to LIM's activities and programs for ministry work. These expenses have been allocated to the various activities and programs based on employee hours incurred and hours of services provided to ministry work. The supporting services functions include fundraising expenses and management and general expenses not directly associated with activities and programs.

Cash and Cash Equivalents

For purposes of the statement of cash flows, LIM considers checking, savings and money market accounts, and all non-donor restricted highly liquid investments with an initial maturity of three months or less to be cash.

LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES
Brookfield, Wisconsin

Notes to Financial Statements
August 31, 2023
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Investments - Other

LIM carries certificates of deposit at cost basis plus accrued interest which approximates fair value. Total certificates of deposit are classified on the statement of financial position in the investment – other category as maturity dates are all within a year.

Property and Equipment

Property and equipment are recorded at cost or fair market value at time of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. It is the policy of LIM to capitalize property and equipment costing over \$500. Estimated useful lives are as follows:

Office equipment	3-10 years
Furniture and fixtures	7 years
Automobiles	5 years
Building and building improvements	15-40 years

Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 7, 2023). Subsequent to year-end, LIM committed to paying \$64,125 to a partner church. There were no additional subsequent events that require disclosure.

3. Liquidity and Availability

The following table reflects LIM's financial assets, reduced by amounts that are not available to meet general expenditures and other contractual obligations within one year of the statement of financial position date because of contractual restrictions, certain donor restrictions, or internal board designations at August 31, 2023:

Cash and cash equivalents	\$ 449,256
Investments - other	2,611,370
Less amounts not available to be used within one year for general expenditures:	
Net assets – with donor restrictions	<u>(180,415)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,880,211</u>

In addition to financial assets available to meet general expenditures and other contractual obligations over the next 12 months, LIM operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures and other contractual obligations not covered by donor-restricted resources.

LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES
 Brookfield, Wisconsin

Notes to Financial Statements
 August 31, 2023
 (Continued)

4. Property and Equipment

Property and equipment consist of the following as of August 31, 2023:

Land	\$	260,393
Building		1,823,694
Sheds		3,572
Automobiles		28,986
Furniture and fixtures		10,959
Equipment		147,775
Artwork		4,500
Cemetery plot		700
Total property and equipment		2,280,579
Less: Accumulated depreciation		(415,048)
Net property and equipment	\$	1,865,531

Depreciation expense for the year ended August 31, 2023 amounted to \$62,159.

5. Notes Payable

Notes payable consisted of the following as of August 31, 2023:

Notes payable from donors, interest free, various due dates or due Within 30 days of donor's request		\$ <u>30,100</u>
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6. Mortgage Payable

During 2020, LIM entered into a \$650,000 mortgage note payable agreement with the State Bank of Chilton. The note carries a 3.25% fixed interest rate and calls for 59 monthly payments of principal and interest of \$3,687, with a balloon payment of all remaining principal and interest due October 9, 2025. The mortgage is secured by the property and the general business assets. The balance on the mortgage payable as of August 31, 2023 amounted to \$582,186.

Future minimum required principal repayments on this note will be as follows:

<u>Years Ending August 31,</u>		
2024	\$	25,727
2025		26,575
2026		529,884
Total	\$	582,186

Interest expense on the mortgage payable amounted to \$19,576 for the year ended August 31, 2023.

**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.
D/B/A LUTHERAN INDIAN MINISTRIES**

Brookfield, Wisconsin

Notes to Financial Statements

August 31, 2023

(Continued)

7. Net Assets With Donor Restriction

The balances of net assets with donor restrictions consisted of the following at August 31, 2023:

Native Training	\$	30,000
Haskell Facility		<u>150,415</u>
Total	\$	<u><u>180,415</u></u>

8. Retirement Plan

Eligible clergy and staff may participate in the defined-contribution pension plans available. LIM's contributions for the year ended August 31, 2023 amounted to \$60,666.

9. 403(b) Plan

LIM maintains a tax-deferred annuity retirement plan for eligible employees. Beginning in April 1996, LIM discontinued making contributions to the plan. In 2009, new regulations of 403(b) plans became effective. The new regulations made it administratively impractical to continue offering a 403(b) plan with multiple vendors. Therefore, LIM limits eligible employees to participation with voluntary 403(b) contributions being made to the church plan in which the employees receive their comprehensive benefits coverage.

10. Concentration of Risk

LIM maintains its cash balances in two financial institutions and one at Lutheran Church Extension Fund (LCEF). LIM's combined deposits at each of the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, LIM's deposits exceed the insured limits. Investments – other consist of certificates of deposit all under the FDIC limit and are covered by the FDIC.

For the year ended August 31, 2023, LIM received approximately 10% of revenue from one contributor.

11. Litigation – Nonrecurring

LIM was voluntarily serving primarily homeless American Indian people in the Phoenix, Arizona metropolitan area. These services included, but were not limited to, food, clothing, and assisting them with locating housing, as well as providing behavioral health programs and materials. These services were provided at no cost from approximately November 2017 to early 2019. In early 2019, a LIM representative located in Phoenix was contacted by an independent behavioral health provider who indicated that LIM could be reimbursed or otherwise paid for some of the services provided, by Arizona Health Cost Containment System (AHCCCS), the Arizona Medicaid provider. As a result, LIM began receiving payment for some of its services.

The Arizona Attorney General's Office in Phoenix ("AZAG") later asserted that some of the services provided by LIM were improperly billed.

LIM has been in settlement negotiations with the AZAG since 2021 to resolve the case. During the year ended August 31, 2023, the civil forfeiture case has been resolved by agreement that LIM repay an amount of \$650,000, which payment has occurred and the civil complaint against LIM has been dismissed. Additionally, as part of the same agreement, the criminal charges against LIM have been dismissed with prejudice meaning that the charges cannot be re-filed.