

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

**AUDITED FINANCIAL STATEMENTS**

Year Ended August 31, 2020

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## INDEPENDENT AUDITORS' REPORT

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

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

Due to a lack of formal documentation of a fee structure or log of activities by date, the revenue line for fee-for-service revenue – other on the statement of activities has been recorded on the cash basis of accounting for the first part of the year. Accounting principles generally accepted in the United States of America require the recognition of revenue on the accrual basis of accounting, whereas revenue is recognized when earned, or services have been provided. The effects on the accompanying financial statements, on the recording of this revenue source on the cash basis of accounting, have not been determined.

## **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of LIM as of August 31, 2020, and the changes in its net assets, and its cash flows for the year then ended in accordance with U.S. GAAP.

July 9, 2021  
Milwaukee, Wisconsin

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

**Statement of Financial Position**  
 August 31, 2020

<b>ASSETS</b>	<b><u>2020</u></b>
<b>Current Assets:</b>	
Cash	\$ 933,368
Accounts receivable	27,995
Promises to give net - current	15,150
Prepaid expenses - current	103,078
Deposits - current	<u>25,000</u>
<b>Total current assets</b>	<b>1,104,591</b>
 <b>Property and Equipment:</b>	
Property and equipment	2,063,625
Less - Accumulated depreciation and amortization	<u>(330,543)</u>
<b>Net property and equipment</b>	<b>1,733,082</b>
 <b>Noncurrent Assets:</b>	
Prepaid expenses, less current portion	5,484
Deposits, less current portion	16,377
Promises to give - net, less current portion	<u>14,400</u>
<b>Total noncurrent assets</b>	<b><u>36,261</u></b>
<b>Total assets</b>	<b>\$ <u><u>2,873,934</u></u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 53,098
Accrued payroll	92,475
Current portion of deferred rent	5,237
Accrued and withheld payroll taxes	20,669
Notes payable	30,100
Paycheck Protection Program loan	<u>306,553</u>
<b>Total current liabilities</b>	<b>508,132</b>
 <b>Noncurrent Liabilities:</b>	
Long-term portion of deferred rent	<u>14,901</u>
<b>Total liabilities</b>	<b>523,033</b>
 <b>Net Assets:</b>	
Without donor restrictions	2,200,376
With donor restrictions	<u>150,525</u>
<b>Total net assets</b>	<b><u>2,350,901</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u><u>2,873,934</u></u></b>

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, 2020

	<b>August 31, 2020</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Support, Revenue and Other Income:</b>			
<b>Gifts:</b>			
Donations	\$ 1,943,573	\$ 227,576	\$ 2,171,149
<b>Other Income:</b>			
Interest	6,550	-	6,550
Rent income	4,763	-	4,763
Realized gain on sale of investments	33	-	33
Gain on sale of property and equipment	4,982	-	4,982
Fee-for-service revenue	1,057,504	-	1,057,504
Fee-for-service revenue - other	895,533	-	895,533
In-kind contributions	3,655	-	3,655
<b>Net other income</b>	1,973,020	-	1,973,020
<b>Net Assets Released From Restrictions:</b>			
Satisfaction of program restrictions	149,499	(149,499)	-
<b>Total support, revenue and other income</b>	4,066,092	78,077	4,144,169
<b>Expenses:</b>			
<b>Program services</b>	2,873,994	-	2,873,994
<b>Supporting Services:</b>			
Management and general	290,547	-	290,547
Fund-raising	501,930	-	501,930
<b>Total expenses</b>	3,666,471	-	3,666,471
<b>Change in net assets</b>	399,621	78,077	477,698
<b>Net Assets, Beginning of Year</b>	1,800,755	72,448	1,873,203
<b>Net Assets, End of Year</b>	\$ 2,200,376	\$ 150,525	\$ 2,350,901

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, 2020

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total</u>
	<u>Pastoral Care</u>	<u>Healing Ministry</u>	<u>Youth/Campus Ministry</u>	<u>Other Program</u>	<u>Total Program</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	
<b>Expenses:</b>								
Salaries and benefits	\$ 734,524	\$ 550,893	\$ 459,078	\$ 91,816	\$ 1,836,311	\$ 200,846	\$ 281,358	\$ 2,318,515
Communication	64,365	48,273	40,228	8,046	160,912	2,285	139,382	302,579
Administration	87,866	65,900	54,917	10,983	219,666	84,213	66,476	370,355
Transportation	98,263	73,696	61,414	12,283	245,656	3,140	12,418	261,214
U.S. programs	105,908	79,431	66,192	13,238	264,769	63	2,296	267,128
Contributions remitted to MSC Canada	21,239	15,929	13,274	2,655	53,097	-	-	53,097
Depreciation and amortization	34,738	26,054	21,711	4,342	86,845	-	-	86,845
Bad debt expense	2,433	1,825	1,521	304	6,083	-	-	6,083
In-kind expenses	261	197	164	33	655	-	-	655
<b>Total expenses</b>	<b>\$ 1,149,597</b>	<b>\$ 862,198</b>	<b>\$ 718,499</b>	<b>\$ 143,700</b>	<b>\$ 2,873,994</b>	<b>\$ 290,547</b>	<b>\$ 501,930</b>	<b>\$ 3,666,471</b>

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, 2020

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 477,698
<b>Adjustment to reconcile change in net assets to net cash provided by operating activities:</b>	
Depreciation and amortization	86,845
Realized gain on sale of investments	(33)
Gain on sale of property and equipment	(4,982)
<b>Changes in Assets and Liabilities:</b>	
Accounts receivable	(24,613)
Prepaid expenses	(30,089)
Promises to give	(1,597)
Deposits	(28,650)
Accounts payable	(4,359)
Accrued payroll	53,191
Deferred rent	(3,979)
Accrued and withheld payroll taxes	6,834
<b>Total adjustments</b>	<u>48,568</u>
<b>Net cash provided by operations</b>	<u>526,266</u>
 <b>Cash Flows from Investing Activities:</b>	
Net proceeds from sale of investments	33
Additions to property and equipment	(252,192)
Proceeds from sale of property and equipment	56,971
<b>Net cash used by investing activities</b>	<u>(195,188)</u>
 <b>Cash Flows from Financing Activities:</b>	
Borrowings on Paycheck Protection Program loan	306,553
<b>Net cash provided by financing activities</b>	<u>306,553</u>
 <b>Net change in cash</b>	 637,631
 <b>Cash, Beginning of year</b>	 <u>295,737</u>
 <b>Cash, End of year</b>	 \$ <u><u>933,368</u></u>
 <b>Supplementary Information:</b>	
Donated securities	\$ <u><u>6,585</u></u>
Donated tractor	\$ <u><u>3,000</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, 2020

**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) proclaims the Gospel of Jesus Christ with Native American peoples, disciples Native leaders to share the Gospel with their brothers and sisters, and addresses the intergenerational pain, sorrow, and suffering of families and communities in a way that values Native cultures. We proclaim, disciple, and heal.

Under the leadership of our Executive Director, Tim Young Eagle (Pawnee), the staff of LIM envisions a day when all Nations walk together in Christian fellowship through the work done at our seven ministry sites.

**PROCLAIM**

This life-changing message of Jesus’ life, death, and resurrection gives Native people a purpose that transcends the relentless drumming of the dominant culture who once told them they were not worthy of God’s love and forgiveness. Our ministry staff brings the true message of His love, forgiveness, and acceptance to Native people.

Through church services, like those at Makah Lutheran Church in Neah Bay, Washington and Shepherd of the Valley Lutheran in Navajo, New Mexico, and Vacation Bible School programs held at all of our ministry sites, from the most remote villages of Alaska to the streets of Phoenix, Arizona, we are bringing the Good News to people who desperately need to hear it.

**DISCIPLE**

By following the roadmap that Jesus modeled for us with his own disciples, our ministry staff is cultivating and training disciples to share the Gospel message with their Native brothers and sisters. This discipling of Native peoples enables us, by the power of the Holy Spirit, to bring the renewal and restoration Indigenous people crave to more families and communities.

Through programs like Teen Camp in Fairbanks, Alaska and bible studies at Haskell LIGHT on the Haskell Indian Nations University campus in Lawrence, Kansas, we are assisting young Native men and women to grow and lead their communities in a Christ-like manner and to share their faith with others. We also run “Fatherhood is Sacred/Motherhood is Sacred” programs to help individuals learn to parent as God intended.

**HEAL**

LIM provides the kind of counseling and care that Native people need to begin to feel whole again. Because, before Native peoples can put on the full armor of Christ (Ephesians 6:11-17), they must first take off the cloak they have been wearing—the cloak of pain and distrust that they put on to shield themselves from hurt has covered their lives and their secrets in darkness.

By providing safe places, where Native people can tell their stories of abuse and addiction, and building strong ties with community members, our trained ministry staff can holistically counsel and guide them towards a path of healing. This initial step is critical to helping Native people break the cycle of intergenerational pain, suffering, sorrow, addiction, and affliction that has haunted and plagued them for hundreds of years. We participate in this process through “Sacred Ground” and “Celebrate Recovery” programs.



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

**Notes to Financial Statements**

August 31, 2020

(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)*

**Program Service Accomplishments**

LIM accomplishes its mission by focusing efforts in three primary areas.

**Pastoral Care** – Worship, Administer Sacraments, Bible Study, Counsel

**Healing Ministry** – Equip and train local Native Leaders to address grief, abuse, suicide, addiction etc.

**Youth/Campus Ministry** – Youth Bible Studies/Camp experience

**2. Summary of Significant Accounting Policies**

**Accrual Basis**

The financial statements of LIM have been prepared on the accrual basis of accounting, with the exception of the fee-for-service revenue – other line, which has been recorded on the cash basis of accounting for the first part of the year.

**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.

**Net Assets**

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.

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

**Notes to Financial Statements**  
August 31, 2020  
(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition**

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization 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.

Revenue from performance obligations satisfied at a point in time or over a period of time consists of the following:

- **Fee-for-service revenues** – recognized as performance obligations are met
- **Rental income** – recognized when LIM provides the rented space for the period rented

Revenue from non-exchange transactions consist of the following:

- **Contributions of cash 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.
- **In-kind revenue** – recognized either when the Organization provides donated goods to members or when a gift of in-kind service is performed on behalf of the Organization

**In-Kind Contributions**

Contributions of non-cash goods and services are stated at their fair value in the period received. LIM has recorded \$3,655 of in-kind contributions for the year ended August 31, 2020. LIM received a tractor valued at \$3,000 during the year ended August 31, 2020, which has been capitalized as a fixed asset. Gift cards valued at \$655 were also donated during the year ended August 31, 2020.

**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.

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

**Notes to Financial Statements**  
August 31, 2020  
(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**Income Taxes (Continued)**

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 fund-raising expenses and management and general expenses not directly associated with activities and programs.

**Cash**

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.

**Fee-For-Service Revenue and Fee-For-Service Revenue - Other**

Fee-for-service revenue is recorded on the accrual basis of accounting. Fee-for-service revenue – other is recorded on the cash basis of accounting for the first part of the year, which is the reason for the qualified opinion.

**Property and Equipment**

Property and equipment are recorded at cost or fair market value at time of donation. Depreciation or amortization 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
Leasehold improvements	15 years
Building and building improvements	15-40 years

**Accounts Receivable**

Accounts receivable are reported at contract values, less an allowance for uncollectible accounts. Management determines the need for an allowance for doubtful accounts based on experience relative to the possibility of collection. Management believes all amounts to be collectible as of August 31, 2020. Management writes off balances when they deem them to be uncollectible.

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

**Notes to Financial Statements**  
 August 31, 2020  
 (Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**Subsequent Events**

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (July 9, 2021). See footnotes 4, 6, 7, 8, 12 and 18 for additional subsequent events requiring disclosure. In addition to those footnotes, LIM discontinued the operations for the revenue lines of Fee-for-service revenue and Fee-for-service revenue – other on the statement of activities.

**Changes in Accounting Principle**

Financial Accounting Standards Board (“FASB”) Accounting Standards Updated (“ASU”) 2016-14 Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendment has been applied retrospectively. Accordingly, there is no effect on net assets in connection with our implementation of 2016-14.

In June 2018, the FASB issued ASU 2018-08 – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under the full prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

**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, 2020:

Cash	\$	933,368
Accounts receivable		27,995
Promises to give, net – current		15,150
<b>Total financial assets</b>		<u>976,513</u>
<b>Less amounts not available to be used within one year for general expenditures and other contractual obligations:</b>		
Net assets - with donor restrictions		(150,525)
Add back: Promises to give – time only - current		10,175
<b>Total</b>		<u>(140,350)</u>
<b>Financial assets available to meet general expenditures and other contractual obligations within one year</b>	<b>\$</b>	<u><u>836,163</u></u>

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

**Notes to Financial Statements**  
August 31, 2020  
(Continued)

**3. Liquidity and Availability (Continued)**

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. Refer to the statement of cash flows which identifies the sources and uses of LIM's cash, and shows positive cash generated by operations for the year ended August 31, 2020. In addition, should short-term needs arise, LIM has the ability to borrow up to \$250,000 on their line of credit. See footnote 6 for details.

**4. Property and Equipment**

Property and equipment consist of the following at August 31, 2020:

Land	\$ 49,793
Buildings	1,583,478
Building improvements	36,310
Sheds	3,572
Automobiles	196,270
Furniture and fixtures	51,425
Equipment	137,577
Artwork	4,500
Cemetery plot	700
<b>Total property and equipment</b>	<u>2,063,625</u>
Less: Accumulated depreciation and amortization	<u>(330,543)</u>
<b>Net property and equipment</b>	<u>\$ 1,733,082</u>

Depreciation and amortization expense for the year ended August 31, 2020 amounted to \$86,845.

Subsequent to year end, LIM purchased a building in Brookfield, WI for \$775,000. LIM will be moving its Brookfield operations from its current location to the new building within the next fiscal year. During the year ended August 31, 2020, LIM paid \$25,000 as an escrow payment related to this purchase. This amount is included in deposits – current on the statement of financial position at August 31, 2020.

**5. Promises to Give**

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 using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Based on the nature of the donors at year end, management did not set up an allowance for uncollectible pledges. Conditional promises to give are not included as support until the conditions are substantially met. LIM has a conditional promise to give with a net present value of approximately \$30,000 at August 31, 2020. This is conditional upon the provisions of the donor's request, which requires a matching contribution.

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

**Notes to Financial Statements**  
 August 31, 2020  
 (Continued)

**5. Promises to Give (Continued)**

Unconditional promises to give consisted of the following as of August 31, 2020:

Unconditional promises to give before unamortized discount	\$	30,025
Less: Unamortized discount (Discount rate 3.25%)		<u>(475)</u>
<b>Net unconditional promises to give</b>	<b>\$</b>	<b><u>29,550</u></b>
Amounts due in:		
Less than one year	\$	15,150
One to five years		<u>14,400</u>
<b>Total</b>	<b>\$</b>	<b><u>29,550</u></b>

The following is a summary of conditional promises to give for the year ending August 31, 2020:

Conditional promise to give, beginning of year	\$	50,000
Recognized in current year		<u>(20,000)</u>
<b>Total remaining conditional promise to give</b>	<b>\$</b>	<b><u>30,000</u></b>

**6. Line of Credit**

LIM also has a line of credit of \$250,000 that matures on August 6, 2021, with interest at the bank's prime rate, secured by a general security agreement. The balance on the line of credit as of August 31, 2020 amounted to \$0 and bears an interest rate of prime. The interest rates as of August 31, 2020 was 3.25%. Interest expense for the year ended August 31, 2020 amounted to \$0. Subsequent to year end, on May 19, 2021 the bank terminated the line of credit due to the pending litigation noted in footnote 18.

**7. Notes Payable**

Notes payable consisted of the following as of August 31, 2020:

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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Subsequent to year end, 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.

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

**Notes to Financial Statements**  
 August 31, 2020  
 (Continued)

**7. Notes Payable (Continued)**

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

<u>Years Ending August 31,</u>	
2021	\$ 19,502
2022	24,110
2023	24,905
2024	25,727
2025	26,575
Thereafter	<u>529,181</u>
<b>Total</b>	<b>\$ <u>650,000</u></b>

**8. Paycheck Protection Program Loan**

On April 23, 2020, LIM obtained a Paycheck Protection Loan ("PPP") in the amount of \$306,553. The PPP has a maturity date of April 23, 2022, is unsecured, and bears interest at 1.00% at the time of conversion. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. LIM has recorded the PPP as a current liability on the statement of financial position, as the long-term portion of the non-forgivable amount is not readily available. LIM intends to use the proceeds for purposes consistent with the PPP, and estimates that the entire amount will be forgiven once the period ends. Accordingly, no liability for accrued interest has been recorded. LIM will recognize the forgiven portion of the loan as PPP forgiveness on the statement of activities once the amount of the PPP forgiveness portion is signed off on by the lender. LIM received forgiveness on the PPP loan on November 2, 2020.

Subsequent to year end, on February 5, 2021, LIM obtained a second PPP loan in the amount of \$420,000.

**9. Net Assets With Donor Restriction**

The balances of net assets with donor restrictions consisted of the following at August 31, 2020:

Native Training (Purpose)	\$ 30,000
Haskell Facility (Purpose)	90,975
Promises to give (Time and Purpose)	9,000
Promises to give (Time only)	<u>20,550</u>
<b>Total</b>	<b>\$ <u>150,525</u></b>

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

**Notes to Financial Statements**  
August 31, 2020  
(Continued)

**10. Retirement Plan**

Eligible clergy and staff may participate in the defined-contribution pension plans available. LIM's contributions for the year ended August 31, 2020 amounted to \$146,234.

**11. 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.

**12. Leases**

LIM had an operating lease for office equipment, requiring monthly payments of \$107, plus the cost of maintenance, based on number of copies, which expired in June 2020. Rent expense related to office equipment for year ended August 31, 2020 was \$1,070. This lease was not renewed by LIM.

LIM entered into a lease for the use of office and storage space during 2016, which ends on September 30, 2023. The lease calls for initial monthly payments of \$4,816, with monthly payments gradually increasing on an annual basis throughout the lease term. LIM has received free rent which will be abated over the life of the lease. As of August 31, 2020 the deferred rent amounted to \$20,138. Rent expense on this lease for the year ended August 31, 2020 was \$57,477. Subsequent to year end, on February 25, 2021 LIM terminated this lease and had a buyout of \$30,335.

On July 29, 2019, LIM entered into a lease for the use of office space in Mesa, AZ. The lease runs from September 1, 2019 to August 1, 2022 and calls for monthly payments of \$5,484. Rent expense on this lease for the year ended August 31, 2020 was \$65,805.

On October 30, 2019, LIM entered into another new lease for the use of additional office space in Mesa, AZ. The lease runs from November 1, 2019 to August 1, 2022 and calls for monthly payments of \$2,742. Rent expense on this lease for the year ended August 31, 2020 was \$27,419.

Subsequent to year end, on March 1, 2021, LIM terminated both Arizona leases and had a buyout of \$74,262.

Future minimum rental payments for these leases up to the termination of them are as follows:

**Year Ending August 31,**

2021                      \$ 80,658

**13. 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.



**LUTHERAN ASSOCIATION OF MISSIONARIES AND PILOTS U.S., INC.**  
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 Brookfield, Wisconsin

**Notes to Financial Statements**  
 August 31, 2020  
 (Continued)

**14. Rental Income**

LIM entered into an agreement whereby it rents kitchen space to a charter school in Navajo, NM for the purpose of providing hot lunch to students. LIM pays for the cost of maintenance and utilities related to the kitchen, and collects \$10 per hour used by the school. Rental income related to this agreement amounted to \$4,763 for the year ended August 31, 2020. Due to nature of this agreement, future collections of rental income cannot be reasonably predicted; therefore, no future rental income schedule is presented.

**15. Revenue**

Revenue, disaggregated by type, consists of the following for the year ended August 31, 2020:

<b>Exchange:</b>	
Fee-for-service revenue	\$ 1,953,037
Rent income	4,763
<b>Total exchange revenue</b>	<b>1,957,800</b>
<b>Non-exchange:</b>	
Contributions and other grants	2,171,149
Gain on sale of property and equipment	4,982
<b>Total non-exchange</b>	<b>2,176,131</b>
<b>In-kind revenue</b>	3,655
<b>Interest income</b>	6,550
<b>Realized gain on sale of investments</b>	33
<b>Total revenue</b>	<b>\$ 4,144,169</b>

**16. MSC Canada**

During the year ended August 31, 2020, LIM made designated gifts to MSC Canada, located in Ontario, Canada.

LIM funded \$53,097 of expenses on behalf of MSC Canada for the year ended August 31, 2020. These amounts will not be paid back.

**17. Current Vulnerability Due to Certain Concentrations**

Approximately 47% of LIM's revenue during the year ended August 31, 2020 was received as a result of fee for service revenues in conjunction with ministry services performed in Mesa, AZ.

**18. Pending Litigation**

Subsequent to year end, the Office of the Attorney General for the State of Arizona ("the AG") is conducting a broad investigation into whether a number of entities and persons submitted claims for reimbursement for services performed in Arizona that may constitute over billing or were not eligible for reimbursement for a period between 2018 through a portion of 2020. During this time frame, LIM was providing behavioral health services under a fee for services agreement and that third party submitted claims for reimbursement. The extent to which LIM may incur a financial liability is currently unknown. The current Executive Director of LIM was not resident during this time, and LIM is fully cooperating with the AG's office.